IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF MISSISSIPPI
EASTERN DIVISION

UNITED STATES OF AMERICA

v.

CRIMINAL NO. 2:20cr39-KS-MTP
18 U.S.C. § 1349

JEFFREY WAYNE ROLLINS

The United States Attorney Charges:

At all times relevant to this Information:

GENERAL ALLEGATIONS

Defendant and Introduction

1. **JEFFREY WAYNE ROLLINS ("ROLLINS")**, of Jackson County, Mississippi, co-owned, operated, and/or managed several companies, including a pharmacy, located in the Southern District of Mississippi and elsewhere, that procured prescriptions for and ultimately dispensed compounded medications to individuals throughout the United States.

2. As detailed herein, approximately between January 2014 and May 2019, **ROLLINS** conspired to and engaged in a scheme to defraud the United States and numerous health care benefit programs of more than $18 million. To that end, **ROLLINS** and his co-conspirators fraudulently formulated, prescribed, dispensed, and billed insurance companies for compounded medications produced and dispensed by the compounding pharmacy they owned and controlled. **ROLLINS'** scheme to dispense these compounded medications in the form of topical creams to thousands of Americans circumvented federal regulations and approvals regarding use and efficacy, and further exploited the manner in which health insurance companies reimbursed the dispensation of compounded medications. To further facilitate the scheme to defraud the United States and other health care benefit programs, **ROLLINS** conspired to and engaged in a scheme

to offer and pay kickbacks and bribes to physicians and recruiters to prescribe and refer prescriptions for medically unnecessary compounded medications.

Compounded Medications

3. Section 505 of the Food, Drug, and Cosmetic Act ("Food and Drug Act") required drug manufacturers and producers to receive approval by the United States Food and Drug Administration ("FDA") before introducing new drugs into interstate commerce.

4. Section 503A of the Food and Drug Act exempted compounded medications from receiving FDA approval if the compounded medication was compounded by a licensed pharmacist, or other licensed professional, for an identified individual, based on the receipt of a valid prescription that was medically necessary for the identified individual.

5. In other words, to be exempt from FDA approval, compounded medications were drugs that were combined, mixed, or altered by licensed pharmacists or other licensed practitioners, pursuant to valid prescriptions issued by licensed medical professionals, including physicians ("practitioners"), to meet the specific needs of individual patients.

6. Practitioners could prescribe compounded medications to patients upon considering patients' diagnoses, medical conditions, health factors, and reactions to other medications. Although drug ingredients in compounded medications were generally approved by the FDA, the compounded form of those medications were not. There were risks associated with prescribing drugs that did not meet federal quality standards, so compounded medications were meant to be prescribed when the needs of a patient could not be met by an FDA-approved medication.

Health Care Benefit Programs and Claims Submission Process

7. The United States Department of Health and Human Services, through the Centers of Medicare and Medicaid Services ("CMS"), administered the Medicare Program ("Medicare"),

which was a federal program that provided health care benefits to persons who were 65 years of age or over or disabled.

8. The United States Department of Defense, through the Defense Health Agency ("DHA"), administered the TRICARE program ("TRICARE"), which was a federal program that provided health care benefits to United States military personnel, retirees, and their families.

9. Private insurance companies provided health care benefits for individuals enrolled with their plans (collectively, "various private plans").

10. Medicare, TRICARE, and the various private plans were each a "health care benefit program" within the meaning of Title 18, United States Code, Section 24(b), and Medicare and TRICARE were each a "Federal health care program" within the meaning of Title 42, United States Code, Section 1320a-7b(f).

11. Individuals who qualified for Medicare or TRICARE benefits were referred to as "beneficiaries."

12. Individuals who qualified for benefits under the various private plans were referred to as "members."

13. Medical service providers, including hospitals, clinics, physicians, nurse practitioners, and pharmacies ("providers"), meeting certain criteria, could enroll with health care benefit programs, including Medicare, TRICARE, and the various private plans, and provide medical services to beneficiaries and members. Providers would then submit claims, either electronically or in hard copy, to health care benefit programs seeking reimbursement for the cost of items and services provided.

