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**IN THE SUPERIOR COURT OF THE STATE OF ARIZONA
IN AND FOR THE COUNTY OF MARICOPA**

STATE OF ARIZONA,

Plaintiff,

v.

WILLIAM J. TIMMONS (001)
(Counts 1-4)

and

JOSEPH O'MALLEY (002)
(Counts 1-2)

Defendants.

Case No:

87 SGJ 32

INDICTMENT

CHARGING VIOLATIONS OF:

**COUNT 1: FRAUDULENT SCHEMES
AND ARTIFICES**, a Class 2 Felony, in
violation of A.R.S. § 13-2310

**COUNT 2: ILLEGALLY CONDUCTING
AN ENTERPRISE**, a Class 3 Felony, in
violation of A.R.S. §13-2312

**COUNT 3: FRAUDULENT SCHEMES
AND ARTIFICES**, a Class 2 Felony, in
violation of A.R.S. § 13-2310

**COUNT 4: FRAUDULENT SCHEMES
AND ARTIFICES**, a Class 2 Felony, in
violation of A.R.S. § 13-2310

The Arizona Grand Jury accuses, **WILLIAM J. TIMMONS (001)** and **JOSEPH O'MALLEY (002)**, charging on this on 26th day of August, 2020 that in or from Maricopa County, Arizona:

COUNT 1

FRAUDULENT SCHEMES AND ARTIFICES

On or between July 1, 2013 and June 30, 2018, **WILLIAM J. TIMMONS (001)** and **JOSEPH O'MALLEY (002)**, pursuant to a scheme or artifice to defraud, knowingly obtained a benefit by diverting funding from the Developmental Disabilities Division (DDD) of the Arizona Department of Economic Security (DES) and the Arizona Health Care Cost Containment System (AHCCCS) for financial gain by means of false or fraudulent pretenses, representations, promises or material omissions as to the costs incurred by the Intermediate Care Facility operated by Hacienda Inc., a sub-entity of Hacienda HealthCare, by manipulating costs among entities and sub-entities of Hacienda HealthCare, to avoid repayment of public monies, in violation of A.R.S. §§ 13-2310, 13-301, 13-302, 13-303, 13-304, 13-701, 13-702, 13-801 and 13-803.

COUNT 2

ILLEGALLY CONDUCTING AN ENTERPRISE

On or between July 1, 2013 and June 30, 2018, **WILLIAM J. TIMMONS (001)** and **JOSEPH O'MALLEY (002)**, being employed by or associated with an enterprise (To wit: Hacienda HealthCare and its subsidiaries and entities associated in fact), did knowingly conduct such enterprise's affairs through racketeering or did knowingly participate directly or indirectly in the conduct of the enterprise which they knew or should have known was being conducted through racketeering (to wit, a fraudulent scheme in which state AHCCCS funds were diverted from Hacienda Healthcare's Intermediate Care Facility to other entities and subsidiaries associated in fact, using fraudulent methods including but not limited to improper cost allocations and/or inflated

billing for medical supplies), in violation of A.R.S. §§13-2312(B), 13-2301(D), 13-301, 13-302, 13-303, 13-304, 13-701, 13-702, 13-703 and 13-801.

The enterprise was a group of persons employed/associated in fact, including, but not limited to **WILLIAM J. TIMMONS (001)** and **JOSEPH O'MALLEY (002)** and other persons both known and unknown, engaged in the operation of knowingly siphoned funding from the Arizona Department of Economic Security (DES) and the Arizona Health Care Cost Containment System (AHCCCS) for financial gain, and did so by manipulating costs to avoid repayment of State funds in favor of inflated salaries and bonuses.

The racketeering included Fraudulent Schemes and Artifices pursuant to A.R.S. §§ 13-2310, 13-301, 13-302, 13-303, 13-304, 13-701, 13-702 and 13-801.

COUNT 3

FRAUDULENT SCHEMES AND ARTIFICES

On or between July 1, 2013 and June 30, 2018, **WILLIAM J. TIMMONS (001)**, pursuant to a scheme or artifice to defraud, knowingly completed bad-faith financial transactions with South Mountain Health Supply Inc. (South Mountain), a for profit entity operating under Hacienda Healthcare by means of false or fraudulent pretenses, representations, promises or material omissions. The State alleges South Mountain purchased medical supplies from third party vendors, and re-sold them to the entity associated in fact called Hacienda Inc., at a 12.5% markup. As a not for profit organization, Hacienda Healthcare and Chief Executive Officer **WILLIAM J. TIMMONS (001)** paid South Mountain's inflated price with public monies, creating a financial benefit for the corporate entity and TIMMONS, in violation of A.R.S. §§ 13-2310, 13-301, 13-302, 13-303, 13-304, 13-701, 13-702, 13-801 and 803.

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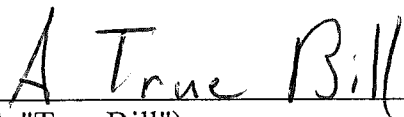
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COUNT 4

FRAUDULENT SCHEMES AND ARTIFICES

On or between July 1, 2013 and January 23, 2019, **WILLIAM J. TIMMONS (001)**, pursuant to a scheme or artifice to defraud, knowingly engaged in fraudulent billing for multiple uses of the Synagis vaccine out of single-use vials. In support of this count, the State alleges that **WILLIAM J. TIMMONS (001)**, as Chief Executive Officer of HACIENDA HEALTHCARE, by means of false or fraudulent pretenses, representations, promises or material omissions directed staff not do discard Synagis vials after a single use, but rather administer all remaining medication to patients. Health insurance was still billed the cost of an entire vial, generating a financial benefit for HACIENDA HEALTHCARE and others both named and not named in this indictment, in violation of A.R.S. §§ 13-2310, 13-301, 13-302, 13-303, 13-304, 13-701, 13-702, 13-801 and 13-803.


Pursuant to A.R.S. § 21-425, the Grand Jurors find that the offenses described above were committed in Maricopa County, Arizona.



(A "True Bill")

MARK BRNOVICH
ATTORNEY GENERAL
STATE OF ARIZONA

Dated: 8-31-20



SCOTT BLAKE
Assistant Attorney General



Foreperson of the Grand Jury