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2017 JUL -6 PM 4:25

CLERK U.S. DISTRICT COURT
CENTRAL DIST. OF CALIF.
LOS ANGELES

BY _____

UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

June 2017 Grand Jury

UNITED STATES OF AMERICA,

Plaintiff,

v.

ALEKSANDR SURIS and
MAXIM SVERDLOV

Defendants.

No. CR

CR-17 00420

I N D I C T M E N T

[18 U.S.C. § 1349: Conspiracy to
Commit Health Care Fraud;
18 U.S.C. § 1347: Health Care
Fraud; 18 U.S.C. § 2(b): Causing
an Act to be Done; 18 U.S.C.
§§ 981(a)(1)(C), 982(a)(7), and
28 U.S.C. § 2461(c): Criminal
Forfeiture]

The Grand Jury charges:

COUNT ONE

[18 U.S.C. § 1349]

A. INTRODUCTORY ALLEGATIONS

At all times relevant to this Indictment:

1. Royal Care Pharmacy ("Royal Care") was a pharmacy
located at 7300 W. Sunset Blvd., Suite L, Los Angeles,
California, within the Central District of California.

2. Defendant ALEKSANDR SURIS ("SURIS") was a co-owner and
co-operator of Royal Care.

3. Defendant MAXIM SVERDLOV ("SVERDLOV") was a co-owner,
co-operator, and Chief Financial Officer of Royal Care.

1 4. Co-conspirator 3 ("CC-3") was a pharmacist licensed by
2 the State of California. CC-3 was employed by Royal Care as the
3 Pharmacist-in-Charge from at least in or around March 2013,
4 through at least in or around July 2016.

5 5. A bank account for Royal Care Pharmacy was opened at
6 Chase, in or around June 2006, under Account Number XXXXXX-7230.
7 Defendants SURIS and SVERDLOV were signatories on this bank
8 account.

9 B. THE MEDICARE HEALTH INSURANCE PROGRAM

10 6. Medicare was a federal health care benefit program,
11 affecting commerce, that provided benefits to individuals who
12 were 65 years and older or disabled. Medicare was administered
13 by the Centers for Medicare and Medicaid Services ("CMS"), a
14 federal agency under the United States Department of Health and
15 Human Services.

16 7. Individuals who qualified for Medicare benefits were
17 referred to as Medicare "beneficiaries." Each beneficiary was
18 given a unique health insurance claim number ("HICN").

19 8. Medicare programs covering different types of benefits
20 were separated into different program "parts." Part D of
21 Medicare (the "Medicare Part D Program") subsidized the costs of
22 prescription drugs for Medicare beneficiaries in the United
23 States. The Medicare Part D Program was enacted as part of the
24 Medicare Prescription Drug, Improvement, and Modernization Act
25 of 2003 and went into effect on January 1, 2006. Under the
26 Medicare Part D program, providers such as Royal Care were paid
27 for prescription drugs they dispensed only if: (a) the drugs
28 were actually provided to the Medicare beneficiaries; (b) the

1 drugs were medically necessary; and (c) it was determined that
2 the provider was otherwise entitled to payment.

3 9. In order to receive Medicare Part D program benefits,
4 a beneficiary enrolled in a Medicare drug plan. Medicare drug
5 plans were operated by private companies approved by Medicare.
6 Those companies were often referred to as drug plan "sponsors."
7 A beneficiary in a Medicare drug plan could fill a prescription
8 at a pharmacy and use his or her plan to pay for some or all of
9 the prescription.

10 10. A pharmacy could participate in the Medicare Part D
11 program by entering into a retail network agreement directly
12 with a plan; with one or more Pharmacy Benefit Managers
13 ("PBMs"); or with a Pharmacy Services Administration
14 Organization ("PSAO"), which would, in turn, contract with PBMs
15 on behalf of the pharmacy. A PBM acted on behalf of one or more
16 drug plans. Through a plan's PBM, a pharmacy could join the
17 plan's network. When a Medicare Part D program beneficiary
18 presented a prescription to a pharmacy, the pharmacy submitted a
19 claim either directly to the plan or to a PBM that represented
20 the beneficiary's Medicare drug plan. The plan or PBM
21 determined whether the pharmacy was entitled to payment for each
22 claim and periodically paid the pharmacy for outstanding claims.
23 The drug plan's sponsor reimbursed the PBM for its payments to
24 the pharmacy.

