

2018R00240

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA : Criminal No. 18- 362
 :
 v. : Hon. John Michael Vazquez
 :
 BRIAN CATANZARITE : 18 U.S.C. § 1349

INFORMATION

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

1. Unless otherwise indicated, at all times relevant to this Information:
 - a. Defendant BRIAN CATANZARITE was a resident of New Jersey.
 - b. Company A, a New Jersey company, was a company involved in the marketing and sales of prescription compounded medications, such as various scar creams, pain creams, and metabolic supplements.
 - c. CC-1 and CC-2, residents of New Jersey, owned and operated Company A.
 - d. CC-3 was an advanced nurse practitioner and resident of New Jersey, who Company A and defendant BRIAN CATANZARITE paid to prescribe medically unnecessary compounded medications.
 - e. CC-4 was a resident of New Jersey and spouse of a New Jersey school teacher. CC-4 was recruited by defendant BRIAN CATANZARITE to obtain medically unnecessary compounded medications.

f. CC-5 was a resident of New Jersey and employed by a New Jersey public school. CC-5 was recruited by defendant BRIAN CATANZARITE to obtain medically unnecessary compounded medications.

g. CC-6 was a resident of New Jersey and employed by a New Jersey public school. CC-5 convinced CC-6 to obtain medically unnecessary compounded prescriptions.

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

i. Prescription drug coverage offered by the SHBP and SEHBP included compounded medications marketed by Company A.

j. 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 adjudicated claims for reimbursement from pharmacies and paid pharmacies for valid claims. Pharmacy Benefits Administrator then billed the State of New Jersey based on the amount paid to the pharmacies for claims on behalf of SHBP and SEHBP beneficiaries. Pharmacy Benefits Administrator was a "health care benefit program" that affected commerce as defined in 18 U.S.C. § 24(b).

k. 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.”

l. 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.

m. Generally, compounded drugs are prescribed by a physician when an 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.

n. 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 March 2015 through in or around January 2017, in the District of New Jersey and elsewhere, defendant

BRIAN CATANZARITE

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 defendant BRIAN CATANZARITE and others to unlawfully enrich themselves by causing the submission of false and fraudulent insurance claims for medically unnecessary compounded prescription medications to various health insurance plans.

Manner and Means of the Conspiracy

4. It was part of the conspiracy and the scheme to defraud that CC-1 and CC-2, through Company A, recruited individuals as “sales representatives” whose role was to target beneficiaries of health insurance plans that covered compounded medications (the “paying health plans”) and convince these beneficiaries to obtain compounded medications, such as, but not limited to, pain creams, scar creams, and metabolic supplements, regardless of medical necessity.

5. It was further part of the conspiracy that for Company A to profit, it either had direct relationships with certain compounding pharmacies, or affiliated itself with other marketing companies, such as MedMax, LLC (“MedMax”), a New York marketing company, that had relationships, either directly or indirectly, with other compounding pharmacies. Through these various relationships, Company A agreed to direct prescriptions to certain compounding pharmacies, and in exchange, Company A would be paid a percentage of the reimbursement amount received for each successfully adjudicated claim referred by Company A and its sales representatives.

6. It was further part of the conspiracy that 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 further 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 further part of the conspiracy that CC-1 recruited defendant BRIAN CATANZARITE to become a Company A sales representative.

9. It was further part of the conspiracy that Company A and other marketing companies, such as MedMax, identified which health insurance plans were paying health plans through the submission of prescriptions to the compounding pharmacies they were associated with. When a sales representative submitted a prescription to a compounding pharmacy, the pharmacy would inform the marketing company and sales representative whether the claim was paid or denied. Through this information, marketing companies, such as Company A, identified which health insurance plans were paying health plans and which were not.

10. It was further part of the conspiracy that CC-1 and/or CC-2 instructed Company A sales representatives, including defendant BRIAN CATANZARITE, which health insurance plans were paying health plans, and therefore, which beneficiaries to target. For example, CC-1 and/or CC-2 informed Company A sales representatives that the SHBP and SEHBP were paying health plans. As a result, defendant BRIAN CATANZARITE and other Company A sales representatives targeted New Jersey State employees who were beneficiaries of either the SHBP or SEHBP and convinced them to receive medically unnecessary compounded medications.

11. It was further part of the conspiracy that defendant BRIAN CATANZARITE, recruited CC-4, among others, to obtain medically unnecessary compounded medications for himself/herself ("self-prescriptions") and his/her spouse ("family prescriptions") through the SEHBP.

12. It was further part of the conspiracy that defendant BRIAN CATANZARITE was paid a percentage of the reimbursement amount received for medically unnecessary self-prescriptions and family prescriptions CC-4 obtained.

13. It was further part of the conspiracy that defendant BRIAN CATANZARITE also recruited CC-5, among others, to obtain medically unnecessary self-prescriptions and family prescriptions through the SEHBP. Additionally, CC-5 convinced others to obtain medically unnecessary compounded medications through the SHBP and/or SEHBP. For example, CC-5 paid CC-6 approximately \$500 to \$600 to convince CC-6 to obtain medically unnecessary compounded medications through the SEHBP.

14. It was further part of the conspiracy that defendant BRIAN CATANZARITE was paid a percentage of the reimbursement amount received for every medically unnecessary self-prescription and family prescription CC-5 obtained, along with every medically unnecessary compounded prescription CC-5 convinced others to obtain through the SHBP and/or SEHBP, such as CC-6.

15. It was further part of the conspiracy that to obtain prescriptions for compounded medications, regardless of medical necessity, Company A, defendant BRIAN CATANZARITE, and others on occasion paid CC-3 to authorize medically unnecessary prescriptions for compounded medications. Company A introduced defendant CATANZARITE to CC-3.

16. It was further part of the conspiracy that in addition to CC-3, to obtain prescriptions for compounded medications, regardless of medical necessity, Company A, defendant BRIAN CATAZANARITE, and others, also used telemedicine services which were paid by Company A and/or its affiliates to obtain compounded medications regardless of medical necessity.

17. It was further part of the conspiracy that, as a result of defendant BRIAN CATANZARITE's participation in the scheme to bill for medically unnecessary compounded medications, from at least as early as in or around March 2015 through in or around January 2017, defendant BRIAN CATANZARITE caused a loss to health insurance plans of at least approximately \$3.5 million, and personally made approximately \$1,103,895.29 million from the scheme.

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 BRIAN CATANZARITE 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 \$1,103,895.29 in United States currency, 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).


CRAIG CARPENITO
United States Attorney

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