

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA	:	Criminal No. 20-800 (ESK)
	:	
v.	:	18 U.S.C. § 371
	:	
CHRISTOPHER CASSERI	:	<u>SUPERSEDING INFORMATION</u>
	:	

The defendant having waived in open court prosecution by Indictment, the Attorney for the United States, acting pursuant to authority conferred by 28 U.S.C. § 515, charges:

1. At all times relevant to this Superseding Information:

a. Central Rexall Drugs, Inc. (“Central Rexall”) was a pharmacy located in Hammond, Louisiana, that made compounded medications. Before 2013, Central Rexall was primarily a retail pharmacy servicing local customers.

b. Defendant CHRISTOPHER CASSERI was the Vice President of Sales for Central Rexall.

c. Christopher Kyle Johnston, who is listed as a co-conspirator but charged elsewhere, was the controlling member and President of Pharmacy Management Group, LLC, and Bluen Medical, LLC, and in 2014 and 2015 was General Counsel of Central Rexall.

d. Trent Brockmeier, who is listed as a co-conspirator but charged elsewhere, was the Chief Operating Officer of Central Rexall, a member of

Pharmacy Management Group, LLC, and Bluen Medical, LLC, and the Chief Executive Officer of Bluen Medical, LLC.

e. Hayley Taff was the Chief Executive Officer of Central Rexall and a minority owner of Central Rexall.

f. Individual 1 was the majority owner of Central Rexall.

g. William Hickman was a New Jersey distributor for Central Rexall.

h. Pharmacy Management Group, LLC (“PMG”) was a Delaware limited liability company. Christopher Kyle Johnston and Trent Brockmeier and Individual 2 were the members of PMG.

i. Bluen Medical, LLC (“Bluen Medical”) was a Delaware limited liability company. Christopher Kyle Johnston and Trent Brockmeier were the members of Bluen Medical.

2. In general, compounding was a practice in which a licensed pharmacist combined, mixed, or altered ingredients of one or more drugs in response to a prescription to create a medication specifically tailored to the individual medical needs of an individual patient.

3. In part because they are supposed to be specifically tailored to individual medical needs rather than mass produced, compounded drugs are not approved by the United States Food and Drug Administration (“FDA”). This means that the FDA does not verify the safety, effectiveness, or quality of compounded drugs.

4. Compounded drugs could be appropriately prescribed by a physician when an FDA-approved medication did not meet the health needs of a particular patient. A drug may be compounded for a patient who cannot be treated with an FDA-approved medication, such as a patient who has an allergy to a certain dye and needs a medication to be made without it, or an elderly patient or a child who cannot swallow a tablet or capsule and needs a medicine in a liquid dosage form.

5. In New Jersey, the State Health Benefits Program (“SHBP”) offered medical and prescription drug coverage to qualified state and local government public employees, retirees, and eligible dependents. The School Employees’ Health Benefits Program (“SEHBP”) offered medical and prescription drug coverage to qualified local education public employees, retirees, and eligible dependents. SHBP and SEHBP each were “health care benefit programs” that affected commerce as defined in 18 U.S.C. § 24(b).

6. TRICARE was a federally funded health care program of the United States Department of Defense (“DOD”) that provided drug insurance coverage for DOD beneficiaries worldwide, including active duty service members, National Guard and reserve members, retirees, their families, and survivors. TRICARE was a “health care benefit program” that affected commerce as defined in 18 U.S.C. § 24(b).

7. Pharmacy Benefits Administrator provided pharmacy benefit management services for SHBP and SEHBP beneficiaries pursuant to a contract with the State of New Jersey. Pharmacy Benefits Administrator also provided

pharmacy benefit management services for TRICARE beneficiaries and beneficiaries of other insurance plans. Pharmacy Benefits Administrator adjudicated claims for reimbursement from pharmacies and paid pharmacies for valid claims. Pharmacy Benefits Administrator billed the State of New Jersey based on the amount paid to pharmacies for claims on behalf of SHBP and SEHBP beneficiaries and billed TRICARE and other insurance plans based on the amounts paid to pharmacies on claims on behalf of their beneficiaries. Pharmacy Benefits Administrator was a “health care benefit program” that affected commerce as defined in 18 U.S.C. § 24(b).

