

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

- - - - - X  
UNITED STATES OF AMERICA :  
 :  
 - v. - : SEALED INDICTMENT  
 :  
MICHAEL PAULSEN, : 19 Cr. ( )  
 :  
 Defendant. :  
 :  
- - - - - X

COUNT ONE  
(Narcotics Conspiracy)

The Grand Jury charges:

Introduction

1. From at least in or about March 2016, up to and including at least in or about September 2019, in the Southern District of New York and elsewhere, MICHAEL PAULSEN, the defendant, who owned and operated a pharmacy, and others known and unknown, conspired to unlawfully distribute thousands of pills of the Schedule II controlled substance oxycodone to individuals who the defendant knew had no legitimate medical need for them, in exchange for cash payments.

2. At all times relevant to this Indictment, MICHAEL PAULSEN, the defendant, owned and operated a pharmacy located in Staten Island, New York (the "Pharmacy"). PAULSEN provided large quantities of oxycodone to individuals, including his co-conspirators, who PAULSEN knew did not need the pills for any

legitimate medical purpose and who intended to resell at least a portion of those pills in street-level sales.

3. In total, from in or around March 2016 to in or around August 2019, MICHAEL PAULSEN, the defendant, ordered more than 170,000 oxycodone pills from pharmaceutical suppliers. During the same period, PAULSEN recorded that he only dispensed approximately 62,000 of those oxycodone pills with a prescription, or slightly more than one-third of the oxycodone pills that he had ordered. PAULSEN instead distributed significant quantities of oxycodone pills to the Pharmacy's customers, including his co-conspirators, who either did not have a prescription or had fraudulent prescriptions, in exchange for thousands of dollars.

#### Background on Oxycodone and Regulations Concerning its Distribution

4. Oxycodone is a highly addictive, narcotic-strength opioid used to treat severe and chronic pain conditions, such as post-operative pain, serious back and orthopedic injuries, as well as pain associated with certain forms of cancer and other terminal illnesses. Oxycodone can be legitimately obtained from most pharmacies with a prescription written by a treating physician, and is typically dispensed to patients in five- to thirty-milligram pills.

5. Every year, more than 13 million Americans abuse oxycodone, with the misuse of prescription painkillers such as

oxycodone leading to as many as 500,000 annual emergency room visits nationwide. In addition, studies show that misuse of prescription medication, such as oxycodone, can lead to an increased rate of heroin use. As a result, the distribution of oxycodone is heavily regulated. For example, prescriptions for oxycodone cannot exceed a 30-day supply, and cannot allow for "refills." Instead, a patient who has exhausted his or her initial prescription must see a treating physician again each month and be re-evaluated before obtaining a new prescription from the doctor. Similarly, to curb any potential for abuse, pharmacies are required to track and report all prescriptions filled for oxycodone, and by law, no patient is supposed to be able to fill a prescription for oxycodone more than once every 30 days, even if written by a different doctor.

6. Oxycodone prescriptions have enormous cash value to drug dealers. Oxycodone prescriptions can be filled at virtually any pharmacy and the oxycodone tablets can then be resold on the street for thousands of dollars. For example, thirty-milligram oxycodone pills, which are popular among street-level drug dealers, have a street value of approximately \$30 per pill in New York City, with prices ranging even higher in other parts of the country. In other words, a single thirty-day prescription for 180 thirty-milligram pills of oxycodone could net a street-level dealer in New York City \$5,400 in cash or more.

The Scheme to Distribute Oxycodone

7. Over at least the last three years, between approximately March 2016 and September 2019, MICHAEL PAULSEN, the defendant, provided individuals with medically unnecessary oxycodone pills which PAULSEN knew would, at least in part, be resold for ultimate distribution in street-level sales.

8. MICHAEL PAULSEN, the defendant, operated the scheme from the Pharmacy located in Staten Island, New York, which PAULSEN owned. At all times relevant to this Indictment, PAULSEN was not a registered pharmacist authorized to dispense controlled substances in New York State.

