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News Release

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Former state employee indicted for health care fraud, theft of more than \$900,000 in funds

A former Minnesota Department of Health and Human Services (DHS) employee was recently indicted by a federal grand jury for health care fraud and for the alleged theft of more than \$900,000 in Medicaid funds.

Kim Joann Austen, 47, Hudson, Wisc., was charged Oct. 7 in Minneapolis with one count of health care fraud and 22 counts of theft of health care funds. Her indictment was unsealed today following her initial appearance in Minneapolis. Austen turned herself in to authorities yesterday. Austen remains in custody, and a detention hearing is scheduled for 4:30 p.m. tomorrow at the United States Courthouse in Minneapolis.

Austen's indictment alleges that from Aug. 5, 2003, through Sept. 10, 2008, she knowingly and willfully executed a scheme to defraud Medicaid, a federal health care benefit program. It also alleges that Austen used her position to receive \$903,896.54 from the State of Minnesota through Medicaid.

Austen had been a state employee since 1981, and had worked in several positions within the DHS since that time. Since approximately August 1997, Austen had been the supervisor of the Medicaid Management Information System (MMIS). The MMIS is a computerized system that processes submitted Medicaid claims for payment.

The Medicaid program provides medical care and services to low-income persons who meet certain income and other eligibility criteria, and is administered in Minnesota by the DHS, which contracts with health care providers to provide health care goods and services to Medicaid recipients. Once a claim is approved in MMIS, payment is issued through the statewide Minnesota Accounting and Procurement System (MAPS). MAPS is the statewide government accounting system used to budget and account for all state revenues and expenditures.

During the processing of claims, Medicaid providers are assigned numbers for both MMIS and MAPS, and at the end of the process, MAPS automatically generates an electronic funds

transfer or a check. The check is issued under the provider's MAPS vendor number, and is then disbursed using electronic funds transfer or by mailing a check. However, in certain circumstances a check may be picked up at state offices.

The indictment alleges that on Aug. 1, 2003, Austen caused a MAPS vendor number to be created under the name of an adult man, who is not a Medicaid provider. The indictment also alleges that from Aug. 5, 2003, through Sept. 10, 2008, Austen submitted for input into the MAPS system information from dummy invoices that used the MAPS vendor number created in the man's name.

The entry of that information caused the State of Minnesota to issue 23 checks in the man's name. The \$903,896.54 does not include taxes withheld from the invoiced amounts. Therefore, the indictment alleges, the total gross amount of funds connected to the false invoices was more than \$1.1 million.

If convicted, Austen faces a potential maximum penalty of 10 years in prison on the health care fraud count and 10 years on each theft count. All sentences are determined by a federal district court judge. This case is the result of an investigation by the U.S. Department of Health and Human Services-Office of Inspector General, the Federal Bureau of Investigation, the Social Security Administration-Office of Inspector General and the Minnesota Department of Human Services, and is being prosecuted by Assistant U.S. Attorney David M. Genrich.

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An indictment is a determination by a grand jury that there is probable cause to believe that offenses have been committed by a defendant. A defendant, of course, is presumed innocent until he or she pleads guilty or is proven guilty at trial.