

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

UNITED STATES OF AMERICA,

Plaintiff,

v.

D-1 MICHAEL DEMETRUS GRUNDY,

Defendant.

Case:2:12-cr-20153
Judge: Hood, Denise Page
MJ: Michelson, Laurie J.
Filed: 03-07-2012 At 04:31 PM
INDI USA V MICHAEL DEMETRIUS GRUNDY
(EB)

VIOLATIONS:

18 U.S.C. § 1349

18 U.S.C. §§ 1343 & 1346

18 U.S.C. § 1951

18 U.S.C. § 1512(c)(2) & (k)

INDICTMENT

THE GRAND JURY CHARGES:

GENERAL ALLEGATIONS

1. At all relevant times, Wayne County (hereinafter, "the County") was a municipal corporation and local government within the Eastern District of Michigan.
2. At all relevant times, HealthChoice of Michigan, a/k/a Wayne County HealthChoice (hereinafter, "HealthChoice"), was incorporated by the County under the Municipal Health Facilities Corporation Act, Section 331.1101, et. seq., of the Michigan Compiled Laws (hereinafter, "MHFCA"). The MHFCA was enacted to promote the health and welfare of the people of the State, and the powers granted in the act constitute the performance of essential public purposes and governmental functions of the State and its local governmental units. The July 1, 1993 Articles of Incorporation of HealthChoice

indicate that its purpose was “[t]o advance and promote the health and welfare of the residents of Wayne County by, among other things, promoting access to reasonably-priced health care to qualifying individuals.” At all relevant times, HealthChoice was funded in significant part by premiums that were paid by the employers and employees who participated in the HealthChoice insurance programs.

3. From approximately August 2008 until approximately November 2011, defendant MICHAEL DEMETRUS GRUNDY was the Executive Director of HealthChoice and, in that capacity, oversaw the BasiCare and HealthChoice programs, and had the authority to award or revoke contracts with providers, subject to the approval of the HealthChoice Board of Trustees. In addition, from approximately July 2008 until approximately November 2011, defendant MICHAEL DEMETRUS GRUNDY was the Division Director of the County’s Patient Care Management System and, in that capacity, oversaw the Adult Benefit Waiver Program. Further, from about November 2010 until about November 2011, defendant MICHAEL DEMETRUS GRUNDY was an Assistant County Executive for the County. As the Executive Director of HealthChoice, the Division Director of the Patient Care Management System and an Assistant County Executive, defendant MICHAEL DEMETRUS GRUNDY was a public official.

4. According to the July 1, 1993 Articles of Incorporation of HealthChoice, defendant MICHAEL DEMETRUS GRUNDY, in his capacity as the Executive Director of HealthChoice, was empowered to “sign and execute all bonds, contracts, checks and

other obligations in the name of [HealthChoice] when so authorized by the Board of Trustees.”

5. At all relevant times, defendant MICHAEL DEMETRUS GRUNDY, in his capacity as the Executive Director of HealthChoice, was a “public servant” who worked for a “public entity” within the meaning of Section 15.321, et. seq., of the Michigan Compiled Laws. As such, he was prohibited from being a party, directly or indirectly, to any contract between himself and HealthChoice.

6. At all relevant times, Keith Griffin was a resident of Indiana and was defendant MICHAEL DEMETRUS GRUNDY’s long-time friend. In approximately March 2009, Keith Griffin incorporated Advertise Me LLC (hereinafter, “Advertise Me”) in Michigan. In approximately April 2010, Keith Griffin incorporated Medtrix LLC (hereinafter, “Medtrix”) in Michigan.

7. At all relevant times, *Company A* was a provider of the HealthChoice, BasiCare, and Adult Benefit Waiver programs; *Company A* received all of its revenue from these programs.

COUNT ONE

**(18 U.S.C. § 1349: Conspiracy to Commit Honest Services
Wire Fraud)**

D-1 MICHAEL DEMETRUS GRUNDY

1. The Grand Jury incorporates by reference paragraphs 1 through 7 of the “General Allegations” above as if they were set forth in full herein.

