



# Department of Justice

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Northern District of Texas

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## **FEDERAL INDICTMENT CHARGES AMARILLO, TEXAS, WOMAN WITH HEALTHCARE FRAUD, WIRE FRAUD, MAIL FRAUD AND MONEY LAUNDERING**

**AMARILLO, Texas** — Paula Garst of Amarillo, Texas, appeared in federal court yesterday for her initial appearance on healthcare fraud, wire fraud, mail fraud and money laundering charges outlined in an indictment returned by a federal grand jury in Amarillo last week, announced U.S. Attorney Richard B. Roper of the Northern District of Texas. Garst, a/k/a Pavilli Garst, a/k/a Paula Shultz, a/k/a Paula Patel, was released on bond and is scheduled to appear in court again on December 5, 2007, for her arraignment. The indictment charges her with one count of healthcare fraud and aiding and abetting, five counts of mail fraud, three counts of wire fraud and four counts of money laundering.

According to the indictment, Paula Garst offered low-cost health insurance to individuals who were self-employed or operated small businesses. She used various company names including Direct Marketing Services, Inc. (DMS), Healthcare Solutions, and Advanced Marketing Group, Inc. (AMP) when soliciting individuals to apply for this low cost insurance. She also contracted with staffing agencies whose function was to manage payroll and other administrative employment-related issues for businesses.

The indictment alleges that Garst reported to staffing agencies such as E.S.S.I. Payroll and Staffing, Tri-State Employment Services, PBS, Paychex, and US Personnel, that she had employed certain individuals. In turn, the staffing agencies performed administrative duties of her companies. When the individuals seeking low-cost insurance responded to Garst's solicitations, applications for health insurance were completed in their names. Garst provided the completed applications for health insurance to the staffing agencies and the individuals paid Garst premiums for the coverage. Garst submitted the applications and premiums to insurance carriers including PACIFICARE, who issued coverage and insurance cards.

The indictment further alleges that as part of her scheme, to obtain a discounted group insurance premium rate, Garst represented the health insurance applicants to be her employees. She

caused the staffing companies to generate false and fictitious employment documents representing the applicants to be employees of her various fictitious companies. Further, she represented that because the individuals were her employees, they were entitled to group discount rates. When payroll checks were issued by the staffing agencies, Garst forged the endorsements and deposited the checks into bank accounts she controlled. She sent notices of premium increases which were not true that inflated insurance premium costs. She “skimmed” the excess amount of inflated premiums before submitting the premium to the insurance carrier and routinely changed insurance carriers from year to year, failing to pay carriers the premiums for the last month of purported coverage.

An indictment is an accusation by a federal grand jury and a defendant is entitled to the presumption of innocence unless proven guilty. If convicted on all counts however, Garst faces a maximum statutory sentence of 250 years in prison, a \$4.25 million fine, and forfeiture of money and property.

U.S. Attorney Roper praised the investigative efforts of the U.S. Department of Labor, Employee Benefits Security Administration. The case is being prosecuted by Assistant U.S. Attorney Christy L. Drake of the Amarillo, Texas, U.S. Attorney’s Office.

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