



THE UNITED STATES ATTORNEY'S OFFICE
SOUTHERN DISTRICT *of* MISSISSIPPI

[U.S. Attorneys](#) » [Southern District of Mississippi](#) » [News](#)

Department of Justice

U.S. Attorney's Office

Southern District of Mississippi

FOR IMMEDIATE RELEASE

Thursday, October 31, 2019

Pharmacy Owner Sentenced to 10 Years in Prison for Role in Largest Health Care Fraud Case Ever in Mississippi

Nationwide Compound Pharmacy Fraud Scheme Involved Almost a Quarter of a Billion Dollars

Hattiesburg, Miss. – Thomas Edward Spell, Jr., 51, a pharmacy owner in Ridgeland, Mississippi, was sentenced today to 10 years in federal prison for his involvement in a \$243 million compounding pharmacy fraud scheme, announced U.S. Attorney Mike Hurst, Michelle A. Sutphin, Special Agent in Charge of the FBI in Mississippi, Thomas J. Holloman III, Special Agent in Charge of Internal Revenue Service Criminal Investigation's (IRS CI) Atlanta Field Office, and Cynthia Bruce, Special Agent in Charge of the Defense Criminal Investigative Service's (DCIS) Southeast Field Office.

"This defendant ripped off every single military service member, veteran and American taxpayer when he defrauded TRICARE. The special agents, DOJ trial attorneys, our AUSAs and other law enforcement partners who investigated and prosecuted this case are to be commended for their diligence and fortitude in bringing this criminal to justice. We will continue to be vigilant in detecting, arresting and prosecuting those who defraud government services that benefit our military and our veterans," said U.S. Attorney Hurst.

"Fraud against government funded health care systems like TRICARE not only costs taxpayers billions each year, but deprives funding for critical medical care and benefits for our current and former military members who bravely serve our country," said FBI Special Agent in Charge Sutphin. "Schemes like these are a plague on the nation's health care systems. Individuals and organizations that participate in this type of fraud will continue to be high priority investigations for the FBI."

"Thomas Spell systematically defrauded the government and the taxpaying public," said IRS CI Special Agent in Charge Thomas J. Holloman III. "His desire for money, along with the power and material items it buys, drove him to perpetrate crimes against our healthcare system and prey upon many of the vulnerable in our society. Thanks to the financial expertise and diligence of IRS-CI special agents, who worked side-by-side with other federal and state law enforcement officers to uncover these schemes, Spell will now face the consequences of his actions."

"It saddens me that the desire for personal enrichment can lead individuals to commit egregious acts against DoD which jeopardize our ability to care for our military service members and their families," stated DCIS Special Agent in Charge Cynthia A. Bruce. "Today's sentencing represents the relentless commitment

by DCIS, our investigative partners and the U.S. Attorney's Office to fully investigate and bring to justice individuals who put our warfighters and healthcare system at risk.”

Spell's case is part of the largest health care fraud scheme ever investigated and prosecuted in the State of Mississippi. The investigation is ongoing and prosecutions are continuing nationwide, including in states such as California, Tennessee, Arkansas, and Connecticut. Spell was sentenced today by Senior U.S. District Judge Keith Starrett, who also ordered Spell to pay \$243,550,503.00 in restitution. Spell previously pled guilty to a Criminal Information outlining his role in the scheme to defraud TRICARE, the health care benefit program serving our nation's military, veterans, and their respective family members.

From approximately December 2014 and January 2016, Spell owned and operated a pharmacy in Madison County, Mississippi, and several other pharmacies across the United States. During this time, Spell and other co-conspirators marketed compounded medications at his pharmacies. Rather than formulating compounded medications based on the individualized needs of patients, formulas were selected to maximize profit based upon reimbursements from TRICARE and other health care benefit programs. The result was that TRICARE reimbursed Spell's pharmacies on these fraudulent claims totaling over \$243 million.

In order to further their scheme, Spell and his co-conspirators waived TRICARE's requirement that a beneficiary make a copayment to receive medicine. Instead, Spell and his co-conspirators had their employees purchase prepaid debit cards and money orders to use towards a copayment for a beneficiary, with Spell and his co-conspirators reimbursing their employees. Additionally, Spell and his co-conspirators paid kickbacks and bribes to marketers in order to obtain prescriptions for compounded medications from prescribers for beneficiaries who were covered by the most lucrative health care benefit programs, including TRICARE, irrespective of whether the compounded medications were medically necessary for the treatment of beneficiaries.

As a result of this fraudulent activity, Spell personally obtained over \$29 million in proceeds from the illegal scheme. Spell used these proceeds to fund bank accounts and investment accounts in his name, in the name of family members, and in the name of various business entities. Spell also used these proceeds to lend money and to purchase vehicles, boats, and property.

Prior to Spell being charged by a Criminal Information, the United States seized approximately \$26 million from Spell and the court ordered all assets and proceeds traceable to the fraud scheme forfeited by Spell.

This case has been designated as a related prosecution to cases charged in the Southern District of Mississippi. To date, a total of 20 people have been charged and 14 convicted in the compounding pharmacy scheme in the Southern District of Mississippi. The investigation is ongoing.

The case is being prosecuted by AUSA Mary Helen Wall and U.S. Department of Justice trial attorneys Sara Porter and Jared Hasten.

Topic(s):

Health Care Fraud

Component(s):

USAO - Mississippi, Southern

Updated October 31, 2019

