

FILED

JUL 06 2017

U.S. DISTRICT COURT
INDIANAPOLIS, INDIANA

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION

UNITED STATES OF AMERICA,

Plaintiff,

V.

RONALD G. SHEPPARD,

Defendant.

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) **1:17-cr-0122 WTL -MJD**
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)

) CAUSE NO.
)
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)
)

INDICTMENT

The Grand Jury charges that:

GENERAL ALLEGATIONS

1. **RONALD G. SHEPPARD**, a Fishers, Indiana resident, was a chiropractor licensed by the State of Indiana. From 1996 to 1997, he was the President of the Indiana State Chiropractic Association, and he was also a previous Chairman of the Indiana Board of Chiropractic Examiners. He owned and operated Castleton Integrative Health, which was incorporated in the State of Indiana on or about September 20, 2012. **SHEPPARD** owned and operated several other companies incorporated in the State of Indiana, including ZAP Consulting Inc. and Tentron Medical Inc.

2. Medicare, Tricare, and Indiana Medicaid were federal health care benefit programs that typically reimbursed pharmacies for compounded medications prescribed and dispensed to program beneficiaries. Compounding involves the preparation of medication by combining and mixing different types and dosages of ingredients to create a drug or medication tailored to the needs of an individual patient and for which there is no equivalent form commercially available. These federal health care benefit programs typically reimbursed

pharmacies based on the amount and nature of the drugs contained in the compound. These federal health care benefits programs reimbursed anywhere from approximately \$192 to \$5,105 for one month's supply of a compounded medication for one patient.

COUNT 1
Conspiracy to Violate the Anti-Kickback Statute
18 U.S.C. § 371

3. Paragraphs 1 and 2 are incorporated by reference as though set forth fully herein.

4. From in or around January 2014 through in or around January 2016, in the Southern District of Indiana, and elsewhere, the defendant

RONALD G. SHEPPARD,

did willfully, that is, with the intent to further the objects of the conspiracy, and knowingly combine, conspire, confederate, and agree with others, known and unknown to the Grand Jury:

a. to violate Title 42, United States Code, Section 1320a-7b(b)(2)(A), by knowingly and willfully offering and paying any remuneration, including kickbacks and bribes, directly and indirectly, overtly and covertly, in cash and in kind, to a person to induce such person to refer an individual to a person for the furnishing and arranging for the furnishing of any item and service for which payment may be made in whole and in part by a federal health care program; and

b. to violate Title 42, United States Code, Section 1320a-7b(b)(1)(B), by knowingly and willfully soliciting and receiving any remuneration, that is, kickbacks and bribes, overtly and covertly, in cash and in kind, in return for purchasing, leasing, and ordering and arranging for and recommending, purchasing, leasing and ordering any good facility service, and items for which payment may be made in whole and in part under a federal health care program.

PURPOSE OF THE CONSPIRACY

5. It was the purpose of the conspiracy for the defendant and his co-conspirators to unlawfully enrich themselves by, among other things: (a) offering and paying kickbacks in exchange for the referral of patients with compounded medication prescriptions to compounding pharmacies; and (b) soliciting and receiving kickbacks from compounding pharmacies in return for arranging for the prescribing of compounded medications for patients.

MANNER AND MEANS

The manner and means by which the defendant and his co-conspirators sought to accomplish the objects and purpose of the conspiracy included, among others, the following:

6. **SHEPPARD** was paid, directly and indirectly, by pharmacies for referring compounded medication prescriptions to the pharmacies for fulfillment. These compounded medications contained several different ingredients depending on the formulation, including gabapentin, lidocaine, and ketamine. Different formulations were claimed to treat scars, headaches, and pain. **SHEPPARD** referred his own chiropractic patients to pharmacies for fulfillment of compounded medication prescriptions. In order to increase the number of patients he referred to pharmacies, and therefore the payments he received from pharmacies, **SHEPPARD** also contacted other Indiana chiropractors, including but not limited to the two referenced below, and offered to pay and paid them kickbacks in return for allowing him to refer their chiropractic patients to pharmacies for fulfillment of their compounded medication prescriptions.

