

1 SUPERIOR COURT OF CALIFORNIA
2 COUNTY OF ORANGE, CENTRAL JUSTICE CENTER

ELECTRONICALLY FILED
SUPERIOR COURT OF CALIFORNIA
COUNTY OF ORANGE

04/03/2017
08:10 AM

DAVID H. YAMASAKI, Clerk of the Court
17CF0807

6 THE PEOPLE OF THE STATE OF CALIFORNIA,) FELONY COMPLAINT
7) WARRANT
8 Plaintiff,)
9)
10 vs.) No.
11 ERIC STEPHAN SCHMIDT 08/01/53) OCDA WC16070011
12 A0918610) OCDA WC15040015
13) OCDA HF12110001
14)
15 Defendant(s))

14 The Orange County District Attorney charges that in Orange
15 County, California, the law was violated as follows:

16 COUNT 1: On or about and between July 24, 2012 and August 12,
17 2015, in violation of Section 550(a)(6) of the Penal Code
18 (CONSPIRACY TO COMMIT MEDICAL INSURANCE FRAUD), a FELONY, ERIC
19 STEPHAN SCHMIDT did unlawfully conspire with Conspired with
20 Tanya Moreland King and Christopher King and other Unknown
21 individuals., with the intent to defraud, to make a false and
22 fraudulent claim to WORKERS' COMPENSATION INSURANCE CARRIERS IN
23 CALIFORNIA for payment of a health care benefit in an amount
24 exceeding nine hundred fifty dollars (\$950). It is further
25 alleged that pursuant to and for the purpose of carrying out the
26 objects and purposes of the conspiracy, one and more of the
27 conspirators committed the following overt acts:

28 OVERT ACT 1

26 On or about 7/24/2012, Defendants Eric Schmidt M.D., entered
27 into an agreement with King Medical Management Inc. and Monarch
28 Medical Group Inc.

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OVERT ACT 2

King Medical Management formulated and paid for a 3-day supply of the compound transdermal creams manufactured by Steven's Pharmacy, located in Costa Mesa, in the County of Orange, and arranged for Steven's Pharmacy to ship these creams to Defendant Eric Schmidt, M.D.

OVERT ACT 3

Defendant Eric Schmidt, M.D., prescribed the transdermal compound creams manufactured by Steven's Pharmacy to his workers' compensation patients.

OVERT ACT 4

Defendant Eric Schmidt did not customize these compound transdermal creams to each workers' compensation patient and used the formula given to him by Monarch Medical Group.

OVERT ACT 5

Defendant Eric Schmidt, M.D., then provided the billing information for each workers' compensation patient to King Medical Management Inc. to bill for the dispensing of these creams from his office.

OVERT ACT 6

King Medical Management Inc. billed workers' compensation carriers in excess of \$200 per cream even though the cream only cost \$16.

OVERT ACT 7

King Medical Management Inc., gave Defendant Eric Schmidt, M.D. 80% of the profits from the amount collected from the workers' compensation carrier for the 3-day supply.

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OVERT ACT 8

In return for the money he received from the billing on the 3-day supply of the transdermal creams, Defendant Eric Schmidt, M.D., was also required to write a prescription for the 30-day supply of transdermal compound creams which was shipped to his workers' compensation patients by Steven's Pharmacy in Costa Mesa, located in the County of Orange.

OVERT ACT 9

In order to give the appearance of legitimacy of the compounded transdermal creams that Defendant Eric Schmidt prescribed to his patients, on 1/26/15 he signed a letter that Monarch Medical Group provided to him, which he did not prepare himself, purporting to give instructions to the pharmacy and customize the formula for the compound creams.

OVERT ACT 10

Monarch Medical Group then billed the workers' compensation insurance carriers well in excess of \$700 for each compounded transdermal cream that was shipped by Steven's Pharmacy, located in Costa Mesa, to each of Defendant Eric Schmidt's patients, and cost Steven's Pharmacy only \$40 per compound cream to manufacture.