14. Medicare covered different types of benefits and was separated into different program "parts." Medicare Part D subsidized the cost of prescription drugs for beneficiaries. Generally,

Medicare Part D covered part or all of the costs of prescription drugs dispensed to a beneficiary if, among other requirements, the prescription drugs were medically necessary and ordered by a physician.

15. In order to receive Medicare Part D benefits, a beneficiary enrolled in one of several Medicare drug plans. Medicare drug plans were operated by private health care insurance companies approved by Medicare and referred to as drug plan "sponsors." Wellcare Health Plans, Inc. ("Wellcare") and Cigna Corporation ("Cigna") were Medicare sponsors. A beneficiary in a Medicare drug plan could fill a prescription at a pharmacy and use his or her plan to pay for some or all of the prescription.

16. CMS compensated the Medicare sponsors for providing prescription drug benefits to beneficiaries. CMS paid Medicare sponsors a monthly fee for each beneficiary enrolled in the Medicare sponsors' plans. Such payments were called capitation fees. The capitation fee was adjusted periodically based on various factors, including beneficiaries' medical conditions. In addition, in some cases where a Medicare sponsor's expenses for a beneficiary's prescription drugs exceeded that beneficiary's capitation fee, CMS reimbursed the Medicare sponsor for a portion of those additional expenses.

17. Conversely, TRICARE and the various private plans provided direct prescription drug coverage, including prescriptions for compounded medications, to eligible beneficiaries and members through their pharmacy programs or similar drug plans.

18. Typically, Medicare, TRICARE, and the various private plans did not process their insureds' prescription claims directly. Instead, Medicare's drug plans, TRICARE's pharmacy program, and the various private plans were administered by Pharmacy Benefit Managers ("PBMs"), whose responsibilities included adjudicating and processing payment for prescription

drug claims submitted by eligible pharmacies. PBMs also audited participating pharmacies to ensure compliance with their rules and regulations.

19. Specifically, DHA contracted with Express Scripts to be the PBM for TRICARE, the value of which contracts, between January 2014 and May 2019, each exceeded $1 million.

20. Various PBMs, including Express Scripts, CVS Caremark, and OptumRx, administered the various Medicare drug plans and the various private plans.

21. Providers, including pharmacies, entered into contractual relationships with PBMs, including Express Scripts, CVS Caremark, OptumRx, either directly or indirectly. If indirectly, providers first contracted with pharmacy network groups, such as Epic Pharmacy Network, Inc. or Good Neighbor Pharmacy, which then contracted with PBMs on behalf of providers. By contracting with PBMs, directly or indirectly, Providers agreed to comply with all applicable laws, rules, and regulations, including all applicable federal and state anti-kickback laws.

22. For prescription drugs, including compounded medications, to be reimbursed, health care benefit programs required that prescription drugs, including compounded medications, be dispensed pursuant to valid prescriptions and be medically necessary for the treatment of covered illnesses or conditions. In other words, health care benefit programs would not reimburse prescription drugs, including compounded medications, which were not medically necessary or dispensed without valid prescriptions.

23. Deductibles were the annual amounts that beneficiaries and members paid for health care services before health care benefit programs covered the costs of any health care services or items received.

24. Irrespective of whether deductibles had been met by beneficiaries and members, copayments, which were set by the health care benefit programs, were the monetary amounts or

percentages paid by beneficiaries and members for health care services and items received. In other words, copayments were the beneficiaries' and members' share of the costs for the services and items received.

25. Most, if not all, PBMs, including Express Scripts, CVS Caremark, and OptumRx, required participating pharmacies to collect and make good faith efforts to collect copayments from beneficiaries and members at the time of billing, and specified that copayments could not be systematically waived or reduced.

26. Consistent copayment collection was a fraud prevention measure, as copayments gave beneficiaries and members financial incentives to reject medications that were not medically necessary or had little to no value to beneficiaries' and members' treatments.

27. Upon receiving prescriptions, pharmacies submitted claims for dispensing prescription drugs to health care benefit programs or PBMs. Health care benefit programs or PBMs reimbursed pharmacies at specified rates, minus any copayments to be paid by beneficiaries.

