

**DECLARATION IN SUPPORT OF COMPLAINT FOR FORFEITURE *IN REM***

I, Darren Mayer, being duly sworn, depose and state:

I am a Special Agent with the Internal Revenue Service, and have been so employed for approximately 14 years. I am assigned to the Gulfport, Mississippi Post of Duty for the New Orleans Field Office, located in the Southern Judicial District of Mississippi. In my capacity as a Special Agent, I have investigated numerous cases involving health care fraud and money laundering. I have also received training in the detection and investigation of health care fraud and money laundering.

I am assigned the responsibility of investigating cases involving criminal fraud against various programs funded by the United States Government, including TRICARE and Department of Labor Office of Worker's Compensation, and the laundering of the criminal proceeds in violation of 18 U.S.C. §§ 1347 and 1356.

This Affidavit is made in support of Complaint for Forfeiture *in Rem* to seize all property attached in Exhibit "A" pursuant to 18 U.S.C. §§ 981(a)(1)(A) & (C) and 982(a)(1) & (7), as they represent property involved in violations of 18 U.S.C. § 1956 (Money Laundering), and illegal proceeds obtained as a result of violations of 18 U.S.C. § 1347 (Health Care Fraud).

**FACTS AND CIRCUMSTANCES**

1. Based on information obtained so far, the subjects of this investigation own and operate numerous pharmacies that market and prepare compounded medications. As a general practice, compounding pharmacies create custom medications based upon a specific prescription written by a doctor. The compounding pharmacy does this by combining, mixing, and/or altering the medicines.

2. Many of the subjects have engaged in price rolling (also known as price testing). This type of fraud occurs when a pharmacy employee submits a claim to an insurance provider to



"test" the amount of reimbursement for a specific prescription. This claim is often then retracted or cancelled and a "new" claim is submitted using a different compounding formulation to determine if the "new" claim is reimbursed at a higher rate. Most insurance programs prohibit pharmacies from engaging in this practice.

3. The subjects are also known to engage in split billing. Split billing occurs when a prescription that is written for a specified period (e.g. 30 days) is split into multiple, smaller prescriptions (i.e. one day or one week supplies). The medicine may still be placed in a single container but is billed as multiple prescriptions. Pharmacies may engage in this practice to avoid price "caps" placed by the insurance programs on the price of certain medications. Pharmacies that engage in split billing often bill the insurance programs a "dispensing fee" for each medication that is billed, regardless of whether or not the medications are actually sent separately.

4. The subject pharmacies are known to automatically refill prescriptions in spite of doctors' orders and/or patient wishes not to refill the prescriptions. In some instances, patients were offered payments, or told to destroy the medications, to keep them from cancelling the automatic refills or from returning the medications. If a patient returns the medication, the pharmacy is obligated to reverse its claim to the insurance program.

5. Many of the pharmacies tell their patients that they do not have to pay co-pays or they make no effort to collect the co-pay. One informant reported that one of the subject pharmacies paid its employees to purchase "Green Dot" cards that were then used to pay for patient co-pays. Alternatively, the pharmacy may offer a co-pay "rebate" or coupon program. These programs often make it appear that a co-pay has been paid, but the money is often



funneled through intermediaries from the pharmacy. Most insurance programs require patients to pay their own co-pays.

6. Many patients report that they have received prescription medicines without having ever seen (or even knowing) the doctor that prescribed the medications. This activity violates most of the insurance policies as well as medical ethics.

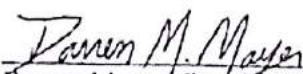
7. The subject pharmacies are believed to bill for ingredients that are not contained in the actual compounded medications in order to receive a higher reimbursement from the insurance programs. The pharmacies may also substitute ingredients without the knowledge of the patient and/or the prescribing doctor.

8. Many of the pharmacies are known to use affiliates or shell companies to hide their involvement from certain insurance programs. This arrangement often occurs if the pharmacy has been audited and prohibited from submitting claims to a particular insurance program.

9. Through marketing companies, which are under the control or direction of the co-conspirators, kickbacks or incentives were paid to health care providers to prescribe compounding medications that were filled by the subject pharmacies.

10. The financial investigation has uncovered evidence that the proceeds of the health care fraud and money laundering were used, directly or indirectly, to purchase the Defendant Real Properties listed in Exhibit "A" attached hereto and made a part hereof.

Dated, this the 15 day of January, 2016.

  
Darren Mayer, Special Agent  
Internal Revenue Service