FOR IMMEDIATE RELEASE   Friday, February 16, 2018

Middle Township Teacher Admits Health Care Fraud Conspiracy Targeting State Health Benefits Programs

CAMDEN, N.J. – A teacher in the Middle Township public schools today admitted defrauding New Jersey state health benefits programs and other insurers out of over $2,000,000 by submitting fraudulent claims for medically unnecessary prescriptions, U.S. Attorney Craig Carpenito and New Jersey Attorney General Gurbir S. Grewal announced.

Shawn Sypherd, 46, of Marmora, 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, Sypherd 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.

Sypherd 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. The prescriptions were faxed to the Compounding Pharmacy, which filled the prescriptions and billed the Pharmacy Benefits Administrator.

The pharmacy then paid one of Sypherd's conspirators a percentage of each prescription filled and paid by the Pharmacy Benefits Administrator, which was then distributed to Sypherd and other

members of the conspiracy. Sypherd paid individuals with insurance coverage in cash to reward them for obtaining prescriptions.

According to the information, the Pharmacy Benefits Administrator paid Compounding Pharmacy over $50 million for compounded medications mailed to individuals in New Jersey.

Sypherd received approximately $354,264.06 for his role in the scheme.

As part of the plea agreement, Sypherd must forfeit $354,264.06 in criminal proceeds and pay restitution of at least $2,439,548.32.

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 June 1, 2018.

Thirteen other conspirators – Matthew Tedesco, Robert Bessey, Michael Pepper, Thomas Hodnett, Steven Urbanski, John Gaffney, Judd Holt, George Gavras, Richard Zappala, Michael Neopolitan, Andrew Gerstel, Timothy Frazier, and Michael Pilate – pleaded guilty from August through January 2018 and await sentencing.

U.S. Attorney Carpenito credited agents of the Federal Bureau of Investigation'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 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 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 Jacqueline M. Carle and R. David Walk, Jr. of the U.S. Attorney's Office in Camden.

Defense counsel: Marc Neff, Esq., Philadelphia, PA