



## Government Charges Sixteen In \$175 Million Pharmacy Fraud

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On September 1, 2016, the United States Attorney's Office for the Southern District of Florida filed a five-count information, variously charging sixteen individuals, including three physicians, in connection with a scheme to defraud government and private insurers of \$175 million. *United States v. Carroll et al.*, #0:16-cr-60227 (S.D. Fla.). The information alleges an extremely complex scheme, which the defendants operated through pharmacies functioning as "fronts," call centers, and a network of allegedly "corrupt physicians."

According to the information, the defendants secretly purchased "failing pharmacies," which produced compounded medications, principally compounded creams for pain and skin conditions. The scheme involved selecting/using the most highly reimbursed ingredients in the compounded products, producing and selling these products in bulk, and billing for them as if they were specifically prescribed for individual patients' needs. According to the information, the defendants operated call centers where staffers obtained information about potential patients, including military veterans, who had previously been prescribed medications. The staffers read from a prepared script designed to persuade the patients to authorize faxing prescriptions to their doctor's offices. "Corrupt co-conspirator physicians" issued prescriptions for the compounded medications regardless of medical necessity and in exchange for illegal compensation, which included "cash, gift cards, the payment of physician business expenses, reduced cost supplies, free consulting advice, and assistance in the acquisition of financial assistance." These payments, which were disguised as reimbursement for "data collection," were distributed through a fictitious software company called ClinicalCorp LLC.

Count One charges Carroll, the lead defendant, with engaging in a racketeering conspiracy, in violation of Title 18, United States Code, § 1962(d), but does not specifically identify the other alleged co-conspirators. In Count Two, six defendants are charged with money laundering conspiracy, in violation of Title 18, United States Code, § 1956(h), while Count Three charges the remaining nine defendants with conspiracy to engage in mail and wire fraud, in violation of Title 18, United States Code, § 371. Count Four alleges that one of the defendants made a false statement to DEA agents, in violation of Title 18, United States Code, § 1001(a)(1). In Count Five, Carroll is further charged with subscribing to a false tax return, in violation of Title 26, United States Code, § 7206(1).

The fact that the charges were made in an information, as well as the range of charges and penalties faced by the different defendants, suggest that the named defendants are cooperating with the government, and have reached some kind of plea deal. Given the frequent references to co-conspirators who are not named, it appears that charges against additional defendants, including possibly other "corrupt physicians," are contemplated.

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