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COMPTROLLER



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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

March 27, 2019

Howard A. Zucker, M.D., J.D.
Commissioner
Department of Health
Corning Tower
Empire State Plaza
Albany, NY 12237

Re: Value Pharmacy, Inc.
Audit 2015-S-8

Dear Dr. Zucker:

This letter is to inform you that the Office of the State Comptroller has ended its audit of Value Pharmacy, Inc. (Audit 2015-S-8).

On January 28, 2015, the Office of the State Comptroller commenced an audit of Medicaid payments made to Value Pharmacy (formerly located in Corona, NY [Queens County], now located in Lynbrook, NY [Nassau County]). Our audit identified suspicious activity and, accordingly, was conducted in conjunction with our office's Division of Investigations and the Attorney General's Medicaid Fraud Control Unit (MFCU). Examples below highlight some of the indicators that raised suspicions:

- Prescriptions for cancer treatment drugs, such as Revlimid, were ordered on faxed Refill Request Authorization (RRA) forms. Medicaid policy prohibits the use of RRAs.
- The manufacturer of Revlimid did not list Value Pharmacy as an authorized dispenser of this drug.
- Value Pharmacy's fee-for-service claim activity tripled from calendar year 2011 to calendar year 2012, from \$0.9 million to \$2.9 million. Managed care encounter claims also increased significantly over the same time period, from \$0.6 million to \$4.6 million. The spike in payments was largely attributable to patients at Nassau University Medical Center.
- Prescriptions were filled at Value Pharmacy after recipients' dates of death.

In light of this suspicious activity, the State Comptroller and MFCU commenced an investigation, which found that Arkady Goldin (Goldin) had a kickback arrangement with a former employee of Nassau University Medical Center (NUMC) who, earlier in the investigation, pleaded guilty to unlawfully accepting kickbacks related to Medicaid services. In exchange for steering expensive cancer prescriptions from NUMC to Value Pharmacy, Goldin paid the hospital employee

a monthly cash referral fee and other items of value. Additionally, the investigation found that Value Pharmacy did not purchase sufficient amounts of medication from licensed New York State drug wholesalers that would have been necessary if Value Pharmacy legitimately dispensed prescriptions for which Value Pharmacy billed Medicaid.

On June 8, 2018, Goldin pleaded guilty in Supreme Court, Queens County to Health Care Fraud in the Second Degree, a class C felony, and to violating the Social Services Law prohibition on the payment of kickbacks related to the State's Medicaid program, a class E felony. Value Pharmacy entered a guilty plea to Grand Larceny in the First Degree, a class B felony.

On July 20, 2018, the Acting Supreme Court Justice of Queens County Supreme Court sentenced Goldin to six months in jail, five years' probation, and 200 hours of community service for defrauding the New York State Medicaid program out of \$1.5 million. Goldin and Value Pharmacy will be required to pay \$1.5 million to New York State as restitution for the money stolen from Medicaid and an additional \$1.5 million in financial penalties, for a total of \$3 million.

On March 19, 2018, Value Pharmacy was involuntarily excluded from participation in the Medicaid program. Also, per the Department of Health's eMedNY claims processing system, Arkady Goldin is not an active Medicaid provider and cannot bill Medicaid for services. We expect that the Department will coordinate with the authorities to recover the restitution and financial penalties due.

Should you or your staff have any questions regarding this letter, please contact me at (518) 474-3271 or the Office of the State Comptroller's Counsel, Nelson Sheingold, at (518) 474-0588.

Sincerely,

Andrea Inman
Audit Director
Office of the State Comptroller
Division of State Government Accountability

cc: Mr. Daniel Duffy, Department of Health
Mr. Dennis Rosen, Medicaid Inspector General