

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

UNITED STATES OF AMERICA	:	Criminal No. 19-656 (MCA)
	:	
v.	:	Hon. Madeline Cox Arleo
	:	
KENT COURTHEYN,	:	18 U.S.C. § 371
a/k/a "Troy Taylor"	:	

INFORMATION
**(Conspiracy to Commit Health Care Fraud and to
Violate the Anti-Kickback Statute)**

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:

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"), both Ohio companies.

b. Steven Butcher, a co-conspirator charged separately in this District, was a resident of New York who owned and operated MedMax, LLC ("MedMax"), 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. David M. Fulkerson, a co-conspirator charged separately in this District, was a resident of Indiana and was recruited by COURTHEYN to be a sales representative for IntegriMed and/or KA Compounding. Fulkerson was a veteran of the United States armed forces and received health care benefits through TRICARE.

e. Individual-1, Individual-2, and Individual-3 were Fulkerson's family members who received health care benefits through TRICARE.

f. Peter Pappas, a co-conspirator charged separately in this District, 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 through his employment at the Pharmaceutical Company.

g. Nathaniel Stewart, III, a co-conspirator charged separately in this District, was a resident of South Carolina and Florida who owned and operated Integrated Medical, Stewart & Associates, LLC ("Integrated"), a South Carolina company.

h. "Billing Company A," located in Utah, and "Billing Company B," located in California, were billing companies (collectively, the "Billing Companies") that each served as an intermediary between various compounding pharmacies and marketing companies.

i. "Compounding Pharmacy A" was a compounding pharmacy located in Mississippi.

j. “Compounding Pharmacy B” was a compounding pharmacy located in California.

k. “Compounding Pharmacy C” was a compounding pharmacy located in California.

l. “Compounding Pharmacy D” was a compounding pharmacy located in Florida.

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

Compounding

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

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

p. 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.

q. Generally, compounded medications were prescribed by a licensed professional 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 also could 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 and the Pharmaceutical Company

r. 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.

s. TRICARE was a “health care benefit program,” as defined by 18 U.S.C. §24(b), and a “Federal health care program,” as defined by 42 U.S.C. § 1320a-7b(f), that affected commerce.

t. The Pharmaceutical Company had a wholly self-funded health insurance plan for its employees and their dependents (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.

u. 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.

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

w. PBM-1 received all electronically submitted claims for TRICARE and the Pharmaceutical Company from pharmacies by way of its servers located in New Jersey.

x. TRICARE and Pharmaceutical Company beneficiaries could fill their prescriptions at certain approved pharmacies. Those pharmacies collected any applicable copay from the beneficiaries, dispensed the drug to the beneficiaries, and submitted a claim for reimbursement to PBM-1. PBM-1 then adjudicated the claim and reimbursed the pharmacy on behalf of TRICARE and the Pharmaceutical Company, both of which then reimbursed PBM-1.

Telemedicine

y. 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.

The Conspiracy

2. During the times described below, in the District of New Jersey and elsewhere, defendant

**KENT COURTHEYN,
a/k/a “Troy Taylor,”**

knowingly and intentionally conspired and agreed with others to commit certain offenses against the United States, that is:

a. from at least in or about July 2014 through in or about July 2016, to knowingly and willfully execute a scheme and artifice to defraud health care benefit programs, 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, 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.

b. from in or about November 2014 through in or about March 2016, to knowingly and willfully solicit and receive 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 for the furnishing 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

c. from in or about November 2014 through in or about March 2016, to knowingly and willfully offer and pay 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).

Goals of the Conspiracy

3. It was a goal of the conspiracy for COURTHEYN and others to unlawfully enrich themselves through health care fraud by causing the submission of claims for medically unnecessary compounded medications to health care benefit programs.

4. It was a further goal of the conspiracy for COURTHEYN and others to unlawfully enrich themselves through kickbacks and bribes by (a) soliciting and receiving money from compounding pharmacies for the referral of TRICARE beneficiaries for compounded medications; and (b) offering and paying money to induce individuals to cause the dispensing and billing of compounded medications to TRICARE.

Manner and Means of the Conspiracy

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

a. From at least in or about July 2014 through in or about July 2016, COURTHEYN, a former medical device sales representative, marketed prescription compounded medications, regardless of their medical necessity, including, but not limited to, scar creams, pain creams, wound creams, and metabolic supplements or vitamins, which were fraudulently billed to TRICARE and the Pharmaceutical Company's health insurance plan.

b. To achieve their goals, COURTHEYN and his co-conspirators chose to promote the drugs contained in the compounded medications, including the strength or amount used, based on the amount health plans would reimburse pharmacies for such prescriptions, rather than on what medications were medically necessary.

c. For example, on April 2, 2015, Stewart forwarded an email to COURTHEYN explaining, in part, that a pharmacist at Compounding Pharmacy C 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 D]." COURTHEYN responded, in part, "Spot on Nate," expressing his approval of Stewart's idea to move to Compounding Pharmacy D so that the co-conspirators could keep this lucrative and medically unnecessary ingredient in the compound.