OVERT ACT 11

On August 28, 2012, Defendant Eric Schmidt. M.D. also entered into an agreement with Monarch Medical Group and One Source Labs Inc., in which he agreed to prescribe Urine toxicology Drug testing to his workers' compensation patients in return for financial consideration.

OVERT ACT 12

Defendant Eric Schmidt M.D. subjected his patients to a Urine Toxicology Test at his clinic, and regardless of the "Point of Care" toxicology test results, referred the test for a quantitative test to One Source Labs per his agreement with Monarch Medical Group.

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OVERT ACT 13

Monarch Medical Group then billed workers' compensation insurance carriers for the "Point of Care" toxicology test that was performed at the clinic, and gave 90% of the profit on the amounts collected to Dr. Eric Schmidt.

OVERT ACT 14

In return for the payment on the "Point of Care" toxicology tests, Defendant Eric Schmidt then permitted One Source Labs to do quantitative tests on all Urine samples submitted by the workers' compensation patients, regardless of medical necessity or test results.

OVERT ACT 15

One Source Labs then billed workers' compensation carriers in excess of \$700 for these qualitative tests.

OVERT ACT 16

On August 28, 2012, Defendant Eric Schmidt, M.D. entered into a contract with Monarch Medical Group, to dispense Medications Monarch purchased from NuCare Pharmaceuticals, located in the City of Orange, In the County of Orange.

OVERT ACT 17

Monarch paid 80 percent of the net receivables collected from workers' compensation carriers to Defendant Eric Schmidt, M.D. for the medications he dispensed to his workers' compensation patients which were supplied by NuCare Pharmaceuticals, in the City of Orange.

OVERT ACT 18

On February 2, 2105, Defendant Eric Schmidt, M.D. entered into a contract with Monarch Medical Group, to dispense Medications Monarch purchased from A S Medication Solutions, located in the City of Costa Mesa, In the County of Orange.

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1 COUNT 4: On or about and between April 04, 2014 and January
2 23, 2015, in violation of Section 650 of the Business &
3 Professions Code (REBATES FOR PATIENT REFERRALS), a FELONY, ERIC
4 STEPHAN SCHMIDT, a person licensed under the Healing Arts
5 Division of this Code and the Chiropractic Initiative Act, did
6 unlawfully offer, deliver, receive, and accept any rebate,
7 refund, commission, preference, patronage dividend, discount,
8 and other consideration as compensation and inducement for
referring patients, clients, and customers to Monarch Medical
Group Inc. (For Medication Monarch purchased from NuCare
Pharmaceuticals)

9 COUNT 5: On or about and between May 13, 2015 and September
10 09, 2015, in violation of Section 650 of the Business &
11 Professions Code (REBATES FOR PATIENT REFERRALS), a FELONY, ERIC
12 STEPHAN SCHMIDT, a person licensed under the Healing Arts
13 Division of this Code and the Chiropractic Initiative Act, did
14 unlawfully offer, deliver, receive, and accept any rebate,
15 refund, commission, preference, patronage dividend, discount,
16 and other consideration as compensation and inducement for
referring patients, clients, and customers to Monarch Medical
Group Inc. (For Medication Monarch purchased from A S
Medication Solutions)

17 COUNT 6: On or about and between April 04, 2014 and September
18 01, 2015, in violation of Section 650 of the Business &
19 Professions Code (REBATES FOR PATIENT REFERRALS), a FELONY, ERIC
20 STEPHAN SCHMIDT, a person licensed under the Healing Arts
21 Division of this Code and the Chiropractic Initiative Act, did
22 unlawfully offer, deliver, receive, and accept any rebate,
23 refund, commission, preference, patronage dividend, discount,
24 and other consideration as compensation and inducement for
referring patients, clients, and customers to Tanya Moreland
King and her Business One Source Labs and King Medical
Management Inc.