The Scheme and Artifice to Defraud

2. From approximately April 2009 to October 2011, in the Eastern District of Michigan, Southern Division, and elsewhere, defendant MICHAEL DEMETRUS GRUNDY did unlawfully and knowingly conspire with other persons, known and unknown, to devise a scheme to commit honest services wire fraud, in violation of Title 18, United States Code, Sections 1343 and 1346 – that is, to defraud the people of Wayne County and the participants of the HealthChoice insurance programs of their right to the honest, faithful, and impartial services of defendant MICHAEL DEMETRUS GRUNDY, including their right to his conscientious, loyal, faithful, disinterested, and unbiased service, to be performed free of deceit, undue influence, conflict of interest, self-enrichment, self-dealing, concealment, bribery, fraud, and corruption, and conspired with others to cause writings, signals, and sounds to be transmitted by wire in interstate and foreign commerce, for the purpose of executing and attempting to execute the scheme and artifice to defraud, as set forth below.

Object of the Scheme and Artifice to Defraud

3. The object of the scheme and artifice to defraud was for defendant MICHAEL DEMETRUS GRUNDY to secretly and deceptively use his positions as Executive Director of HealthChoice, Assistant County Executive, and Division Director of the County's Patient Care Management System to personally enrich himself by obtaining substantial kickbacks from payments to Advertise Me and Medtrix, and concealing those kickbacks.

Methods of Accomplishing the Scheme and Artifice to Defraud

4. To achieve the objects of the scheme and artifice to defraud, defendant MICHAEL DEMETRUS GRUNDY participated in various transactions and activities, which included, but are not limited to, the following:

HealthChoice

5. From approximately April 2, 2009 until on or about September 22, 2011, defendant MICHAEL DEMETRUS GRUNDY conspired to have Keith Griffin send invoices by electronic mail to HealthChoice, through defendant MICHAEL DEMETRUS GRUNDY's County electronic mail account, purportedly for advertising and services rendered by Advertise Me to HealthChoice, when in truth and fact, as they both well knew at the time, the invoices were inflated so that a substantial portion of the more than \$1 million in payments HealthChoice made to Advertise Me could be kicked back by Griffin to defendant MICHAEL DEMETRUS GRUNDY.

6. In approximately 2010, the County contracted to use *Company S*'s system for electronic medical records ("EMR"), also called electronic health records ("EHR"), in Wayne County Jail and other medical facilities. Thereafter, defendant MICHAEL DEMETRUS GRUNDY initiated a project to encourage widespread use of the *Company S* system within the HealthChoice networks, and he persistently pursued that project until and including October 19, 2011. Nonetheless, on approximately October 19, 2011, defendant MICHAEL DEMETRUS GRUNDY caused the accountant of HealthChoice to wire transfer \$400,000 to Medtrix, falsely representing that the payment was pursuant to a contract between HealthChoice and Medtrix executed on March 1, 2011 for Medtrix to develop and implement an EMR system for HealthChoice medical providers. In truth and fact, as defendant MICHAEL DEMETRUS GRUNDY well knew at the time, the contract was not executed until October of 2011, an EMR system that was developed by *Company S* was already being offered to HealthChoice networks and medical providers, and the HealthChoice Board of Trustees had not approved of the purported contract with Medtrix.

Company A

7. In approximately February 2011, defendant MICHAEL DEMETRUS GRUNDY told the principal of *Company A* that *Company A* could purchase from Medtrix the EMR program that was used in the Wayne County Jail, and that *Company A* could outfit a building that it owned with the EMR program from Medtrix in order to improve

