



Amtrak OIG-supported investigation leads to prison time, \$28 million restitution order for health care fraud scheme

For Immediate Release

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SANTA ANA, Calif. — A San Gabriel Valley man was sentenced today to 34 months in federal prison August 26, 2020, for submitting more than \$62 million in fraudulent claims to TRICARE, the military’s health insurance plan, and other health care plans for bogus compounded medication prescriptions.

According to court documents, James Chen, 51, of Monterey Park, was sentenced by United States District Judge David O. Carter, who also ordered Chen to pay \$28,283,844 in restitution. Chen pleaded guilty in June 2017 to one count of health care fraud. In the course of the scheme, Amtrak’s health care plan paid out more than \$26,800 in claims for just two compounded medication prescriptions.

Chen, through his company Haeoyou Pharmacy, paid referral fees to outside business and his own marketers to obtain compounded medication prescriptions. Chen knew that none of the prescriptions arose from a bona-fide physician-patient relationship and that a substantial number of the prescriptions were sent to Haeoyou from marketers, not physicians, though the claim forms falsely indicated otherwise. Haeoyou never attempted to collect copayments from patients and patients denied ever seeking the compounded medications. All the medications were for generic pain, scarring, stretch marks, erectile dysfunction, or “metabolic general wellness” (vitamins), according to court documents.

In addition to the Amtrak Office of Inspector General, the case was investigated by the Defense Criminal Investigative Service; FBI; IRS Criminal Investigation, Office of Personnel Management’s OIG; U.S. Department of Health and Human Services OIG; U.S. Department of Labor, Employee Benefits Security Administration; and the California Department of Insurance. The case was prosecuted by Assistant United States Attorney Mark Aveis of the Major Frauds Section.

More information is available in press release from the U.S. Attorney’s Office, Central District of California: <https://direc.to/eFKq>.

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