25 11. A pharmacy could also submit claims to a Medicare drug
26 plan to whose network the pharmacy did not belong. Submission
27 of such out-of-network claims was not common and often resulted
28 in smaller payments to the pharmacy by the drug plan sponsor.

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

13. Medicare and Medicare drug plans (collectively, hereafter, "Medicare") were health care benefit programs, as defined by Title 18, United States Code, Section 24(b).

C. THE OBJECT OF THE CONSPIRACY

14. Beginning no later than in or around March 2012, and continuing through at least in or around March 2015, in Los Angeles County, within the Central District of California, and elsewhere, defendants SURIS and SVERDLOV, together with co-conspirator CC-3 and others known and unknown to the Grand Jury, knowingly combined, conspired, and agreed to commit health care fraud, in violation of Title 18, United States Code, Section 1347.

D. THE MANNER AND MEANS OF THE CONSPIRACY

15. The object of the conspiracy was carried out, and to be carried out, in substance, as follows:

a. Defendants SURIS and SVERDLOV, as well as CC-3, received information about Medicare Part D program beneficiaries, and certain of their prescription drugs, from

1 various sources including, in some instances, from an operator
2 of another health care facility.

3 b. Defendants SURIS and SVERDLOV, together with
4 CC-3 and others known and unknown to the Grand Jury, knowingly
5 and willfully submitted, and caused the submission of, false and
6 fraudulent claims to Medicare on behalf of Royal Care based on
7 false and fraudulent representations, with respect to certain
8 prescriptions, that the prescriptions had been filled, the
9 prescribed medications had been provided to the Medicare
10 beneficiaries, and the prescribed medications were medically
11 necessary.

12 c. In truth and in fact, as defendants SURIS and
13 SVERDLOV and CC-3 then knew, these prescriptions had not been
14 filled and the prescribed medications had not been provided to
15 the Medicare Part D program beneficiaries, and, on certain
16 occasions, the prescribed medications were not medically
17 necessary.

18 d. As a result of the false and fraudulent claims
19 submitted and caused to be submitted to Medicare by defendants
20 SURIS and SVERDLOV, together with CC-3, Medicare fund payments
21 were deposited into bank account XXXXXX-7230 belonging to Royal
22 Care.

23 e. Between in or around March 2012, through in or
24 around March 2015, Royal Care was paid approximately \$41,515,503
25 based on claims for dispensing drugs to Medicare Part D program
26 beneficiaries.

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COUNTS TWO THROUGH FIVE

[18 U.S.C. §§ 1347, 2(b)]

16. The Grand Jury incorporates by reference and re-alleges paragraphs 1 through 13 above as though set forth in their entirety here.

A. THE FRAUDULENT SCHEME

17. Beginning in or around March 2012, and continuing through at least in or around March 2015, in Los Angeles County, within the Central District of California, and elsewhere, defendants SURIS and SVERDLOV, together with co-conspirator CC-3 and others known and unknown to the Grand Jury, knowingly, willfully, and with intent to defraud, executed, and attempted to execute, a scheme and artifice: (a) to defraud a health care benefit program, namely, Medicare, as to material matters in connection with the delivery of and payment for health care benefits, items, and services; and (b) to obtain money from Medicare by means of materially false and fraudulent pretenses and representations and the concealment of material facts in connection with the delivery of and payment for health care benefits, items, and services.

B. MEANS TO ACCOMPLISH THE FRAUDULENT SCHEME

18. The fraudulent scheme operated, in substance, as described in paragraph 15 of this Indictment, which is hereby incorporated by reference as if stated in its entirety here.