Company A's chances of being awarded a contract to provide medical care to jail inmates at *Company A's* building. On or about February 23, 2011, defendant MICHAEL DEMETRUS GRUNDY sent the principal of *Company A* a text message with instructions to wire transfer a total of \$560,000 to Medtrix. The text message included the account and routing numbers for *Company A* to complete the wire transfers. *Company A*, operating under the belief that it was purchasing the EMR program from Medtrix that was being used in the Wayne County Jail, wire transferred a total of \$350,000 to Medtrix from March 29, 2011 until October 5, 2011, in seven \$50,000 increments. In approximately September 2011 and October 2011, *Company A* negotiated a contract to receive access to *Company S's* system, including system support from *Company S*. At that time, the principal of *Company A* did not know and was not told that the contract for *Company S* system support had no relationship with Medtrix or the \$350,000 *Company A* had already paid for EMR programming. In truth and fact, as defendant MICHAEL DEMETRUS GRUNDY well knew at the time, Medtrix never created or obtained any EMR programs, and the payments that *Company A* made to Medtrix were used for MICHAEL DEMETRUS GRUNDY's and Keith Griffin's personal use and benefit.

All in violation of Title 18, United States Code, Section 1349.

COUNTS TWO THROUGH TWENTY-TWO

(18 U.S.C. §§ 1343 & 1346: Honest Services Wire Fraud)

D-1 MICHAEL DEMETRUS GRUNDY

1. The Grand Jury incorporates by reference paragraphs 1 through 7 of the “General Allegations” and paragraphs 1 through 7 of Count One, above, as if they were set forth in full herein.

The Scheme and Artifice to Defraud

2. From approximately April 2009 to October 2011, defendant MICHAEL DEMETRUS GRUNDY devised a scheme and artifice to defraud the residents of Wayne County and the participants of the HealthChoice insurance programs of their right to the honest, faithful, and impartial services of defendant MICHAEL DEMETRUS GRUNDY, including their right to his conscientious, loyal, faithful, disinterested, and unbiased service, to be performed free of deceit, undue influence, conflict of interest, self-enrichment, self-dealing, concealment, bribery, fraud, and corruption, and caused writings, signals, and sounds to be transmitted by wire in interstate and foreign commerce, for the purpose of executing and attempting to execute the scheme and artifice.

Execution of the Scheme and Artifice to Defraud

3. On or about each of the dates set forth below, in the Eastern District of Michigan, Southern Division, defendant MICHAEL DEMETRUS GRUNDY did, for the purposes of executing the scheme and artifice to defraud described above, and attempting

to do so, knowingly cause to be transmitted by means of wire communication in interstate and foreign commerce certain payments and invoices, as listed below, each wire communication constituting a separate count of this indictment:

HealthChoice-Advertise Me

Count	Date and Description of Wire Communication
Two	April 1, 2009, invoice in the amount of \$40,920 for radio advertising, sent by electronic mail from Advertise Me to HealthChoice
Three	October 13, 2010, invoice in the amount of \$7,808 for radio advertising, sent by electronic mail from Advertise Me to HealthChoice
Four	January 28, 2011, invoice in the amount of \$18,000 for television advertising, sent by electronic mail from Advertise Me to HealthChoice
Five	March 25, 2011, invoice in the amount of \$15,000 for television advertising, sent by electronic mail from Advertise Me to HealthChoice
Six	August 3, 2011, invoice in the amount of \$16,000 for television advertising, sent by electronic mail from Advertise Me to HealthChoice
Seven	August 3, 2011, invoice in the amount of \$10,080 for radio advertising, sent by electronic mail from Advertise Me to HealthChoice
Eight	August 3, 2011, invoice in the amount of \$7,829 for radio advertising, sent by electronic mail from Advertise Me to HealthChoice
Nine	August 3, 2011, invoice in the amount of \$15,205 for television advertising, sent by electronic mail from Advertise Me to HealthChoice
Ten	August 3, 2011, invoice in the amount of \$14,620 for radio advertising, sent by electronic mail from Advertise Me to HealthChoice
Eleven	August 3, 2011, invoice in the amount of \$15,184 for radio advertising, sent by electronic mail from Advertise Me to HealthChoice
Twelve	August 3, 2011, invoice in the amount of \$7,808 for radio advertising, sent by electronic mail from Advertise Me to HealthChoice

