

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA : Criminal No. 13-
:
v. :
:
: 18 U.S.C. §§1952(a)(3),
FRANK SANTANGELO, M.D. : 1956 and 2; 26 U.S.C. §7203
:

I N F O R M A T I O N

COUNT 1

(Bribery in violation of the Travel Act)

1. At all times relevant to this Information:

a. Defendant FRANK SANTANGELO was a medical doctor who owned two medical offices in the State of New Jersey - Santangelo Medical Center, LLC and Santangelo Medical Center at Montville (collectively, the "Medical Practice") - and exercised control over which clinical blood laboratories received patient blood specimens drawn at the Medical Practice.

b. Biodiagnostic Laboratory Services, LLC ("BLS") was a clinical blood laboratory headquartered in Parsippany, New Jersey that, among other things, performed tests on the blood specimens of patients referred to BLS by doctors, and then billed payors and others for those tests and related services.

c. David Nicoll was an owner and the President of BLS, generally directed and supervised the BLS sales force, and was also the primary BLS point of contact for defendant FRANK SANTANGELO.

d. The Medicare Program ("Medicare") was a federal program that provided free or below-cost health care benefits to certain individuals, primarily the elderly, blind, and disabled. Medicare was a "Federal health care program" as defined in Title 42, United States Code, Section 1320a-7b(f) and a "health care benefit program" as defined in Title 18, United States Code, Section 24(b). Individuals who receive benefits under Medicare are commonly referred to as "beneficiaries."

e. The Medicare Part B program was a federally funded supplemental insurance program that provided supplementary Medicare insurance benefits for individuals aged sixty-five or older, and certain individuals who are disabled. The Medicare Part B program paid for various medical services for beneficiaries, including blood tests and related services.

f. BLS was an approved Medicare provider, and Medicare paid BLS for performing blood tests and related services on beneficiaries who were referred to BLS by physicians participating in Medicare.

g. Private health insurance companies (hereafter, "Private Payors") including Horizon Blue Cross/Blue Shield ("Blue Cross/Blue Shield"), were corporations in the business of providing health care insurance to individuals and entities under various insurance policies (the "insureds"), pursuant to which Blue Cross/Blue Shield and other Private Payors paid BLS for blood tests and related services performed for insureds who had

been referred to BLS by physicians participating in their provider networks.

2. From at least in or about January 2006 until in or about March 2013, in Morris County, in the District of New Jersey, and elsewhere, defendant

FRANK SANTANGELO

knowingly and intentionally used and caused to be used the mail and any facility in interstate commerce with the intent to promote, manage, establish, carry on, and facilitate the promotion, management, establishment, and carrying on of an unlawful activity, that is, commercial bribery, contrary to N.J.S.A. §2C:21-10 and Title 18, United States Code, Section 1952(a)(3) and, thereafter, did perform and attempt to perform acts to promote, manage, establish, carry on, and facilitate the promotion, management, establishment, and carrying on of such unlawful activity, to include, as follows:

a. Beginning in or about January 2006, defendant FRANK SANTANGELO accepted bribes offered by David Nicoll that were paid to induce defendant FRANK SANTANGELO to refer the blood specimens of his patients to BLS for testing and related services. To disguise those bribes, BLS and defendant FRANK SANTANGELO entered into a series of sham lease agreements and sham service agreements, pursuant to which thousands of dollars in monthly bribe payments to defendant FRANK SANTANGELO were characterized as "lease" and "service" payments. The lease

payments from BLS were substantially in excess of the fair market value of the space actually used by BLS at the Medical Practice, and the service payments from BLS were substantially in excess of the fair market value of the basic blood drawing tasks performed by the Medical Practice for BLS.

b. In connection with the bribery activity, David Nicoll and defendant FRANK SANTANGELO communicated by text messaging and other means, including a text message discussion in or about August 2009 in which David Nicoll stated "Frank, I really can't afford the 40-50,000 [dollars] a month if the girls aren't going to be drawing any blood," to which defendant FRANK SANTANGELO responded, "Will take care of it when I get back [from a trip outside the United States]. U can call [an office employee of Frank Santangelo] for now! U no u can count on me! I never let u down!"