d. COURTHEYN and his co-conspirators recruited beneficiaries who were willing to obtain these expensive compounded medications, regardless of their medical necessity and before a medical professional had evaluated the beneficiaries' unique and individualized need for the medications.

e. After convincing the beneficiaries to obtain a pre-formulated compounded medication, COURTHEYN and his co-conspirators frequently steered beneficiaries to a medical professional with whom the beneficiaries had no prior doctor-patient relationship, such as a telemedicine company. Although the beneficiaries did not have a prior relationship with the telemedicine doctors, the telemedicine company was paid, directly or indirectly, by COURTHEYN and his co-conspirators for consulting with the beneficiaries.

f. 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," COURTHEYN complained to Telemedicine Company A and requested that Telemedicine Physician-1 be removed from prescribing compounded medications.

g. Once those telemedicine doctors issued the prescriptions, COURTHEYN and his co-conspirators, including the Billing Companies, ensured that the prescriptions were steered to compounding pharmacies that paid them a kickback.

h. COURTHEYN and his co-conspirators were paid a kickback in the form of a percentage of the reimbursement amount that the compounding pharmacies received for every compounded medication that COURTHEYN and his co-conspirators caused to be billed to, and paid by TRICARE and the Pharmaceutical Company's health insurance plan.

i. Between in or about July 2014 and in or about July 2015, COURTHEYN and Butcher were business partners who shared the profits of their respective companies, IntegriMed and MedMax. COURTHEYN was paid a percentage of the reimbursement amount received for every compounded medication MedMax caused to be billed to a health insurance plan. Likewise, Butcher was paid a percentage of the reimbursement amount received for every compounded medication Intgrimed caused to be billed to a health insurance plan.

j. To maximize the kickback payments from the compounding pharmacies, COURTHEYN and his co-conspirators encouraged their sales representative co-conspirators to bring other individuals into the scheme "under" them to serve as additional sales representatives. Any individual recruited would be considered a sales representative's "downline."

k. To further maximize the kickback payments from the compounding pharmacies, if a sales representative was enrolled in a paying health plan and agreed to obtain compounded medications for himself/herself, COURTHEYN paid the sales representative a percentage of the reimbursement amount for obtaining his/her own prescription regardless of whether the

compounded medication was medically necessary. COURTHEYN also paid a sales representative for any compounded medication received by a family member of the sales representative.

1. COURTHEYN paid kickbacks to sales representative co-conspirators in the form of a portion of the reimbursement amount received for: (i) each prescription that they directly caused to be filled, and (ii) for each prescription attributable to those in the sales representative's downline.

Overt Acts

6. In furtherance of the conspiracy, and to effect its goals, COURTHEYN and others committed or caused the commission of the following overt acts, among others, in the District of New Jersey and elsewhere:

a. 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.

b. 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.

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

which represented the kickback payment associated with Individual-1's and Individual-2's prescriptions, as well as additional transactions.

d. On or about December 1, 2015, COURTHEYN paid Fulkerson, via a wire transfer, approximately \$12,974, which represented Fulkerson's portion of the kickback payment associated with Individual-1's and Individual-2's prescriptions, as well as additional transactions.

e. 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.

f. On or about December 21, 2015, Compounding Pharmacy A paid COURTHEYN, via a wire transfer to KA Compounding, approximately \$52,712, which represented kickback payments associated with Individual-3's prescriptions, as well as additional transactions.

g. On or about December 31, 2015, COURTHEYN paid Fulkerson, via a wire transfer, approximately \$12,574, which represented kickback payments associated with Individual-3's prescriptions, as well as additional transactions.

h. On or about February 25, 2015, MedMax paid COURTHEYN, through Integrimed, \$23,671, a portion of which represented payment to COURTHEYN for compounded prescriptions that Pappas caused the Pharmaceutical Company's health insurance plan to pay.

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

FORFEITURE ALLEGATION

1. The allegations in this Information are realleged here for the purpose of alleging forfeiture.

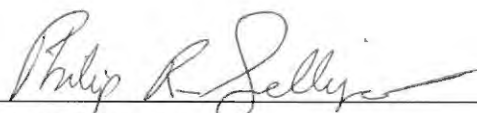
2. Upon conviction of the violation of 18 U.S.C. § 371, which is a Federal health care offense as defined in 18 U.S.C. § 24, charged in this Information, COURTHEYN shall forfeit to the United States, pursuant to 18 U.S.C. § 982(a)(7), all property, real or personal, obtained by the defendant that constitutes or is derived, directly and indirectly, from gross proceeds traceable to the commission of such offenses, the value of which totaled approximately \$2,007,039.66.

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;

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.



PHILIP R. SELLINGER
United States Attorney