Count	Date and Description of Wire Communication
Thirteen	September 21, 2011, invoice in the amount of \$15,000 for radio advertising, sent by electronic mail from Advertise Me to HealthChoice
Fourteen	September 21, 2011, invoice in the amount of \$15,306 for television advertising, sent by electronic mail from Advertise Me to HealthChoice

HealthChoice-Medtrix

Count	Date and Description of Wire Communication
Fifteen	October 19, 2011, \$400,000 wire transfer from an account of HealthChoice to an account of Medtrix

Company A-Medtrix

Count	Date and Description of Wire Communication
Sixteen	March 29, 2011, \$50,000 wire transfer from an account of <i>Company A</i> to an account of Medtrix
Seventeen	April 27, 2011, \$50,000 wire transfer from an account of <i>Company A</i> to an account of Medtrix
Eighteen	June 2, 2011, \$50,000 wire transfer from an account of <i>Company A</i> to an account of Medtrix
Nineteen	July 7, 2011, \$50,000 wire transfer from an account of <i>Company A</i> to an account of Medtrix
Twenty	July 29, 2011, \$50,000 wire transfer from an account of <i>Company A</i> to an account of Medtrix
Twenty-One	September 1, 2011, \$50,000 wire transfer from an account of <i>Company A</i> to an account of Medtrix
Twenty-Two	October 5, 2011, \$50,000 wire transfer from an account of <i>Company A</i> to an account of Medtrix

All in violation of Title 18, United States Code, Sections 2, 1343 and 1346.

COUNT TWENTY-THREE

(18 U.S.C. § 1951: Extortion)

D-1 MICHAEL DEMETRUS GRUNDY

1. The Grand Jury incorporates by reference paragraphs 1 through 7 of the “General Allegations,” above, as if they were set forth in full herein.

2. From approximately July 2010 until approximately January 2011, in the District of Michigan, defendant MICHAEL DEMETRUS GRUNDY did knowingly, willingly and unlawfully commit extortion, which affected interstate commerce, to attempt to obtain, and did obtain, payments by check from *Company A*, with *Company A*'s consent, induced under color of official right and by the wrongful use of the fear of economic harm.

3. Specifically, from approximately July 2010 until approximately January 2011, defendant MICHAEL DEMETRUS GRUNDY induced the principal of *Company A* to have *Company A* write \$156,551 in checks to Advertise Me. The principal of *Company A* agreed to make the payments to Advertise Me out of fear that if the payments were not made defendant MICHAEL DEMETRUS GRUNDY would use his power to terminate *Company A*'s participation in the BasiCare, Health Choice and Adult Benefit Waiver programs, and thus force *Company A* out of business.

All in violation of Title 18, United States Code, Section 1951.

COUNT TWENTY-FOUR

(18 U.S.C. § 1951: Extortion)

D-1 MICHAEL DEMETRUS GRUNDY

1. The Grand Jury incorporates by reference paragraphs 1 through 7 of the “General Allegations” and paragraphs 6 and 7 of Count One, above, as if they were set forth in full herein.

2. From approximately February 2011 until approximately October of 2011, in the District of Michigan, defendant MICHAEL DEMETRUS GRUNDY did knowingly, willingly and unlawfully commit extortion, which affected interstate commerce, to attempt to obtain, and did obtain, payments by wire transfer from *Company A*, with *Company A's* consent, induced under color of official right and by the wrongful use of the fear of economic harm.

3. Specifically, from approximately February 2011 until approximately October 2011, defendant MICHAEL DEMETRUS GRUNDY directed the principal of *Company A* to have *Company A* purchase an EMR program from Medtrix for \$560,000, and in compliance *Company A* paid \$350,000 in seven \$50,000 allotments. Despite concerns regarding the legitimacy of the payments to Medtrix, the principal of *Company A* agreed to make the payments and continued to do so out of fear that if *Company A* did not make the payments, defendant MICHAEL DEMETRUS GRUNDY would use his

power to terminate *Company A's* participation in the Health Choice, BasiCare and Adult Benefit Waiver programs, and thus force *Company A* out of business.

