



*United States Attorney
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Dec. 1, 2017

**COMMERCIAL CONSTRUCTION ESTIMATOR ADMITS HEALTH CARE FRAUD
CONSPIRACY TARGETING STATE HEALTH BENEFITS PROGRAMS**

CAMDEN, N.J. – A South Jersey man today admitted defrauding New Jersey state health benefits programs and other insurers of \$800,000 by submitting fraudulent claims for medically unnecessary prescriptions, Acting U.S. Attorney William E. Fitzpatrick and N.J. Attorney General Christopher S. Porrino announced.

Timothy Frazier, 42, a commercial construction estimator from Galloway, New Jersey, pleaded guilty before U.S. District Judge Robert B. Kugler in Camden federal court to an information charging him with conspiracy to commit health care fraud.

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, Frazier served as a recruiter in the conspiracy and 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 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. An entity referred to in the

information 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.

Frazier and others recruited public employees and other individuals covered by the Pharmacy Benefits Administrator to fraudulently obtain compounded medications from the Compounding Pharmacy, which were not medically necessary. Frazier secured insurance information from the individuals and passed it along to a conspirator, who had a doctor sign prescriptions without examining the individuals. The prescriptions were faxed to the Compounding Pharmacy, which filled the prescriptions and billed the Pharmacy Benefits Administrator.

The pharmacy then paid one of Frazier’s conspirators a percentage of each prescription filled and paid by the Pharmacy Benefits Administrator, which was then distributed to Frazier and other members of the conspiracy. Frazier paid recruiters under him and paid individuals with insurance coverage to reward them for obtaining prescriptions.

According to the information, the Pharmacy Benefits Administrator paid Compounding Pharmacy more than \$50 million for compounded medications mailed to individuals in New Jersey. Frazier received \$145,425 for his role in the scheme.

As part of the plea agreement, Frazier must forfeit \$145,425 in criminal proceeds and pay restitution of at least \$801,119.

The defendant faces a maximum penalty of 10 years in prison and a \$250,000 fine, or twice the gross gain or loss from the offense. Sentencing is scheduled for March 29, 2017.

Eleven other conspirators – Matthew Tedesco, Robert Bessey, Michael Pepper, Thomas Hodnett, Steven Urbanski, John Gaffney, Judd Holt, George Gavras, Richard Zappala, Michael Neopolitan, and Andrew Gerstel – have pleaded guilty from August through November 2017 and await sentencing.

Acting U.S. Attorney Fitzpatrick credited agents of the FBI’s Atlantic City Resident Agency, under the direction of Special Agent in Charge Timothy Gallagher in Newark, IRS – Criminal Investigation, under the direction of Special Agent in Charge Jonathan D. 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 Michael C. Mikulka, with the investigation leading to today’s guilty plea. 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 Schlindwein 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.