

UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA : Criminal No. 19-  
 :  
v. : Hon.  
 :  
KENT COURTHEYN, : 18 U.S.C. § 1349  
a/k/a "Troy Taylor" : 18 U.S.C. § 371

**INDICTMENT**

The Grand Jury in and for the District of New Jersey, sitting at Newark,  
charges:

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

**Definitions and Background**

a. Defendant KENT COURTHEYN was a resident of Ohio who owned and operated IntegriMed Solutions, LLC ("IntegriMed") and KA Compounding, LLC ("KA Compounding"). IntegriMed and KA Compounding were Ohio companies.

b. Steven Butcher ("Butcher"), a co-conspirator not named as a defendant in this Indictment, was a resident of New York who owned and operated MedMax, LLC ("MedMax"). MedMax was a New York company.

c. IntegriMed, KA Compounding, and MedMax were marketing companies involved in the marketing and sales of prescription compounded medications, including, various scar creams, pain creams, and metabolic supplements or vitamins.

d. Co-Conspirator-1 (“CC-1”), a co-conspirator not named as a defendant in this Indictment, was a resident of Indiana and was recruited by defendant KENT COURTHEYN to be a sales representative for IntegriMed and/or KA Compounding. CC-1 was a veteran of the United States armed forces and received health care benefits, including prescription drug benefits, through TRICARE.

e. Individual-1, Individual-2, and Individual-3 were family members of CC-1 who received health care benefits, including prescription drug benefits, through TRICARE.

f. Peter Pappas (“Pappas”), a co-conspirator not named as a defendant in this Indictment, was a resident of Pennsylvania and was recruited by Butcher to be a sales representative for MedMax. Pappas was an employee of a pharmaceutical company located in New Jersey (the “Pharmaceutical Company”) and received health care benefits, including prescription drug benefits, through his employment at the Pharmaceutical Company.

g. “Distribution Company A,” located in Utah, and “Distribution Company B,” located in California, were “billing and distribution” companies (collectively, the “Distribution Companies”) that contracted with various compounding pharmacies and marketing companies. The Distribution Companies received prescriptions for compounded medications from various marketing companies, such as IntegriMed and MedMax, distributed or steered the prescriptions to a compounding pharmacy within its network, and then submitted claims to the health insurance plan on behalf of that pharmacy. For

every successfully adjudicated prescription sent to a compounding pharmacy, the pharmacy paid the respective Distribution Company and marketing company a percentage of the reimbursement amount received.

h. “Compounding Pharmacy A” was a compounding pharmacy located in Mississippi. At different times, Compounding Pharmacy A was a compounding pharmacy in either Distribution Company A’s or Distribution Company B’s pharmacy network.

i. “Compounding Pharmacy B” was a compounding pharmacy located in California. Compounding Pharmacy B was a compounding pharmacy in Distribution Company B’s pharmacy network.

j. “Telemedicine Company A” was a telemedicine company located in Florida.

### **Compounding**

k. “Compounding” was a practice in which a licensed pharmacist, or a licensed physician, combined, mixed or altered ingredients of a drug to create a medication tailored to the needs of an individual patient.

l. Pharmacies engaged in the practice of compounding were referred to as “compounding pharmacies.”

m. Compounded medications were not approved by the Food and Drug Administration (“FDA”). The FDA did not verify the safety, potency, effectiveness, or manufacturing quality of compounded medications.

n. Generally, compounded medications were prescribed by a physician when an FDA-approved drug did not meet the health needs of a

particular patient. For example, if a patient was allergic to a specific ingredient in an FDA-approved medication, such as a dye or preservative, a compounded medication could be prepared by a compounding pharmacy excluding the substance that triggered the allergic reaction. Compounded medications could also be prescribed when a patient could not consume a medication by traditional means, such as an elderly patient or child who could not swallow an FDA-approved pill and needed the drug in a liquid form that was not otherwise available.

