



*United States Attorney
District of New Jersey*

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Feb. 1, 2018

**PLEASANTVILLE GUIDANCE COUNSELOR ADMITS HEALTH CARE FRAUD
CONSPIRACY TARGETING STATE HEALTH BENEFITS PROGRAMS**

CAMDEN, N.J. – A guidance counselor with the Pleasantville public school district today admitted defrauding New Jersey state health benefits programs and other insurers out of over \$3 million by submitting fraudulent claims for medically unnecessary prescriptions, U.S. Attorney Craig Carpenito and New Jersey Attorney General Gurbir S. Grewal announced.

Michael Pilate, 39, of Williamstown, 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.

“Pilate was part of a network of recruiters, doctors, and state and local government employees who abused their access to state benefits plans to rack up millions in reimbursements for medically unnecessary prescriptions, all while profiting off the backs of New Jersey tax payers,” U.S. Attorney Carpenito said. “His guilty plea, which marks the 13th conviction in the ongoing investigation, is a testament to the combined success of our federal law enforcement partners and the New Jersey Attorney General’s office to find those responsible for this brazen scheme and bring them to justice.”

“The health care fraud committed by this individual and his co-defendants costs us all, and cannot be tolerated,” said New Jersey Attorney General Grewal. “We appreciate the vigorous pursuit of this conspiracy by our partners at the U.S. Attorney’s Office, and we’re glad to collaborate in the effort. As Attorney General, I am committed to investigating health care fraud on behalf of New Jersey taxpayers, and to holding those engaged in such conduct accountable.”

“Today’s plea is a direct result of the commitment by federal, state and local law enforcement to aggressively pursue and charge those who willingly defraud our citizens,” stated Special Agent in Charge Timothy Gallagher of the Newark FBI Field Office. “Health Care fraud costs our

country billions each year, which is not just absorbed, it is passed down to the consumer. We will remain vigilant to assure that unscrupulous individuals are brought to justice."

"In today's plea, the thirteenth in this case, Michael Pilate admitted to conspiring to cause the submission of fraudulent insurance claims for medically unnecessary compounded prescription medications. We will continue to work with our law enforcement partners to aggressively investigate illegal prescription drug schemes, particularly when they impact patients of programs administered by the Department," said Peter Nozka, Acting Special Agent-in-Charge, U.S. Department of Labor, Office of Inspector General New York Region.

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

From January 2015 through April 2016, Pilate 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."

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 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 compound 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.

Pilate agreed to personally receive compounded prescription creams that he did not need without being examined by a doctor and helped recruit other public employees and individuals covered by the Pharmacy Benefits Administrator to fraudulently obtain medically unnecessary medications from the Compounding Pharmacy. Pilate secured insurance information from the individuals and passed it along to another conspirator, who had a doctor sign the prescriptions without examining the individuals. The prescriptions were faxed to the Compounding Pharmacy, which filled the prescriptions and billed the Pharmacy Benefits Administrator.

The pharmacy then paid one of Pilate's conspirators a percentage of each prescription filled and paid by the Pharmacy Benefits Administrator, which was then distributed to Pilate and other members of the conspiracy. Pilate paid individuals with the insurance coverage \$500 to reward them for obtaining the 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, Pilate must forfeit \$392,684.20 in criminal proceeds he received for his role in the scheme and pay restitution of at least \$3,493,170.18.

Pilate 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 May 11, 2018.

Twelve other conspirators – Matthew Tedesco, Robert Bessey, Michael Pepper, Thomas Hodnett, Steven Urbanski, John Gaffney, Judd Holt, George Gavras, Richard Zappala, Michael Neopolitan, Andrew Gerstel, and Timothy Frazier – have pleaded guilty to their roles in the scheme 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 R. David Walk, Jr. and Jacqueline M. Carle of the U.S. Attorney's Office in Camden.