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14 Attorneys for Creditors Blue Cross and Blue Shield of Alabama, Blue Cross and Blue Shield of Massachusetts,  
15 Inc., Blue Cross and Blue Shield of Michigan, Blue Cross and Blue Shield of Nebraska, Blue Cross and Blue  
16 Shield of North Carolina, Blue Cross and Blue Shield of Tennessee, Inc., CareFirst Blue Cross and Blue Shield,  
17 Empire HealthChoice Assurance, Inc. *dba* Empire Blue Cross Blue Shield, Excellus Health Plan, Inc. and  
18 R.M.S.C.O., Highmark, Inc., Premera Blue Cross, Regence Blue Shield, Regence Blue Cross Blue Shield of Utah,  
19 Regence Blue Cross Blue Shield of Oregon, and Regence Blue Shield of Idaho

20 **UNITED STATES BANKRUPTCY COURT**  
21 **CENTRAL DISTRICT OF CALIFORNIA**  
22 **LOS ANGELES DIVISION**

23 In re

24 LARS ERIK HANSON,

25 Debtor.

26 BLUE CROSS AND BLUE SHIELD OF ALABAMA, BLUE CROSS  
27 AND BLUE SHIELD OF MASSACHUSETTS, INC., BLUE CROSS  
28 AND BLUE SHIELD OF MICHIGAN, BLUE CROSS AND BLUE  
SHIELD OF NEBRASKA, BLUE CROSS AND BLUE SHIELD OF  
NORTH CAROLINA, BLUE CROSS AND BLUE SHIELD OF  
TENNESSEE, INC., CAREFIRST BLUE CROSS AND BLUE  
SHIELD, EMPIRE HEALTHCHOICE ASSURANCE, INC. *dba*  
EMPIRE BLUE CROSS BLUE SHIELD, EXCELLUS HEALTH  
PLAN, INC. AND R.M.S.C.O., HIGHMARK, INC., PREMERA  
BLUE CROSS, REGENCE BLUE SHIELD, REGENCE BLUE  
CROSS BLUE SHIELD OF UTAH, REGENCE BLUE CROSS BLUE  
SHIELD OF OREGON, AND REGENCE BLUE SHIELD OF  
IDAHO,

Plaintiffs,

vs.

LARS ERIK HANSON,

Defendant.

Case No.: LA 08-10666-ER

Chapter 7

Adv. No.

**COMPLAINT TO DETERMINE  
NONDISCHARGEABILITY OF  
DEBTS**

1 Plaintiffs Blue Cross and Blue Shield of Alabama, Blue Cross and Blue Shield of Massachusetts,  
2 Inc., Blue Cross and Blue Shield of Michigan, Blue Cross and Blue Shield of Nebraska, Blue Cross and  
3 Blue Shield of North Carolina, Blue Cross and Blue Shield of Tennessee, Inc., CareFirst Blue Cross and  
4 Blue Shield, Empire HealthChoice Assurance, Inc. *dba* Empire Blue Cross Blue Shield, Excellus Health  
5 Plan, Inc. and R.M.S.C.O., Highmark, Inc., Premera Blue Cross, Regence Blue Shield, Regence Blue  
6 Cross Blue Shield of Utah, Regence Blue Cross Blue Shield of Oregon, and Regence Blue Shield of  
7 Idaho (collectively, “Plaintiffs” or the “Blue Plans”), allege as follows:

8 **JURISDICTION AND VENUE**

9 1. The above-captioned debtor filed a voluntary petition for relief under Chapter 7 of the  
10 Bankruptcy Code in the Central District of California on January 16, 2008 (the “Petition Date”).

11 2. This action is a core proceeding and this Court has jurisdiction pursuant to 11 U.S.C. §§  
12 523, 28 U.S.C. §§ 157(b) and 1334(b), and Rules 4007 and 7001(6) of the Federal Rules of  
13 Bankruptcy Procedure. Venue in this judicial district is proper pursuant to the provisions of 28 U.S.C.  
14 § 1409(a).

15 **PARTIES**

16 3. Plaintiff Blue Cross and Blue Shield of Alabama is an Alabama not-for-profit corporation  
17 with its principal place of business in Birmingham, Alabama.

18 4. Plaintiff Blue Cross and Blue Shield of Massachusetts is a Massachusetts not-for-profit  
19 corporation with its principal place of business in Boston, Massachusetts.

20 5. Plaintiff Blue Cross and Blue Shield of Michigan is a Michigan not-for-profit corporation  
21 with its principal place of business in Detroit, Michigan.

22 6. Plaintiff Blue Cross and Blue Shield of Nebraska is a Nebraska not-for-profit corporation  
23 with its principal place of business in Omaha, Nebraska.

24 7. Plaintiff Blue Cross and Blue Shield of North Carolina is a North Carolina not-for-profit  
25 corporation with its principal place of business in Durham, North Carolina.

