

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

UNITED STATES OF AMERICA	:	CRIMINAL NO. _____
v.	:	DATE FILED: _____
AZIZ CHAUDHRY, M.D. MANUEL PAGALILAUAN, M.D.	:	VIOLATIONS 21 U.S.C. § 846 (conspiracy to distribute controlled substances – 1 count) 21 U.S.C. § 841(a)(1) (distribution of controlled substances – 2 counts) 42 U.S.C. § 408(a) (fraud against the Social Security Administration – 1 count) 18 U.S.C. § 2 (Aiding and abetting)

INFORMATION

COUNT ONE

THE UNITED STATES ATTORNEY CHARGES THAT:

At all times material to this Information:

1. Defendant AZIZ CHAUDHRY, M.D. (“CHAUDHRY”) was a physician licensed by the Commonwealth of Pennsylvania and practicing out of Philadelphia, PA. Defendant CHAUDHRY held Pennsylvania medical license number MD-036094E, which expired December 31, 2006, and DEA registration number BC 0639508, which expires August 31, 2008.
2. Defendant MANUEL PAGALILAUAN (“PAGALILAUAN”) was a

physician licensed by the Commonwealth of Pennsylvania and practicing out of Philadelphia, PA. Defendant PAGALILAUAN held Pennsylvania medical license, number MD-036065L, which expired December 31, 2006, his DEA registration, number BP 0482668, was in a delinquent status as of June 28, 2002.

3. The FAMILY MEDICAL CENTER (hereinafter referred to as “FMC”) located in Philadelphia, Pennsylvania, 19140, with a business telephone number of (215) 221-6545, purported to be a medical clinic. FMC was operated by defendant CHAUDHRY from at least September 2001 until on or about October 10, 2006. From in or around March 2003 until in or around May 2005, defendant PAGALILAUAN assisted defendant CHAUDHRY in operating FMC. Although FMC purported to be a medical clinic, it was in actuality a prescription “pill mill,” at which so-called patients (“customers”) could, for a fee, obtain medical prescriptions for controlled and non-controlled prescription drugs, without there being any medical necessity for these prescriptions.

4. The Controlled Substances Act (“the Act”) governs the manufacture, distribution, and dispensing of controlled substances in the United States. The Controlled Substances Act is contained in Title 21 of the United States Code, 21 U.S.C. §§ 801-971.

5. Title 21, United States Code, Section 841, provides that “[e]xcept as authorized, it shall be unlawful for any person to knowingly or intentionally manufacture, distribute, or dispense with intent to manufacture, distribute or dispense, a controlled substance.”

6. Title 21, United States Code, Section 802(10), provides that the term “dispense” means to deliver a controlled substance to an ultimate user or research subject by, or pursuant to the lawful order of, a practitioner, including the prescribing and administering of a

controlled substance and the packaging, labeling or compounding necessary to prepare the substance for delivery.

7. Title 21, United States Code, Section 821, provides that “[t]he Attorney General [of the United States] is authorized to promulgate rules and regulations. . .relating to the registration and control of the manufacture, distribution and dispensing of controlled substances.”

8. The Attorney General of the United States has exercised his rulemaking authority regarding the dispensing of controlled substances through the promulgation of 21 Code of Federal Regulations § 1306.04, governing the issuance of prescriptions, which provides:

- (a) a prescription for a controlled substance to be effective must be issued for a legitimate medical purpose by an individual practitioner acting in the usual course of his professional practice. The responsibility for the proper prescribing and dispensing of controlled substances is upon the prescribing practitioner, but a corresponding responsibility rests with the pharmacist who fills the prescription. An order purporting to be a prescription issued not in the usual course of professional treatment or in legitimate and authorized research is not a prescription within the meaning and intent of section 309 of the Act [21 U.S.C. § 829] and the person knowingly filling such a purported prescription, as well as the person issuing it, shall be subject to the penalties provided for violations of the law relating to controlled substances.

9. Under the Controlled Substances Act, there are five schedules of controlled substances – Schedules I, II, III, IV, and V. Controlled substances are scheduled into these levels based upon their potential for abuse, among other things. Abuse of Schedule II controlled substances may lead to severe psychological or physical dependence. Abuse of Schedule III controlled substances may lead to moderate or low physical dependence or high psychological dependence. Abuse of Schedule IV controlled substances may lead to more limited physical dependence or psychological dependence relative to the drugs or other

substances in Schedule III.