28. Electronic claims submitted to PBMs by pharmacies located in Mississippi necessarily traveled via interstate wire to be adjudicated. For example, regardless of the location of the pharmacies that provided pharmacy benefits, Express Scripts adjudicated claims submitted electronically in Middlesex County, New Jersey, CVS Caremark adjudicated claims in Maricopa County, Arizona, and OptumRx adjudicated claims submitted electronically in Hennepin County, Minnesota.

National Drug Code Numbers

29. In the United States, each drug and drug product was identified by a ten-digit number, called a National Drug Code ("NDC"), which was applied for by pharmaceutical manufacturers, repackagers, and distributors (collectively, "pharmaceutical producers") and assigned and

approved by the FDA.

30. The ten-digit NDC was divided into three segments: The first segment, assigned by the FDA, identified the pharmaceutical producer; the second and third segments, proposed by the pharmaceutical producer and approved by the FDA, identified the product and its packaging, respectively.

31. Although the FDA assigned and approved NDC numbers to and for certain drugs and drug products, such assignment did not mean the drugs or drug products were "FDA-approved" as being safe and effective. Rather for drugs and drug products to be "FDA-approved," the FDA implemented a separate, more rigorous approval process to determine safety and efficacy.

32. As compounded medications were combinations of existing drugs, typically each drug ingredient included in the compounded medication had a separately assigned NDC number.

Reimbursing Compound Medications and Average Wholesale Price

33. The National Council for Prescription Drug Programs developed standards for electronic pharmacy prescribing and billing transactions. These standards included version "D.0," which allowed pharmacies to submit, and insurance companies to have visibility of, each drug ingredient—quantity and price—included in a compounded medication and reimburse dispensing pharmacies accordingly.

34. In 2009, the United States Department of Health and Human Services required pharmacies to be D.0-compliant by January 1, 2012. Prior to being D.0-compliant, providers typically submitted claims for compounded medications based on the primary, and typically, the most expensive, drug ingredient.

35. In complying with D.0, pharmacies submitted claims identifying each drug ingredient contained within dispensed compounded medications, including each drug's NDC number, and

were reimbursed accordingly. Consequently, the more drug ingredients pharmacies included in the compounded medications, the higher the reimbursements pharmacies received from the health care benefit programs or PBMs. Compounded medications that were reimbursed at high rates were called "high-adjudication."

36. During this time period, health care benefit programs or PBMs typically reimbursed pharmacies the Average Wholesale Price ("AWP") of each drug ingredient included in the compounded medications dispensed, minus any negotiated discount. AWP referred to the average price at which drugs or drug ingredients were sold at the wholesale level.

37. Health care benefit programs, including Medicare, TRICARE, and the various private plans, obtained the AWP for the drug ingredients for which they reimbursed from commercial publishers of drug pricing data ("pricing publishers"), such as Medi-Span. Medi-Span did not itself set the AWP for drug ingredients. Instead, pharmaceutical producers set the AWP for the drug ingredients they manufactured and/or distributed.

38. Pharmaceutical producers set the AWP either directly by providing the purported AWP to pricing publishers, or indirectly by providing the purported Wholesale Acquisition Cost ("WAC")—the amount paid by drug wholesalers for manufactured drugs—to pricing publishers, who, then and as a matter of course, added a certain percentage to the WAC to calculate the AWP. The monetary difference between the AWP and the WAC was commonly referred to as the "spread." For pharmacies and other pharmaceutical retailers, a greater spread yielded greater profits.

39. As pharmaceutical producers set the WAC and the AWP of the drug ingredients reimbursed by health care benefit programs, including Medicare, TRICARE, and the various

private plans, the pricing system thus was dependent on the pharmaceutical producers' honesty in setting the AWP with a reasonable relationship to cost.

40. Notwithstanding D.0, Medicare, via its sponsors, only reimbursed pharmacies the costs of any "FDA-approved" drug included in the compounded medications. In other words, Medicare sponsors did not reimburse pharmacies for the costs of any drug ingredients included in compounded medications that were not "FDA-approved," such as bulk powders.

41. In mid to late 2014, in recognition of the potential for fraud, waste, and abuse in the dispensation of compounded medications, various private plans began placing restrictions upon coverage of compounded medications.