9. A review of the New York State Bureau of Narcotics Enforcement data, from between in or about March 2016 and in or about August 2019, shows that, during this period, MICHAEL PAULSEN, the defendant, ordered more than 170,000 oxycodone pills from pharmaceutical suppliers and dispensed only a fraction of these pills pursuant to prescriptions. PAULSEN instead regularly distributed large quantities of oxycodone pills to individuals who PAULSEN knew did not have any medical need for them, and PAULSEN knew that at least a portion of those oxycodone pills would later be resold to other individuals in street-level sales.

10. In particular, from in or about March 2016 up to and including in or about August 2019, MICHAEL PAULSEN, the defendant, sold large quantities of oxycodone pills to individuals

who did not have prescriptions, and who informed PAULSEN that they needed those pills to pay off their mortgage and other bills, in exchange for thousands of dollars in cash. PAULSEN also filled prescriptions for individuals who had obtained fraudulent prescriptions for oxycodone, including prescriptions that were obtained from doctors in and around Manhattan, New York. In or about May 2019, when PAULSEN believed that the Pharmacy was being audited by his pharmaceutical supplier, PAULSEN directed at least one customer to obtain and provide PAULSEN with fraudulent prescriptions for oxycodone in an attempt to ensure that PAULSEN's illegal activities would not be detected.

#### Statutory Allegations

11. From at least in or about March 2016, up to and including in or about September 2019, in the Southern District of New York and elsewhere, MICHAEL PAULSEN, the defendant, and others known and unknown, intentionally and knowingly did combine, conspire, confederate, and agree together and with each other to violate the narcotics laws of the United States.

12. It was a part and an object of the conspiracy that MICHAEL PAULSEN, the defendant, and others known and unknown, would and did distribute, dispense, possess with intent to distribute and dispense, and cause to be distributed and dispensed, a controlled substance outside the scope of professional practice and not for a legitimate medical purpose, in violation of Title

21, United States Code, Section 841(a)(1).

13. The controlled substance that MICHAEL PAULSEN, the defendant, conspired to distribute and dispense, possess with intent to distribute and dispense, and caused to be distributed and dispensed, outside the scope of professional practice and not for a legitimate medical purpose, was mixtures and substances containing a detectable amount of oxycodone, in violation of Title 21, United States Code, Section 841(b)(1)(C).

(Title 21, United States Code, Section 846.)

COUNT TWO

(Health Care Fraud)

The Grand Jury further charges:

14. The allegations contained in paragraphs 1 through 10 of this Indictment are repeated and realleged as though fully set forth herein.

Introduction

15. From at least in or about April 2019, up to and including at least in or about September 2019, MICHAEL PAULSEN, the defendant, also perpetrated a scheme to defraud Medicare, Medicaid, and other health care insurance providers. PAULSEN instructed customers of the Pharmacy to order particular products that were not medically necessary, including through the use of fraudulent prescriptions, PAULSEN then billed Medicare, Medicaid, and other insurance providers for reimbursements for those

products, and PAULSEN provided a portion of those reimbursements as financial compensation to the Pharmacy customers.

#### Background of Medicare and Medicaid Insurance Programs

16. The Medicare and Medicaid programs are federal health care programs providing benefits to persons who are over the age of 65 or disabled. The Centers for Medicare and Medicaid, a federal agency under the United States Department of Health and Human Services, is responsible for overseeing the Medicare and Medicaid programs in New York State. Individuals who receive benefits under Medicare and Medicaid are referred to as Medicare and Medicaid "beneficiaries." Medicare and Medicaid provide coverage to their beneficiaries for prescription drugs.

17. When a beneficiary of Medicare and Medicaid obtains medication from a pharmacy, the pharmacy provides the medication to the beneficiary at a reduced or no cost to the beneficiary. The cost to the pharmacy is typically reimbursed in whole or in part by the Medicare or Medicaid program. Moreover, generally, pharmacies bill Medicare and Medicaid for prescription drugs that the pharmacies have purchased from licensed wholesale dealers.

#### Health Care Fraud Scheme

18. From in or about April 2019, up to and including in or about July 2019, MICHAEL PAULSEN, the defendant, informed certain customers at the Pharmacy that he would provide them with financial compensation if they filled prescriptions for particular

substances at the Pharmacy.