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1 COUNT 7: On or about and between April 04, 2014 and September
2 01, 2015, in violation of Section 650 of the Business &
3 Professions Code (REBATES FOR PATIENT REFERRALS), a FELONY, ERIC
4 STEPHAN SCHMIDT, a person licensed under the Healing Arts
5 Division of this Code and the Chiropractic Initiative Act, did
6 unlawfully offer, deliver, receive, and accept any rebate,
7 refund, commission, preference, patronage dividend, discount,
8 and other consideration as compensation and inducement for
referring patients, clients, and customers to Tanya Moreland
King and her Business Monarch Medical Group and King Medical
Management.

9 COUNT 8: On or about and between April 04, 2014 and September
10 01, 2015, in violation of Section 650 of the Business &
11 Professions Code (REBATES FOR PATIENT REFERRALS), a FELONY, ERIC
12 STEPHAN SCHMIDT, a person licensed under the Healing Arts
13 Division of this Code and the Chiropractic Initiative Act, did
14 unlawfully offer, deliver, receive, and accept any rebate,
15 refund, commission, preference, patronage dividend, discount,
and other consideration as compensation and inducement for
referring patients, clients, and customers to Steven's Pharmacy,
Tanya Moreland King and her Business Monarch Medical Group Inc..

16 COUNT 9: On or about and between August 01, 2014 and September
17 29, 2014, in violation of Section 550(b)(3) of the Penal Code
18 (INSURANCE FRAUD), a FELONY, ERIC STEPHAN SCHMIDT, with the
19 intent to defraud, did unlawfully conceal and knowingly fail to
20 disclose, and did knowingly assist with another person to
21 conceal and fail to disclose the occurrence of an event and a
22 fact that affected the initial and continued material right and
23 entitlement of Allianz Global Corporate and Speciality to an
24 insurance benefit and payment, and to the amount of a benefit
25 and payment to which Allianz Global Corporate and Speciality was
entitled, namely: Defendant had a financial interest in and
received financial incentives to prescribe Compound Creams to
his workers' compensation patients (including Patient Thomas
G.).

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1 COUNT 10: On or about and between April 04, 2013 and April 24,
2 2015, in violation of Section 550(b)(3) of the Penal Code
3 (INSURANCE FRAUD), a FELONY, ERIC STEPHAN SCHMIDT, with the
4 intent to defraud, did unlawfully conceal and knowingly fail to
5 disclose, and did knowingly assist with another person to
6 conceal and fail to disclose the occurrence of an event and a
7 fact that affected the initial and continued material right and
8 entitlement of Berkshire Hathaway Homestead Companies to an
9 insurance benefit and payment, and to the amount of a benefit
10 and payment to which Berkshire Hathaway Homestead Companies was
11 entitled, namely: Defendant had a financial interest in and
12 received financial incentives to prescribe Compound Creams, Oral
13 Medications and Urine Toxicology Tests to his workers'
14 compensation patients.

11 COUNT 11: On or about and between April 04, 2013 and November
12 06, 2015, in violation of Section 550(b)(3) of the Penal Code
13 (INSURANCE FRAUD), a FELONY, ERIC STEPHAN SCHMIDT, with the
14 intent to defraud, did unlawfully conceal and knowingly fail to
15 disclose, and did knowingly assist with another person to
16 conceal and fail to disclose the occurrence of an event and a
17 fact that affected the initial and continued material right and
18 entitlement of California Insurance Company Applied Underwriters
19 to an insurance benefit and payment, and to the amount of a
20 benefit and payment to which California Insurance Company
21 Applied Underwriters was entitled, namely: Defendant had a
22 financial interest in and received financial incentives to
23 prescribe and Urine Toxicology Tests to his workers'
24 compensation patients.