42. Similarly, due to the potential for fraud, waste, and abuse, in September 2014, TRICARE eliminated coverage for more than 1,000 drug ingredients commonly included in compounded medications, and in May 2015, TRICARE, via Express Scripts, implemented a more rigorous process for submitting claims for compounded medications. The new screening process checked to ensure that the drug ingredients were lawfully marketed in the United States, were safe and effective, and were medically necessary.

43. To that end, health care benefit programs, including Medicare, TRICARE and the various private plans, required pharmacies to indicate in the claims submitted whether the drugs dispensed were part of a compounded medication. Upon pharmacies indicating dispensed drugs were included in a dispensed compounded medication, health care benefit programs scrutinized each included drug ingredient for efficacy and necessity.

Relevant Pharmacies, Entities, and Financial Institutions

44. The Gardens Pharmacy, LLC, d/b/a Lovelace Drugs ("Gardens Pharmacy"), formed in 2013 and located in Jackson County, Mississippi, was an open-door, retail pharmacy that

specialized in the production of compounded medications. **ROLLINS** and others formed, owned, and operated Gardens Pharmacy, and contracted with Medicare sponsors, TRICARE, and various private plans through Express Scripts, OptumRx, and other PBMs to provide health care services and items to beneficiaries and members.

45. Advantage Pharmacy, LLC, d/b/a Advantage Medical and Pharmacy ("Advantage Pharmacy"), formed in 2008 and located in Lamar County, Mississippi was initially an open-door retail pharmacy that, in or around late 2012, shifted its business focus to the production of compounded medications.

46. Alvix Laboratories, LLC ("Alvix"), formed in 2005 and located in Jackson County, Mississippi, was a Mississippi limited liability company that began as a consulting company but, in or around mid-2014, entered into the business of repackaging and distributing pharmaceuticals. **ROLLINS** and others owned, operated, controlled, and/or managed Alvix and utilized Alvix to market and distribute compounded medications and other drug products to pharmacies and pharmaceutical wholesalers nationwide. Pharmaceuticals repackaged and distributed by Alvix included Pinnacaine, LidoVir and the Livixil Pak (collectively, "Alvix products").

47. ALMC, LLC ("ALMC"), formed in 2015 and located in Jackson County, Mississippi, was a Mississippi limited liability company in the business of providing management services to Alvix. **ROLLINS** and others owned, operated, controlled, and/or managed ALMC.

48. Wholesaler 1, formed in 2008 and located in Jackson County, Mississippi, was a Mississippi wholesale pharmaceutical distributor.

49. Pharmaceutical Company 1, formed in 2006 and located in Madison County, Mississippi, was a Mississippi pharmaceutical company.

50. Medical Solutions of Ocean Springs, LLC ("Medical Solutions") was a Mississippi

limited liability company that was formed in 2013, ultimately located in Jackson County, Mississippi, and co-located in the same building with Gardens Pharmacy.

51. Pittsburgh Medical Marketing of Ocean Springs, LLC ("Pittsburgh Medical Marketing"), formed in 2014 and ultimately located in Jackson County, Mississippi, was a Mississippi limited liability company through which kickbacks and bribes were received from Gardens Pharmacy and paid to other practitioners and recruiters.

52. Marketing Company 1, formed in 2009 and located in Chesapeake, Virginia, was a Virginia limited liability company that solicited and recruited practitioners to write prescriptions for compounded medications to be dispensed by Gardens Pharmacy.

53. Marketing Company 2, formed in 2014 and located in Oakland County, Michigan, was a Michigan limited liability company that solicited and recruited practitioners to write prescriptions for compounded medications to be dispensed by Gardens Pharmacy.

54. Affordable Medication Solutions, LLC ("AMS"), formed in 2014 and located in Ouachita Parish, Louisiana, purportedly provided copayment assistance for compounded medications prescribed to beneficiaries and members and dispensed by Gardens Pharmacy. In reality, AMS did not provide copayment assistance, but simply made it appear to health care benefit programs that beneficiaries' and members' copayments, or portions thereof, were covered by AMS, purportedly through manufacturers' and wholesalers' coupons.

