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Prineville Woman Sentenced to Federal Prison for Multi-Million Dollar Drug Treatment Fraud Scheme

EUGENE, Ore.—A Prineville, Oregon woman was sentenced to federal prison yesterday for using stolen identities to submit fraudulent health care claims resulting in over $1.5 million in misappropriated funds from the Oregon Health Authority (OHA) Medicaid Program and filing false tax returns that failed to report earnings she received.

Darla K. Byus, 55, was sentenced to 48 months in federal prison and three years' supervised release. She was also ordered to pay $2,033,315 in restitution to OHA and the IRS.

"Her crimes betrayed the trust placed in this company as a substance abuse treatment provider in Oregon. We thank the state and federal investigators for their dedication and commitment to ending this scheme," said Nathan J. Lichvarcik, Chief of the U.S. Attorney's Office Eugene and Medford Branch Offices. "Business owners who abuse the system to line their pockets at the expense of our communities will be held accountable."

"HHS-OIG is committed to protecting Oregon communities and taxpayer funds from schemes targeting Oregon's Medicaid program, which provides necessary services to vulnerable populations," said Special Agent in Charge Steven J. Ryan with the U.S. Department of Health and Human Services Office of Inspector General (HHS-OIG). "HHS-OIG values our continued partnership with the Oregon Department of Justice's Medicaid Fraud Control Unit and other law enforcement partners and will continue to investigate those who threaten the integrity of federal and state health care programs and the people served by them."

"I am pleased that the joint investigation between our Medicaid Fraud Unit at Oregon DOJ and five federal agencies turned up the evidence needed for the United States Attorney to successfully prosecute this complex case. Oregon's Medicaid program will get back over a million dollars it is rightfully owed, and those who try to defraud Oregonians and undermine our social safety net programs should be on notice— they will be caught and prosecuted," said Oregon Attorney General Ellen Rosenblum.

According to court documents, from January 2019 to August 2021, Byus used her company, Choices Recover Services (CRS), to overbill the OHA Medicaid Program for substance abuse counseling services and to submit fraudulent reimbursement claims using the stolen identities of Medicaid recipients.

As an OHA Medicaid Provider for drug and alcohol related counseling services, CRS had access to a provider portal through the Medicaid Management Information System. Byus exploited this access to privileged information to determine a victim's Medicaid eligibility. She then used their personally identifiable information to submit claims without the victim's knowledge or authorization. Byus used the stolen identities more than 45 victims, at least a third of which were identified by searching jail roster websites for recent drug or alcohol related offenses.

Using CRS, Byus submitted over $3 million in false claims to the OHA Medicaid Program and received over $1.5 million in fraudulent proceeds. She used the misappropriated funds to purchase multiple properties in Oregon and to gamble. In addition, Byus knowingly filed false tax returns for herself and CRS, failing to pay approximately $450,438 in taxes.

On May 13, 2024, Byus was charged by criminal information with heath care fraud, aggravated identity theft, and making a false tax return and, on June 20, 2024, she pleaded guilty.

This case was investigated by the FBI, IRS Criminal Investigation, U.S. Department of Health and Human Services Office of the Inspector General, U.S. Department of Justice Tax Division, and the Oregon Medicaid Fraud Control Unit. It was prosecuted by Joseph H. Huynh and Gavin W. Bruce, Assistant U.S. Attorneys for the District of Oregon.

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