10. Hydrocodone is the generic name for an addictive prescription painkiller that is classified under the Controlled Substances Act as a Schedule II controlled substance. It is classified as a Schedule III controlled substance when dispensed in amounts of not more than 15 milligrams per dosage unit when combined with other ingredients in recognized therapeutic amounts. When hydrocodone is legally prescribed for a legitimate medical purpose, it is typically used to combat acute, severe pain. Accordingly, the prescription is usually for a modest number of pills to be taken over a short period of time. Brand names for common Schedule III controlled substances containing hydrocodone include Vicodin and Lorcet.

11. Diazepam, more commonly referred to by one of its brand names, Valium, is the generic name for an addictive prescription sedative and anti-anxiety agent and muscle relaxant that is classified under the Act as a Schedule IV controlled substance.

12. Alprazolam, more commonly referred to by one of its brand names, Xanax, is the generic name for an addictive prescription sedative and anti-anxiety agent that is classified under the Act as a Schedule IV controlled substance.

13. Promethazine with Codeine, the generic name for a schedule V narcotic sometimes branded as Phenergan with Codeine, is used for the temporary relief of coughs and upper respiratory symptoms associated with allergy or common cold.

14. The Pennsylvania Code of Professional and Vocational Standards, Title 49, Chapter 16.92, defines the authority of physicians licensed by the Commonwealth of Pennsylvania to prescribe controlled substances. Chapter 16.92 provides in pertinent part:

(a) A person licensed to practice medicine and surgery in this Commonwealth or otherwise

licensed or regulated by the Board, when prescribing, administering or dispensing controlled substances, shall carry out, or cause to be carried out, the following minimum standards:

- (1) Initial medical history and physical examination....[B]efore commencing treatment that involves prescribing, administering or dispensing a controlled substances, an initial medical history shall be taken and an initial examination shall be conducted unless emergency circumstances justify otherwise. Alternatively, medical history and physical examination information recorded by another health care provider may be considered if the medical history was taken and the physical examination was conducted within the immediately preceding thirty days. The physical examination shall include an evaluation of the heart, lungs, blood pressure and body functions that relate to the patient's specific complaint.
- (2) Reevaluations. Among the factors to be considered in determining the number and the frequency of follow-up evaluations that should be recommended to the patient are the condition diagnosed, the controlled substance involved, expected results and possible side effects. For chronic conditions, periodic follow-up evaluations shall be recommended to monitor the effectiveness of the controlled substance in achieving the intended results.
- (3) Patient counseling. Appropriate counseling shall be given to the patient regarding the condition diagnosed and the controlled substance prescribed, administered or dispensed. Unless the patient is in an inpatient care setting, the patient shall be specifically counseled about dosage levels, instructions for use, frequency and duration of use and possible side effects.
- (4) Medical Records...[C]ertain information shall be recorded in the patient's medical record on each occasion when a controlled substance is prescribed, administered or dispensed. This information shall include the name of the controlled substance, its strength, the quantity and the date it was prescribed, administered or dispensed to a patient. The medical record shall also include a specification of the symptoms observed and reported, the diagnosis of the condition for which the controlled substance is being given and the directions given to the patient for the use of the controlled substance. If the same controlled substance continues to be prescribed, administered or dispensed, the medical record shall reflect changes in the symptoms observed and reported, in the diagnosis of the condition for which the controlled substance is being given and in the directions given to the patient.

15. From in or around September 2001, until on or about October 10, 2006, at Philadelphia, in the Eastern District of Pennsylvania, the defendants,