19. MICHAEL PAULSEN, the defendant, then received several prescriptions, including prescriptions that PAULSEN knew were fraudulent, billed Medicaid and Medicare for thousands of dollars, and provided the customers who had obtained the prescriptions with a portion of the Medicaid and Medicare reimbursements as kickbacks.

#### Statutory Allegations

20. From at least in or about April 2019, up to and including at least in or about July 2019, in the Southern District of New York and elsewhere, MICHAEL PAULSEN, the defendant, knowingly and willfully executed, and attempted 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, money and property 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, and aided and abetted the same, to wit, PAULSEN filled fraudulent and medically unnecessary prescriptions for oxycodone and other substances, obtained reimbursements from health insurance plans, including Medicaid and Medicare, which were transferred through offices in or around Manhattan, New York, for the substances dispensed to the



beneficiaries, and paid "kickbacks" to the beneficiaries to induce them to obtain substances from the Pharmacy.

(Title 18, United States Code, Sections 1347 and 2.)

COUNT THREE

(Violation of the Anti-Kickback Statute)

The Grand Jury further charges:

21. The allegations contained in paragraphs 1 through 10 and 15 through 19 of this Indictment are repeated and realleged as though fully set forth herein.

22. From at least in or about April 2019, up to and including at least in or about July 2019, in the Southern District of New York and elsewhere, MICHAEL PAULSEN, the defendant, willfully and knowingly would and did offer and pay remuneration (including kickbacks, bribes, and rebates), directly and indirectly, overtly and covertly, in cash and in kind, to persons, including Medicaid and Medicare beneficiaries, to induce those beneficiaries to purchase, lease, order and arrange for and recommend purchasing, leasing and ordering goods, facilities, services and items for which payment may be made in whole or in part under a Federal health care program, and aided and abetted such activity, to wit, PAULSEN filled fraudulent and medically unnecessary prescriptions for oxycodone and other substances, obtained reimbursements from health insurance plans, including Medicaid and Medicare, which were transferred through offices in

or around Manhattan, New York, for the substances dispensed to the beneficiaries, and paid "kickbacks" to the beneficiaries to induce them to obtain substances from the Pharmacy.

(Title 42, United States Code, Section 1320a-7b(b)(2)(B); and Title 18, United States Code, Section 2.)

#### **FORFEITURE ALLEGATIONS**

23. As the result of committing the offense charged in Count One of this Indictment, MICHAEL PAULSEN, the defendant, shall forfeit to the United States, pursuant to Title 21, United States Code, Section 853, any and all property constituting, or derived from, any proceeds obtained, directly or indirectly, as a result of said offense and any and all property used, or intended to be used, in any manner or part, to commit, or to facilitate the commission of, said offense, including but not limited to a sum of money in United States currency representing the amount of proceeds traceable to the commission of said offense.

24. As a result of committing the offenses charged in Counts Two and Three of this Indictment, MICHAEL PAULSEN, the defendant, shall forfeit to the United States, pursuant to Title 18, United States Code, Section 982(a)(7), any and all property, real or personal, that constitutes or is derived, directly or indirectly, from gross proceeds traceable to the commission of said offenses, including but not limited to a sum of money in United States currency representing the amount of proceeds

traceable to the commission of said offenses.

Substitute Assets Provision

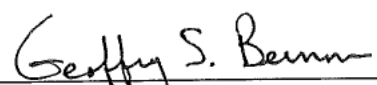
25. If any of the above-described forfeitable property, as a result of any act or omission of the defendant:

- 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 Title 21, United States Code, Section 853(p) and Title 28, United States Code, Section 2461(c), to seek forfeiture of any other property of the defendant up to the value of the above forfeitable property.

(Title 18, United States Code, Section 982;  
Title 21, United States Code, Section 853; and  
Title 28, United States Code, Section 2461.)

  
FOREPERSON

  
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GEOFFREY S. BERMAN  
United States Attorney

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UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

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UNITED STATES OF AMERICA

- v. -

MICHAEL PAULSEN,

Defendant.

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SEALED  
INDICTMENT

19 Cr. \_\_\_\_ ( )

(21 U.S.C. § 846; 18 U.S.C.  
§§ 1347 and 2; 42 U.S.C.  
§ 1320a-7b(b) (2) .))

GEOFFREY S. BERMAN  
United States Attorney.

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