



*United States Attorney
District of New Jersey*

FOR IMMEDIATE RELEASE

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NOTE: Initial appearances will begin at 1:30 p.m. before Judge Donio in Camden federal court.

March 15, 2019

**SEVEN PEOPLE CHARGED IN \$50 MILLION HEALTH CARE FRAUD
CONSPIRACY TARGETING STATE HEALTH BENEFITS PROGRAMS**

CAMDEN, N.J. – A federal grand jury has returned a 50-count indictment charging seven people with defrauding New Jersey state health benefits programs and other insurers out of more than \$50 million by submitting fraudulent claims for medically unnecessary prescriptions, U.S. Attorney Craig Carpenito announced today.

William Hickman, 42, Sara Hickman, 42, Thomas Schallus, 42, Thomas Sher, 46, all of Northfield, New Jersey, Brian Pugh, 41, of Absecon, New Jersey, John Sher, 37, of Margate City, New Jersey, and Christopher Broccoli, 47, of West Deptford, New Jersey, were all charged with conspiracy to commit health care fraud and wire fraud and with individual acts of health care fraud and wire fraud. William and Sara Hickman and Brian Pugh also were charged with conspiracy to commit money laundering and individual acts of money laundering. The defendants are expected to appear this afternoon before U.S. Magistrate Judge Ann Marie Donio in Camden federal court. The case is assigned to U.S. District Judge Robert B. Kugler in Camden.

According to the indictment:

Compounded medications are specialty medications mixed by a pharmacist to meet the specific medical needs of an individual patient. Although compounded drugs are not approved by the Food and Drug Administration (FDA), they are properly prescribed when a physician determines that an FDA-approved medication does not meet the health needs of a particular patient, such as if a patient is allergic to a dye or other ingredient.

From July 2014 through April 2016, the conspirators recruited individuals in New Jersey to obtain very expensive and medically unnecessary compounded medications from a Louisiana pharmacy, identified in the indictment as the “Compounding Pharmacy.” The conspirators learned that certain compound medication prescriptions – including pain, scar, antifungal, and

libido creams, as well as vitamin combinations – were reimbursed for thousands of dollars for a one-month supply.

The conspirators also learned that some New Jersey state and local government and education employees, including teachers, firefighters, municipal police officers, and state troopers, had insurance coverage for these particular compound medications, as did some other insurance plans. An entity referred to in the indictment as the “Pharmacy Benefits Administrator” provided pharmacy benefit management services for the State Health Benefits Program, which covers qualified state and local government employees, retirees, and eligible dependents, and the School Employees’ Health Benefits Program, which covers qualified local education employees, retirees, and eligible dependents. The Pharmacy Benefits Administrator would pay prescription drug claims and then bill the State of New Jersey for the amounts paid.

The Compounding Pharmacy agreed to pay Boardwalk Medical LLC, a company run by William Hickman and Sara Hickman, a percentage of the amount that the Compounding Pharmacy received for prescriptions obtained by Boardwalk Medical and its associates. The Hickmans then had Pugh and other conspirators recruit individuals who had coverage for compounded medications, and those conspirators found additional recruiters, including Thomas Schallus, John Sher, Thomas Sher, and Christopher Broccoli.

The conspirators recruited public employees covered by the Pharmacy Benefits Administrator to fraudulently obtain compounded medications from the Compounding Pharmacy without any evaluation or determination by a medical professional that the medications were medically necessary. The defendants paid individuals to agree to receive prescription medications from the Compounding Pharmacy. The defendants completed prescriptions for these individuals and selected the most expensive medications with the highest number of refills to obtain the highest possible insurance reimbursement. The conspirators would have prescriptions signed by a doctor who did not examine the patients. The prescriptions were faxed to the Compounding Pharmacy, which filled the prescriptions and billed the Pharmacy Benefits Administrator.

William Hickman paid Dr. John Gaffney to reward him for signing prescriptions. Gaffney previously pleaded guilty to conspiracy to commit health care fraud and admitted taking payments and signing prescriptions for patients he did not see.

After the prescriptions were filled, the Compounding Pharmacy paid Boardwalk Medical a percentage of each prescription filled and paid by the Pharmacy Benefits Administrator. The Pharmacy Benefits Administrator paid Compounding Pharmacy over \$50 million for compounded medications, and the Compounding Pharmacy paid William Hickman and Sara Hickman over \$26 million for prescriptions obtained by the conspiracy. The Hickmans paid a portion of that amount to Pugh, Schallus, John Sher, Thomas Sher, Christopher Broccoli, and other conspirators.

The health care fraud and wire fraud conspiracy count with which all defendants are charged carries a maximum potential penalty of 20 years in prison and a \$250,000 fine, or twice the gain or loss from the offense. Each wire fraud count carries a maximum potential penalty of 20 years in prison and a \$250,000 fine, or twice the gain or loss from the offense. Each health care fraud

count carries a maximum penalty of 10 years in prison and a \$250,000 fine, or twice the gross gain or loss from the offense. The money laundering conspiracy charge carries a maximum potential penalty of 10 years in prison and a \$250,000 fine, or twice the value of the property involved in the transaction. Each charge of monetary transactions in criminally derived property worth more than \$10,000 carries a maximum potential penalty of 10 years in prison and a \$250,000 fine, or twice the value of the property involved in the transaction.

U.S. Attorney Carpenito credited agents of the FBI's Atlantic City Resident Agency, under the direction of Special Agent in Charge Gregory W. Ehrie in Newark, IRS-Criminal Investigation, under the direction of Special Agent in Charge John R. Tafur in Newark, and the U.S. Department of Labor, Office of Inspector General, New York Region, under the direction of Special Agent in Charge Michael C. Mikulka, with the investigation leading to the indictment. He also thanked the Division of Pensions and Financial Transactions in the State Attorney General's Office, under the direction of Attorney General Gurbir S. Grewal and Division Chief Eileen Schlindwein Den Bleyker, for its assistance in the investigation.

The government is represented by Assistant U.S. Attorneys R. David Walk Jr. and Alyson M. Oswald of the U.S. Attorney's Office in Camden and Assistant U.S. Attorney Barbara Ward, Senior Trial Counsel of the Asset Recovery and Money Laundering Unit in Newark.

The charges and allegations contained in the indictment are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

19-071

Defense counsel:

William Hickman: Zahid N. Quraishi Esq., Morristown, New Jersey

Sara Hickman: Lee Vartan Esq., West Orange, New Jersey

Brian Pugh: Michael Baldassare Esq., Newark

Thomas Schallus: John C. Whipple Esq., Morristown, New Jersey

John Sher: Jerome A. Ballarotto Esq., Trenton, New Jersey

Thomas Sher: Joseph P. Grimes Esq., Cherry Hill, New Jersey

Christopher Broccoli: Mark W. Catanzaro Esq., Mount Holly, New Jersey

- [Hickman.Indictment.pdf](#)