

UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF NEW JERSEY

|                          |   |                           |
|--------------------------|---|---------------------------|
| UNITED STATES OF AMERICA | : | Criminal No. 16-          |
|                          | : |                           |
| v.                       | : | Hon. John Michael Vazquez |
|                          | : |                           |
| PETER PAPPAS             | : | 18 U.S.C. § 1349          |

**INFORMATION**

(Conspiracy to Commit Health Care Fraud)

The defendant having waived in open court prosecution by Indictment, the United States Attorney for the District of New Jersey charges:

1. At all times relevant to this Information:

a. A pharmaceutical company (“Pharmaceutical Company”) located in New Jersey had a wholly self-funded health insurance plan for its employees. Individuals who received health care benefits through Pharmaceutical Company’s health insurance plan were referred to as beneficiaries. Pharmaceutical Company’s prescription drug benefit plan was administered by Express Scripts, Inc. (“Express Scripts”), a pharmacy benefit management organization. Under the agreement between Pharmaceutical Company and Express Scripts, Express Scripts processed pharmaceutical claims for beneficiaries through a network of retail pharmacies, among other places.

b. If a Pharmaceutical Company beneficiary selected a network pharmacy, the pharmacy would collect any applicable co-pay from the beneficiary, dispense the drug to the beneficiary, and submit a claim for reimbursement to Express Scripts, which would in turn adjudicate the claim and reimburse the pharmacy. At the end of each month, Pharmaceutical

Company would reimburse Express Scripts for all expenditures made on behalf of Pharmaceutical Company's beneficiaries.

c. TRICARE was a health care benefit program for Uniform Service Members of the U.S. military (active, Guard/Reserve, or retired) and their families. Individuals who received health care benefits through TRICARE were referred to as TRICARE beneficiaries. TRICARE was managed by the Defense Health Agency at the U.S. Department of Defense. Express Scripts administered TRICARE's prescription drug benefit plan, by adjudicating or determining whether to pay pharmacies for claims that a pharmacy submitted to Express Scripts.

d. Pharmaceutical Company's health insurance plan and TRICARE were "health care benefit program[s]," as defined by 18 U.S.C. § 24(b), that affected commerce.

e. Defendant PETER PAPPAS was a Pharmaceutical Company employee and a resident of Pennsylvania. Defendant PETER PAPPAS was enrolled in Pharmaceutical Company's health insurance plan and had a prescription drug benefit plan that was administered by Express Scripts.

### **Compounding and Company A**

f. Compounding was a practice where a licensed pharmacist combined, mixed, or altered ingredients of a drug in response to a prescription to create a medication tailored to the medical needs of an individual patient. Pharmacies engaged in the practice were referred to as "compounding pharmacies."

g. Company A was a marketing company connected to various compounding pharmacies throughout the United States. Company A was paid by various compounding pharmacies for referring beneficiaries whose insurance plans would pay for compounded medication, such as compounded pain creams, scar creams and vitamins.

h. CC-1, a co-conspirator not charged herein, was the owner of Company A, who focused on recruiting beneficiaries whose insurance plans would pay for the compounded medications to be filled by specific compounding pharmacies, including Pharmaceutical Company's health insurance plan and TRICARE.

2. From in and around August 2014 through in or about November 2015, in the District of New Jersey and elsewhere, defendant

PETER PAPPAS

did knowingly and intentionally conspire with others to knowingly and willfully execute, and attempt to execute, a scheme and artifice to defraud a health care benefit program and to obtain, by means of false and fraudulent pretenses, representations, and promises, any of the money owned by, or under the custody or control of, a health care benefit program in connection with the delivery of or payment for health care benefits, items or services, contrary to Title 18, United States Code, Section 1347.

Object of the Conspiracy

3. It was an object of the conspiracy for defendant PETER PAPPAS and others to unlawfully enrich themselves by submitting false and fraudulent insurance claims for medically unnecessary compounded prescription medications/creams to Express Scripts pursuant to Pharmaceutical Company's prescription drug benefit plan, other private health insurance plans, and TRICARE, wherein they received monetary payments from Company A for doing so.