55. Merchants & Marine Bank ("M&M Bank") was a financial institution within the meaning of Title 18, United States Code, Section 20, the deposits of which were insured by the Federal Deposit Insurance Corporation. M&M Bank was headquartered in Mississippi and maintained branch locations throughout the Southern District of Mississippi. Between at least January 2014 and May 2019, Gardens Pharmacy held accounts at M&M Bank, including but not

limited to account Nos. 0688, 1240, 1268, 1393, and 9958. Between at least November 2015 and May 2019, Alvix held accounts at M&M Bank, including but not limited to account Nos. 1525 and 7251. Between at least August 2015 and May 2019, ALMC held accounts at M&M Bank, including but not limited to account No. 1366. Between at least April 2015 and May 2019, **ROLLINS** held accounts at M&M Bank, including but not limited to account Nos. 1455, 2999, 5781, and 6931.

COUNT 1

The Conspiracy and Its Object

56. Paragraphs 1 through 55 of this Information are re-alleged and incorporated by reference as though fully set forth herein.

57. Beginning in or around January 2014, and continuing through in or around May 2019, in Forrest, Jackson, Jones, Lamar, and Marion Counties, in the Southern District of Mississippi, and elsewhere, the defendant,

JEFFREY WAYNE ROLLINS,

did knowing and willfully, that is with the intent to further the object of the conspiracy, conspire and agree with others known and unknown to the United States Attorney to execute a scheme and artifice to defraud a health care benefit program affecting commerce, as defined in Title 18, United States Code, Section 24(b), that is Medicare, TRICARE, and other health care benefit programs, and to obtain, by means of material false and fraudulent pretenses, representations, and promises, money owned by and under the custody and control of Medicare, TRICARE, and other health care benefit programs, in connection with the delivery of and payment for health care benefits and services, in violation of Title 18, United States Code, Section 1347.

Purpose of the Conspiracy

58. It was a purpose of the conspiracy for **ROLLINS** and his co-conspirators to unlawfully enrich themselves by, among other things, (a) offering, paying, soliciting, and receiving kickbacks and bribes in exchange for ordering and arranging for and recommending the ordering of high-adjudication compounded medications to be dispensed to beneficiaries and members by Gardens Pharmacy; (b) dispensing and causing the dispensing of medically unnecessary compounded medications to beneficiaries and members; (c) submitting and causing the submission of false and fraudulent claims to Medicare, via its sponsors, TRICARE, and the various private plans; (d) receiving and obtaining the reimbursements paid by Medicare, TRICARE, and the various private plans based on the false and fraudulent claims submitted; and (e) manipulating and deceiving insurance audits to maintain the ability to submit claims for reimbursement for medically unnecessary high-adjudication compounded medications.

Manner and Means

59. The manner and means by which **ROLLINS** and his co-conspirators sought to accomplish the objects and purpose of the scheme and artifice included, among other things:

Pharmacy Formulated Compounded Medications

60. To maximize reimbursements from Medicare, TRICARE, and the various private plans, Gardens Pharmacy formulated compounded medications, not based on evaluations of effectiveness or individualized patient need, but rather based on whether they were high-adjudication.

61. Although compounded medications were required to be individualized to the needs of specific patients to be exempt from FDA approval, Gardens Pharmacy, at the direction of **ROLLINS** and its other owners, mass-produced high-adjudication compounded medications and

further created a series of pre-printed, check-the-box prescription forms listing the high-adjudication combinations ("preprinted prescription forms") in order to encourage and direct practitioners to prescribe these specific high-adjudication compounded medications.

Kickbacks to a Practitioner and Medically Unnecessary Medications

62. In mid-2014, **ROLLINS'** co-conspirator and another co-owner of Gardens Pharmacy approached a practitioner to prescribe high-adjudication compounded medications to be dispensed by Gardens Pharmacy. In June 2014, that practitioner agreed to write prescriptions for compounded medications to be filled by Gardens Pharmacy in exchange for 35% of the reimbursements received by Gardens Pharmacy for those prescriptions.

63. With **ROLLINS'** knowledge, practitioners solicited and paid other individuals, including registered nurses, to identify and recruit beneficiaries and members to receive high-adjudication compounded medications from Gardens Pharmacy ("recruiters").

