



# UNITED STATES ATTORNEY'S OFFICE

## *Southern District of New York*

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### **DISABILITY DOCTOR PETER J. AJEMIAN SENTENCED IN MANHATTAN FEDERAL COURT TO EIGHT YEARS IN PRISON FOR HIS ROLE IN LIRR FRAUD SCHEME**

Preet Bharara, the United States Attorney for the Southern District of New York, announced today that PETER J. AJEMIAN, a Board-certified orthopedist, was sentenced today in Manhattan federal court to eight years in prison for his role in the alleged massive fraud scheme in which Long Island Railroad (“LIRR”) workers claimed to be disabled upon early retirement so that they could receive disability benefits to which they were not entitled. Between the late 1990s and 2008, AJEMIAN recommended that at least 734 retiring LIRR employees receive disability benefits, and was responsible for treating nearly half of all LIRR employees who retired and received disability benefits in one four-year period. AJEMIAN pled guilty in January 2013 to one count of conspiracy to commit mail fraud, wire fraud, and health care fraud, and one count of health care fraud before U.S. District Judge Victor Marrero, who also imposed today’s sentence.

Manhattan U.S. Attorney Preet Bharara stated: “Today Dr. Ajemian begins to pay the price for being a key facilitator of a massive disability fraud on the LIRR, that he admitted resulted in losses of millions of dollars. This Office will continue to pursue those who participated in this scheme to abuse LIRR’s disability system and gain benefits to which they were not entitled.”

According to the Complaint, the Superseding Indictments, the Superseding Informations, and statements made in other public filings and in court:

#### *The LIRR Disability Fraud Scheme*

The Railroad Retirement Board (“RRB”) is an independent U.S. agency that administers benefit programs, including disability benefits, for the nation’s railroad workers and their families. A unique LIRR contract allowed employees to retire at the relatively young age of 50 – the age of eligibility has since changed to 55 – if they had been employed by the LIRR for at least 20 years. Eligible employees are entitled to receive an LIRR pension, which is a portion of the full retirement payment for which they are eligible at 65. In addition, at full retirement age (between age 60 and age 65 depending on years of service) they are eligible to receive an RRB retirement pension. For LIRR workers who retired at 50 with only an LIRR pension, they would receive less than their prior salary and substantially lower pension payments than those to which

they would be entitled at full retirement age. However, LIRR employees who retired and claimed disability could receive a disability payment from the RRB on top of their LIRR pension, regardless of age. A retiree's LIRR pension, in combination with RRB disability payments, can be roughly equivalent to the base salary earned during his or her career.

Hundreds of LIRR employees have allegedly exploited the overlap between the LIRR pension and the RRB disability program by pre-planning the date on which they would falsely declare themselves disabled so that it would coincide with their projected retirement date. These false statements, made under penalty of prosecution in disability applications, allowed LIRR employees to retire as early as age 50 with an LIRR pension, supplemented by the fraudulently obtained RRB disability annuity. From 1995 through 2011, more than 75% of LIRR employees stopped working and began receiving RRB disability benefits, whereas during this same period, only 25% of retiring Metro-North employees stopped working and began receiving RRB disability benefits.

AJEMIAN is a Board-certified orthopedist who was instrumental in helping LIRR retirees receive disability benefits to which they were not entitled. Between the late 1990s and 2008, he declared over 94% of the LIRR employees he saw as patients disabled. As part of the massive fraud scheme, AJEMIAN prepared false documentation purporting to show the LIRR employees' steady decline toward disability exactly at the time they pre-planned their retirement. He then provided to those LIRR employees a narrative for submission to the RRB that claimed they should receive a disability annuity. These medical narratives were completely fabricated or grossly exaggerated so that AJEMIAN could recommend a set of restrictions that, if legitimate, would render it impossible for the LIRR employees to continue performing their jobs. Many of the purportedly "objective" findings from the tests he conducted showed nothing more than normal degenerative changes one would expect to see in patients within the relevant age bracket.

AJEMIAN received approximately \$800 to \$1,200, often in cash, for these fraudulent assessments and narratives, as well as millions of dollars in health insurance payments for unnecessary medical treatments and fees for preparing fraudulent medical support for the claimed disabilities. Of approximately 453 LIRR annuitants studied, AJEMIAN received approximately \$2.5 million in related payments from patients and insurance companies. In turn, those patients have received over \$90 million in RRB disability benefit payments. In his plea agreement, Ajemian stipulated that the total intended losses from his fraud were between \$100 and \$200 million, and that the actual losses suffered by victims to date total \$116.5 million.

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In addition to his prison term, AJEMIAN, 63, of Oyster Bay Cove, New York was also sentenced to three years of supervised release. He has also agreed to forfeit \$116.5 million and pay \$116.5 million in restitution, and was ordered to pay a \$200 special assessment.

In sentencing AJEMIAN, Judge Marrero said, "Putting all of these circumstances together conveys the gravity of Dr. Ajemian's criminal conduct in its grittiest perspective. Dr. Ajemian corrupted the license publicly granted to him to practice medicine, and betrayed the public trust embodied in that privilege. By his fraudulent actions, he not only distorted his professional duties, but flipped the physician's medical function on its head and made health care

a mockery. In the cases encompassed by the charged conspiracy, Dr. Ajemian generally treated not ill employees, but fit ones. He provided physician's services not to restore these patients to good health, or prevent sickness, but to turn able-bodied employees into fully-pensioned annuitants falsely afflicted by certified lifetime disabilities.”

Thirty-two people have been charged in connection with the LIRR disability fraud scheme, 23 of whom have now pled guilty. The charges against the remaining defendants are merely allegations and they are all presumed innocent unless and until proven guilty.

Mr. Bharara praised the RRB-OIG, the FBI, and the MTA-OIG for their outstanding work in the investigation, which he noted is ongoing. He also acknowledged the previous investigation conducted by the New York State Attorney General’s Office into these pension fraud issues.

The Office’s Complex Frauds Unit is handling the case. Assistant U.S. Attorneys Justin Weddle, Daniel Tehrani, and Nicole Friedlander are in charge of the prosecution.

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