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C. EXECUTIONS OF THE FRAUDULENT SCHEME

19. On or about the dates set forth below, in Los Angeles County, within the Central District of California, and elsewhere, defendants SURIS and SVERDLOV, together with co-conspirator CC-3 and others known and unknown to the Grand Jury, for the purpose of executing and attempting to execute the fraudulent scheme described above, knowingly and willfully submitted and caused to be submitted to Medicare for payment the following false and fraudulent claims seeking the following dollar amounts, which claims falsely represented that Royal Care provided the pharmaceutical items as listed to Medicare Part D program beneficiaries and that the items were medically necessary:

<u>COUNT</u>	<u>MEDICARE BENEFICIARY</u>	<u>CLAIM NUMBER</u>	<u>APPROX. DATE SUBMITTED</u>	<u>ITEM CLAIMED; APPROX. AMOUNT OF CLAIM</u>
TWO	A.L.	150643880160 014999	3/05/2015	Lidoderm; \$523.68
THREE	A.L.	150643853752 021999	3/05/2015	Abilify; \$897.71
FOUR	A.L.	150643851741 069999	3/05/2015	Seroquel; \$459.52
FIVE	G.N.	150844529127 059995	3/25/2015	Pennsaid; \$1,408.47

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COUNT SIX

[18 U.S.C. § 1349]

20. The Grand Jury incorporates by reference and, re-alleges paragraphs 1 through 5 above as though set forth in their entirety here.

A. THE CIGNA HEALTH INSURANCE PROGRAM

At all times relevant to this Indictment:

21. CIGNA was a private health insurance provider that operated private plans, affecting commerce, under which medical benefits, items, and services, including prescription drugs, were provided to individuals in exchange for payment. CIGNA reimbursed medical providers ("providers") such as Royal Care that provided covered prescription drugs to patients covered by CIGNA's insurance plans ("subscribers").

22. Providers like Royal Care were required to submit claim forms to CIGNA and/or assigned representatives of CIGNA in order to receive reimbursement from CIGNA for items they provided to subscribers. Among other information, providers were required to state on the claim forms the patient's name and health insurance member number, the item or service that was rendered, the date that the item or service was rendered, the charge for the item or service, and the provider's name and/or the provider's identification number. Medical providers could submit claim forms electronically.

23. CIGNA was a health care benefit program as defined by Title 18, United States Code, Section 24(b).

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1 B. THE OBJECT OF THE CONSPIRACY

2 24. Beginning no later than in or around December 2012,
3 and continuing through at least in or around January 2015, in
4 Los Angeles County, within the Central District of California,
5 and elsewhere, defendant SURIS, together with co-conspirator
6 CC-3 and others known and unknown to the Grand Jury, knowingly
7 combined, conspired, and agreed to commit health care fraud, in
8 violation of Title 18, United States Code, Section 1347.

9 C. THE MANNER AND MEANS OF THE CONSPIRACY

10 25. The object of the conspiracy was carried out, and to
11 be carried out, in substance, as follows:

12 a. CC-3 was covered by a CIGNA health insurance
13 plan. CC-3 sought and obtained prescriptions for various drugs
14 from his/her primary care physician. On many occasions, CC-3
15 knew that he/she would not utilize all of the drugs that were
16 prescribed to him/her.

17 b. CC-3 sold certain of his/her prescriptions for
18 various drugs to defendant SURIS. Defendant SURIS paid cash to
19 CC-3 in exchange for these prescriptions.

20 c. Defendant SURIS, together with CC-3 and others
21 known and unknown to the Grand Jury, knowingly and willfully
22 submitted, and caused the submission of, false and fraudulent
23 claims to CIGNA and/or CIGNA's representatives on behalf of
24 Royal Care based on the false and fraudulent representation,
25 with respect to certain of these prescriptions, that the
26 prescriptions had been filled and the prescribed medications had
27 been provided to CC-3.

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1 d. In truth and in fact, as defendant SURIS and CC-3
2 then knew, certain of these prescriptions for CC-3 had not been
3 filled, and the prescribed medications were not provided to
4 CC-3.

5 e. As a result of the false and fraudulent claims
6 defendant SURIS and CC-3 submitted and caused to be submitted to
7 CIGNA, CIGNA and/or its assigned representatives deposited
8 payments into bank account XXXXXX-7230 belonging to Royal Care.

9 f. Between in or around December 2012, through in or
10 around January 2015, Royal Care was paid approximately \$17,212
11 based on claims for dispensing drugs to CIGNA subscribers.