64. Under the guise of receiving other medications, recruiters identified and recruited beneficiaries and members in the Southern District of Mississippi, in Forrest, Jackson, Jones, and Marion Counties, and elsewhere, to receive high-adjudication compounded medications dispensed by Gardens Pharmacy at no cost to the beneficiaries and members.

65. Irrespective of whether any prescriber actually communicated with beneficiaries and members and irrespective of what beneficiaries and members communicated their actual conditions to be, the recruiters forwarded to Gardens Pharmacy patient information and prescriptions or lists of compounded medications to be prescribed.

66. If health care benefit programs provided coverage, then Gardens Pharmacy notified practitioners seeking authorization to dispense the recommended high-adjudication compounded medication.

67. Upon receiving word from Gardens Pharmacy that certain compounded medications were reimbursable, practitioners then prescribed high-adjudication compounded medications to, and authorized automatic refills for, beneficiaries and members, typically verbally or by completing and signing preprinted prescription forms, irrespective of whether the high-adjudication compounded medications were medically necessary.

68. Predicated on prescriptions purportedly authorized by practitioners, Gardens Pharmacy dispensed high-adjudication compounded medications to beneficiaries and members, via interstate carrier, typically FedEx, to beneficiaries' and members' residences located in the Southern District of Mississippi, including Forrest, Jones, Jackson, and Marion Counties, and elsewhere.

69. Gardens Pharmacy subsequently submitted electronic claims to Medicare, via its sponsors, TRICARE, and the various private plans, through their respective PBMs, seeking reimbursement for the high-adjudication compounded medications dispensed.

70. **ROLLINS**, despite knowing that remuneration could not be paid or received for referring prescriptions to Gardens Pharmacy for beneficiaries, nevertheless, through his ownership of Gardens Pharmacy, offered and paid remuneration, namely, kickbacks and bribes, to at least one practitioner in exchange for his referring prescriptions authorizing the dispensing of high-adjudication compounded medications to beneficiaries.

71. Despite beneficiaries and members having the ultimate choice in providers, including pharmacies, due to the kickbacks paid by Gardens Pharmacy to practitioners and recruiters, beneficiaries and members were denied the ability to choose which pharmacy, if any, they desired to actually fill their prescriptions.

72. With knowledge of its contractual obligation with the PBMs to collect full copayments, at the direction of **ROLLINS** and others, Gardens Pharmacy, when dispensing high-adjudication

compounded medications, advertised to beneficiaries and members through recruiters, that they would have no out-of-pocket expenses. Neither the recruiters nor Gardens Pharmacy collected copayments from beneficiaries and members who received high-adjudication compounded medications from Gardens Pharmacy.

Drug Substitutions and Billing for Drugs Not Dispensed

73. In or around mid-2014, **ROLLINS** and his co-conspirators also developed an ingredient substitution memorandum to ensure that Gardens Pharmacy would be able to obtain maximum compensation for each high-adjudication compounded medication prescribed. The substitution memorandum instructed pharmacy technicians to go down a list consisting of profitable alternatives to the high-adjudication compounded medication formulas already listed on the preprinted, check-the-box prescription pads to find a formula that is covered by a patient's health care benefit program.

74. Accordingly, beginning in mid-2014 and continuing through May 2019, pharmacy technicians were instructed to and did fax and call recruiters, marketing companies, and doctors' offices to receive approval for substitutions. If doctors' officers were called, doctors were induced to authorize the requested substitutions by leading them to believe that they were authorizing the substitution of therapeutically equivalent generic drugs for the prescribed compounded medication when, in reality, the doctors were authorizing the pharmacies to prescribe the most profitable drug covered by each patient's insurance.

75. Beyond seeking substitutions, beginning in mid-2014 and continuing through May 2019, Gardens Pharmacy altered formulas based on which ingredients reimbursed at the highest rates, and produced and dispensed these high-adjudication compounded medications without identifying any individualized need. To that end, even though certain prescriptions received by

Gardens Pharmacy called for particular products to be dispensed, on occasion, Gardens Pharmacy dispensed whichever formulas of compounded medications reimbursed at the highest rates or yielded the highest profits.