### **TRICARE**

o. TRICARE was a health care entitlement program of the United States Department of Defense (“DoD”) Military Health System that provided coverage for DoD beneficiaries worldwide, including active duty service members, National Guard and Reserve members, retirees, their families, and survivors. Individuals who received health care benefits through TRICARE were referred to as TRICARE beneficiaries. The Defense Health Agency (“DHA”), an agency of the DoD, was the military entity responsible for overseeing and administering the TRICARE program.

p. TRICARE was a “health care benefit program,” as defined by Title 18, United States Code, Section 24(b), and a “Federal health care program,” as defined by Title 42, United States Code, Section 1320a-7b(f), that affected commerce.

q. A pharmacy benefit manager company (“PBM-1”) was a pharmacy benefit manager who administered TRICARE’s prescription drug benefits and claims.

r. PBM-1 received all electronically submitted claims for TRICARE and other health insurance plans from all pharmacies by way of its servers located in New Jersey.

s. TRICARE beneficiaries could fill their prescriptions through TRICARE’s home delivery program, network pharmacies, and non-network pharmacies (each, an “Approved TRICARE Pharmacy”). If a TRICARE beneficiary filled a prescription at an Approved TRICARE Pharmacy, the pharmacy collected any applicable copay from the TRICARE beneficiary, dispensed the drug to the beneficiary, and submitted a claim for reimbursement to PBM-1. PBM-1 then adjudicated the claim and reimbursed the pharmacy on behalf of TRICARE, and TRICARE reimbursed PBM-1.

t. An Approved TRICARE Pharmacy agreed to be bound by and comply with all applicable State and Federal laws, including those addressing fraud, waste, and abuse.

u. TRICARE provided coverage for certain compounded drugs on the condition that they were medically necessary and prescribed by a licensed physician.

v. Compounding Pharmacy A and Compounding Pharmacy B were Approved TRICARE Pharmacies who submitted or caused the submission of claims to PBM-1 electronically.

### **The Pharmaceutical Company's Health Insurance Plan**

w. The Pharmaceutical Company had a wholly self-funded health insurance plan for its employees (the "Pharmaceutical Company health insurance plan"). Individuals who received health care benefits through the Pharmaceutical Company health insurance plan were referred to as Pharmaceutical Company beneficiaries.

x. The Pharmaceutical Company's prescription drug benefit plan was also administered by PBM-1. Under the agreement between the Pharmaceutical Company and PBM-1, PBM-1 processed prescription drug claims for Pharmaceutical Company beneficiaries through a network of retail pharmacies, among other places.

y. PBM-1 received all electronically submitted claims for the Pharmaceutical Company health insurance plan and other health insurance plans from all pharmacies by way of its servers located in New Jersey.

z. If a Pharmaceutical Company beneficiary selected a network pharmacy, the pharmacy collected any applicable copay from the beneficiary, dispensed the drug to the beneficiary, and submitted a claim for reimbursement to PBM-1. PBM-1 then adjudicated the claim and reimbursed the pharmacy. At the end of each month, the Pharmaceutical Company reimbursed PBM-1 for all expenditures made on behalf of Pharmaceutical Company beneficiaries.

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

bb. Health plans sponsored by private employers, such as the Pharmaceutical Company health insurance plan, were governed by the Employee Retirement Income Security Act of 1974 ("ERISA"), 29 U.S.C. §§ 1001, *et. seq.*, while those sponsored or funded by governmental employers and certain others were exempted from ERISA's jurisdiction.

cc. The Pharmaceutical Company health insurance plan provided coverage for certain compounded drugs that were medically necessary and prescribed by a licensed physician.

#### **Telemedicine**

dd. Telemedicine was the remote diagnosis and treatment of patients by means of telecommunications technology, such as the internet or telephone. Telemedicine allowed health care providers, such as physicians, to evaluate, diagnose, and treat patients remotely without the need for an in-person visit.

ee. A physician employed by a telemedicine company and who practiced telemedicine was referred to as a telemedicine physician or doctor.

**COUNT ONE**

(Conspiracy to Commit Health Care Fraud)

2. Paragraph 1 is re-alleged as if fully set forth herein.

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

KENT COURTHEYN,  
a/k/a "Troy Taylor"

did knowingly and willfully conspire and agree with others to execute, and attempt to execute, a scheme and artifice to defraud a "health care benefit program," as that term is defined under Title 18, United States Code, Section 24(b), and to obtain, by means of false and fraudulent pretenses, representations, and promises, any of the money owned by, and under the custody and control of, said 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

4. It was an object of the conspiracy for defendant KENT COURTHEYN, Butcher, and others to unlawfully enrich themselves by causing the submission of false and fraudulent insurance claims for medically unnecessary compounded medications to health care benefit programs.



