



Written by [Paul Dragu](#) on June 24, 2026

\$6.5 Billion Fraud Bust Shows That Government Healthcare Is a Criminal's Dream

The Justice Department has announced a massive fraud bust that serves as a reminder that American's government healthcare system is profoundly broken and vulnerable.

The DOJ is charging 455 people in 45 U.S. states and territories with healthcare fraud amounting to \$6.5 billion, according to an [announcement](#) by acting U.S. Attorney General Todd Blanche. The main programs that were looted were Medicaid and Medicare.

"This is just the beginning," Blanche said on Tuesday. "Fraudsters can no longer rip off American taxpayers. If you seek to harm or cheat Americans, we will find you, seize any assets, and prosecute you to the fullest extent of the law."

Blanche lauded the bust as "the greatest combined federal and state effort in combating healthcare fraud in history." He hailed it as accountability for "fraudsters who steal from taxpayer programs and prey on vulnerable Americans." Health and Human Services Secretary Robert F. Kennedy, Jr., who also attended the press conference, said it was "the second largest amount ever charged in a single healthcare fraud operation" and the "largest Medicaid fraud enforcement action."

"These schemes did not target government programs, they targeted the American taxpayer," Kennedy added. "Every fraudulent dollar diverted into a criminal scheme is a dollar unavailable for patient care."

Momentous Crackdown

Nine healthcare-fraud strike forces, 57 U.S. attorneys offices, 41 state attorneys general, and multiple police agencies worked on this momentous crackdown, we are told. Eighteen of the states that participated in this operation were blue states with Democratic governors, Kennedy later added.

Blanche and Kennedy provided examples of the type of schemes healthcare fraudsters are carrying out. Kennedy said some alleged criminals ordered unnecessary tests, prescribed unnecessary products, and even created opioid addictions to boost their revenue. In some cases, added Kennedy, some patients died while under the impression that they were receiving care from providers who "only viewed them as billing opportunities."

In one instance, the DOJ indicted a corporate executive in Arizona with more than \$1 billion in fraud for unnecessary wound grafts, according to Blanche. "This alleged scheme cost Medicare over \$1 million per patient," he said.

That indictment, Blanche appeared to suggest, is tied to a larger web of fraud that includes 11 other people who are accused of perpetrating more than \$2 billion in fraudulent wound-care schemes. These



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people used that money to pay for multi-million dollar homes, \$800,000 Maseratis, jewelry worth hundreds of thousands of dollars, and even the construction of a \$4.6 million hotel in the Philippines. “We’re taking back the money, the luxury cars, the jewelry, and these alleged fraudsters will face justice,” said Blanche. The DOJ has seized more than \$182 million in cash and other assets.

New Strike Force

To help tackle Medicaid fraud, Blanche announced the creation of the West Coast Strike Force, which, he said, filed charges against 295 people for a total of \$518 million in alleged fraud.

Kennedy spoke of a Los Angeles-area hospice owner and two marketers who allegedly carried out a \$27.7 million Medicare fraud scheme. “According to the indictment, the owner paid illegal kickbacks to obtain personal information of deceased Medicare beneficiaries,” said Kennedy, who added that HHS closed 800 hospice facilities in L.A. “One of the ways we’ve been able to detect that fraud,” added Kennedy, “is that, in many of them, the patients never die. They live forever. That’s not supposed to happen in hospices.” That owner was allegedly buying names of dead people from coroners and then billing Medicare. What did the person do with this loot? He bought a Rolls Royce, Kennedy said.

Pay and Chase

Kennedy also told reporters how the former HHS secretary under Joe Biden oversaw the implementation of a policy that essentially encouraged HHS to push enrollment and ignore fraud. Kennedy:

During the Biden administration, my predecessor implemented two reforms at HHS. One of those was the so-called “pay and chase” system. We know when billing, when invoices come into my agency — we can tell that some of them are fraudulent or probably fraudulent. And the new system said, “we’re not going to stop those payments. We want everybody paid and then we’ll claw them back at the end.”... And when I asked people at HHS, “How can you do this? This is crazy” — of course, we never claw back anything — they said that they were told to focus on enrollment and not fraud.

Dr. Robert Malone, who served a short stint as the vice chair of the CDC’s Advisory Committee on Immunization Practices (ACIP) before resigning earlier this year, seconded Kennedy’s assertion that retrospective clawbacks have never worked. Malone [wrote](#) on his Substack:

For most of Medicare’s history, fraud investigations were largely retrospective. Claims were submitted, payments were made, and investigators attempted to identify fraudulent activity months or years later.... As you might imagine, that approach was never particularly efficient. By the time a scheme was uncovered, much of the money was often gone, routed through offshore banks and distributed through various criminal networks. Recovering those funds was difficult, and in many cases impossible. The “follow the money” approach created a license for innovative fraudsters and grifters to bilk the government (and taxpayer) and then quickly slip into international obscurity. Much like all other forms of internet and data fraud, the cat-and-mouse game resulted in criminals constantly probing for the weakest link in the Government’s reimbursement practices.



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Detect and Prevent

HHS is replacing “pay and chase” with a “detect and prevent” system that identifies fraud before any funds “ever leave the treasury,” said Kennedy. That strategy includes advanced artificial intelligence and data analytics to smell fraud before any payment is ever sent out. “Our objective is, straightforward: stop the fraud before it even happens,” he said.

Kennedy warned anyone who exploits patients or steals Medicaid or Medicare dollars: “We will build a case and we will bring you to justice.”

In his Substack, Malone suggested the criminals will undoubtedly adapt. Malone again:

CMS has increasingly invested in advanced analytics, machine learning, and artificial intelligence-driven systems designed to identify suspicious billing patterns in near real time. And so, not surprisingly, the bad guys are also employing the same data analytics and AI toolkit to identify and exploit systemic reimbursement weaknesses, for instance, by using AI-generated videos of fake telemedicine interactions. Another sort of ongoing “mutually assured destruction” dynamic, where both the cat and the mouse seek to exploit emerging data technology.

The revelations in this investigation are not surprising to anyone who has the foggiest familiarity with healthcare fraud. This has, indeed, been going on for a long time. And it illustrates another problem with America’s pseudo-universal healthcare system. A system this large is much easier for criminals to exploit. And, for them, given the amount of money to be looted, it is more appealing,

HHS is one of many federal agencies the Founders never intended the United States to create. The U.S. Constitution does not permit government healthcare. This bust is just the latest reminder of the wisdom of our Constitution and folly of the current system that regularly disregards it.



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