

# NEWS RELEASE

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SOUTHERN DISTRICT OF ILLINOIS

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*For Immediate Release*

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Ronald J. Tenpas, United States Attorney for the Southern District of Illinois announced today that sentence was imposed on six defendants who had previously pled guilty in United States District Court in Minnesota. The case was indicted in the Southern District of Illinois, but transferred to Minnesota for trial.

The pleas were the result of a health care fraud investigation conducted by the Headwaters Task Force of the Federal Bureau of Investigation, the United States Postal Inspection Service, and the Office of the Inspector General of the Department of Health and Human Services.

The lead defendant, Augustine Medical, Inc., (AMI) of Eden Prairie, Minnesota, was sentenced to a fine of \$5,249,910.18, a \$400.00 special assessment and a period of probation of five years. The corporation previously paid a \$7,499,880.26 civil penalty to the United States. AMI's successor corporation, Arizant, Inc. has entered into a corporate integrity agreement with the Department of Health and Human Services, Office of Inspector General.

The Court also imposed sentence on four former AMI executives.

AMI's former CEO and founder, Scott D. Augustine, age 50, of Bloomington, Minnesota, was placed on probation for three years and was required to pay a \$2 million dollar fine. AMI's former general counsel, James Randall Benham, age 55, of North Oaks, Minnesota, was placed on probation for three years and required to pay a \$100,000 fine. AMI's former National Sales Manager and Vice President of the Wound Care Division, Timothy W. Hensley, age 43, of Knoxville, Tennessee, was placed on three years probation, ordered to spend thirty days in community confinement and required to pay a \$100,000 fine. AMI's former Director of Reimbursement for the Wound Care Division, Paul S. Johnson, age 52, of Loma, Colorado, was placed on three years probation, ordered to spend forty-five days in community confinement and required to pay a \$100,000 fine. Augustine, Benham, Johnson, and Hensley each pled to knowingly and willfully withholding material facts used to determine rights to benefits or payments under the Medicare Program.

The Court also imposed sentence on AMI's former Medicare Reimbursement consultant. Phillip C. Zarlengo, age 56, of Denver, Colorado, who did business as Strategic Reimbursement, was sentenced to ten months' imprisonment to be served five months confined in a Bureau of Prisons facility and five months confined at home with electronic monitoring. The Court also imposed three years' supervised release and a fine of \$515,000.00. Zarlengo pled guilty to health care fraud.

In addition to \$15.565 million in criminal fines and civil penalties, as a result of the "Headwaters" investigation, the United States has also recovered from health care providers \$2.2 million in Medicare overpayments for AMI's "Warm-Up Wound Therapy" product.

The criminal prosecution was handled by Assistant United States Attorney Michael J. Quinley, and United States Department of Justice Trial Attorney Rina C. Tucker. The civil enforcement action was prosecuted by Assistant United States Attorney Gerald Burke.