**AZIZ CHAUDHRY, M.D. and
MANUEL PAGALILAUAN, M.D.,**

conspired and agreed with each other and with others known and unknown to the United States Attorney, to commit the following offenses against the United States:

a. to knowingly and intentionally distribute and dispense, outside the usual course of professional practice and for no legitimate medical purpose, a mixture and substance containing a detectable amount of Hydrocodone, a Schedule III controlled substance, in violation of Title 21, United States Code, Sections 841(a)(1) and (b)(1)(D);

b. to knowingly and intentionally distribute and dispense, outside the usual course of professional practice and for no legitimate medical purpose, a mixture and substance containing a detectable amount of Diazepam, a Schedule IV controlled substance, in violation of Title 21, United States Code, Sections 841(a)(1) and (b)(2);

c. to knowingly and intentionally distribute and dispense, outside the usual course of professional practice and for no legitimate medical purpose, a mixture and substance containing a detectable amount of Alprazolam, a Schedule IV controlled substance, in violation of Title 21, United States Code, Sections 841(a)(1) and (b)(2); and

d. to knowingly and intentionally distribute and dispense, outside the usual course of professional practice and for no legitimate medical purpose, a mixture and substance containing a detectable amount of Promethazine with Codeine, a Schedule V controlled substance, in violation of Title 21, United States Code, Sections 841(a)(1) and (b)(3).

All in violation of Title 21, United States Code, Section 846.

MANNER AND MEANS

It was a part of the conspiracy that:

16. Defendant CHAUDHRY wrote fraudulent prescriptions for Schedule III,

IV and V substances (“drugs”) from FMC, located in Philadelphia, Pennsylvania, 19140, from at least September 2001 until on or about October 10, 2006.

17. Defendant PAGALILAUAN assisted defendant CHAUDHRY in operating FMC, and also wrote fraudulent prescriptions for drugs from FMC, from in or around March 2003 until in or around May 2005.

18. The “prescriptions” written by defendants CHAUDHRY and PAGALILAUAN were fraudulent in that there was no medical necessity for these prescriptions.

19. Defendants CHAUDHRY and PAGALILAUAN allowed their customers to obtain “prescriptions” under multiple false names, so long as the customers had initially provided some sort of identification in each false name at the time when the customer had given that false name to FMC for FMC to establish its “patient file.”

20. Defendants CHAUDHRY and PAGALILAUAN normally did not take initial medical histories of first-time customers of FMC.

21. The customers of FMC normally received no physical examination or any other medical care or treatment from defendants CHAUDHRY or PAGALILAUAN.

22. Defendants CHAUDHRY and PAGALILAUAN charged the customers approximately \$50 per “prescription;” from in or around September 2001 until in or around June 1, 2005, FMC accepted cash only; from in or around June 1, 2005 until on or about October 10, 2006, FMC accepted money orders only, from the vast majority of its customers, allowing a select clientele to continue paying for their “prescriptions” in cash.

23. After obtaining “prescriptions” in one or more names from FMC, the customers then went to pharmacies in and around Philadelphia that were willing to fill the FMC

“prescriptions.”

24. The customers often used their health care benefits, including Medicaid cards, to pay for the “prescriptions.”

25. Defendant CHAUDHRY would sometimes write “prescriptions” to customers, direct those customers to fill the “prescriptions” at local pharmacies, and bring the pills back to FMC, where defendant CHAUDHRY would then sell the pills obtained in this fashion from FMC.

26. Armed guards, both known and unknown to the United States Attorney, worked inside FMC carrying loaded handguns, in order to prevent FMC and defendant CHAUDHRY from being robbed.

OVERT ACTS

In furtherance of the conspiracy and to accomplish its objects, the following overt acts, among others, were committed in the Eastern District of Pennsylvania:

1. On or about February 26, 2004, at the FAMILY MEDICAL CENTER (“FMC”), Philadelphia, Pennsylvania, defendants CHAUDHRY and PAGALILAUAN knowingly and intentionally distributed and dispensed, outside the usual course of professional practice and for no legitimate medical purpose, a mixture and substance containing a detectable amount of Phenergan with Codeine (Promethazine with Codeine, 8 oz.), a Schedule V controlled substance, and Xanax (Alprazolam, 1 mg., 60 pills), a Schedule IV controlled substance, to an undercover agent of the Federal Bureau of Investigation (“FBI”).

2. On or about March 9, 2004, at FMC, Philadelphia, Pennsylvania, defendants CHAUDHRY and PAGALILAUAN knowingly and

intentionally distributed and dispensed, outside the usual course of professional practice and for no legitimate medical purpose, a mixture and substance containing a detectable amount of Phenergan with Codeine (Promethazine with Codeine, 8 oz.), a Schedule V controlled substance, and Xanax (Alprazolam, 1mg., 60 pills), a Schedule IV controlled substance, to an undercover agent of the FBI.