### Manner and Means of the Conspiracy

5. The manner and means by which defendant KENT COURTHEYN and others sought to accomplish the object of the conspiracy included, among other things, the following:

a. As part of the conspiracy, from at least as early as in or around July 2014 through in or around July 2016, defendant KENT COURTHEYN, a former medical device sales representative, began selling and marketing medically unnecessary prescription compounded medications, including, but not limited to, scar creams, pain creams, wound creams, and metabolic supplements or vitamins, which were fraudulently billed to federally-funded health insurance plans, such as TRICARE, and private employer sponsored health insurance plans, such as the Pharmaceutical Company health insurance plan.

b. It was further a part of the conspiracy that to profit from the marketing and selling of compounded medications, defendant KENT COURTHEYN needed compounding pharmacies willing to pay defendant KENT COURTHEYN for the referral of compounded prescriptions and physicians willing to prescribe compounded medications without regard to medical necessity.

c. It was further a part of the conspiracy that between in or around July 2014 and in or around July 2015, defendant KENT COURTHEYN and Butcher were business partners who shared the profits of their respective companies, IntegriMed and MedMax. Defendant KENT COURTHEYN was paid a

percentage of the reimbursement amount received for every compounded medication MedMax caused to be billed to a health insurance plan and vice versa.

d. It was further a part of the conspiracy that defendant KENT COURTHEYN and Butcher hired individuals as “sales representatives” to market and sell compounded medications to certain individuals regardless of medical need.

e. It was further a part of the conspiracy that defendant KENT COURTHEYN and Butcher instructed their “sales representatives” to target individuals enrolled in health insurance plans (“Beneficiaries”) that not only covered compounded medications, but also paid high reimbursement amounts for these drugs (the “paying health plans”).

f. It was further a part of the conspiracy that the paying health plans targeted by defendant KENT COURTHEYN and Butcher were both federally funded health insurance plans, such as TRICARE, and private employer sponsored health insurance plans, such as the Pharmaceutical Company health insurance plan.

g. It was further a part of the conspiracy that to maximize profit, defendant KENT COURTHEYN and Butcher encouraged their 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.”

h. It was further a part of the conspiracy that defendant KENT COURTHEYN and Butcher paid sales representatives a portion of the reimbursement amount 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.

i. It was further a part of the conspiracy that to further maximize profit, if a sales representative was enrolled in a paying health plan and agreed to obtain compounded medications for himself/herself, defendant KENT COURTHEYN and Butcher paid the sales representative a percentage of the reimbursement amount for obtaining his/her own prescription ("self-prescription") regardless of whether or not the compounded medication was medically necessary. Defendant KENT COURTHEYN and Butcher also paid a sales representative for any compounded medication received by a family member ("family-prescription") of the sales representative.

j. It was further a part of the conspiracy that the payment for self-prescriptions and family-prescriptions motivated sales representatives to obtain medically unnecessary compounded medications.

k. It was further a part of the conspiracy that defendant KENT COURTHEYN and Butcher paid sales representatives for prescriptions without regard to medical necessity.

l. It was further a part of the conspiracy that for defendant KENT COURTHEYN and Butcher to profit, it was necessary to have relationships with compounding pharmacies that were willing to pay

individuals for the referral of prescriptions. Defendant KENT COURTHEYN and Butcher entered into agreements with the Distribution Companies whereby the Distribution Companies directed prescriptions referred by IntegriMed and MedMax to certain compounding pharmacies within their respective networks. In exchange, defendant KENT COURTHEYN and Butcher were paid a percentage of the reimbursement amount received by the pharmacy for each successfully adjudicated claim or prescription. Defendant KENT COURTHEYN and Butcher then kept a percentage of the reimbursement amount and paid the rest to the appropriate sales representative.

m. It was further a part of the conspiracy that during defendant KENT COURTHEYN and Butcher's partnership, Butcher would receive payments from the Distribution Companies or their network pharmacies for successfully adjudicated compounded medications on behalf of both IntegriMed and MedMax. Butcher would then give a percentage of the payment received to defendant KENT COURTHEYN and the appropriate MedMax or IntegriMed sales representative.

