

JUSTICE NEWS

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Thirteen Defendants Plead Guilty in \$126 Million Compounding Fraud Scheme

Thirteen defendants, including three compounding pharmacy owners, three physicians, two pharmacists, and three patient recruiters, pleaded guilty in the Southern District of Texas to a years-long, multi-state scheme to defraud the U.S. Department of Labor's (DOL) Office of Workers' Compensation Programs (OWCP) and TRICARE.

According to court documents, the defendants submitted false and fraudulent claims to the OWCP and TRICARE for prescriptions for compounded and other drugs prescribed to injured federal workers and members of the armed forces. The defendants also paid kickbacks to patient recruiters and to physicians to induce them to prescribe these drugs. The defendants chose the particular compounds and other drugs based not on the patients' medical needs but in light of the amount of reimbursement for the drugs. The drugs were then mailed to patients, even though the patients often never requested, wanted, or needed them.

"The health care fraud and kickback scheme executed by these defendants manipulated federal health care programs for personal gain without regard for patient need or medical necessity," said Assistant Attorney General Kenneth A. Polite Jr. of the Justice Department's Criminal Division. "I applaud our prosecutors and law enforcement partners for their hard work on this investigation and prosecution. The Department of Justice is committed to holding accountable those whose unlawful conduct targets federal health care programs."

"Last week's guilty pleas are a testament to the dedication and determination of the investigative and legal teams," said Acting Special Agent in Charge Jonathan Ulrich of the U.S. Postal Service Office of Inspector General (USPS-OIG), Southern Area Field Office. "The Postal Service spends hundreds of millions of dollars annually on health care related costs and these monies are critical to those who legitimately need medical services. As in this case, our criminal investigators will diligently pursue any individual or organization intent on defrauding the Postal Service with an eye on both federal prosecution and returning lost monies to the affected program."

"These defendants put illegal profits above patients' safety," said Special Agent-in-Charge Steve Grell of the DOL Office of Inspector General (DOL-OIG), Dallas Region. "Last week's pleas highlight our commitment to working with our law enforcement partners and OWCP to protect the integrity of DOL's benefit programs."

"As the investigative arm of the Department of Defense Office of Inspector General, the Defense Criminal Investigative Service (DCIS) is committed to protecting the integrity of the TRICARE program," said Special Agent in Charge Michael C. Mentavlos of the DCIS Southwest Field Office. "The results of this case are a testament to the resolve of DCIS, our law enforcement partners, and the U.S. Attorney's Office to hold individuals that attempt to defraud the TRICARE program accountable."

The defendants were charged in a June 2018 indictment and pleaded guilty to wire fraud, health care fraud, and/or kickback charges. All 13 defendants are scheduled to be sentenced in February 2022 and face a statutory maximum sentence of between five and 20 years. U.S. District Judge Sim Lake of the Southern District of Texas will determine any sentence after considering the U.S. Sentencing Guidelines and other statutory factors.

The USPS-OIG, DOL-OIG, and DCIS investigated the case with assistance from the U.S. Department of Veterans Affairs, Office of Inspector General.

Trial Attorneys Catherine Wagner, Patrick Queenan, and Jay McCormack of the Criminal Division's Fraud Section are prosecuting the case. Trial Attorneys Scott Armstrong, Sarah Edwards, John Scanlon, and Michael McCarthy of the Fraud Section previously prosecuted the case.

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Health Care Fraud

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Component(s):
[Criminal Division](#)
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