



*United States Attorney
District of New Jersey*

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**ATLANTIC COUNTY MAN ADMITS HEALTH CARE FRAUD CONSPIRACY
TARGETING STATE HEALTH BENEFITS PROGRAMS**

CAMDEN, N.J. – A retail director for a local candy company today admitted defrauding New Jersey state health benefits programs and other insurers out of over \$2 million by submitting fraudulent claims for medically unnecessary prescriptions, U.S. Attorney Craig Carpenito and New Jersey Attorney General Gurbir S. Grewal announced.

Nicholas Tedesco, 44, of Linwood, New Jersey, pleaded guilty before U.S. District Judge Robert B. Kugler in Camden federal court to an information charging him with conspiracy to commit health care fraud.

Nicholas Tedesco's brother and a leader in the conspiracy, Matthew Tedesco, pleaded guilty to his role in the scheme on Aug. 17, 2017.

According to documents filed in this case and statements made in court:

From January 2015 through April 2016, Nicholas Tedesco and others recruited individuals in New Jersey to obtain very expensive and medically unnecessary compounded medications from an out-of-state pharmacy, identified in the information as the "Compounding Pharmacy."

The conspirators knew that certain compound medication prescriptions – including pain, scar, antifungal, and libido creams, as well as vitamin combinations – were reimbursed for thousands of dollars for a one-month supply. The conspirators also knew that some New Jersey state and local government and education employees, including teachers, firefighters, municipal police officers, and state troopers, had insurance coverage for these particular medications.

An entity referred to in the information as the "Pharmacy Benefits Administrator" provided pharmacy benefit management services for the State Health Benefits Program, which covers qualified state and local government employees, retirees, and eligible dependents, and the School

Employees' Health Benefits Program, which covers qualified local education employees, retirees, and eligible dependents. The Pharmacy Benefits Administrator would pay prescription drug claims and then bill the State of New Jersey for the amounts paid.

Nicolas Tedesco and others recruited public employees and other individuals covered by the Pharmacy Benefits Administrator to fraudulently obtain compounded medications that were not medically necessary. The prescriptions were faxed to the Compounding Pharmacy, which filled the prescriptions and billed the Pharmacy Benefits Administrator.

The pharmacy then paid one of Nicholas Tedesco's conspirators a percentage of each prescription filled and paid by the Pharmacy Benefits Administrator, which was then distributed to Nicholas Tedesco and other members of the conspiracy. Nicholas Tedesco paid individuals with insurance coverage in cash to reward them for obtaining prescriptions.

According to the information, the Pharmacy Benefits Administrator paid Compounding Pharmacy over \$50 million for compounded medications mailed to individuals in New Jersey.

As part of the plea agreement, Nicholas Tedesco must forfeit \$782,766.56 in criminal proceeds and pay restitution of at least \$2,069,847.42. He faces a maximum penalty of 10 years in prison and a \$250,000 fine, or twice the gross gain or loss from the offense. Sentencing is scheduled for June 1, 2018.

Fourteen other conspirators – including Matthew Tedesco, Robert Bessey, Michael Pepper, Thomas Hodnett, Steven Urbanski, John Gaffney, Judd Holt, George Gavras, Richard Zappala, Michael Neopolitan, Andrew Gerstel, Timothy Frazier, Michael Pilate, and Shawn Sypherd – pleaded guilty from August through February 2018 and await sentencing.

U.S. Attorney Carpenito credited agents of the FBI's Atlantic City Resident Agency, under the direction of Special Agent in Charge Timothy Gallagher in Newark, IRS – Criminal Investigation, under the direction of Special Agent in Charge Jonathan D. Larsen in Newark, and the U.S. Department of Labor, Office of Inspector General, under the direction of Acting Special Agent in Charge Peter Nozka in New York, with the investigation leading to the guilty plea. He also thanked the Pensions and Financial Transactions Section of the Division of Law, within the Attorney General's Office, under the direction of Attorney General Grewal and Division Chief Eileen Schlindwein Den Bleyker, for its assistance in the investigation.

The government is represented by Assistant U.S. Attorneys Jacqueline M. Carle and R. David Walk, Jr. of the U.S. Attorney's Office in Camden.

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Defense counsel: David Jay Glassman Esq., Philadelphia

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