All in violation of Title 18, United States Code, Section 1951.

COUNT TWENTY-FIVE

(18 U.S.C. §§ 1512(c)(2) & 1512(k): Conspiracy to Obstruct Justice)

D-1 MICHAEL DEMETRUS GRUNDY

1. The Grand Jury incorporates by reference paragraphs 1 through 7 of the "General Allegations" and Counts 1 through 7 of Count One above as if they were set forth in full herein.

2. In approximately October 2011, in the Eastern District of Michigan, defendant MICHAEL DEMETRUS GRUNDY did knowingly and intentionally conspire with Keith Griffin, and others, to corruptly obstruct, influence and impede a grand jury investigation, and to corruptly attempt to do so, in violation of Title 18, United States Code, Section 1512(c).

Manner and Means

3. On approximately October 19, 2011, the Federal Bureau of Investigation (hereinafter, "FBI"), served grand jury subpoenas on the County. That same day, even though defendant MICHAEL DEMETRUS GRUNDY had induced the principal of *Company A* to have *Company A* pay Medtrix \$560,000 and the principal of *Company A* did not know the owner of Medtrix, defendant MICHAEL DEMETRUS GRUNDY

instructed Keith Griffin and the principal of *Company A* that they must deal directly with each other from then on, as he was removing himself from their contractual relationship.

4. On approximately October 20, 2011, after being told by defendant MICHAEL DEMETRUS GRUNDY to deal directly with the principal of *Company A*, Keith Griffin for the first time electronically mailed invoices to *Company A* for the payments *Company A* had wire transferred to Medtrix in the previous months. Each invoice stated, "Payment toward anticipated EMR project received."

5. After the FBI served subpoenas on the County on approximately October 19, 2011, defendant MICHAEL DEMETRUS GRUNDY instructed Keith Griffin to tell investigating agents that the payments Keith Griffin had made to or on behalf of defendant MICHAEL DEMETRUS GRUNDY from the Advertise Me and Medtrix accounts were all loans, and Keith Griffin complied with this instruction when he was interviewed by special agents of the FBI on approximately October 27, 2011.

6. In an effort to make it appear that the October 19, 2011 payment of \$400,000 to Medtrix was legitimate, on approximately October 20, 2011, defendant MICHAEL DEMETRUS GRUNDY took steps to halt the project to provide HealthChoice networks and medical providers with access to *Company S's* system, and took steps to direct HealthChoice networks and medical providers to obtain EMR programming and support from Medtrix, even though Medtrix had neither created nor obtained any EMR programming at that time.

FORFEITURE ALLEGATIONS

(18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c): Criminal Forfeiture)

D-1 MICHAEL DEMETRUS GRUNDY

1. The allegations contained in Counts One through Twenty-Five of this Indictment are hereby realleged and incorporated by reference for the purpose of alleging forfeitures pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).

2. Upon conviction of any of the offenses charged in Counts One through Twenty-Five of the Indictment, the defendant, MICHAEL DEMETRUS GRUNDY, shall forfeit to the United States of America, pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), any property, real or personal, which constitutes or is derived from the proceeds traceable to the offense(s).

3. If any of the property described above, as a result of any act or omission of the defendant:

- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to, or deposited with, a third party;
- c. has been placed beyond the jurisdiction of the court;
- d. has been substantially diminished in value; or
- e. has been commingled with other property which cannot be divided

without difficulty, the United States of America shall be entitled to forfeiture of substitute

property pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c).

4. **Money Judgment.** Upon conviction of one or more violations alleged in this Indictment, the Government will seek a forfeiture money judgment against defendant MICHAEL DEMETRUS GRUNDY in an amount as is proved at trial in this matter representing the total amount of proceeds obtained as a result of defendant's offense(s).

All pursuant to 18 U.S.C. § 981(a)(1)(C); 28 U.S.C. § 2461(c); and 21 U.S.C. § 853(p).

THIS IS A TRUE BILL.

s/Grand Jury Foreperson
GRAND JURY FOREPERSON

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Dated: March 7, 2012