

UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA	:	Criminal No. 17-
	:	
v.	:	Hon. John Michael Vazquez
	:	
CHRISTOPHER FRUSCI	:	18 U.S.C. § 1349
	:	

**INFORMATION**

The defendant having waived in open court prosecution by Indictment, the Acting United States Attorney for the District of New Jersey charges:

1. Unless otherwise indicated, at all times relevant to this Information:

a. Company A, a New Jersey company, marketed various compounded medications, such as, but not limited to, scar creams, pain creams, and metabolic supplements. Company A affiliated itself with other marketing companies like itself to gain access to certain compounding pharmacies, which would pay Company A, either directly or indirectly, for the referral of prescriptions.

b. Company A was owned and operated by CC-1, a resident of New York, and CC-2, a resident of New Jersey. CC-1 and CC-2 are uncharged coconspirators.

c. Defendant CHRISTOPHER FRUSCI, a resident of New York and an employee of the Metropolitan Transportation Authority (the "MTA"), was recruited by Company A to become a "sales representative" of Company A

whose role was to find individuals with certain health insurance plans and convince them to obtain compounded medications regardless of whether such compounded medications were medically necessary. Company A and defendant CHRISTOPHER FRUSCI financially benefited from each prescription defendant CHRISTOPHER FRUSCI directly or indirectly caused to be filled.

d. CC-3, a resident of New York and an employee of the MTA, was recruited by defendant CHRISTOPHER FRUSCI to find individuals with certain health insurance plans and convince them to obtain compounded medications regardless of whether such compounded medications were medically necessary. Company A, defendant CHRISTOPHER FRUSCI, and CC-3 financially benefited from each prescription CC-3 directly or indirectly caused to be filled.

e. The MTA, located in New York, provided its employees with health care benefits, including prescription drug benefits. Individuals who received health care benefits through the MTA's health insurance plan were referred to as MTA beneficiaries. The MTA's prescription drug benefit plan was administered by a pharmacy benefit management organization (the "PBM"). Under the agreement between the MTA and the PBM, the PBM processed pharmaceutical claims for beneficiaries through a network of retail pharmacies, among other places.

f. If a MTA beneficiary selected a network pharmacy, the pharmacy would collect any applicable copay from the beneficiary, dispense the drug to the beneficiary, and submit a claim for reimbursement to the PBM, which would in turn adjudicate the claim and reimburse the pharmacy. Later, the

MTA would reimburse the PBM for all expenditures made on behalf of the MTA's beneficiaries.

g. The MTA's health insurance plan was a "health care benefit program," as defined by 18 U.S.C. § 24(b), that affected commerce.

h. In general, "compounding" is a practice in which a licensed pharmacist, or a licensed physician, combines, mixes or alters ingredients of a drug to create a medication tailored to the needs of an individual patient. Pharmacies engaging in the practice are referred to as "compounding pharmacies."

i. Compounded drugs are not approved by the Food and Drug Administration ("FDA"), that is, the FDA does not verify the safety, potency, effectiveness, or manufacturing quality of compounded drugs.

j. Generally, compounded drugs may be prescribed by a physician when a FDA-approved drug does not meet the health needs of a particular patient. For example, if a patient is allergic to a specific ingredient in an FDA-approved medication, such as a dye or preservative, a compounded drug can be prepared excluding the substance that triggers the allergic reaction. Compounded drugs may also be prescribed when a patient cannot consume a medication by traditional means, such as an elderly patient or child who cannot swallow a FDA-approved pill and needs the drug in a liquid form that is not otherwise available.

k. Telemedicine allows health care providers, such as physicians, to evaluate, diagnose, and treat patients remotely—without the need for an in-

person visit—by using telecommunications technology, such as the internet or telephone to interact with a patient.

2. From at least as early as in or around May 2015 through in or around May 2017, in the District of New Jersey and elsewhere, defendant

**CHRISTOPHER FRUSCI**

did knowingly and intentionally conspire with others to knowingly and willfully execute, and attempt to 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, any of the money owned by, or under the custody or control of, a health care benefit program in connection with the delivery of or payment for health care benefits, items or services, contrary to Title 18, United States Code, Section 1347.

Object of the Conspiracy

3. It was an object of the conspiracy for Company A, CC-1, CC-2, CC-3, defendant CHRISTOPHER FRUSCI, and others to unlawfully enrich themselves by causing the submission of false and fraudulent insurance claims for medically unnecessary compounded prescription medications to private health insurance plans, including the MTA's health insurance plan.

