

**UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY**

UNITED STATES OF AMERICA	:	Criminal No. 20-
	:	
v.	:	Hon.
	:	
NATHANIEL STEWART, III	:	18 U.S.C. § 1349
	:	

I N F O R M A T I O N

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

1. At all times relevant to this Information:

Background

a. Defendant NATHANIEL STEWART, III, (“STEWART”) was a resident of South Carolina and Florida who owned and operated Integrated Medical, Stewart & Associates, LLC (“Integrated”), a South Carolina company.

b. Kent Courtheyn, a/k/a “Troy Taylor,” (“Courtheyn”), a separately charged co-conspirator, was a resident of Ohio.

c. Steven M. Butcher, a separately charged co-conspirator, was a resident of New York.

d. Compounding Pharmacy-A was a compounding pharmacy located in California.

e. Compounding Pharmacy-B was a compounding pharmacy located in Florida.

f. Co-conspirator-1 and Co-conspirator-2 were residents of South Carolina.

g. “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.”

h. 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.

i. 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 could be prepared by a compounding pharmacy excluding the substance that triggers the allergic reaction. Compounded drugs also are prescribed when a patient cannot consume a medication by traditional means, such as an elderly patient or child who cannot swallow an FDA-approved pill and needs the drug in a liquid form that is not otherwise available.

j. 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.

k. 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. Individuals who received health care benefits through SHBP were referred to as SHBP beneficiaries.

l. Pharmaceutical Company-A was a pharmaceutical company located in New Jersey that had a wholly self-funded health insurance plan for its employees. Individuals who received health care benefits through Pharmaceutical Company-A’s health insurance plan were referred to as Pharmaceutical Company-A beneficiaries.

m. TRICARE, SHBP, and Pharmaceutical Company-A’s health insurance plans were each a “health care benefit program,” as defined by 18 U.S.C. § 24(b), that affected commerce.

n. TRICARE, SHBP, and Pharmaceutical Company-A contracted with a pharmacy benefits manager company (“PBM-1”), a third party that administered their prescription drug benefits and claims. Pharmacies could submit electronic claims for reimbursement to PBM-1, whose servers were located in New Jersey. If PBM-1 adjudicated (*i.e.*, approved) the claim, it reimbursed the pharmacy on behalf of TRICARE, SHBP, and Pharmaceutical Company-A, which then reimbursed PBM-1. PBM-1 was a “health care benefit program” that affected commerce as defined in 18 U.S.C. § 24(b).

2. From at least in or about July 2014 through in or about March 2016, in the District of New Jersey and elsewhere, defendant

NATHANIEL STEWART, III

did knowingly and intentionally conspire and agree with others to knowingly and willfully execute, and attempt to execute, a scheme and artifice to defraud health care benefit programs, as defined by 18 U.S.C. § 24(b), namely, TRICARE, SHBP, and Pharmaceutical Company-A, and to obtain, by means of false and fraudulent pretenses, representations, and promises, money owned by, and under the custody and control of, health care benefit programs, in connection with the delivery of and payment for health care benefits, items, and services, contrary to Title 18, United States Code, Section 1347.

Goal of the Conspiracy

3. It was a goal of the conspiracy for STEWART and other co-conspirators to unlawfully enrich themselves by causing health care benefit programs, including TRICARE, SHBP, and Pharmaceutical Company-A, to issue reimbursements for medically unnecessary compounded medications and receiving a percentage of those reimbursements.

Manner and Means of the Conspiracy

4. The manner and means by which STEWART and others sought to accomplish the object of the conspiracy included, among other things, the following:

a. Co-conspirator Courtheyn hired STEWART to market compounded medications that were billed to TRICARE, including, but not limited

to, scar creams, pain creams, wound creams, and metabolic supplements or vitamins. STEWART and other co-conspirators also marketed compounded medications that were billed to SHBP and Pharmaceutical Company-A.

b. At different times during this conspiracy, STEWART caused TRICARE, SHBP, and Pharmaceutical Company-A beneficiaries, directly or indirectly, to submit prescriptions for compounded medications to certain pharmacies, including Compounding Pharmacy-A. STEWART and his co-conspirators were paid by those pharmacies, directly or indirectly, for each prescription that STEWART and his co-conspirators, and individuals that they recruited, referred to the pharmacies and that TRICARE, SHBP, and Pharmaceutical Company-A adjudicated, regardless of medical necessity.

c. For example, on April 2, 2015, STEWART sent Co-conspirator-1 and Co-conspirator-2 an email explaining, in part, that a pharmacist at Compounding Pharmacy-A decided to exclude fluticasone, an ingredient that yielded thousands of dollars in profit, from certain compounding formulas because the pharmacist believed that **“fluticasone has no clinical value but only to make [adjudication] rates spike.”** STEWART continued, “So, the plan is to now move to” Compounding Pharmacy-B so that the co-conspirators could keep this lucrative, but medically unnecessary, ingredient in the compound. STEWART forwarded the email to co-conspirator Courtheyn, who responded, in part, “Spot on Nate.”

d. Co-conspirator Courtheyn kept a percentage of the TRICARE reimbursement amount and paid STEWART a percentage for: (1) each prescription that STEWART directly caused to be reimbursed, and (2) each prescription reimbursement attributable to any other “sales representative” that STEWART recruited.

e. STEWART also received from co-conspirator Butcher a percentage for: (1) each SHBP and Pharmaceutical Company-A prescription that STEWART directly caused to be reimbursed, and (2) each SHBP and Pharmaceutical Company-A prescription reimbursement attributable to any other “sales representative” that STEWART recruited or helped managed.

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

FORFEITURE ALLEGATION

1. The allegations contained in this Information are realleged here for the purpose of alleging forfeiture, pursuant to 18 U.S.C. § 982(a)(7).

2. Upon conviction of conspiracy to commit health care fraud, contrary to 18 U.S.C. § 1347, in violation of 18 U.S.C. § 1349, as alleged in this Information, STEWART shall forfeit to the United States, pursuant to 18 U.S.C. § 982(a)(7), all property, real and personal, obtained by the defendant that constitutes or is derived, directly and indirectly, from gross proceeds traceable to the commission of such offense, including but not limited to \$756,293.50 in United States currency.

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

18 U.S.C. § 1349

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