8. Central Rexall had an agreement with Pharmacy Benefits Administrator signed by Trent Brockmeier that specified the terms under which Pharmacy Benefits Administrator would pay Central Rexall for legitimate prescriptions filled by Central Rexall for beneficiaries of insurance plans administered by Pharmacy Benefits Administrator. As part of that agreement, Central Rexall agreed to collect and not waive or discount copayments from beneficiaries of insurance plans administered by Pharmacy Benefits Administrator.

9. Under its agreement with Pharmacy Benefits Administrator, Central Rexall could submit claims only for actual valid prescriptions signed or properly authorized by a doctor or other qualified medical professional.

10. Central Rexall received prescriptions for compounded medications via fax from medical offices in New Jersey and other states.

11. Once Central Rexall received a prescription from a medical office for a compounded medication, Central Rexall employees prepared and submitted an electronic claim to Pharmacy Benefits Administrator using information from the prescription, including the patient's name, address and identifying information, date of birth, insurance information, the ingredients contained in the compounded medication on the prescription, and the name and identifying information of the doctor or qualified medical professional who signed the prescription.

12. Central Rexall submitted the electronic claims by interstate wire communications from Louisiana to Pharmacy Benefits Administrator, and Pharmacy Benefits Administrator responded electronically with an interstate wire communication stating the adjudication of the claim, that is, whether the claim was covered and the amount that would be paid for the claim.

13. From in or about July 2013 through in or about December 2016, in the District of New Jersey, and elsewhere, defendant

CHRISTOPHER CASSERI

did knowingly and intentionally conspire and agree with Christopher Kyle Johnston, Trent Brockmeier, Hayley Taff, William Hickman, and others to knowingly and willfully execute a scheme and artifice to defraud a health care benefit program and to obtain, by means of false and fraudulent pretenses, representations, and promises, money and property owned by, or under the custody and control of, a health care benefit program in connection with the delivery of and

payment for health care benefits, items, and services, contrary to Title 18, United States Code, Section 1347.

Object of the Conspiracy

14. It was the object of the conspiracy for defendant CHRISTOPHER CASSERI, Christopher Kyle Johnston, Trent Brockmeier, Hayley Taff, William Hickman, and others to unlawfully enrich themselves by causing the submission of false and fraudulent insurance claims to Pharmacy Benefits Administrator for medically unnecessary Central Rexall compounded prescription medications and by sharing in the profits realized by Central Rexall from payments for those compounded prescription medications.

Manner and Means of the Conspiracy

15. It was part of the conspiracy that defendant CHRISTOPHER CASSERI, Christopher Kyle Johnston, and Trent Brockmeier learned that certain insurance plans, including TRICARE, SHBP, and SEHBP, would reimburse thousands of dollars for one individual's one-month supply of certain prescription compounded medications, including compounded vitamin combinations, pain creams, scar creams, and antifungal creams.

16. It was further part of the conspiracy that in 2013, Christopher Kyle Johnston and Trent Brockmeier approached Taff and Individual 1 with a proposal to take over the management of Central Rexall and expand Central Rexall's operations to market compounded medications nationwide.

17. It was further part of the conspiracy that, at the request of Christopher Kyle Johnston and Trent Brockmeier, on or about July 15, 2013, Central Rexall entered into an agreement with PMG under which PMG would provide management services to Central Rexall and receive 90% of Central Rexall's net profits.

18. It was further part of the conspiracy that, at the request of Christopher Kyle Johnston and Trent Brockmeier, in or about 2014, Central Rexall entered into agreements with Bluen Medical under which Bluen Medical would provide management services to Central Rexall and receive 90% of Central Rexall's net profits, with Christopher Kyle Johnston and Trent Brockmeier deciding how to allocate the 90% between PMG and Bluen.

19. It was further part of the conspiracy that the effect of these agreements with PMG and Bluen Medical was to give Christopher Kyle Johnston and Trent Brockmeier power to manage the operations of Central Rexall, and they exercised that power, with Christopher Kyle Johnston becoming General Counsel and Trent Brockmeier becoming Chief Operating Officer.

20. It was further part of the conspiracy that Christopher Kyle Johnston and Trent Brockmeier brought to Central Rexall formulas for compounded medications that they knew would each adjudicate for thousands of dollars per month and would cost only a small fraction of that amount to make.

21. It was further part of the conspiracy that at the direction of Christopher Kyle Johnston and Trent Brockmeier, Central Rexall used preprinted prescription pads with their formulas for compounded medications.