3. On or about June 21, 2004, at FMC, [REDACTED] Philadelphia, Pennsylvania, defendant CHAUDHRY knowingly and intentionally distributed and dispensed, outside the usual course of professional practice and for no legitimate medical purpose, a mixture and substance containing a detectable amount of Xanax (Alprazolam, 1 mg., 90 pills), a Schedule IV controlled substance, and Vicodin ES (Hydrocodone with Acetaminophen, 7.5 mg./750 mg., 90 pills), a Schedule III controlled substance, to an undercover agent of the FBI.

4. On or about June 30, 2004, at FMC, [REDACTED] Philadelphia, Pennsylvania, defendant CHAUDHRY knowingly and intentionally distributed and dispensed, outside the usual course of professional practice and for no legitimate medical purpose, a mixture and substance containing a detectable amount of Vicodin ES (Hydrocodone with Acetaminophen, 7.5 mg./750 mg., 50 pills), a Schedule III controlled substance, Phenergan with Codeine (Promethazine with Codeine, 8oz.), a Schedule V controlled substance, Xanax, (Alprazolam, 1 mg., 60 pills), a Schedule IV controlled substance, Phenergan with Codeine (Promethazine with Codeine, 8oz.), a Schedule III controlled substance, and Vicodin ES (Hydrocodone with Acetaminophen, 7.5 mg./750 mg., 50 pills), a Schedule III controlled substance, to an undercover agent of the FBI.

5. On or about June 30, 2004, at FMC, [REDACTED] Philadelphia, Pennsylvania, defendants CHAUDHRY and PAGALILAUAN knowingly and intentionally distributed and dispensed, outside the usual course of professional practice and for no legitimate medical purpose, a mixture and substance containing a detectable amount of Lorcet (Hydrocodone with Acetaminophen, 10 mg./650mg., 50 pills), a Schedule III controlled substance, to an undercover agent of the FBI.

6. On or about September 9, 2004, at FMC, [REDACTED] Philadelphia, Pennsylvania, defendant CHAUDHRY knowingly and intentionally distributed and dispensed, outside the usual course of professional practice and for no legitimate medical purpose, a mixture and substance containing a detectable amount of Vicodin ES (Hydrocodone with Acetaminophen, 7.5 mg./750 mg., 50 pills), a Schedule III controlled substance, Xanax, (Alprazolam, 1 mg., 60 pills), a Schedule IV controlled substance, Xanax (Alprazolam, 1 mg., 60 pills), a Schedule IV controlled substance, and Phenergan with Codeine (Promethazine with Codeine, 8oz.), a Schedule V controlled substance, to an undercover agent of the FBI.

7. On or about September 22, 2004, at FMC, 4000 N. Marshall Street, Philadelphia, Pennsylvania, defendant CHAUDHRY knowingly and intentionally distributed and dispensed, outside the usual course of professional practice and for no legitimate medical purpose, a mixture and substance containing a detectable amount of Xanax (Alprazolam, 1 mg., 60 pills), a Schedule IV controlled substance, Phenergan with Codeine (Promethazine with Codeine, 8oz.), a Schedule V controlled substance, and Vicodin ES (Hydrocodone with Acetaminophen, 7.5 mg./750 mg., 50 pills), a Schedule III controlled substance, to an undercover agent of the FBI.

8. On or about June 9, 2005, at FMC, Philadelphia, Pennsylvania, defendant CHAUDHRY knowingly and intentionally distributed and dispensed, outside the usual course of professional practice and for no legitimate medical purpose, a mixture and substance containing a detectable amount of Xanax (Alprazolam, 1 mg., 60 pills), a Schedule IV controlled substance, and Phenergan with Codeine (Promethazine with Codeine, 8oz.), a Schedule V controlled substance, to an undercover agent of the FBI.

9. On or about June 14, 2005, at FMC, Philadelphia, Pennsylvania, defendant CHAUDHRY knowingly and intentionally distributed and dispensed, outside the usual course of professional practice and for no legitimate medical purpose, a mixture and substance containing a detectable amount of Lorcet (Hydrocodone with Acetaminophen, 10 mg./650mg., 50 pills), a Schedule III controlled substance, to an undercover agent of the FBI.

All in violation of Title 21, United States Code, Section 846.