21 COUNT 12: On or about and between April 04, 2013 and September
22 15, 2015, in violation of Section 550(b)(3) of the Penal Code
23 (INSURANCE FRAUD), a FELONY, ERIC STEPHAN SCHMIDT, with the
24 intent to defraud, did unlawfully conceal and knowingly fail to
25 disclose, and did knowingly assist with another person to
26 conceal and fail to disclose the occurrence of an event and a
27 fact that affected the initial and continued material right and
28 entitlement of Employers Insurance to an insurance benefit and
payment, and to the amount of a benefit and payment to which
Employers Insurance was entitled, namely: Defendant had a
financial interest in and received financial incentives to
prescribe compound creams and oral medications and Order Urine
Toxicology Tests to his workers' compensation patients.

1 COUNT 13: On or about and between April 09, 2013 and February
2 11, 2015, in violation of Section 550(b)(3) of the Penal Code
3 (INSURANCE FRAUD), a FELONY, ERIC STEPHAN SCHMIDT, with the
4 intent to defraud, did unlawfully conceal and knowingly fail to
5 disclose, and did knowingly assist with another person to
6 conceal and fail to disclose the occurrence of an event and a
7 fact that affected the initial and continued material right and
8 entitlement of Farmers Insurance to an insurance benefit and
9 payment, and to the amount of a benefit and payment to which
Farmers Insurance was entitled, namely: Defendant had a
financial interest in and received financial incentives to
prescribe Compound Creams and Urine Toxicology Tests to his
workers' compensation patients.

10 COUNT 14: On or about and between April 26, 2013 and November
11 25, 2014, in violation of Section 550(b)(3) of the Penal Code
12 (INSURANCE FRAUD), a FELONY, ERIC STEPHAN SCHMIDT, with the
13 intent to defraud, did unlawfully conceal and knowingly fail to
14 disclose, and did knowingly assist with another person to
15 conceal and fail to disclose the occurrence of an event and a
16 fact that affected the initial and continued material right and
17 entitlement of ICW to an insurance benefit and payment, and to
18 the amount of a benefit and payment to which ICW was entitled,
19 namely: Defendant had a financial interest in and received
20 financial incentives to prescribe Compound Creams, oral
21 medications and order Urine Toxicology Tests to his workers'
22 compensation patients.

23 COUNT 15: On or about and between April 04, 2013 and November
24 20, 2015, in violation of Section 550(b)(3) of the Penal Code
25 (INSURANCE FRAUD), a FELONY, ERIC STEPHAN SCHMIDT, with the
26 intent to defraud, did unlawfully conceal and knowingly fail to
27 disclose, and did knowingly assist with another person to
28 conceal and fail to disclose the occurrence of an event and a
fact that affected the initial and continued material right and
entitlement of Liberty Mutual Insurance to an insurance benefit
and payment, and to the amount of a benefit and payment to which
Liberty Mutual Insurance was entitled, namely: Defendant had a
financial interest in and received financial incentives to
prescribe compound creams, and oral medication and order Urine
Toxicology Tests to his workers' compensation patients.

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1 COUNT 16: On or about and between May 02, 2013 and August 25,
2 2015, in violation of Section 550(b)(3) of the Penal Code
3 (INSURANCE FRAUD), a FELONY, ERIC STEPHAN SCHMIDT, with the
4 intent to defraud, did unlawfully conceal and knowingly fail to
5 disclose, and did knowingly assist with another person to
6 conceal and fail to disclose the occurrence of an event and a
7 fact that affected the initial and continued material right and
8 entitlement of Markel (First Comp) to an insurance benefit and
9 payment, and to the amount of a benefit and payment to which
Markel (First Comp) was entitled, namely: Defendant had a
financial interest in and received financial incentives to
prescribed compound creams, oral medication and order Urine
Toxicology Tests to his workers' compensation patients.