n. It was further a part of the conspiracy that the compounded medications defendant KENT COURTHEYN and Butcher marketed and sold were not individualized to address the specific therapeutic needs of a specific patient. Indeed, defendant KENT COURTHEYN, a former medical device sales representative, chose drugs to be included in a compounded medication in order to maximize reimbursement and profit and not based on medical necessity. In other words, drugs contained in the compounded medications,

including the strength or amount used, were not chosen based on medical need or its therapeutic value, if any, but rather, based on the amount paying health plans would reimburse pharmacies for such prescriptions. For example, in or around June 2015, defendant KENT COURTHEYN suggested to a pharmacist that “ethoxy” be added to a compounded medication because it “may help add a few \$ to our scripts.”

o. It was further a part of the conspiracy that Butcher recruited employees at the Pharmaceutical Company, such as Pappas, to obtain compounded medications without regard to medical necessity because the Pharmaceutical Company health insurance plan was a paying health plan. For each medically unnecessary self-prescription and family-prescription Pappas caused to be billed, defendant KENT COURTHEYN received a portion of the reimbursement amount.

p. It was further a part of the conspiracy that defendant KENT COURTHEYN and Butcher paid telemedicine companies, such as Telemedicine Company A, to prescribe medically unnecessary compounded medications. When a telemedicine physician (“Telemedicine Physician-1”) from Telemedicine Company A told a beneficiary that “compounding is a waste, they are not effective products,” defendant KENT COURTHEYN complained to Telemedicine Company A and requested that Telemedicine Physician-1 be removed from prescribing compounded medications.

q. It was further a part of the conspiracy that defendant KENT COURTHEYN paid or caused the payment of money to IntegriMed sales

representatives, such as CC-1, who were TRICARE beneficiaries for obtaining self-prescriptions and family-prescriptions.

r. It was further a part of the conspiracy that, from in or around July 2014 through in or around July 2016, defendant KENT COURTHEYN caused a loss of at least \$10 million to paying health plans, at least \$3.5 million of which was a loss to TRICARE.

In violation of Title 18, United States Code, Section 1349.

**COUNT TWO**

(Conspiracy to Violate the Anti-Kickback Statute)

6. Paragraphs 1 and 5 are re-alleged as if fully set forth herein.

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

KENT COURTHEYN,  
a/k/a "Troy Taylor"

did knowingly and intentionally conspire and agree with others to commit offenses against the United States, that is:

a. to knowingly and willfully solicit and receive any remuneration, directly and indirectly, overtly and covertly, in cash and in kind, that is, kickbacks and bribes, in return for referring individuals for the furnishing and arranging for the furnishing of any item and service, that is, the referral of patients to compounding pharmacies for the furnishing and arranging of compounded medications, for which payment was made in whole and in part under a Federal health care program, namely, TRICARE, contrary to Title 42, United States Code, Section 1320a-7b(b)(1)(A); and

b. to knowingly and willfully offer and pay any remuneration, directly and indirectly, overtly and covertly, in cash or in kind, that is, kickbacks and bribes, to any person in order to induce such person to refer an individual for the furnishing and arranging for the furnishing of any item and service, that is, obtaining compounded medications at certain compounding pharmacies, for which payment may be made in whole and in part under a

Federal health care program, namely TRICARE, contrary to Title 42, United States Code, Section 1320a-7b(b)(2)(A).

Object of the Conspiracy

8. It was an object of the conspiracy for defendant KENT COURTHEYN, Butcher, and others to unlawfully enrich themselves by: (1) soliciting and receiving money from compounding pharmacies for the referral of TRICARE beneficiaries for compounded medications; and (2) offering and paying money to induce individuals to cause the dispensing and billing of compounded medications to TRICARE.