c. Between in or about January 2006 and the summer of 2010, BLS used the sham lease agreements and sham service agreements to pay defendant FRANK SANTANGELO bribes that, in the aggregate, exceeded \$842,000. In return, defendant FRANK SANTANGELO, among other things, referred (and caused others at the Medical Practice to refer) patient blood specimens to BLS that BLS used to submit claims to Medicare and the Private Payors and collect from those payors more than \$4,000,000.

d. The claims BLS submitted for blood testing and other services to Medicare and the Private Insurers included

charges for tests on blood specimens defendant FRANK SANTANGELO referred (and caused others at the Medical Practice to refer) to BLS in return for bribe payments.

e. In or about January 2009, Blue Cross/Blue Shield paid BLS - by check mailed to and received by defendant BLS - approximately \$110,000 on claims and related items previously submitted by defendant BLS for blood testing on Blue Cross/Blue Shield insureds. Approximately \$4,400 of the \$110,000 was for claims by BLS for testing blood specimens that defendant FRANK SANTANGELO referred (or caused others at the Medical Practice to refer) to BLS.

f. When a change in New Jersey law was enacted in July 2010 that effectively prohibited even legitimate lease and service payments from clinical blood laboratories to physicians, the sham lease and sham service agreements were ended, and David Nicoll continued bribing defendant FRANK SANTANGELO by placing a third-party on the BLS payroll, who was purposefully misidentified by BLS as a BLS contractor (the "Third-party Payee").

g. Between the fall of 2010 and in or about March 2013, payments of more than \$1,037,000 were then funneled by BLS through the Third-party Payee to defendant FRANK SANTANGELO who, in return, continued to refer (and cause others at the Medical Practice to refer) patient blood specimens to BLS that BLS used

to submit claims to Medicare and the Private Payors and collect substantial sums of money from those payors.

h. On or about January 1, 2013, David Nicoll delivered, or caused the delivery of, a check to defendant FRANK SANTANGELO to induce defendant FRANK SANTANGELO to refer (and cause others at the Medical Practice to refer) the blood specimens of patients to BLS for testing and related services. The check, bearing #8945, and made payable to the Third-party Payee, was drawn on a BLS account in the amount of \$53,510.11 and signed by David Nicoll.

i. On or about January 2, 2013, defendant FRANK SANTANGELO caused check #8954 to be deposited into a bank account that he controlled.

j. In or about February 2013, David Nicoll and defendant FRANK SANTANGELO engaged in additional text message discussions regarding the amount of money BLS was paying defendant FRANK SANTANGELO - through the Third-party Payee - to refer blood tests to BLS and increase patient blood testing volume. In one text message, defendant FRANK SANTANGELO stated "my goal is for you to bill out over a million a month! It's very possible!" In another text message discussion, defendant FRANK SANTANGELO stated "me and [another physician] put our heads together and added a significant amount of testing...The testing

is 90% legit! Also added two more endocrine panels."

k. The total amount of bribes paid to defendant FRANK SANTANGELO between January 2006 and March 2013 under the sham lease agreements, sham service agreements, and through the Third-party Payee exceeded \$1,879,000. In return, defendant FRANK SANTANGELO referred (and caused others at the Medical Practice to refer) blood specimens to BLS during that same period that BLS used to submit claims to Medicare and the Private Payors and collect from those payors more than \$6,000,000.

In violation of Title 18, United States Code, Section 1952(a)(3) and Title 18, United States Code, Section 2.

Count 2
(Money Laundering)

1. Paragraphs 1 and 2(a) through 2(k) of Count 1 are incorporated as if set forth at length herein.

2. On or about January 1, 2013, in Passaic County, in the District of New Jersey, and elsewhere, defendant

FRANK SANTANGELO

knowing that the property involved in the financial transactions represented the proceeds of some form of unlawful activity, and knowing that the transactions were designed in whole and in part to conceal and disguise the nature, location, source, ownership, and control of the proceeds of specified unlawful activity, did knowingly and willfully conduct financial transactions affecting interstate and foreign commerce which in fact involved the proceeds of specified unlawful activity, specifically the transfer, delivery, and other disposition of United States currency in excess of \$53,510 that was the proceeds of the scheme described in Count 1 of this Information to bribe defendant FRANK SANTANGELO to refer (and cause others to refer) the blood specimens of patients to BLS for testing and related services.