Manner and Means of the Conspiracy

4. It was part of the conspiracy and the scheme to defraud that Company A recruited individuals as "sales representatives" whose role was to target beneficiaries of health insurance plans which covered compounded medications being marketed by Company A (the "paying health plans"), and

convince these individuals to obtain compounded medications, such as, but not limited to, pain creams, scar creams, and metabolic supplements, regardless of medical necessity.

5. It was also part of the conspiracy that in order for Company A to profit, it affiliated itself with other marketing companies that had relationships, either directly or indirectly, with certain compounding pharmacies. Through these affiliations, Company A agreed to direct prescriptions to certain compounding pharmacies in exchange for a percentage of reimbursement amount for each successfully adjudicated claim paid by the health plan for the filling of the compounded medication.

6. It was also part of the conspiracy that Company A had a multi-level marketing payment structure. Company A encouraged its sales representatives to recruit others, or bring other individuals into the scheme “under” them. Any individual recruited would be considered a sales representative’s “downline.” Company A paid sales representatives a portion of the reimbursement amount it received for: (1) each prescription the sales representative directly caused to be filled, and (2) for each prescription attributable to those in the sales representative’s downline.

7. It was also part of the conspiracy that, for monetary gain, Company A sales representatives caused the filling and billing of medically unnecessary compounded medications.

8. It was also part of the conspiracy that, to ensure physicians prescribed compounded medications for beneficiaries of paying health plans

regardless of medical necessity, Company A, its affiliates, and Company A sales representatives referred individuals to telemedicine physicians who were paid by Company A and/or its affiliates.

9. It was also part of the conspiracy that CC-1 recruited defendant CHRISTOPHER FRUSCI to become a Company A sales representative.

10. It was also part of the conspiracy that, as a Company A sales representative, defendant CHRISTOPHER FRUSCI targeted MTA beneficiaries, among others, to obtain compounded prescriptions using telemedicine physicians because the MTA's health insurance plan was a paying health plan.

11. It was also part of the conspiracy that defendant CHRISTOPHER FRUSCI induced MTA beneficiaries to obtain medically unnecessary compounded prescriptions through the MTA's health plan by paying them monthly cash bribes called "referral gifts". Defendant CHRISTOPHER FRUSCI paid between approximately \$100 to approximately \$1500 every month to MTA beneficiaries in exchange for their agreement to obtain medically unnecessary compounded prescriptions from telemedicine physicians.

12. It was also part of the conspiracy that, to increase his profit, defendant CHRISTOPHER FRUSCI recruited CC-3 and other individuals to become "sales representatives" in his downline. CC-3, like defendant CHRISTOPHER FRUSCI, paid MTA beneficiaries to obtain medically unnecessary compounded prescriptions through telemedicine.

13. It was further part of the conspiracy that from at least as early as in or around May 2015 through in or around May 2017, defendant

CHRISTOPHER FRUSCI caused a loss of approximately \$5,335,509.13 for the billing of medically unnecessary compounded medications to private health insurance plans, including, but not limited to the MTA's health insurance plan.

14. It was further part of the conspiracy that from at least as early as in or around May 2015 through in or around May 2017, defendant CHRISTOPHER FURSCI was paid approximately \$724,448.73 for causing the billing of medically unnecessary compounded medications to private health insurance plans, including, but not limited to the MTA's health insurance plan.

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

## **FORFEITURE ALLEGATION**

1. The allegations contained in Paragraphs 1 through 14 of this Information are hereby realleged and incorporated by reference for the purpose of alleging forfeiture, pursuant to 18 U.S.C. § 982(a)(7)

2. Upon conviction of the Federal health care offense (as defined in 18 U.S.C. § 24) alleged in this Information, defendant CHRISTOPHER FRUSCI shall forfeit to the United States, pursuant to 18 U.S.C. § 982(a)(7), all property, real or personal, that constitutes or is derived, directly and indirectly, from gross proceeds traceable to the commission of the offense, including but not limited to a sum of money equal to the amount of gross proceeds traceable to the commission of the Federal health care offense (as defined in 18 U.S.C. § 24) alleged in this Information.

### **Substitute Assets Provision**

3. 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;

the United States shall be entitled to forfeiture of substitute property, pursuant to 21 U.S.C. § 853(p), as incorporated by 18 U.S.C. § 982(b).



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CRAIG CARPENITO  
United States Attorney