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COUNTS SEVEN THROUGH TWELVE

[18 U.S.C. §§ 1347, 2(b)]

26. The Grand Jury incorporates by reference and re-alleges paragraphs 1 through 5 and 20 through 23 above as though set forth in their entirety here.

A. THE FRAUDULENT SCHEME

27. Beginning in or around December 2012, and continuing through at least in or around January 2015, in Los Angeles County, within the Central District of California, and elsewhere, defendant SURIS and co-conspirator CC-3, together with others known and unknown to the Grand Jury, knowingly, willfully, and with intent to defraud, executed, and attempted to execute, a scheme and artifice: (a) to defraud a health care benefit program, namely, CIGNA, as to material matters in connection with the delivery of and payment for health care benefits, items, and services; and (b) to obtain money from CIGNA by means of materially false and fraudulent pretenses and representations and the concealment of material facts in connection with the delivery of and payment for health care benefits, items, and services.

B. MEANS TO ACCOMPLISH THE FRAUDULENT SCHEME

28. The fraudulent scheme operated, in substance, as described in paragraph 25 of this Indictment, which is hereby incorporated by reference as if stated in its entirety here.

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C. EXECUTIONS OF THE FRAUDULENT SCHEME

29. On or about the dates set forth below, within the Central District of California, and elsewhere, defendant SURIS and co-conspirator CC-3, together with others known and unknown to the Grand Jury, for the purpose of executing and attempting to execute the fraudulent scheme described above, knowingly and willfully submitted and caused to be submitted to CIGNA for payment the following false and fraudulent claims seeking the following dollar amounts, which claims falsely represented that Royal Care provided the pharmaceutical items as listed to CIGNA subscribers:

<u>COUNT</u>	<u>CIGNA SUBSCRIBER</u>	<u>APPROXIMATE DATE SUBMITTED</u>	<u>ITEM CLAIMED; APPROX. AMOUNT OF CLAIM</u>
SEVEN	CC-3	11/06/2014	Solaraze; \$1,440.14
EIGHT	CC-3	12/01/2014	Solaraze; \$1,440.14
NINE	CC-3	11/06/2014	Vimovo; \$988.79
TEN	CC-3	12/01/2014	Vimovo; \$988.79
ELEVEN	CC-3	12/01/2014	Xolegel; \$413.08
TWELVE	CC-3	12/03/2014	Lidoderm; \$482.78

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FORFEITURE ALLEGATION

[18 U.S.C. §§ 982(a)(7), 981(a)(1)(C); 28 U.S.C. § 2461(c)]

30. Pursuant to Rule 32.2(a) Fed. R. Crim. P., notice is hereby given to defendants ALEKSANDR SURIS and MAXIM SVERDLOV (collectively, the "defendants") that the United States will seek forfeiture as part of any sentence in accordance with Title 18, United States Code, Sections 982(a)(7) and 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), in the event of any defendant's conviction under any of the Counts One through Twelve of this Indictment.

31. Defendants shall forfeit to the United States the following property:

a. All right, title, and interest in any and all property, real or personal, that constitutes or is derived, directly or indirectly, from the gross proceeds traceable to the commission of any offense set forth in any of Counts One through Twelve of this Indictment; and.

b. A sum of money equal to the total value of the property described in subparagraph a. For each of Counts One through Twelve for which more than one defendant is found guilty, each such defendant shall be jointly and severally liable for the entire amount forfeited pursuant to that Count.

32. Pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c), and Title 18, United States Code, Section 982(b), each defendant shall forfeit substitute property, up to the total value of the property described in the preceding paragraph if, as a result of any act or omission of a defendant, the property

described in the preceding paragraph, or any portion thereof:

(a) cannot be located upon the exercise of due diligence;
(b) has been transferred, 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 divided without difficulty.

A TRUE BILL

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Foreperson

SANDRA R. BROWN
Acting United States Attorney



LAWRENCE S. MIDDLETON
Assistant United States Attorney
Chief, Criminal Division

GEORGE S. CARDONA
Assistant United States Attorney
Chief, Major Frauds Section

SANDRA MOSER
Acting Chief, Fraud Section
United States Department of Justice

JOSEPH S. BEEMSTERBOER
Deputy Chief, Fraud Section
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ROBYN N. PULLIO
Trial Attorney, Fraud Section
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