In violation of Title 18, United States Code, Section 1956(a)(1)(B)(i).

COUNT 3
(Willful Failure to File Return)

1. Paragraphs 1 and 2(a) through 2(k) of Count 1 of this Information are realleged as if set forth in full herein.

2. During calendar year 2009, defendant FRANK SANTANGELO received, in his individual capacity, at least \$166,056 in total gross income, upon which a tax of approximately \$37,003 was due and owing the United States.

3. During calendar year 2010, defendant FRANK SANTANGELO received, in his individual capacity, at least \$100,259 in total gross income, upon which a tax of approximately \$13,838 was due and owing the United States.

4. During calendar year 2011, defendant FRANK SANTANGELO received, in his individual capacity, at least \$419,338 in total gross income, upon which a tax of approximately \$115,503 was due and owing the United States.

5. Having received this income, defendant FRANK SANTANGELO was required by law, following the close of calendar years 2009, 2010, and 2011, on or before mid-April in each of those respective calendar years, to make an income tax return to the Internal Revenue Service stating specifically the items of his gross income and any deductions and credits to which he was entitled.

6. On or about April 16, 2012, in the District of New Jersey, and elsewhere, defendant

FRANK SANTANGELO

knowing and believing the foregoing facts, did knowingly and willfully fail to make an income tax return to the Internal Revenue Service.

In violation of Title 26, United States Code, Section 7203.

FORFEITURE ALLEGATION AS TO COUNT 1

1. The allegations contained in this Information are hereby realleged and incorporated by reference for the purpose of noticing forfeiture pursuant to Title 18, United States Code, Sections 981(a)(1)(c) and 982(a)(7).

2. Upon conviction of the offense to violate Title 18, United States Code, Section 1952(a)(3), defendant FRANK SANTANGELO shall forfeit to the United States, (i) pursuant to Title 18 U.S.C. Section 982(a)(7), all property, real and personal, that constitutes or is derived, directly and indirectly, from gross proceeds traceable to the violation of Title 18, United States Code, Section 1952(a)(3), and (ii) pursuant to Title 18, United States Code, Section 981(a)(1)(c), and Title 28, United States Code, Section 2461(c), all property, real and personal, that constitutes or is derived from proceeds traceable to the violation of Title 18, United States Code, Section 1952(a)(3), including, but not limited to, a sum of money in the amount of \$1,793,616, representing the property constituting or derived, directly or indirectly, from gross proceeds traceable to the offense charged in Count 1.

FORFEITURE ALLEGATION AS TO COUNT 2

3. The allegations contained in this Information are hereby realleged and incorporated by reference for the purpose of noticing forfeiture pursuant to Title 18, United States Code, Section 982(a)(1).

4. As the result of committing the money laundering offense in violation of 18 U.S.C. § 1956 alleged in Count 2 of this Information, defendant FRANK SANTANGELO shall forfeit to the United States, pursuant to 18 U.S.C. § 982(a)(1), all property, real and personal, involved in the money laundering offense and all property traceable to such property, including, but not limited to, a sum of money in the amount of \$53,510, representing the property involved in the money laundering offense charged in Count 2, and all property traceable to such property.

Substitute Assets Provision

5. If any of the property described above, 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, the United States shall be entitled, pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 18, United States Code, Section 982(b), and Title 28, United States Code, Section 2461(c), to forfeiture of any other property of defendant FRANK SANTANGELO to the value of the property described in the paragraphs 2 and 4 of these forfeiture allegations.



PAUL J. FISHMAN
UNITED STATES ATTORNEY

CASE NUMBER: _____

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UNITED STATES OF AMERICA

v.

FRANK SANTANGELO

INFORMATION

18 U.S.C. §1952(a)(3), 1956 and 2
26 U.S.C. §7203

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