76. In some instances, Gardens Pharmacy dispensed cheaper, generic products, while billing for the more expensive brand name products, such as Alvix products, and, in other instances, Gardens Pharmacy dispensed and billed for more expensive brand name ingredients, although cheaper, generic products were prescribed. In other words, occasionally, and for the sole purpose of increasing revenue, Gardens Pharmacy dispensed compounded medications other than as purportedly prescribed and billed for medications other than as actually dispensed.

Kickback Payments to Recruiters

77. In late 2014 and early 2015, Gardens Pharmacy, through **ROLLINS** and his co-conspirators, including other co-owners of Gardens Pharmacy, solicited numerous other recruiters, including Marketing Company 1, located in Chesapeake, Virginia, and Marketing Company 2, located in Oakland County, Michigan, to procure prescriptions for compounded medications on behalf of Gardens Pharmacy.

78. **ROLLINS** and his co-conspirators negotiated the contracts with, and the commission percentages to be paid to, the various recruiters, including Marketing Company 1 and Marketing Company 2.

79. Between approximately January 2015 and approximately May 2019, Marketing Company 1, Marketing Company 2, and other recruiters procured prescriptions for high-adjudication compounded medications, typically authorizing numerous refills, from practitioners, for beneficiaries and members, which were ultimately dispensed by Gardens Pharmacy to beneficiaries and members.

80. **ROLLINS** and his co-conspirators, despite knowing that it was prohibited to pay and receive remuneration for referring prescriptions for beneficiaries to Gardens Pharmacy for beneficiaries, nevertheless, through their ownership of Gardens Pharmacy, offered and paid, and caused to be paid, kickbacks and bribes to Marketing Company 1, Marketing Company 2, and other recruiters for the referring these high-adjudication compounded medications.

Failure to Collect Copayments

81. Despite Gardens Pharmacy's efforts to conceal its failure to collect copayments through invoicing Wholesaler 1 and utilizing a fictitious house charge account, the collection of copayments continued to be problematic for Gardens Pharmacy. In certain instances, due to the average wholesale prices of the ingredients included in the high-adjudication compounded medications, these copayments were often hundreds of dollars.

82. As beneficiaries and members refused to pay these exorbitant copayments and informed Gardens Pharmacy that they wished to discontinue receiving these medications, in an effort to continue dispensing these high-adjudication compounded medications, Gardens Pharmacy, despite its contractual obligation to collect full copayments, reduced copayments or waived them altogether.

83. As waiving or reducing copayments presented significant risk of failing audits, Gardens Pharmacy looked for alternative solutions to its copayment problem and, beginning in January 2015 ultimately utilized the services of AMS.

84. AMS purported to provide a coupon assistance program to beneficiaries and members serving to lower copayments to amounts more likely to be paid. In order to be legitimate, however, coupon assistance programs required sponsorship by manufacturers or wholesalers of the ingredients used in the compounded medications.

85. Although at times, AMS was purportedly sponsored by Alvix and/or another pharmaceutical repackager, at no time did AMS actually receive sponsorship payments from these entities, or any other manufacturer or wholesaler. Thus, no actual coupon existed, and, consequently, no actual assistance was provided to beneficiaries and members. Rather, as known by **ROLLINS**, AMS merely created a paper trail to make it appear as if Gardens Pharmacy had collected copayments from AMS for beneficiaries and members when, in reality, it had not, primarily for the purpose of defeating audits.

Defeating Audits

86. Gardens Pharmacy, with **ROLLINS'** knowledge, engaged in numerous tactics to defeat PBM audits, including providing to PBMs: prescriptions on which practitioners' signatures had been forged by co-owners and employees of Gardens Pharmacy to make it appear that practitioners had prescribed the compounded medications as claimed; fraudulent and misleading documentation to make it appear that Gardens Pharmacy had collected, and that AMS had paid on behalf of beneficiaries and members, the necessary copayments; and falsified invoices solicited and received from wholesalers, including Wholesaler 1, to make it appear that Gardens Pharmacy had purchased sufficient drugs and drug products necessary to support the level of dispensation as claimed.