10 COUNT 17: On or about and between April 03, 2013 and December
11 20, 2014, in violation of Section 550(b)(3) of the Penal Code
12 (INSURANCE FRAUD), a FELONY, ERIC STEPHAN SCHMIDT, with the
13 intent to defraud, did unlawfully conceal and knowingly fail to
14 disclose, and did knowingly assist with another person to
15 conceal and fail to disclose the occurrence of an event and a
16 fact that affected the initial and continued material right and
17 entitlement of Pacific Compensation Insurance Co. to an
18 insurance benefit and payment, and to the amount of a benefit
19 and payment to which Pacific Compensation Insurance Co. was
entitled, namely: Defendant had a financial interest in and
received financial incentives to prescribe compound creams, and
to order Urine Toxicology Tests to his workers' compensation
patients.

20 COUNT 18: On or about and between May 28, 2013 and August 10,
21 2015, in violation of Section 550(b)(3) of the Penal Code
22 (INSURANCE FRAUD), a FELONY, ERIC STEPHAN SCHMIDT, with the
23 intent to defraud, did unlawfully conceal and knowingly fail to
24 disclose, and did knowingly assist with another person to
25 conceal and fail to disclose the occurrence of an event and a
26 fact that affected the initial and continued material right and
27 entitlement of Republic Indemnity Company of America to an
28 insurance benefit and payment, and to the amount of a benefit
and payment to which Republic Indemnity Company of America was
entitled, namely: Defendant had a financial interest in and
received financial incentives to prescribe compound creams, and
oral medication and to order Urine Toxicology Tests to his
workers' compensation patients.

1 COUNT 19: On or about and between April 04, 2013 and November
2 24, 2015, in violation of Section 550(b)(3) of the Penal Code
3 (INSURANCE FRAUD), a FELONY, ERIC STEPHAN SCHMIDT, with the
4 intent to defraud, did unlawfully conceal and knowingly fail to
5 disclose, and did knowingly assist with another person to
6 conceal and fail to disclose the occurrence of an event and a
7 fact that affected the initial and continued material right and
8 entitlement of State Compensation Insurance Fund to an insurance
9 benefit and payment, and to the amount of a benefit and payment
10 to which State Compensation Insurance Fund was entitled, namely:
11 Defendant had a financial interest in and received financial
12 incentives to order Urine Toxicology Tests and prescribed oral
13 medication to his workers' compensation patients.

10 COUNT 20: On or about and between April 04, 2013 and October
11 21, 2014, in violation of Section 550(b)(3) of the Penal Code
12 (INSURANCE FRAUD), a FELONY, ERIC STEPHAN SCHMIDT, with the
13 intent to defraud, did unlawfully conceal and knowingly fail to
14 disclose, and did knowingly assist with another person to
15 conceal and fail to disclose the occurrence of an event and a
16 fact that affected the initial and continued material right and
17 entitlement of Hartford Insurance to an insurance benefit and
18 payment, and to the amount of a benefit and payment to which
19 Hartford Insurance was entitled, namely: Defendant had a
20 financial interest in and received financial incentives to order
21 Urine Toxicology Tests and prescribe Compound Creams and oral
22 medications to his workers' compensation patients.

19 COUNT 21: On or about and between September 19, 2013 and
20 January 30, 2015, in violation of Section 550(b)(3) of the Penal
21 Code (INSURANCE FRAUD), a FELONY, ERIC STEPHAN SCHMIDT, with the
22 intent to defraud, did unlawfully conceal and knowingly fail to
23 disclose, and did knowingly assist with another person to
24 conceal and fail to disclose the occurrence of an event and a
25 fact that affected the initial and continued material right and
26 entitlement of Total Health & Productivity Management to an
27 insurance benefit and payment, and to the amount of a benefit
28 and payment to which Total Health & Productivity Management was
entitled, namely: Defendant had a financial interest in and
received financial incentives to prescribe compound creams and
order Urine Toxicology Tests to his workers' compensation
patients.

