

Department of Justice

U.S. Attorney's Office

District of New Jersey

FOR IMMEDIATE RELEASE

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South Jersey Woman Admits Health Care Fraud Conspiracy Targeting State Health Benefits Programs

CAMDEN, N.J. – An Ocean County, New Jersey, woman today admitted defrauding New Jersey state health benefits programs and other insurers by submitting fraudulent claims for medically unnecessary prescriptions, U.S. Attorney Craig Carpenito announced.

Kristie Masucci, 36, of Cedar Run, New Jersey, pleaded guilty before U.S. District Judge Robert B. Kugler in Camden federal court to an information charging her 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 February 2016, Masucci 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 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.

Masucci and conspirators working under her 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 Masucci's conspirators a percentage of each prescription filled and paid by the Pharmacy Benefits Administrator, which was then distributed to Masucci and other members of the conspiracy.

Masucci's conspirators would then cause the prescriptions to be signed by a doctor who never evaluated whether the patients had a medical necessity for the compounded medication. The

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

According to the information, the Pharmacy Benefits Administrator paid the Compounding Pharmacy more than \$50 million for compounded medications mailed to individuals in New Jersey, including \$1.88 million for prescriptions submitted by Masucci and her cohorts. Masucci received \$388,608 for her role in the scheme.

Masucci 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. 5, 2019. As part of her plea agreement, Masucci must forfeit her criminal proceeds and pay restitution in an amount to be determined at sentencing.

U.S. Attorney Carpenito credited agents of the FBI's Atlantic City Resident Agency, under the direction of Special Agent in Charge Gregory W. Ehrle 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 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 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: Amy Luria Esq., Roseland, New Jersey