22. It was further part of the conspiracy that Christopher Kyle Johnston and Trent Brockmeier entered into agreements with distributors under which the distributors agreed to market Central Rexall compounded medications in exchange for percentages up to and including 50% of the insurance adjudications for the medications.

23. It was further part of the conspiracy that, on the authority of Christopher Kyle Johnston and Trent Brockmeier, Central Rexall hired defendant CHRISTOPHER CASSERI as Vice President of Sales to manage Central Rexall's distributors, with pay that included performance bonuses.

24. It was further part of the conspiracy that defendant CHRISTOPHER CASSERI, Christopher Kyle Johnston, and Trent Brockmeier designed combinations of ingredients for compounded medications based on the combinations' high insurance reimbursements and manipulated the ingredients to obtain the highest possible insurance reimbursement rather than to serve the medical needs of patients.

25. It was further part of the conspiracy that in order to determine the insurance adjudication for a potential new combination of ingredients for which they did not have an actual prescription, defendant CHRISTOPHER CASSERI, Christopher Kyle Johnston, and Trent Brockmeier caused Central Rexall employees

and contractors to submit to Pharmacy Benefits Administrator false test claims (“test adjudications”), which were false and fraudulent because the test adjudications necessarily represented that Central Rexall had received a valid prescription from a doctor or other qualified medical professional for the patient identified in the claim to receive a prescribed compounded medication containing the specified combination of ingredients, when in fact there was no such prescription.

26. It was further part of the conspiracy that the test adjudications used the identifying information, including patient names, dates of birth, and insurance information, from prescriptions Central Rexall had previously received for other compounded medications, but without the knowledge or consent of the individuals whose identifying information was used.

27. It was further part of the conspiracy that once Pharmacy Benefits Administrator responded that the combination of ingredients in the test adjudication was covered and the amount of the insurance adjudication, Central Rexall employees would print the results, inform defendant CHRISTOPHER CASSERI or Trent Brockmeier, promptly send an electronic communication to Pharmacy Benefits Administrator reversing the claim, and shred the paper record of the test adjudication.

28. It was further part of the conspiracy that defendant CHRISTOPHER CASSERI, Christopher Kyle Johnston, and Trent Brockmeier used the information from these test adjudications to design compounded medications based on the

amount of money that insurance would pay for the compounded medications rather than on the medications' ability to help patients.

29. It was further part of the conspiracy that under the direction of defendant CHRISTOPHER CASSERI, Christopher Kyle Johnston, and Trent Brockmeier, Central Rexall placed compound medication combinations on its prescription pads and sent compounded medications to patients based on the amount of money that insurance would pay for a particular combination of ingredients, without doing any tests, studies, or research into the medical necessity or effectiveness of the particular combination of ingredients, without sending information to patients or their health care providers about the medical necessity or effectiveness of the particular combination of ingredients, and without disclosing to patients or their health care providers that the combination of ingredients was selected to maximize the insurance reimbursement rather than serve the medical needs of the patients.

30. It was further part of the conspiracy that when Pharmacy Benefits Administrator stopped covering one combination of ingredients, at the direction of defendant CHRISTOPHER CASSERI, Christopher Kyle Johnston, and Trent Brockmeier, Central Rexall developed a different combination of ingredients based on the amount that insurance would pay for that combination rather than the medical necessity or effectiveness of the new combination of ingredients, and Central Rexall then sent medications containing that new combination of ingredients to patients, even though the new combination of ingredients was not

medically equivalent to the combination of ingredients originally prescribed for the patient, and without explaining the differences to patients or prescribing health care providers or informing them that Central Rexall chose the combination based on the insurance reimbursement.

31. It was further part of the conspiracy that because SHBP and SEHBP covered certain compounded medications until 2016, Central Rexall shipped a large percentage of its compounded medications to SHBP and SEHBP beneficiaries in New Jersey.

32. It was further part of the conspiracy that, at the direction of Christopher Kyle Johnston and Trent Brockmeier, and to encourage patients to continue to receive medications they did not need, Central Rexall continued shipping compounded medications to patients without requiring patients to pay copayments, despite the requirement in Central Rexall's agreement with Pharmacy Benefits Administrator that Central Rexall collect copayments from patients.

