

# More physician owned distributors –

MiMedx may not wish to address its investors but it will have to answer the regulators Viceroy is releasing more on illegal physician owned distributors (PODs) operating in the wound care space within the state of Texas. Our spread sheet will follow shortly to expose multi state PODS and conflicts.

Given the large proportion of income derived from Texas sales, investors should be concerned, especially **as the numerous, undeniable, illegal PODs we illustrated on our report dated October 13, 2017 have not been addressed by management.**

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*MiMedx's blanket denial of Viceroy's report and aversion to conducting an investigation suggest that management are either fully aware of these illegal distributors, or have been negligent in their duties...*

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MiMedx is not operating in an industry where these abuses are commonplace, and yet within one distribution state, we have connected MiMedx with:

- Numerous illegal PODs;
- Numerous related party distributors; and
- Forest Park Medical Center, a \$40m fraud uncovered by the DOJ and FBI.

**Malfeasance by Physician Owned Distributors and kickbacks are an abuse of the healthcare system.** The abuse not only costs patients and insurers, but ultimately undermines the integrity of physicians where products are prescribed to enrich suppliers (namely MiMedx) and enable Physician's to obtain a kickback in reward.

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*Lou Roselli made the headlines once more last week as an **incriminating email** surfaced where Lou admits MiMedx cannot reconcile inventory to federal customers. In the tissues business, this is strictly against the law.*

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**This report further details connections between MiMedx and its network of physician owned distributors.** This network of distributorships owned by employees and physicians allows MiMedx to engaged in large scale channel stuffing activities. The benefit to the physicians and employees comes at a cost to insurers and the medical facilities who ultimately pay the costs.

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*Given the substantive evidence presented in our reports, we call on the board of MiMedx launch an immediate external investigation into the conduct of Senior Personnel, and subsequently resign.*

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The structure of these distributors leaves open great opportunities to exploit the US healthcare system. As a reminder to our readers, the Office of the Inspector General of the Department of Health and Human Services issued a special fraud warning stating that such ventures “should be closely scrutinized under the fraud and abuse laws.”<sup>1</sup>

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<sup>1</sup> [https://oig.hhs.gov/fraud/docs/alertsandbulletins/2013/pod\\_special\\_fraud\\_alert.pdf](https://oig.hhs.gov/fraud/docs/alertsandbulletins/2013/pod_special_fraud_alert.pdf)

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## Vintage Medical and SLR Medical

Viceroy were informed by former MiMedx employees of the existence of Vintage Medical as a distributor of MiMedx products and in their dealings with SLR Medical Consultants. SLR Medical Consultants have previously been shown to be controlled by Jerry Morrison: an ex-MiMedx employee.

Former MiMedx employees have informed Viceroy that Morrison's dealings are conducted with Petit's full knowledge and approval.

Vintage Medical has two principals:

1. Jeffrey "Jeff" Kropholler
2. Trase Mahan

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*"Jeff Kropholler is one of the Vintage Medical principles. Known for POD and paying surgeons." – Former MiMedx Employee*

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We have previously detailed indicted Forest Park personnel's ties to MiMedx's operations and sales network. **Vintage Medical was also a significant creditor of the Forest Park Medical Center prior to its spectacular collapse.**

Forest Park's bankruptcy resulted in MiMedx changing its channel stuffer of choice from CPM Consultants to SLR Medical Consultants, as CPM's >\$500k debt to Forest Park was unrecoverable (...because it was a fraud, in case we have not been clear).

million in management fees to The Management Company at Forest Park Medical Center, according to the filing. Other large creditors and the amount of the claims include \$474,361 to Valley Services Inc. in Atlanta; \$467,361 to Vintage Medical LLC in Farmers Branch; \$302,400 to Vertebral Technologies Inc. in Minnetonka,

*Figure 1 Extract of bizjournal.com article "Exclusive: Forest Park's Fort Worth hospital files for Chapter 11"<sup>2</sup>*

Vintage Medical's address is again a private mailing box at a mail store at 4516 Lovers Lane, Dallas TX.

We are currently evidencing other physicians who have had long-standing relationships with MiMedx. A search of the hipaaspace.com website which records medical businesses reveals that 17 different businesses operating out of that specific mail store, 11 of which are operated by physicians.

