

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

UNITED STATES OF AMERICA	:	Criminal No. 21-
	:	
v.	:	Hon.
	:	
DANIEL PASSAFIUME	:	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 Acting United States Attorney for the District of New Jersey charges:

(Conspiracy to Commit Health Care Fraud)

1. At all times relevant to this Information:

Background

- a. Defendant DANIEL PASSAFIUME ("PASSAFIUME") was a resident of New Jersey who owned and operated One Stop Medical Supplies, LLC, ("One Stop Medical") a New Jersey company. PASSAFIUME was also a police officer with the Township of North Brunswick, New Jersey.
- b. CC-1, a co-conspirator not charged in this Information, was a resident of New Jersey who owned and operated Company 1, a company registered in New Jersey and New York.
- c. 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 School Employee's Health Benefits Program ("SEHBP") offered medical and prescription

drug coverage to qualified local education public employees, retirees, and eligible dependents. SHBP and SEHBP each were “health care benefit programs” that affected commerce as defined in 18 U.S.C. § 24(b).

d. The pharmacy benefits manager (“PBM”) provided services for SHBP and SEHBP beneficiaries pursuant to a contract with the State of New Jersey. The PBM adjudicated claims for reimbursement from pharmacies and paid pharmacies for valid claims. The PBM then billed the State of New Jersey based on the amount paid to the pharmacies for claims on behalf of SHBP and SEHBP beneficiaries.

e. In general, “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 medical needs of an individual patient. Compounded drugs were not approved by the Food and Drug Administration (“FDA”); that is, the FDA did not verify the safety, potency, effectiveness, or manufacturing quality of compounded drugs.

f. Generally, compounded drugs 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 drug could be prepared excluding the ingredient that triggers the allergic reaction. Compounded drugs also were 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. Prescription drug coverage offered by SHBP and SEHBP included certain compounded medications.

The Conspiracy

2. From in or about January 2014 through in or about November 2016, in the District of New Jersey, and elsewhere, defendant

DANIEL PASSAFIUME

did knowingly and intentionally conspire and agree with CC-1 and others to knowingly and willfully execute a scheme and artifice to defraud a health care benefit program, as defined by 18 U.S.C. § 24(b), and to obtain, by means of false and fraudulent pretenses, representations, and promises, money owned by, and under the custody and control of, a 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.

Goal of the Conspiracy

3. It was a goal of the conspiracy for PASSAFIUME, CC-1, and others to unlawfully enrich themselves by causing health care benefit programs, including SHBP and SEHBP, 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 PASSAFIUME, CC-1, and others sought to accomplish the goal of the conspiracy included, among other things, the following:

a. PASSAFIUME, CC-1, and others targeted beneficiaries of certain health insurance plans, like SHBP and SEHBP, that would reimburse thousands of dollars for certain prescription compounded medications and convince these beneficiaries to obtain compounded medications, including, vitamins, libido creams, scar creams, pain creams, and antifungal creams, regardless of medical necessity.

b. PASSAFIUME and CC-1 had agreements with various pharmacies, including a Louisiana pharmacy (the "Compounding Pharmacy"), under which PASSAFIUME and CC-1, through One Stop Medical and Company 1, would receive a percentage of the reimbursements paid to those pharmacies by the PBM for prescriptions for compounded medications obtained by PASSAFIUME and CC-1.

c. PASSAFIUME and CC-1 recruited and obtained insurance information from individuals who had prescription drug benefits with SHBP and SEHBP, including employees of a New Jersey police department and certain of those employees' family members.

d. PASSAFIUME and CC-1 connected these individuals with health care professionals who were willing to sign prescriptions for compounded

medications without examinations or determining whether the compounded medications were necessary.

e. PASSAFIUME and CC-1 completed and caused the completion of the prescription forms for these individuals to include significant quantities and a high number of refills to generate higher reimbursements.

f. PASSAFIUME and CC-1 submitted and caused the submission of the signed prescription forms from New Jersey to various pharmacies, including the Compounding Pharmacy.

g. The various pharmacies dispensed the compounded medications, including, in the case of the Compounding Pharmacy, shipping the compounded medications to New Jersey. The pharmacies were paid by the PBM, which, in turn, was paid by SHBP and SEHBP. PASSAFIUME and CC-1 received their portions of the reimbursements after the pharmacies were paid. PASSAFIUME, at CC-1's direction, compensated the individuals who received the medically unnecessary compounded medications for agreeing to do so.

h. PASSAFIUME, CC-1 and others caused the PBM—and, ultimately SHBP and SEHBP, to pay approximately \$3,273,301.69 in fraudulent claims for medically unnecessary compounded medications. PASSAFIUME received approximately \$284,659 for his role in the scheme.

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).

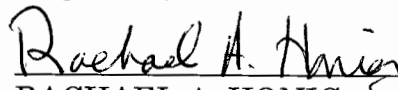
2. Upon conviction of conspiracy to commit health care fraud, contrary to 18 U.S.C. § 1347, in violation of 18 U.S.C. § 1349, as alleged in this Information, PASSAFIUME shall forfeit to the United States, pursuant to 18 U.S.C. § 982(a)(7), all property, real and personal, obtained by the defendant that constitutes or is derived, directly and indirectly, from gross proceeds traceable to the commission of such offense, including but not limited to \$284,659 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).


RACHAEL A. HONIG
Acting United States Attorney

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UNITED STATES OF AMERICA

v.

DANIEL PASSAFIUME

INFORMATION FOR

18 U.S.C. § 1349

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