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Department of Justice

U.S. Attorney's Office

District of Massachusetts

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Former Vice President of Insys Pharmaceuticals Pleads Guilty to Racketeering Scheme

Defendant bribed doctors and pharmacists to unnecessarily prescribe fentanyl spray intended for breakthrough cancer pain

BOSTON – The former Vice President of Sales of Insys Therapeutics pleaded guilty today in federal court in Boston to his role in a nationwide conspiracy to bribe medical practitioners to unnecessarily prescribe a fentanyl-based pain medication and defraud healthcare insurers.

Alec Burlakoff, 44, of West Palm Beach, Fla., pleaded guilty before U.S. District Court Judge Allison D. Burroughs to one count of racketeering conspiracy. Burlakoff and his co-conspirators – all former managers and executives at Insys – were initially indicted in December 2016; an October 2017, superseding indictment also charged John Kapoor, the founder and former executive chairman of Insys. Today, Burlakoff pleaded guilty to the second superseding indictment.

Burlakoff, and, allegedly, other Insys employees, used various methods to bribe medical practitioners in various states, many of whom operated pain clinics, to induce them to prescribe Subsys. Subsys is a powerful, fentanyl-based pain medication intended to treat cancer patients suffering intense breakthrough pain.

One method employed by Burlakoff and his alleged co-conspirators was the Insys Speaker Program (ISP), which was used as a vehicle to bribe doctors and other clinicians to prescribe Subsys to their patients. Insys sales representatives targeted and promised medical professionals the opportunity to be paid Insys speakers if they wrote prescriptions for Subsys. The more prescriptions written for Subsys – and the higher the dose – the more speaking opportunities were awarded and more fee paid to the clinicians. However, the speaking opportunities were merely an excuse for the clinician and friends to have a meal and drinks paid for by Insys, and for the speaker to be paid. As a result, insurers were defrauded by paying reimbursements for Subsys, a more expensive drug than its nearest competitor, and often prescribed when medically unnecessary and inappropriate.

Other methods were also used to bribe and induce medical professionals to prescribe Subsys. For example, employees of the practitioner's office were moved onto the Insys payroll. Additionally, relatives and girlfriends of the medical professionals who were high volume writers were also hired.

As a result of the conspiracy, many patients were inappropriately prescribed and overprescribed Subsys, which is highly addictive and dangerous.

The charge of RICO conspiracy provides for a sentence of no greater than 20 years in prison, three years of supervised release and a fine of \$250,000, or twice the amount of pecuniary gain or loss. Sentences are imposed by a federal district court judge based upon the U.S. Sentencing Guidelines and other statutory factors.

United States Attorney Andrew E. Lelling; Harold H. Shaw, Special Agent in Charge of the Federal Bureau of Investigation, Boston Field Division; Phillip Coyne, Special Agent in Charge for the Office of Inspector General of the U.S. Department of Health and Human Services; Mark A. McCormack, Special Agent in Charge of the FDA Office of Criminal Investigations' Metro Washington Field Office; Carol S. Hamilton, Acting Regional Director of the U.S. Department of Labor, Employee Benefits Security Administration, Boston Regional Office; Brian D. Boyle, Special Agent in Charge of the Drug Enforcement Administration, New England Field Division; Leigh-Alistair Barzey, Special Agent in Charge of the Defense Criminal Investigative Service (DCIS), Northeast Field Office; Joseph W. Cronin, Inspector in Charge of the U.S. Postal Inspection Service; Matthew Modafferi, Special Agent in Charge of the U.S. Postal Service, Office of Inspector General, Northeast Area Field Office; Sean Smith, Special Agent in Charge of the Department of Veterans Affairs, Office of Inspector General, Northeast Field Office; and Thomas South, Deputy Assistant Inspector General for Investigations, Office of Inspector General of the U.S. Office of Personnel Management made the announcement today. Assistant U.S. Attorneys Nathaniel K. Yeager, Fred M. Wyshak, Jr., and David G. Lazarus, of Lelling's Office, are prosecuting the case.

The details contained in the charging documents are allegations. The remaining defendants are presumed innocent unless and until proven guilty beyond a reasonable doubt in a court of law.

Topic(s):

Health Care Fraud

Component(s):

USAO - Massachusetts

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