COUNT TWO

THE UNITED STATES ATTORNEY CHARGES FURTHER:

1. Paragraphs 1 through 14 of Count One are incorporated here.
2. On or about February 26, 2004, at the FAMILY MEDICAL CENTER

("FMC"), Philadelphia, Pennsylvania, defendants

**AZIZ CHAUDHRY, M.D. and
MANUEL PAGALILAUAN, M.D.**

knowingly and intentionally distributed and dispensed, outside the usual course of professional practice and for no legitimate medical purpose, a mixture and substance containing a detectable amount of Phenergan with Codeine (Promethazine with Codeine, 8 oz.), a Schedule V controlled substance, and Xanax (Alprazolam, 1 mg., 60 pills), a Schedule IV controlled substance.

In violation of Title 21, United States Code, Section 841(a)(1), (b)(2), (b)(3), and Title 18, United States Code, Section 2.

COUNT THREE

THE UNITED STATES ATTORNEY CHARGES FURTHER:

1. Paragraphs 1 through 14 of Count One are incorporated here.
2. On or about June 30, 2004, at the FAMILY MEDICAL CENTER

("FMC"), Philadelphia, Pennsylvania, defendants

**AZIZ CHAUDHRY, M.D. and
MANUEL PAGALILAUAN, M.D.**

knowingly and intentionally distributed and dispensed, outside the usual course of professional practice and for no legitimate medical purpose, a mixture and substance containing a detectable amount of Lorcet (Hydrocodone with Acetaminophen, 10 mg./650mg., 50 pills), a Schedule III controlled substance.

In violation of Title 21, United States Code, Section 841(a)(1), (b)(1)(D), and Title 18, United States Code, Section 2.

COUNT FOUR

THE UNITED STATES ATTORNEY CHARGES FURTHER:

1. Paragraphs 1 and 3 through 26, and Overt Acts 1 through 9 of Count One are incorporated here.

2. From in or around September 2001 until in or around October 2006, in Philadelphia, in the Eastern District of Pennsylvania, defendant

AZIZ CHAUDHRY, M.D.,

having knowledge of an event affecting the initial and continued right to payment under Title II of the Social Security Act, as amended, that is, his return to employment, concealed and failed to disclose such event, with intent fraudulently to secure payment when no payment was authorized.

In violation of Title 42, United States Code, Section 408(a)(4).

NOTICE OF FORFEITURE

THE UNITED STATES ATTORNEY FURTHER CHARGES THAT:

1. As a result of the violations of Title 21, United States Code, Sections 846 and 841(a)(1), set forth in this information, defendants

**AZIZ CHAUDHRY, M.D. and
MANUEL PAGALILAUAN, M.D.,**

shall forfeit to the United States of America:

(a) any property used or intended to be used, in any manner or part, to commit, or to facilitate the commission of, such offenses;

(b) any property constituting, or derived from, proceeds obtained directly or indirectly from the commission of such offenses, including, but not limited to, the sum of \$51,426 and:

- (a) Approximately \$214,683 in United States currency seized from the defendant's residence, Bensalem PA 19020;
- (b) Approximately \$215,040 in United States currency seized from a safety deposit box at PNC Bank, number 020-038-A0047;
- (c) Approximately \$45,440 in United States currency seized from a safety deposit box at Wachovia Bank, number T-0467;
- (d) A certificate of deposit at PNC Bank, number 31000296239, with a value of approximately \$100,913.73;
- (e) Approximately \$14,031.18 in United States currency seized from a bank account at PNC Bank, account no. 86-0248-9372;
- (f) Approximately \$20,501.80 in United States currency seized from a bank account at PNC Bank, account no. 86-1719-5326;
- (g) Approximately \$26,934.94 in United States currency seized from a bank account at PNC Bank, account no. 86-0157-6925;

- (h) a 2000 Mercedes Benz, Vehicle Identification Number 4JGAB54E4YA171773; and
- (i) Real property located at 14 Covered Bridge Path, Bensalem PA.

If any of the property subject to forfeiture, 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 party;
- (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 divided without difficulty;

it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), to seek forfeiture of any other property of the defendants up to the value of the property subject to forfeiture.

All pursuant to Title 21, United States Code, Section 853.

PATRICK L. MEEHAN
UNITED STATES ATTORNEY