Manner and Means of the Conspiracy

9. The manner and means by which defendant KENT COURTHEYN and others sought to accomplish the object of the conspiracy included, among other things, the following:

a. It was a part of the conspiracy that defendant KENT COURTHEYN and Butcher received payments, either directly or indirectly, from certain compounding pharmacies for the referral of successfully adjudicated prescriptions for compounded medications for TRICARE beneficiaries.

b. It was further a part of the conspiracy that defendant KENT COURTHEYN recruited CC-1 as a sales representative of IntegriMed and/or KA Compounding.

c. It was further a part of the conspiracy that, from in or around February 2015 through in or around December 2015, CC-1, a TRICARE beneficiary, obtained approximately seventeen self-prescriptions from



Compounding Pharmacy A and Compounding Pharmacy B, all of which were billed to and resulted in paid claims by TRICARE (“CC-1’s self-prescriptions”).

d. It was further a part of the conspiracy that CC-1 obtained compounded medications for CC-1’s family members, Individual-1, Individual-2, and Individual-3, from Compounding Pharmacy A and Compounding Pharmacy B, among others, which were billed to and resulted in paid claims by TRICARE (“CC-1’s family-prescriptions”).

e. It was further a part of the conspiracy that defendant KENT COURTHEYN, either directly or indirectly, received from the compounding pharmacies a percentage of the reimbursement for CC-1’s self-prescriptions and CC-1’s family-prescriptions. Similarly, defendant KENT COURTHEYN, either directly or indirectly, paid CC-1 a percentage of the reimbursement for CC-1’s self-prescriptions and CC-1’s family-prescriptions.

#### Overt Acts

10. In furtherance of the conspiracy, and in order to effect the object thereof, defendant KENT COURTHEYN and others committed or caused the commission of the following overt acts in the District of New Jersey and elsewhere:

f. On or about November 2, 2015, Compounding Pharmacy A electronically submitted or caused the electronic submission of three claims to PBM-1 for compounded medications on behalf of Individual-1, a TRICARE beneficiary, which adjudicated for a total of approximately \$4,671.

g. On or about November 2, 2015, Compounding Pharmacy A electronically submitted or caused the electronic submission of two claims to PBM-1 for compounded medications on behalf of Individual-2, a TRICARE beneficiary, which adjudicated for a total of approximately \$3,396.

h. On or about November 25, 2015, Compounding Pharmacy A paid defendant KENT COURTHEYN, via a wire transfer to KA Compounding, approximately \$23,985.

i. On or about December 1, 2015, defendant KENT COURTHEYN paid CC-1, via a wire transfer, approximately \$12,974.

j. On or about December 10, 2015, Compounding Pharmacy A electronically submitted or caused the electronic submission of two claims to PBM-1 for compounded medications on behalf of Individual-3, a TRICARE beneficiary, which adjudicated for a total of approximately \$4,079.

k. On or about December 21, 2015, Compounding Pharmacy A paid defendant KENT COURTHEYN, via a wire transfer to KA Compounding, approximately \$52,712.

l. On or about December 31, 2015, defendant KENT COURTHEYN paid CC-1, via a wire transfer, approximately \$12,574.

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

## **FORFEITURE ALLEGATION**

1. Upon conviction of one or both of the conspiracies to commit a Federal health care offense (as defined in 18 U.S.C. § 24) alleged in Counts One and Two of this Indictment, defendant KENT COURTHEYN shall forfeit to the United States, pursuant to 18 U.S.C. § 982(a)(7), all property, real or personal, obtained by the defendant that constitutes or is derived, directly and indirectly, from gross proceeds traceable to the commission of such offenses, the total value of which totaled approximately \$2,007,039.66.

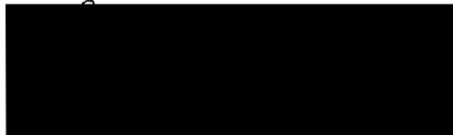
### **Substitute Assets Provision**

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 property of said defendant up to the value of the forfeitable property described above.

A TRUE BILL



FOREPERSON

*Craig Carpenito*

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CRAIG CARPENITO  
United States Attorney

CASE NUMBER: 19-

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**United States District Court  
District of New Jersey**

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**UNITED STATES OF AMERICA**

v.

**KENT COURTHEYN,  
a/k/a "Troy Taylor"**

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**INDICTMENT FOR**

**18 U.S.C. §§ 1349 and 371**

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**A True Bill,**

  
**Foreperson**

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**CRAIG CARPENITO**  
*UNITED STATES ATTORNEY  
NEWARK, NEW JERSEY*

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ERICA LIU  
*ASSISTANT U.S. ATTORNEY  
973-645-3989*

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