26 8. Plaintiff Blue Cross and Blue Shield of Tennessee, Inc. is a Tennessee not-for-profit  
27  
28

1 corporation with its principal place of business in Chattanooga, Tennessee.

2 9. Plaintiff CareFirst Blue Cross and Blue Shield is a Maryland not-for-profit corporation  
3 with its principal place of business in Baltimore, Maryland.

4 10. Plaintiff Empire HealthChoice Assurance, Inc. *dba* Empire Blue Cross Blue Shield is a  
5 New York corporation with its principal place of business in New York, New York.

6 11. Plaintiff Excellus Health Plan, Inc. (“Excellus”) is a New York not-for-profit corporation  
7 with its principal place of business in Rochester, New York. Excellus operates certain of its business  
8 through a wholly-owned subsidiary, plaintiff R.M.S.C.O., which is a New York corporation with its  
9 principal place of business in Fayetteville, New York.

10 12. Plaintiff Highmark, Inc. is a Pennsylvania not-for-profit corporation with its principal  
11 place of business in Pittsburgh, Pennsylvania.

12 13. Plaintiff Premera Blue Cross is a Washington not-for-profit corporation with its principal  
13 place of business in Mountlake Terrace, Washington.

14 14. Plaintiff Regence Blue Shield is a Washington not-for-profit corporation with its  
15 principal place of business in Seattle, Washington.

16 15. Plaintiff Regence Blue Cross Blue Shield of Utah is a Utah not-for-profit corporation  
17 with its principal place of business in Salt Lake City, Utah.

18 16. Plaintiff Regence Blue Cross Blue Shield of Oregon is an Oregon not-for-profit  
19 corporation with its principal place of business in Portland, Oregon.

20 17. Plaintiff Regence Blue Shield of Idaho is an Idaho not-for-profit corporation with its  
21 principal place of business in Lewiston, Idaho.

22 18. Defendant Lars Erik Hanson (“Hanson” or the “Debtor”) is the debtor in the above-  
23 captioned chapter 7 case.

24  
25 **PLAINTIFFS’ CLAIMS AGAINST THE DEBTOR**

26 19. Plaintiffs are health insurance companies and third-party administrators of health benefit  
27 plans that are licensees of the national Blue Cross and Blue Shield Association. All of the Plaintiffs are  
28 in the business of underwriting and administering health insurance and employee health benefit plans.

1           20.     The Debtor is a doctor who was an active and knowing participant in a massive health  
2 insurance fraud scheme that is the subject of an action commenced by the filing of a Complaint on  
3 March 10, 2005, currently pending in the United States District Court for the Central District of  
4 California. That action is captioned *Blue Cross and Blue Shield of Alabama, et al. v. Unity Outpatient*  
5 *Surgery Center, Inc. et. al.*, Case No. SA CV 05-230-TJH (VBKx) (“the Fraud Action”). A true and  
6 correct copy of the Complaint in the Fraud Action is attached hereto as Exhibit A (the “Complaint”).  
7 The allegations set forth in the Complaint are incorporated herein by reference.

8           21.     As set forth in the Complaint, the defendants in the Fraud Action, including the Debtor,  
9 participated in what the California Insurance Commissioner has publicly described as “one of the most  
10 egregious, outrageous insurance fraud cases” in history. Besides the civil Fraud Action, that fraud has  
11 led to both State and Federal criminal prosecutions, and several defendants have already pled guilty to  
12 criminal charges, including defendants who were co-conspirators with the Debtor.

13           22.     The fraud at issue in the Fraud Action was perpetrated at a group of outpatient surgery  
14 clinics in Southern California, including nine outpatient surgery clinics that are the subject of detailed  
15 allegations in the Complaint. In summary, the defendants used a nationwide network of patient  
16 recruiters to recruit thousands of patients from across the country to come to the clinics and undergo  
17 completely unnecessary diagnostic and surgical procedures, so that the clinics and the surgeons could  
18 submit millions of dollars of phony insurance claims to Plaintiffs for the unnecessary procedures.

19           23.     To induce the patients to undergo the unnecessary procedures, the clinics (through the  
20 recruiters) offered the prospective patients either a cash payment for each unnecessary procedure the  
21 patient underwent, or promised the patient free or discounted cosmetic surgery after the patient  
22 submitted to multiple unnecessary procedures. The clinics and surgeons made the unnecessary  
23 procedures appear medically justified by concocting phony symptoms and diagnoses for the patients and  
24 incorporating those fake symptoms and diagnoses in fictitious medical records. The clinics and surgeons  
25 then cashed in by submitting fraudulent and inflated bills for the unnecessary procedures to insurers,  
26 using the bogus medical records as back-up.

27           24.     Plaintiffs were hit hard by this fraud, collectively paying out more than \$10 million on  
28 fraudulent insurance claims.