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1 COUNT 22: On or about and between April 17, 2013 and August 24,
2 2015, in violation of Section 550(b)(3) of the Penal Code
3 (INSURANCE FRAUD), a FELONY, ERIC STEPHAN SCHMIDT, with the
4 intent to defraud, did unlawfully conceal and knowingly fail to
5 disclose, and did knowingly assist with another person to
6 conceal and fail to disclose the occurrence of an event and a
7 fact that affected the initial and continued material right and
8 entitlement of Travelers Insurance to an insurance benefit and
9 payment, and to the amount of a benefit and payment to which
Travelers Insurance was entitled, namely: Defendant had a
financial interest in and received financial incentives to order
Urine Toxicology Tests and prescribe compound creams to his
workers' compensation patients.

10 COUNT 23: On or about and between April 04, 2013 and November
11 03, 2015, in violation of Section 550(b)(3) of the Penal Code
12 (INSURANCE FRAUD), a FELONY, ERIC STEPHAN SCHMIDT, with the
13 intent to defraud, did unlawfully conceal and knowingly fail to
14 disclose, and did knowingly assist with another person to
15 conceal and fail to disclose the occurrence of an event and a
16 fact that affected the initial and continued material right and
17 entitlement of TRISTAR Insurance Group to an insurance benefit
18 and payment, and to the amount of a benefit and payment to which
TRISTAR Insurance Group was entitled, namely: Defendant had a
financial interest in and received financial incentives to
prescribe oral medication and to order Urine Toxicology Tests to
his workers' compensation patients.

19 COUNT 24: On or about and between August 29, 2013 and July 27,
20 2015, in violation of Section 550(b)(3) of the Penal Code
21 (INSURANCE FRAUD), a FELONY, ERIC STEPHAN SCHMIDT, with the
22 intent to defraud, did unlawfully conceal and knowingly fail to
23 disclose, and did knowingly assist with another person to
24 conceal and fail to disclose the occurrence of an event and a
25 fact that affected the initial and continued material right and
26 entitlement of Zurich Insurance to an insurance benefit and
27 payment, and to the amount of a benefit and payment to which
Zurich Insurance was entitled, namely: Defendant had a financial
interest in and received financial incentives to prescribed
compound creams and to order Urine Toxicology Tests to his
workers' compensation patients.

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ENHANCEMENT(S)

As to Count(s) 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23 and 24, it is further alleged pursuant to Penal Code section 12022.6(a)(2) (PROPERTY LOSS OVER \$200,000), that ERIC STEPHAN SCHMIDT intentionally took, damaged, and destroyed property valued in excess of two hundred thousand dollars (\$200,000) during the commission and attempted commission of the above offense.

It is further alleged pursuant to Penal Code section 186.11(a)(1)/(3) (AGGRAVATED WHITE COLLAR CRIME - OVER \$100,000), that as to counts 1, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23 and 24, defendant ERIC STEPHAN SCHMIDT engaged in a pattern of related fraudulent felony conduct involving the taking of more than one hundred thousand dollars (\$100,000) but less than five hundred thousand dollars (\$500,000).

I declare under penalty of perjury, on information and belief, that the foregoing is true and correct.

Dated 04-03-2017 at Orange County, California.
KS/AC 17F00364

TONY RACKAUCKAS, DISTRICT ATTORNEY

by: /s/ SHADDI KAMIABIPOUR
SHADDI KAMIABIPOUR, Deputy District Attorney

RESTITUTION CLAIMED

- None
- \$_____
- To be determined

BAIL RECOMMENDATION:

ERIC STEPHAN SCHMIDT - \$ 300,000.00

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NOTICES:

The People request that defendant and counsel disclose, within 15 days, all of the materials and information described in Penal Code section 1054.3, and continue to provide any later-acquired materials and information subject to disclosure, and without further request or order.

Pursuant to Welfare & Institutions Code §827 and California Rule of Court 5.552, notice is hereby given that the People will seek a court order to disseminate the juvenile case file of the defendant/minor, if any exists, to all parties in this action, through their respective attorneys of record, in the prosecution of this case.