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

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**Department of Justice**

U.S. Attorney's Office

Southern District of California

FOR IMMEDIATE RELEASE

Wednesday, June 24, 2020

**Three Defendants Plead Guilty in \$65 Million Health Care Fraud; Additional Charges Brought Against Alleged Ringleaders**

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**NEWS RELEASE SUMMARY – June 23, 2020**

SAN DIEGO – Three former U.S. service members pleaded guilty in federal court today, admitting their roles in a fraud scheme that bilked the military healthcare program known as TRICARE out of more than \$65 million.

Kyle Adams, Daniel Castro and Jeremy Syto are scheduled to be sentenced September 11, 2020 before U.S. District Court Judge Janis L. Sammartino.

At the same time, the alleged ringleaders of this scheme were charged with additional crimes. Jimmy and Ashley Collins, a civilian married couple living in Cleveland, Tennessee, were originally charged in January 2018. They were charged on June 9, 2020 with additional crimes related to their operation of the scheme that cheated the health care program that covers United States military service members, retirees, and their dependents.

As Adams, Castro, and Syto admitted today, the defendants illegally recruited TRICARE patients to receive extraordinarily expensive and largely unnecessary prescription compounded drugs—which cost TRICARE an average of more than \$14,500 per medication per month. They induced the patients to sign up by offering monthly payments to participate in a bogus “medical evaluation,” when, in fact, no medical evaluation was taking place.

“The military is very important to San Diego, and the U.S. Attorney’s Office and its law enforcement partners will ensure that military dollars are legally spent on necessary goods and

services for military personnel,” said U.S. Attorney Robert Brewer. “Fraudsters, scammers, charlatans and thieves beware, there is no free passage through San Diego.”

“The theft of military health care dollars directly harms our Warfighters and will not be tolerated,” said Michael Mentavlos, Special Agent in Charge, Southwest Field Office, Defense Criminal Investigative Service. “Today’s guilty pleas demonstrate that DCIS, in partnership with NCIS, IRS, and the FBI, will aggressively pursue those who pillage DOD resources.”

“NCIS and our law enforcement partners began to uncover this multimillion dollar scheme to defraud the military thanks to a tip from a single service member,” said NCIS Marine Corps West Field Office Special Agent in Charge Amy Murphy. “These results highlight how critically important it is for our military personnel and family members to remain vigilant and always report suspected fraud. NCIS is grateful to the Defense Criminal Investigative Service, the Internal Revenue Service, and the FBI for their exceptional efforts during this extensive investigation.”

Compounded medications are specialty medications mixed by a pharmacist to meet the specific medical needs of an individual patient. Although compounded drugs are not approved by the Food and Drug Administration (FDA), they are properly prescribed when a physician determines that an FDA-approved medication does not meet the health needs of a particular patient, such as if a patient requires a particular dosage or application or is allergic to a dye or other ingredient.

Adams, Castro, and Syto admitted today that between October 2014 and July 2015, they worked as recruiters for Jimmy and Ashley Collins. At the Collins’ direction, the defendants recruited TRICARE beneficiaries by promising to pay them to evaluate the medications as part of an ongoing medical study, when in reality, no study was taking place. Once a recruiter convinced a TRICARE beneficiary to sign up to receive the compounded medications, the straw beneficiary’s information was sent to Choice MD, a Tennessee medical clinic co-owned and operated by Jimmy and Ashley Collins. Doctors and medical professionals employed by the Collinses at Choice MD, including Dr. Susan Vergot, Dr. Carl Lindblad, and Candace Craven, then wrote prescriptions for the TRICARE beneficiaries, despite never conducting a medical review or examination of the patients in person. Once signed by the doctors, these prescriptions were not given to the straw beneficiaries, but sent directly to The Medicine Shoppe, a pharmacy in Bountiful, Utah, which filled the prescriptions and received massive reimbursement from TRICARE.

Between December 2014 and May 9, 2015 – the day that TRICARE stopped reimbursing for compounded medications – the doctors working for the Collinses at Choice MD authorized 4,442 prescriptions and billed TRICARE \$65,679,512.00 for these prescriptions.

The owners of The Medicine Shoppe then paid kickbacks to the Collinses based on a percentage of the TRICARE reimbursement paid for the prescriptions referred by the Collinses’ recruiter network. Between February and July 2015, these kickback payments to the Collinses totaled at least \$45.7 million dollars. The Collinses, in turn, paid kickbacks to the recruiters working as part of their network, including Adams, Castro, and Syto, among others.

The Superseding Indictment also includes a lengthy list of forfeitable funds, property, and items purchased by the Collinses and others with the proceeds of the scheme, all of which has been previously seized or restrained by the United States. Included among these items is an 82-foot

yacht, multiple luxury vehicles, including two Aston-Martins, dozens of pieces of farm equipment and tractor-trailer trucks, and three pieces of Tennessee real estate.

In addition to today's guilty pleas from Adams, Castro, and Syto, both Dr. Vergot and Dr. Lindblad as well as Candace Craven, a nurse practitioner at Choice MD, have previously pleaded guilty for their roles in the conspiracy to commit healthcare fraud. CFK, Inc., the corporate owner of the Medicine Shoppe, has also pleaded guilty and paid a fine as part of this investigation.

Josh Morgan, another patient recruiter and former Marine from San Diego, pleaded guilty in March 2018 for his role in recruiting TRICARE beneficiaries to fraudulently receive these prescriptions, as did another former Marine, Bradley White, who admitted in July 2019 that he recruited patients who billed TRICARE over \$7.6 million, for which he was paid over \$195,000.

The next court date for defendants Jimmy and Ashley Collins is July 2, 2020.

### **DEFENDANTS**

#### **Case Number 18CR0432**

Jimmy D. Collins	Age: 56	Cleveland, TN
Ashley Collins	Age: 33	Cleveland, TN
Kyle Adams	Age: 33	Victoria, TX
Daniel Castro	Age: 32	Oak Lawn, IL
Jeremy Syto	Age: 26	Chula Vista, CA

### **SUMMARY OF CHARGES**

#### Count 1:

Conspiracy to Commit Health Care Fraud – Title 18, U.S.C §§ 1349, 1347

Maximum Penalty: Ten years' in prison and fine of higher of \$250,000 or twice loss amount

#### Counts 2:

Conspiracy to Pay and Receive Illegal Remunerations

Conspiracy to Defraud the United States

Maximum Penalty: Five years in prison and fine of higher of \$250,000 or twice loss amount

#### Counts 3-7:

Receipt of Illegal Remunerations – Title 42 U.S.C. § 1320(a)-7b(b)(1)

Maximum Penalty (per count): Five years in prison; \$250,000 fine

#### Counts 8-13:

Payment of Illegal Remunerations -- Title 42 U.S.C. § 1320(a)-7b(b)(2)(A)

Maximum Penalty (per count): Five years in prison; \$250,000 fine

**AGENCY**

Defense Criminal Investigative Service

Naval Criminal Investigative Service

IRS Criminal Investigation Division, Gulfport, MS

Federal Bureau of Investigation - Jackson, MS Field Office

\*The charges and allegations contained in an indictment or complaint are merely accusations, and the defendants are considered innocent unless and until proven guilty.

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**Topic(s):**

Financial Fraud

Health Care Fraud

**Component(s):**

USAO - California, Southern

**Press Release Number:**

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