

PRESS RELEASE

# West New York Financial Advisor Convicted on 11 Counts at Trial in Multimillion-Dollar Health Care Fraud Conspiracy

Friday, December 8, 2023

## For Immediate Release

U.S. Attorney's Office, District of New Jersey

CAMDEN, N.J. – A West New York financial advisor was found guilty on 11 counts of defrauding public health insurance plans out of more than \$4 million and transacting in the criminal proceeds, U.S. Attorney Philip R. Sellinger announced today.

Kaival Patel, 54, of West New York, New Jersey, was convicted on Dec. 7, 2023, of one count of conspiracy to commit wire fraud and health care fraud, four counts of health care fraud, one count of conspiracy to commit money laundering by transacting in criminal proceeds, and five counts of money laundering by transacting in criminal proceeds following an 11-day trial before U.S. District Judge Robert B. Kugler.

*“This defendant lined his own pockets by taking advantage of health insurance plans for New Jersey state and local government employees, defrauding them of millions of dollars by conspiring to obtain reimbursements for medically unnecessary compound prescription medications. Together with our law enforcement partners, we will continue to investigate and prosecute those who abuse and defraud the health care system.”*

U.S. Attorney Philip R. Sellinger

“Filing false compound medication claims and pocketing the reimbursements isn't a new scheme,” FBI – Newark Special Agent in Charge James E. Dennehy said. “For years now, the FBI Newark and our law enforcement partners have doggedly investigated and

brought to justice dozens of others who defrauded healthcare companies, state and federal government agencies, and taxpayers. Yet, these criminals don't seem to learn the lessons of those who tried to steal what isn't theirs and get rich off the backs of the hardworking public. Our hope is anyone thinking of using a similar plan realizes they will get caught, and they will go to federal prison along with Patel."

"The defendant enriched himself by defrauding the New Jersey public health insurance plans out of more than \$4 million," Tammy L. Tomlins, Special Agent in Charge of IRS – Criminal Investigation, Newark Field Office, said. "Today's conviction is the result of the great investigative work of IRS-CI Special Agents and our law enforcement partners and their commitment to protect the integrity of our health care systems."

According to documents filed in this case and the evidence at trial:

Compounded medications are specialty medications mixed by a pharmacist to meet the specific medical needs of an individual patient. Compounded medications require a prescription from a physician.

Patel created and operated a company called ABC Healthy Living LLC to market compound prescription medications. Patel and his conspirators learned that certain state and local government employees had insurance that would reimburse up to thousands of dollars for a one-month supply of certain compound medications such as vitamins, scar creams, pain creams, libido creams, and acid reflux medications. Patel and a conspirator approached Patel's family member, a medical doctor who owns and operates a clinic in Newark, New Jersey, and convinced him to authorize prescriptions for the compound medications for patients who had no medical need for the prescriptions. Patel received commissions for the compound medication prescriptions.

Patel and his conspirators paid a group of corrections officers to go to Patel's family member's medical practice for the purpose of receiving fraudulent prescriptions. Patel conspired with a compounding pharmacist to add unnecessary ingredients to the compound medications to further increase their cost and augment his illicit profits. Patel engaged in a series of financial transactions to receive proceeds from the health care fraud and wire fraud conspiracy.

To date, approximately 47 people have been convicted or pleaded guilty in the overarching conspiracy.

On the count of conspiracy to commit wire fraud and health care fraud, Patel faces a maximum penalty of 20 years in prison and a fine of \$250,000 fine, or twice the gross pecuniary loss from the offense, whichever is greatest. On each of the remaining 10

counts, he faces a maximum penalty of 10 years in prison and a \$250,000 fine, or twice the gross pecuniary gain or loss from the offense, whichever is greatest. Sentencing is scheduled for April 10, 2024.

U.S. Attorney Sellinger credited special agents of the FBI's Atlantic City Resident Agency, under the direction of Special Agent in Charge James E. Dennehy in Newark; special agents of IRS - Criminal Investigation, under the direction of Special Agent in Charge Tammy Tomlins in Newark; and the U.S. Department of Labor, Office of Inspector General, Northeast Region, under the direction of Special Agent in Charge Jonathan Mellone, with the investigation leading to the conviction.

The government is represented by Assistant U.S. Attorneys Daniel A. Friedman of the Criminal Division in Camden and DeNae M. Thomas of the Health Care Fraud Unit.

*Updated December 8, 2023*

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## **Topics**

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