

Department of Justice
U.S. Attorney's Office
District of New Jersey

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Two Pharmaceutical Employees Admit Health Care Fraud Conspiracy Targeting State Health Benefits Programs

CAMDEN, N.J. – Two Burlington County, New Jersey, men today admitted defrauding New Jersey state health benefits programs and other insurers by submitting fraudulent claims for medically unnecessary prescriptions, Acting U.S. Attorney William E. Fitzpatrick and New Jersey Attorney General Christopher S. Porrino announced.

Judd Holt, 42, a pharmaceutical sales representative from Marlton, New Jersey, and George Gavras, 36, a pharmaceutical sales representative from Moorestown, New Jersey, pleaded guilty before U.S. District Judge Robert B. Kugler in Camden federal court to separate informations charging them with conspiracy to commit health care fraud.

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

Compounded medications are supposed to be specialty medications mixed by a pharmacist to meet the specific medical needs of an individual patient. Although compounded drugs are not approved by the Food and Drug Administration (FDA), they are properly prescribed when a physician determines that an FDA-approved medication does not meet the health needs of a particular patient, such as if a patient is allergic to a dye or other ingredient.

From January 2015 through April 2016, Holt and Gavras served as recruiters in the conspiracy and persuaded individuals in New Jersey to obtain very expensive and medically unnecessary compounded medications from an out-of-state pharmacy, identified in the informations as the "Compounding Pharmacy." The conspirators learned 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 learned 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 compound medications. An entity referred to in the informations 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.

The conspirators recruited public employees and other individuals covered by the Pharmacy Benefits Administrator to fraudulently obtain compounded medications from the Compounding Pharmacy without any evaluation by a medical professional that they were medically necessary. In return, the pharmacy paid one of Holt and Gavras' conspirators a percentage of each prescription filled and paid by the Pharmacy Benefits Administrator, which was then distributed to other members of the conspiracy.

Once they had recruited an employee covered by the Pharmacy Benefits Administrator, Holt and Gavras would obtain the employee's insurance information and fill out a Compounding Pharmacy

prescription form. They would select the compounded medications that paid the most without regard to their medical necessity.

Holt and Gavras would then get the prescriptions signed by doctors and other qualified health professionals who never saw the patients or evaluated whether the patients had a medical necessity for the compounded medication. The prescriptions were then faxed to Compounding Pharmacy, which filled the prescriptions and billed the Pharmacy Benefits Administrator.

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

As part of the plea agreements, Holt must forfeit \$95,574.49 in criminal proceeds he received for his role in the scheme and pay restitution of at least \$769,762.53. Gavras agreed to forfeit \$204,002.02 and pay restitution of at least \$679,368.53.

Each defendant 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 for both defendants is scheduled for Jan. 5, 2018.

Six other conspirators – Matthew Tedesco, Robert Bessey, Michael Pepper, Thomas Hodnett, Steven Urbanski, and John Gaffney – pleaded guilty in August and September 2017 and await sentencing.

Acting U.S. Attorney Fitzpatrick 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 Department of Labor, Office of Inspector General, under the direction of Special Agent in Charge Michael C. Mikulka in New York, with the investigation leading to the guilty pleas. He also thanked the Division of Pensions and Financial Transactions in the State Attorney General's Office, under the direction of Attorney General Porrino and Division Chief Eileen Schindwein Den Bleyker, for its assistance in the investigation.

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

Defense counsel:

Holt: Rocco C. Cipparone Jr. Esq., Haddon Heights, New Jersey
Gavras: Robert N. Agre Esq., Haddonfield, New Jersey