

Department of Justice
U.S. Attorney's Office
District of Oregon

FOR IMMEDIATE RELEASE

December 10, 2021

Owner of Local Compounding Pharmacies Sentenced to Federal Prison for Tax Evasion and Health Care Fraud

PORTLAND, Ore.—A Southern California man who owned and operated two local compounding pharmacies was sentenced to federal prison today for evading the payment of approximately \$5.5 million in personal income taxes and submitting false reimbursement claims to CVS Caremark, a national pharmacy benefit manager.

Matthew Hogan Peters, 38, was sentenced to three years in federal prison and three years' supervised release. Peters was also ordered to pay more than \$3,441,263 million in restitution to the IRS, in addition to back taxes Peters has already paid.

“Far too often, Matthew Peters bent and skirted the law to pad his pockets and fund a lavish lifestyle. Peters' crimes, and the illicit actions of others like him, only serve to increase the cost of healthcare and prescription medications for ordinary Americans,” said Scott Erik Asphaug, Acting U.S. Attorney for the District of Oregon. “Healthcare fraud and tax evasion are serious federal crimes and will continue being handled as such by our office.”

“Health care fraud costs insurers and taxpayers tens of billions of dollars a year. Not only do government-funded programs—such as Medicare and Medicaid—take huge hits, but people in our community end up paying higher premiums for coverage. While neighbors and family members struggle to afford prescriptions and basic coverage, people like Mr. Peters are buying exotic homes and funding a lavish lifestyle,” said Kieran L. Ramsey, Special Agent in Charge of the FBI in Oregon.

“Instead of providing honest pharmaceutical services, Mr. Peters instead focused his energies on a scheme designed to benefit only himself at the expense of the most vulnerable people in our communities,” said Special Agent in Charge Bret Kressin, IRS Criminal Investigation (IRS-CI), Seattle Field Office. “Our country's tax and health care systems are both essential to the well-being of all Americans, and IRS-CI is committed to protecting the integrity of these vital services.”

According to court documents, the U.S. Department of Health and Human Services' Office of Inspector General, the Oregon Department of Justice's Medicaid Fraud Unit, and other agencies pursued a multi-year investigation into alleged illegal kickback arrangements at compounding pharmacies owned by Peters and members of his family in several states. Two such pharmacies, Professional Center Pharmacy and Professional Center 205 Pharmacy, were located in Southeast Portland.

The investigation ultimately revealed that Peters had devised various indirect means of incentivizing healthcare providers to write prescriptions for compounded drugs—custom-mixed medications that generate outsized reimbursements from Medicare, Medicaid, and other healthcare-benefit programs—and to direct those prescriptions to his pharmacies for dispensing. These arrangements proved enormously profitable for Peters' pharmacies.

Peters's healthcare fraud conviction stemmed from his requests for reimbursements from CVS Caremark, a major pharmacy benefits manager based in Arizona. Peters sought reimbursements of approximately \$3.4 million for medication his pharmacies had purportedly dispensed. In mid-2015, CVS Caremark audited Peters's reimbursement claims and identified nearly a quarter-million dollars in potentially unwarranted reimbursements. Dozens of the discrepant claims lacked records proving customers' receipt of medications.

In October 2015, seeking to resolve these discrepancies and avoid possible suspension from CVS Caremark's network, Peters submitted to CVS Caremark 41 forged patient attestations, purportedly confirming individual patients' receipt of prescriptions. CVS Caremark auditors saw that the patient attestations all bore the same unique digital code and, after further investigation, suspended Peters' pharmacies from their network. A subsequent federal investigation confirmed that Peters had used Docu-Sign, an electronic signature application, from his personal computer to sign the attestations.

Peters greatly expanded his criminal liability by attempting to hide his pharmacy profits from the IRS. The IRS's financial investigation into Peters revealed that he had generated nearly \$14 million in gross income between 2014 and 2017. Peters developed several schemes to try and conceal his income and fraudulently decrease his federal income tax liability. Most of these schemes involved spending pharmacy profits on personal expenses and telling his accountant (and the IRS) that they were legitimate business expenses.

Peters's purported business expenses included \$3.3 million for property and construction in Belize; more than \$5 million for personal residences in Laguna Beach and San Carlos, California and Incline Village, Nevada; and millions in cash transfers to straw entities and trust accounts in the names of others for Peters' personal use. All told, between 2014 and 2017, Peters underreported his income tax liability by more than \$5.4 million.

On December 19, 2019, a federal grand jury in Portland returned a two-count indictment charging Peters with healthcare fraud and aggravated identity theft. Later, on July 20, 2020, he was charged by superseding criminal information with healthcare fraud and tax evasion.

On August 4, 2020, Peters waived indictment and pleaded guilty to health care fraud and tax evasion.

Acting U.S. Attorney Scott Erik Aspahug of the District of Oregon made the announcement.

This case was investigated by the FBI, IRS Criminal Investigation, the Offices of Inspectors General for the U.S. Postal Service and the U.S. Departments of Labor and Health and Human Services, the U.S. Postal Inspection Service, and the Defense Criminal Investigative Service. It was prosecuted by Assistant U.S. Attorneys Ryan W. Bounds and Seth D. Uram and Special Assistant U.S. Attorney Elizabeth Ballard Colgrove, for the District of Oregon.

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