7. In some instances, **SHEPPARD**, using his own name, received kickbacks directly from the pharmacies for the patient prescriptions he referred. In other instances, **SHEPPARD**, using his wife's name, received additional kickbacks from the pharmacies for the patient

prescriptions he referred. In yet other instances, **SHEPPARD** used Individual A, an acquaintance, to receive additional kickbacks from the pharmacies for the patient prescriptions he referred.

Receiving Kickbacks in Exchange for His Own Patients' Prescriptions

8. Beginning in or around January 2014, **SHEPPARD** began serving as an agent (using both his name and his wife's name), and recruited individuals including Individual A to serve as agents, for mail-order compounding pharmacies in Indiana and Mississippi: Pharmacy 1 in Indiana, Pharmacy 2 in Indiana, Pharmacy 3 in Indiana, and Pharmacy 4 in Mississippi. These pharmacies paid the agents a percentage, or kickback, of the reimbursements the pharmacies received from health care benefits programs, including Medicare, Tricare, and Indiana Medicaid for any prescriptions for compounded medications that agents referred to the pharmacies.

9. **SHEPPARD** directed Individual A to become an agent of these pharmacies in order to obtain kickbacks from the pharmacies for all prescriptions written for **SHEPPARD**'s patients, in order to conceal, at least in part, the fact that **SHEPPARD** was receiving kickbacks for referring his own patients to the pharmacies.

10. Beginning in or around January 2014, **SHEPPARD** attempted to employ and employed prescribers, including Prescriber 1, a nurse practitioner, to sign off on compounded medication prescriptions.

11. From in or around May 2014 through in or around January 2016, **SHEPPARD** recommended, and Prescriber 1 signed, compounded medication prescriptions for **SHEPPARD**'s chiropractic patients. Some of these patients were federal health care program beneficiaries.

12. Also, at **SHEPPARD**'s direction, Individual A acted as the agent responsible for referring **SHEPPARD**'s patients' prescriptions to the pharmacies, with the understanding that Individual A would receive a percentage, or kickback of the reimbursement the pharmacies received from health care benefits program.

13. Beginning in or around January 2014 through in or around January 2016, **SHEPPARD** directed Individual A to set up multiple bank accounts to receive the kickbacks from the pharmacies for prescriptions from **SHEPPARD**'s practice, and then to pay **SHEPPARD** 50% to 70% of the kickbacks. **SHEPPARD** allowed Individual A to keep the remaining 30% to 50% of the kickbacks. **SHEPPARD** directed Individual A to pay **SHEPPARD** in cash only, on an at least twice-monthly basis.

14. **SHEPPARD**, using his own name and his wife's name, also received kickbacks from the pharmacies for **SHEPPARD**'s own patients' prescriptions.

Offering Kickbacks in Exchange for Chiropractor 1's Patients' Prescriptions

15. In or around February 2014, **SHEPPARD** offered to pay Chiropractor 1 a kickback in exchange for allowing **SHEPPARD** to arrange for and refer compounded medication prescriptions for Chiropractor 1's patients to at least Pharmacy 1 and Pharmacy 4. Chiropractor 1 arranged for Prescriber 2, a physician assistant employed by both Chiropractor 1 and **SHEPPARD**, to sign prescriptions for compounded medications for Chiropractor 1's patients. **SHEPPARD** offered to pay Chiropractor 1 approximately 10% of all kickbacks **SHEPPARD** received from the pharmacies for those prescriptions.

16. From in or around March 2014 through September 2015, Prescriber 2 signed compounded medication prescriptions for Chiropractor 1's patients. **SHEPPARD** referred these prescriptions for Chiropractor 1's patients to the pharmacies, for which he received kickbacks.

Offering Kickbacks in Exchange for Chiropractor 2's Patients' Prescriptions

17. In or around early 2014, **SHEPPARD** offered to pay Chiropractor 2 a kickback in exchange for allowing **SHEPPARD** to arrange for and refer compounded medication prescriptions for Chiropractor 2's patients to at least Pharmacy 1, Pharmacy 2, and Pharmacy 4. **SHEPPARD** offered to pay Chiropractor 2 approximately 20% to 25% of all kickbacks **SHEPPARD** received from the pharmacies for those prescriptions.

