



*United States Attorney
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**PHARMACEUTICAL EMPLOYEE ADMITS HEALTH CARE FRAUD CONSPIRACY
TARGETING STATE HEALTH BENEFITS PROGRAMS**

CAMDEN, N.J. – A Galloway, New Jersey, man today admitted defrauding New Jersey state health benefits programs and other insurers out of nearly \$500,000 by submitting fraudulent claims for medically unnecessary prescriptions, Acting U.S. Attorney William E. Fitzpatrick and New Jersey Attorney General Christopher S. Porrino announced.

Andrew Gerstel, 39, a pharmaceutical sales representative, 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:

From January 2015 through April 2016, Gerstel recruited individuals in New Jersey to obtain very expensive and medically unnecessary compounded medications from an out-of-state pharmacy, identified in the information 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.

Gerstel recruited public employees and other individuals covered by the Pharmacy Benefits Administrator to fraudulently obtain compounded medications that were reimbursed for the highest amounts, without regard to their medical necessity. The prescriptions were then faxed to Compounding Pharmacy, which filled the prescriptions and billed the Pharmacy Benefits Administrator.

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

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

As part of his plea agreement, Gerstel must forfeit \$184,389.05 in criminal proceeds he received for his role in the scheme and pay restitution of at least \$483,946.72.

Gerstel 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 Feb. 26, 2018.

Ten other conspirators – Matthew Tedesco, Robert Bessey, Michael Pepper, Thomas Hodnett, Steven Urbanski, John Gaffney, Judd Holt, George Gavras, Richard Zappala, and Michael Neopolitan – have pleaded guilty to their roles in the scheme 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, under the direction of Special Agent in Charge Michael C. Mikulka in New York, with the investigation leading to the 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 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.