33. It was further part of the conspiracy that Central Rexall distributors retained and directed by defendant CHRISTOPHER CASSERI, Christopher Kyle Johnston, and Trent Brockmeier marketed medications directly to individual patients and beneficiaries of insurance plans administered by Pharmacy Benefits Administrator, even though Central Rexall's agreement with Pharmacy Benefits Administrator prohibited such marketing.

34. It was further part of the conspiracy that Central Rexall distributors retained and directed by defendant CHRISTOPHER CASSERI, Christopher Kyle

Johnston, and Trent Brockmeier obtained prescriptions that were not medically necessary and fraudulent, including (a) prescriptions for patients who had not been examined by a doctor or other medical professional, (b) prescriptions signed or authorized by doctors and medical professionals without a determination that the medication was medically necessary, (c) prescriptions signed or authorized by doctors and medical professionals who were paid kickbacks, (d) prescriptions for 12 months of refills that were not medically necessary and that a patient could not reasonably use in 12 months, (e) prescriptions for medications that patients had not agreed to receive, and (f) prescriptions for patients who agreed to receive the medications because they were paid or received other benefits to do so.

35. It was further part of the conspiracy that at the direction of defendant CHRISTOPHER CASSERI, Christopher Kyle Johnston, and Trent Brockmeier, Central Rexall promoted Central Rexall compounded medications as prescription treatments for medical conditions and weight loss without tests or studies to support the claims that the particular combinations of ingredients in the compounded medications were effective in treating those conditions or causing weight loss.

36. It was further part of the conspiracy that Central Rexall marketing materials and communications with patients falsely represented that Central Rexall compounded medications were custom designed to suit the medical needs of individual patients, when in reality the formulas for Central Rexall medications were developed by defendant CHRISTOPHER CASSERI, Christopher Kyle

Johnston, and Trent Brockmeier and by Central Rexall distributors to maximize profits and were not tailored to individual patients.

37. It was further part of the conspiracy that defendant CHRISTOPHER CASSERI, Christopher Kyle Johnston, and Trent Brockmeier and others caused the submission of numerous false and fraudulent claims to Pharmacy Benefits Administrator and others for compounded medications.

38. It was further part of the conspiracy that defendant CHRISTOPHER CASSERI received bonuses of approximately \$100,000 in 2015 and in 2016.

39. It was further part of the conspiracy that defendant CHRISTOPHER CASSERI, Christopher Kyle Johnston, and Trent Brockmeier, and others caused Pharmacy Benefits Administrator to pay over \$46,000,000 for false and fraudulent claims for compounded medications.

Overt Acts

40. In furtherance of the conspiracy and in order to effect the objects of the conspiracy, defendant CHRISTOPHER CASSERI, Christopher Kyle Johnston, and Trent Brockmeier and their co-conspirators committed or caused the commission of the following overt acts in the District of New Jersey and elsewhere:

- a. On or about October 6, 2015, defendant CHRISTOPHER CASSERI sent a text message to William Hickman in New Jersey concerning test adjudications.
- b. On or about October 15, 2015, William Hickman, through his company Boardwalk Medical LLC, received in New Jersey a

payment from Central Rexall of \$2,447,076.19 for his work and the work of people working with him to find patients in New Jersey to receive Central Rexall prescriptions.

- c. After October 15, 2015, William Hickman and people working with him continued to try to find patients in New Jersey to receive Central Rexall prescriptions.
- d. On or about January 7, 2016, a Central Rexall prescription for Individual 3 was signed in New Jersey and faxed to Central Rexall.

In violation of Title 18, United States Code, Section 371.

FORFEITURE ALLEGATIONS

1. Upon conviction of the conspiracy offense alleged in the Superseding Information, defendant CHRISTOPHER CASSERI shall forfeit to the United States, pursuant to 18 U.S.C. § 982(a)(7), all property, real and personal, that constitutes or is derived from gross proceeds traceable to the commission of the offense alleged in the Superseding Information, representing all property constituting or derived from proceeds traceable to the commission of the offense alleged in the Superseding Information to which he pleads guilty.

2. If any of the above-described forfeitable property, 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 person;
- 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 subdivided without difficulty;

it is the intent of the United States, pursuant to 21 U.S.C. § 853(p), as incorporated by 18 U.S.C. § 982(b), to seek forfeiture of any other property of said defendant up to the value of the above forfeitable property.



VIKAS KHANNA

Attorney for the United States

Acting Under Authority Conferred by 28 U.S.C. § 515

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18 U.S.C. § 371

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