

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA : Criminal No. 19-
 :
 v. : Hon.
 :
 PETER FRAZZANO : 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 PETER FRAZZANO was a resident of New Jersey.
 - b. Company A 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 was a resident of New Jersey and a sales representative for Company A.
 - d. Individual-1 was a doctor who practiced in New Jersey.
 - e. 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).

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

g. A pharmacy benefits administrator provided services for SHBP and SEHBP beneficiaries pursuant to a contract with the State of New Jersey. The pharmacy benefits administrator adjudicated claims for reimbursement from pharmacies and paid pharmacies for valid claims. The 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. The pharmacy benefits administrator was a "health care benefit program" that affected commerce as defined in 18 U.S.C. § 24(b).

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.

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 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.

2. From at least as early as in or around November 2014 through in or around March 2016, in the District of New Jersey and elsewhere, defendant

PETER FRAZZANO

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 FRAZZANO 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, through Company A, recruited defendant FRAZZANO to become a sales representative for Company A, and defendant FRAZZANO agreed. Defendant

FRAZZANO received a commission for every compounded medication that he caused to be filled.

5. It was further part of the conspiracy that defendant FRAZZANO and CC-1 recruited several individuals to order certain compounded medications.

6. It was further part of the conspiracy that defendant FRAZZANO and CC-1 recruited Individual-1 to sign prescriptions ordering compounded medications for the individuals defendant FRAZZANO and CC-1 had recruited. As defendant FRAZZANO understood, Individual-1 signed these prescriptions without ever examining or interacting with any of the individuals and without making any determination as to whether the prescriptions were medically necessary.

7. It was further part of the conspiracy that at least some of the individuals defendant FRAZZANO and CC-1 recruited were beneficiaries of either the SHBP or SEHBP.

8. It was further part of the conspiracy that defendant FRAZZANO and CC-1 were paid a percentage of the reimbursement for the medically unnecessary compounded medications that the individuals they recruited received, including every medically unnecessary compounded medication those individuals obtained through the SHBP and/or SEHBP.

9. It was further part of the conspiracy that, as a result of defendant FRAZZANO's and CC-1's participation in the scheme to bill for medically unnecessary compounded medications, from at least as early as in or around

November 2014 through in or around March 2016, defendant FRAZZANO and CC-1 caused a loss to health insurance plans of approximately \$2,727,292, and defendant FRAZZANO personally earned approximately \$270,751 from the scheme.

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

FORFEITURE ALLEGATION

1. The allegations contained in Paragraphs 1 through 9 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 PETER FRAZZANO 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 \$270,751 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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INFORMATION FOR

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