1           25.     One of the corrupt clinics targeted in the Complaint in the Fraud Action is Newport  
2 Superior Outpatient Medical Center (“Newport Superior”), which was located at 1501 Superior  
3 Avenue, Newport Beach, California. The Debtor was the sole shareholder of Newport Superior  
4 Outpatient Medical Center, Inc. (“Newport Superior Outpatient”), a corporation that nominally owned  
5 Newport Superior. The Debtor was also a principal of Newport Superior Management Group, LLC  
6 (“Newport Superior Management”), which actually owned and operated Newport Superior.

7           26.     As one of the Debtor’s co-conspirators has already testified in criminal proceedings, the  
8 Debtor’s sole ownership of Newport Superior Outpatient was a sham designed to evade California law.  
9 Under California law, an outpatient surgery clinic must be owned entirely by physicians, and laypersons  
10 are not permitted to own any interest. The Debtor was made the sole owner of Newport Superior  
11 Outpatient to make it appear that a physician was the sole owner of the clinic. In truth, in a separate  
12 undisclosed agreement, and as the Debtor well knew, Newport Superior Outpatient had contractually  
13 ceded ownership and control of Newport Superior to Newport Superior Management, which was  
14 largely owned by laypersons.

15           27.     The Debtor was a principal actor and administrator in the fraud at Newport Superior,  
16 was fully aware of the nature and extent of the fraud and how it operated, and personally and directly  
17 participated in, and profited from, the fraud. Among other acts, and as detailed in the Complaint in the  
18 Fraud Action, the Debtor personally issued checks to patient recruiters for bringing patients to Newport  
19 Superior, which was essential to the fraud and a crime in itself under California statutes. The Debtor  
20 knew that the bills referenced in the Complaint that Newport Superior issued to Plaintiffs for diagnostic  
21 and surgical procedures, including gastrointestinal procedures, were false and fraudulent because the  
22 patients did not have the symptoms or conditions represented, and the procedures were completely  
23 unnecessary and medically unjustifiable. The Debtor also established a successor clinic to Newport  
24 Superior at the same location called Harbor Multi-Specialty Surgery Center, which continued to commit  
25 the same fraud under a different name in order to try to escape detection.

**FIRST CLAIM FOR RELIEF**

(Nondischargeability of Claims Pursuant to Section 523(a)(2)(a) of the Bankruptcy Code)

28. Plaintiffs repeat and reallege the allegations contained in paragraphs 1 through 27 above and incorporate the same herein by this reference.

29. Plaintiffs' claims against the Debtor are of the kind specified in section 523(a)(2)(a) of the Bankruptcy Code. Specifically, the Debtor was an active and knowing participant in a fraudulent scheme pursuant to which the Debtor and his coconspirators submitted fraudulent claims for surgeries that were medically unnecessary and received money from Plaintiffs for medically unnecessary surgeries falsely disguised as medically necessary surgeries. In making payments on these claims, Plaintiffs justifiably relied on the false information provided by the Debtor and his coconspirators. The conduct was malicious and intentional.

30. By reason of the foregoing, Plaintiffs are entitled to a judgment determining that their claims against the Debtor are nondischargeable pursuant to section 523(a)(2)(a) of the Bankruptcy Code.

**SECOND CLAIM FOR RELIEF**

(Nondischargeability of Claims Pursuant to Section 523(a)(6) of the Bankruptcy Code)

31. Plaintiffs repeat and reallege the allegations contained in paragraphs 1 through 30 above and incorporate the same herein by this reference.

32. Plaintiffs' claims against the Debtor are of the kind specified in section 523(a)(6) of the Bankruptcy Code. Specifically, the Debtor and his coconspirators intentionally, willfully and maliciously engaged in the fraud set forth above and in the Complaint, and the Debtor knowingly and actively participated in the fraudulent scheme. The actions were done with the intent to harm Plaintiffs, with reckless disregard for Plaintiffs and without just cause or excuse.

33. By reason of the foregoing, Plaintiffs are entitled to a judgment determining that their claims against the Debtor are nondischargeable pursuant to section 523(a)(6) of the Bankruptcy Code.

**WHEREFORE**, Plaintiffs pray for judgment against the Debtor as follows:

A. On the First Claim for Relief, for a determination that Plaintiffs' claims against the

1 Debtor are nondischargeable pursuant to section 523(a)(2)(a) of the Bankruptcy Code.

2 B. On the Second Claim for Relief, for a determination that Plaintiffs' claims against the  
3 Debtor are nondischargeable pursuant to section 523(a)(6) of the Bankruptcy Code.

4 C. On all claims for relief, for costs of suit and such other and further relief as the Court  
5 deems proper.

6 Dated: April 14, 2008

PEITZMAN, WEG & KEMPINSKY LLP

7  
8 By           /s/ David B. Shemano            
9 David B. Shemano

10 -and-

11 MARVIN WEXLER  
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