18. From in or around April 2014 through in or around July 2015, because Chiropractor 2 did not employ a prescriber at his practice, **SHEPPARD** sent Prescribers 1 and 2 to Chiropractor 2's practice several times to sign compounded medication prescriptions for patients that Chiropractor 2 had lined up for a given day. **SHEPPARD** referred those prescriptions for Chiropractor 2's patients to the pharmacies, for which he received kickbacks.

OVERT ACTS

19. **SHEPPARD** caused the following prescriptions for compounded medications, among others, to be submitted to and paid for by the following federal health care benefits programs:

Approximate date of prescription	Patient Name Treating Chiropractor	Fulfilling Pharmacy	Federal Health Care Benefits Program	Approx. Payment by Federal Health Care Benefits Program to Pharmacy
5/21/2014	M.K./ SHEPPARD	Pharmacy 1	Indiana Medicaid	\$2,561
3/18/2015	V.R./ SHEPPARD	Pharmacy 4	Tricare	\$5,073
4/23/2015	E.F./Chiropractor 1	Pharmacy 4	Tricare	\$5,007

20. The pharmacies paid the following kickbacks, among others, to Individual A for compounded medication prescriptions that **SHEPPARD** had caused to be written for his chiropractic patients:

Approximate date of payment	Payor	Payee	Amount
6/4/2014	Pharmacy 1	Individual A	\$7,201
3/30/2015	Pharmacy 4	Individual A	\$25,607

21. On or about January 22, 2014, **SHEPPARD** emailed Individual A about the percentage split between **SHEPPARD** and Individual A for the kickbacks paid by the pharmacies on **SHEPPARD**'s patients' compounded medication prescriptions, stating: "[W]e agreed to 35% [for you] so keep it that way – want you to make some too- brother."

22. On or about February 4, 2014, **SHEPPARD** emailed the owner of Pharmacy 1, stating, in part: "[Y]ou will have many scripts from my office this week – then i will hit all my other docs."

23. On or about March 12, 2014, **SHEPPARD** emailed his employee, stating: "... I encourage my docs to write 360 ---for 5 refills and add KETAMINE on the line after additions- its a numbers game as some pay some don't."

24. On or about February 17, 2015, **SHEPPARD** emailed his employee, stating: "fy—scar—headache- pay excellent —tri-care very good=--- they can custom make scripts too."

25. On or about May 15, 2015, **SHEPPARD** emailed Chiropractor 1, stating: "[S]tay on this buddy EVERYONE OF MY patients get creams—send me a couple copies so we make sure being filled out properly."

All in violation of Title 18, United States Code, Section 371.

COUNTS 2-3
Money Laundering
18 U.S.C. § 1956(a)(1)(B)(i)

26. Paragraphs 1 through 25 are incorporated by reference as though set forth fully herein.

27. On the dates specified below, within the Southern District of Indiana and elsewhere,

RONALD G. SHEPPARD,

did knowingly conduct and attempt to conduct a financial transaction affecting interstate commerce, as described in each of the enumerated Counts below, which involved the proceeds of a specified unlawful activity – that is, Conspiracy to Violate the Anti-Kickback Statute, in violation of Title 18, United States Code, Section 371 – knowing that the transactions were designed in whole or in part to conceal and disguise the nature, location, source, ownership, and control of the proceeds of specified unlawful activity, and that while conducting and attempting to conduct such financial transactions, knew that the property involved in the financial transactions represented the proceeds of some form of unlawful activity.

Count	Date	Financial Transaction
2	6/4/2014	Individual A withdrew \$3,200 in cash from his account number -7325 at Fifth Third Bank, an FDIC-insured bank headquartered in Ohio.
3	4/1/2015	Individual A withdrew \$9,000 in cash from his account number -7325 at Fifth Third Bank, an FDIC-insured bank headquartered in Ohio.

All in violation of Title 18, United States Code, Section 1956(a)(1)(B)(i).

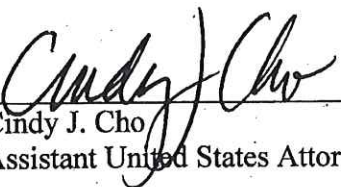
A TRUE BILL:



FOREPERSON

JOSH J. MINKLER
United States Attorney

By:


Cindy J. Cho

Assistant United States Attorney