87. **ROLLINS** and his co-conspirators caused Gardens Pharmacy to submit false and fraudulent claims to health care benefit programs, including Medicare, via its sponsors, TRICARE, and the various private plans, through interstate wire transmissions, ultimately receiving more than approximately $18 million.

88. The proceeds from the above-described scheme and artifice were funneled through various entities, including Alvix, and bank accounts, but ultimately were distributed to, among others, **ROLLINS**.

All in violation of Title 18, United States Code, Section 1349.

FORFEITURE ALLEGATIONS

89. Upon conviction of the offense alleged in Count 1 of this Information, **JEFFREY WAYNE ROLLINS** shall forfeit to the United States any property, real or personal, that constitutes or is derived, directly or indirectly, from gross proceeds traceable to the commission of the offenses, pursuant to Title 18, United States Code, Section 982(a)(7), any property, real or personal, which constitutes or is derived from proceeds traceable to these offenses, pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), and any property, real or personal, involved in these offenses, or any property traceable to such property, pursuant to Title 18, United States Code, Section 982(a)(1).

90. The United States will also seek a forfeiture money judgment against **ROLLINS** for the value of any property, real or personal, which **ROLLINS** personally obtained, directly or indirectly, that constitutes or is derived, directly or indirectly, from gross proceeds traceable to the commission of Count 1, pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).

91. If any of the property described above as being subject to forfeiture, as a result of any act or omission of **ROLLINS**:

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 that cannot be subdivided without difficulty;

ROLLINS shall forfeit to the United States any other property, up to the value of the property described above, pursuant to Title 21, United States Code, Section 853(p).

Criminal Forfeiture, in violation of Title 18, United States Code, Section 982(a)(1) and (a)(7).

for D. MICHAEL HURST, JR.
United States Attorney

DANIEL KAHN
Acting Chief, Fraud Section
United States Department of Justice

2:20cr39-KS-MTP

CRIMINAL CASE COVER SHEET
U.S. District Court
PLACE OF OFFENSE:

CITY: _____

COUNTY: Forrest/Jackson/Jones/Lamar/Marion

RELATED CASE INFORMATION:
SUPERSEDING INDICTMENT _____ DOCKET #_____
SAME DEFENDANT _____ NEW DEFENDANT _____
MAGISTRATE JUDGE CASE NUMBER _____
R 20/ R 40 FROM DISTRICT OF _____

DEFENDANT INFORMATION:

JUVENILE: ____ YES X NO

MATTER TO BE SEALED: X YES ____ NO

NAME/ALIAS: JEFFREY WAYNE ROLLINS

U.S. ATTORNEY INFORMATION:

AUSA Kathlyn Van Buskirk BAR # 103657

INTERPRETER: X NO ____ YES LIST LANGUAGE AND/OR DIALECT: _____

LOCATION STATUS: ARREST DATE _____

____ ALREADY IN FEDERAL CUSTODY AS OF _____
____ ALREADY IN STATE CUSTODY
____ ON PRETRIAL RELEASE

U.S.C. CITATIONS

TOTAL # OF COUNTS: 1 ____ PETTY ____ MISDEMEANOR 1 FELONY

(CLERK'S OFFICE USE ONLY)	INDEX KEY/CODE	DESCRIPTION OF OFFENSE CHARGED	COUNT(S)
Set 1 18:1349.F	18 USC § 1349	Attempt and Conspiracy	1
Set 2			
Set 3			
Set 4			
Set 5			

Date: _____ **SIGNATURE OF AUSA:** Kathlyn Van Buskirk

(Revised 2/26/10)

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF MISSISSIPPI
EASTERN DIVISION

UNITED STATES OF AMERICA

v. CRIMINAL NO. 2:20cr39-KS-MTP

JEFFREY WAYNE ROLLINS

NOTICE OF MAXIMUM PENALTY

Count 1: **Conspiracy to commit Healthcare Fraud**
18 U.S.C. § 1349, 18 U.S.C. § 1347

- Not more than ten (10) years of imprisonment
- Not more than a $250,000 fine or twice the gross gain or gross loss (18 USC § 3571)
- Not more than three (3) years supervised release
- $100 special assessment