



*United States Attorney
District of New Jersey*

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**TWO MEN PLEAD GUILTY IN \$25 MILLION HEALTHCARE FRAUD CONSPIRACY
TARGETING NEW JERSEY HEALTH BENEFITS PROGRAMS**

CAMDEN, N.J. – Two men today admitted defrauding New Jersey state health benefits programs and other insurers out of \$25 million by submitting fraudulent claims for medically unnecessary prescriptions, Acting U.S. Attorney William E. Fitzpatrick and New Jersey Attorney General Christopher S. Porrino announced.

Matthew Tedesco, 42, a pharmaceutical sales representative from Linwood, New Jersey, and Robert Bessey, 43, of Philadelphia, pleaded guilty before U.S. District Judge Robert B. Kugler in Camden federal court to separate informations charging them with conspiracy to commit health care fraud.

“Using a network of recruiters, doctors, and state and local government employees, the defendants defrauded the state of New Jersey and other health insurers out of millions of dollars by getting reimbursed for phony prescriptions on expensive and medically unnecessary compounded medications,” Acting U.S. Attorney Fitzpatrick said. “This conduct, which fraudulently exploited state health benefits programs and left New Jersey taxpayers on the hook for millions in losses, is especially brazen in an era when health insurance is a constant concern for many Americans.”

“While many New Jersey residents were hard at work trying to pay for adequate healthcare insurance coverage for their families, these two individuals were illegally bilking our system for millions,” said Attorney General Porrino. “Law enforcement partners across the state are attacking fraud on all fronts, prosecuting those who steal while honest citizens struggle. I want to thank the United States Attorney's Office for the District of New Jersey, Acting U.S. Attorney Fitzpatrick and all of our federal partners for unraveling and successfully prosecuting this complicated scheme.”

“These types of schemes and kickback arrangements cripple the healthcare industry and steal money from hardworking taxpayers by driving up the price of insurance,” Special Agent in Charge Timothy Gallagher of the FBI Newark Division said. “The FBI in conjunction with our federal and local law enforcement partners will continue to investigate allegations of fraud that undermine the integrity of our health care system.”

According to documents filed in this case and statements made in court:

Compounded medications are supposed to be 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 January 2015 through April 2016, Tedesco, a leader in the conspiracy, Bessey, a recruiter in the conspiracy, and others persuaded individuals in New Jersey to obtain very expensive and medically unnecessary compounded medications from an out-of-state pharmacy, identified in the informations as the "Compounding Pharmacy." The conspirators learned that an entity referred to in the informations as the "Pharmacy Benefits Administrator" would reimburse pharmacies thousands of dollars for a one-month supply of certain prescription compounded medications, including pain, scar, antifungal, and libido creams, as well as over \$10,000 per month for certain vitamin combinations.

The conspirators also learned that the Pharmacy Benefits Administrator managed the prescription drug benefit for some New Jersey state and local government and education employees, including teachers, firefighters, municipal police officers, and state troopers. 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 conspirators recruited public employees and other individuals covered by the Pharmacy Benefits Administrator to fraudulently obtain compounded medications from the Compounding Pharmacy without any evaluation by a medical professional that they were medically necessary. In return, the pharmacy paid one of Tedesco and Bessey's conspirators a percentage of each prescription filled and paid by the Pharmacy Benefits Administrator, which was then distributed to other members of the conspiracy.

Once they had recruited an employee covered by the Pharmacy Benefits Administrator, Tedesco, Bessey, and others would obtain the employee's insurance information and fill out a Compounding Pharmacy prescription form. They would select the compounded medications that paid the most and order 12 months of refills without regard to their medical necessity.

Tedesco and others had prescriptions signed by doctors who never saw the patients and never evaluated whether the patients had a medical necessity for the compounded medication. The prescriptions were then faxed to Compounding Pharmacy, which filled the prescriptions and billed the Pharmacy Benefits Administrator. Tedesco and others gave money and other benefits to doctors who signed the prescriptions and individuals who agreed to receive the medication.

According to the informations, the Pharmacy Benefits Administrator paid Compounding Pharmacy over \$50 million for compounded medications mailed to individuals in New Jersey. Over \$25 million of that was for prescriptions arranged by Tedesco and the conspirators working for him. Tedesco admitted receiving approximately \$11,166,844.20 for submitting those fraudulent claims. He paid some of that money to the conspirators who worked for him. Bessey received approximately \$485,540.09 for his role in the scheme.

“The U.S. Department of Labor Office of Inspector General is committed to combating illegal prescription drug schemes, like compounded medication fraud, particularly when they victimize programs administered by the Department of Labor. We will continue to work with our colleagues in other federal and state law enforcement agencies to aggressively investigate allegations of this nature,” said Michael C. Mikulka, Special Agent-in-Charge, New York Region, U.S. Department of Labor, Office of Inspector General.

“Healthcare programs are in place to provide the American taxpayer with valuable benefits, not for individuals like Mr. Tedesco and Mr. Bessey to exploit and pilfer in order to line their own pockets,” stated Jonathan D. Larsen, Special Agent in Charge, IRS-Criminal Investigation, Newark Field Office.

As part of his plea agreement, Tedesco must forfeit \$11,166,844.20 in criminal proceeds and pay restitution of at least \$28,773,906.97. Bessey agreed to forfeit \$485,540.09 and pay restitution of at least \$2,693,192.63.

Each defendant faces a maximum potential penalty of 10 years in prison and a \$250,000 fine, or twice the gross gain or loss caused by the offense. Sentencing for both defendants is set for Dec. 4, 2017.

Acting U.S. Attorney Fitzpatrick credited agents of the FBI’s Atlantic City Resident Agency, under the direction of Special Agent in Charge Gallagher in Newark, IRS – Criminal Investigation, under the direction of Special Agent in Charge Larsen in Newark, and the U.S. Department of Labor, Office of Inspector General, New York Region, under the direction of Special Agent in Charge Mikulka, with the investigation leading to the guilty pleas. He also thanked the Division of Pensions and Financial Transactions in the State Attorney General’s Office, under the direction of Attorney General Porrino and Division Chief Eileen Schindwein Den Bleyker, for its assistance in the investigation.

The government is represented by Assistant U.S. Attorneys R. David Walk, Jr. and Jacqueline M. Carle of the U.S. Attorney’s Office in Camden.

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Defense counsel:

Matthew Tedesco: Michael Elliott Esq., Dallas, Texas
Robert Bessey: Brian J. McMonagle Esq., Philadelphia