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Northern District of Texas

FOR IMMEDIATE RELEASE

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Health Care Executive Sentenced to 20 Years in TRICARE Fraud Case

The health care executive at the center of a \$70 million compounded pain and scar cream fraud has been sentenced to 20 years in federal prison, announced U.S. Attorney for the Northern District of Texas Erin Nealy Cox.

In December 2019, after six days of deliberation, a federal jury convicted John Paul Cooper, 56, of one count of conspiracy to commit health care fraud, one count of receipt of illegal kickbacks, and six counts of payment of illegal kickbacks. Mr. Cooper was sentenced Tuesday by Chief U.S. District Judge Barbara M.G. Lynn.

"This defendant siphoned millions of dollars from Defense Department's health insurance program, with little regard for whether its patients would actually benefit from the prescriptions he pushed," said U.S. Attorney Erin Nealy Cox. "His greed tainted their care."

"The Defense Criminal Investigative Service is committed to ensuring that TRICARE, the U.S. military healthcare program, continues to provide safe and superior medical care to America's Warfighters," said Michael C. Mentavlos, Special Agent in Charge of the Defense Criminal Investigative Service's Southwest Field Office. "Fraudulent healthcare schemes not only expose beneficiaries to potential harm, but also waste valuable taxpayer dollars. Today's sentencing is a culmination of DCIS' efforts, along with our partners, to combat such fraud."

According to evidence presented at trial, Mr. Cooper, president and co-owner of pharmaceutical marketing group CMGRX, conspired with Richard Robert Cesario, CMGRX CEO and co-owner, to defraud TRICARE, the Defense Department's health insurance program for military servicemembers and their families.

The evidence showed that CMGRX hired marketers to recruit more than 2,300 patients, many of whom were on active duty at Fort Hood, and incentivized them to obtain costly pain and scar

cream prescriptions with their TRICARE benefits in exchange for kickbacks of \$250 per prescription.

Mr. Cooper and Mr. Cesario disguised these illegal kickbacks by claiming they were payments for participation in a bogus medical study and by funneling the money through the “Freedom from Pain Foundation,” a sham charity they funded, directed, and controlled.

Evidence showed that CMGRX also paid multiple doctors, who had no prior relationship with the patients, to write their prescriptions after brief telephone calls. However, instead of giving the prescriptions to the patients, Mr. Cooper and Mr. Cesario instructed the doctors to send the signed prescriptions back to CMGRX, so that the company could send the prescriptions to partner pharmacies. In exchange for those prescription referrals, the pharmacies billed TRICARE for the drugs and kicked back a percentage of the reimbursement to CMGRX.

From September 2014 through May 2015, CMGRX caused over \$124 million in claims to be billed to TRICARE, \$70 million of which were paid.

Mr. Cesario – who pleaded guilty before trial to conspiracy to commit health care fraud and receipt of illegal remuneration – is awaiting sentencing. CMGRX marketers Joe Straw and Luis Rios also pleaded guilty before trial and are likewise awaiting sentencing.

The owners of CMGRX partner pharmacy Trilogy, Jeff Fuller and Andrew Baumiller, and one of their employees, Liz Valdez, pleaded guilty before trial as well. Mr. Fuller was sentenced by Judge Lynn to five years in prison. Mr. Baumiller and Ms. Valdez are awaiting sentencing. Ravi Morisetty, the owner of CMGRX partner Alpha Pharmacy, pled guilty and was sentenced to two years in prison. Mr. Morisetty did not report to the Bureau of Prisons to serve his sentence and remains a fugitive.

Two doctors associated with CMGRX, Walter Simmons and William Elder-Quintana, are scheduled to be retried later this year, after the jury failed to reach unanimous verdicts on counts against them.

The Defense Criminal Investigative Service and the Federal Bureau of Investigation’s Dallas Field Office conducted the investigation. Assistant U.S. Attorneys Douglas Brasher and Renee Hunter are prosecuting the case.

Topic(s):

Health Care Fraud

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