### Manner and Means of the Conspiracy

4. It was part of the conspiracy that defendant PETER PAPPAS and others solicited false and fraudulent prescriptions for medically unnecessary compounded medications/creams for themselves, family members, and friends from physicians (“self-prescriptions”), including “telemedicine” doctors, and had those physicians fax the prescriptions to compounding pharmacies specifically designated by Company A, or themselves faxed the prescriptions to CC-1, who sent them on to compounding pharmacies specifically designated by Company A.

5. It was further part of the conspiracy that Company A provided a percentage of the reimbursement that the compounding pharmacies received from Express Scripts and Pharmaceutical Company to defendant PETER PAPPAS, CC-1, and others in exchange for defendant PETER PAPPAS and others filling self-prescriptions for compounded medication/cream under Pharmaceutical Company’s prescription drug benefit plan.

6. It was further part of the conspiracy that in or about August 2014, CC-1 sent defendant PETER PAPPAS a preprinted prescription form and instructed him to request specific compounded medications/creams from a medical professional.

7. It was further part of the conspiracy that defendant PETER PAPPAS contacted a doctor for the purpose of obtaining medically unnecessary compounded scar cream so that Company A would provide him monetary reimbursement for ordering the medically unnecessary compounded scar cream. As a result, defendant PETER PAPPAS was prescribed that compounded scar cream as a favor by that doctor.

8. It was further part of the conspiracy that in or about October 15, 2014, defendant PETER PAPPAS received a “commission” check from Company A via the mail in the amount of approximately \$9,023.86, which was a percentage of the amount paid by Express Scripts and

Pharmaceutical Company to the specific compounding pharmacy, as directed by CC-1, for filling the compounded self-prescription.

9. It was further part of the conspiracy that, from in or about September 2014 through in or about November 2015, defendant PETER PAPPAS refilled his compounded self-prescriptions on forms provided by CC-1 and Company A at certain specific compounding pharmacies selected by Company A, and in return, received “commission” checks and wire transfers from Company A.

9. It was further part of the scheme that at some point during 2015, at the direction of CC-1, defendant PETER PAPPAS changed the pharmacy where he filled his self-prescriptions to another compounding pharmacy.

10. It was further part of the scheme that, during 2014 and 2015, at the direction of CC-1, defendant PETER PAPPAS recruited others into joining the scheme, for the purpose of obtaining medically unnecessary compounded medications/cream so that Company A would provide him and others monetary reimbursement for ordering the medically unnecessary compounded self-prescription medication/cream.

All in violation of Title 18, United States Code, Section 1349.

## FORFEITURE ALLEGATION

1. As the result of committing one or more of the Federal health care offenses as defined in 18 U.S.C. § 24 alleged in this Information, defendant PETER PAPPAS shall forfeit to the United States, pursuant to 18 U.S.C. § 982(a)(7), all property, real and personal, that constitutes or is derived, directly and indirectly, from gross proceeds traceable to the commission of the offense, including but not limited to a sum of money equal to the amount of any and all proceeds traceable to the commission of the Federal health care offenses (as defined in 18 U.S.C. § 24) to which defendant PETER PAPPAS is pleading guilty.

### Substitute Assets Provision

2. If any of the above-described forfeitable property, as a result of any act or omission of the defendant:

- (a) cannot be located upon the exercise of due diligence;
- (b) has been transferred or sold to, or deposited with, a third person;
- (c) has been placed beyond the jurisdiction of the Court;
- (d) has been substantially diminished in value; or
- (e) has been commingled with other property which cannot be subdivided without difficulty;

it is the intent of the United States, pursuant to 21 U.S.C. § 853(p), as incorporated by 18 U.S.C. § 982(b), to seek forfeiture of any other property of said defendant(s) up to the value of the above forfeitable property.

  
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PAUL J. FISHMAN  
United States Attorney

CASE NUMBER: \_\_\_\_\_

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**United States District Court  
District of New Jersey**

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**UNITED STATES OF AMERICA**

**v.**

**PETER PAPPAS**

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**INFORMATION FOR**  
18 U.S.C. § 1349

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**PAUL J. FISHMAN**  
*UNITED STATES ATTORNEY, NEWARK, NEW JERSEY*

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