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<sup>2</sup> <https://www.bizjournals.com/dallas/news/2016/01/11/exclusive-forest-park-s-fort-worth-hospital-files.html>

Many of these physicians are working at well-established practices which we have tabulated below<sup>3</sup>:

Company name	Principal	Doctor?	Name
AIIONM, LLC	ANDREW INDRASANO	Y	Dallas Spine Surgeon
MARLOBO IOM, LLC	BENJAMIN NEWMAN	Y	Methodist Moody Brain and Spine Institute
629 TWELVE OAKS. LLC	BRIDGET BRADY	Y	St David North Austin Medical Center
DFW WELLNESS CENTER, LLC	GABRIEL ANGEL RODRIGUEZ	Y	The Pain Relief Center
ENZO NEUROTECH, PLLC	HELSON PACHECO-SANCHEZ	Y	Newborn Specialists of Tulsa
BECKLEY IOM, LLC	JAMES MOODY	Y	Methodist Moody Brain and Spine Institute
DISTINCTIVE DIAGNOSTICS, PLLC	KRIS PARCHURI	Y	Spine and Orthopedic specialists
IJS VENTURES, PLLC	MARCO T SILVA	Y	Golden Triangle Neurocare LLC
CROWN MOON, LLC	NIMESH PATEL	Y	Various
AMERICAN NEURO SOLUTION, LLC	PAUL SCHULMAN	N	
CEDAR HILL NEUROMONITORING LLC	PAUL SCHULMAN	N	
UNITED NEUROMONITORING SERVICES, LLC	PHILLIP KRAVITZ	Y	The Minimally Invasive Spine Institute
DESCARTES IOM, LLC	RICHARD MEYRAT	Y	Methodist Moody Brain and Spine
ADVANCED NEURO SOLUTIONS, LLC	TRASE MAHAN	N	
RIO BLANCO SOLUTIONS PLLC	TRASE MAHAN	N	
INNOVA NEURO MONITORING, LLC	TRASE MAHAN	N	
FOUR STATES NEURO TECH, PA	TRASE MAHAN	N	

Note that the above table is only for one mail shop: Mail Express at 4516 Lovers Lane Dallas, Texas. Unsurprisingly there is not a medical complex at that address:



Figure 2 Extract of Google Maps Streetview of 4516 Lovers Lane Dallas, Texas

<sup>3</sup> Visit [google.com](http://google.com) and search "4615 LOVERS LN site:hipaaspace.com"

Viceroy understands from former employees that this system allows for discreet invoicing of orders to the benefit of the physician through the following scheme:

1. Products are ordered through the physician's company.
2. Products are shipped directly to the facility at which the physician works.
3. The invoice is sent to the mailing address of the physician owned distributor which is usually a private mailing box or the physicians home address.
4. Through the POD, the physician invoices the facility for the product, ostensibly for a larger sum than he purchased it for.

Without **prior knowledge of the existence of the POD, the order would seem completely routine:** products come in, payment goes out. The only discrepancy would be the name of the company on the invoice. To further prevent detection no FDA storage or distribution license would be needed: the inventory more or less bypasses the POD.

To recap:

1. Both **SLR Medical Consultants and Vintage Medical** were significant creditors in the Forest Park Medical Center Fraud.
2. The collapse of the Forest Park Medical Center scheme forced MiMedx to change their approach: shifting from CPM Medical to SLR as corroborated by Court Filings.
3. Former employees have named Vintage Medical as purchasing MiMedx products from SLR Medical Consultants.
4. Vintage Medical operates out of a Dallas post office mail box where at least 17 other companies are registered. Amongst them 11 owned by physicians.
5. Due to the structure of such businesses it is unlikely that they would require FDA storage/distribution approval as the product is likely shipped directly to their workplace.
6. MiMedx generates significant income from Texas.

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*How many such operations is MiMedx doing business with?*

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## Friends and Associates within the MiMedx / SLR Medical Distribution Scheme - Terry Madsen

Dr Terry Douglas Madsen is an orthopedic surgeon in Richardson Texas.

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*Almost every former MiMedx employee has informed Viceroy that Madsen is instrumental to SLR Medical Consultants / MiMedx's channel stuffing operations. This includes through his own physician owned distributorship structure.*

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Sure enough, not only is Jerry Morrison Facebook friends with Terry Madsen but with his daughter Vanessa who appears to work as an assistant manager at Terry's practice.

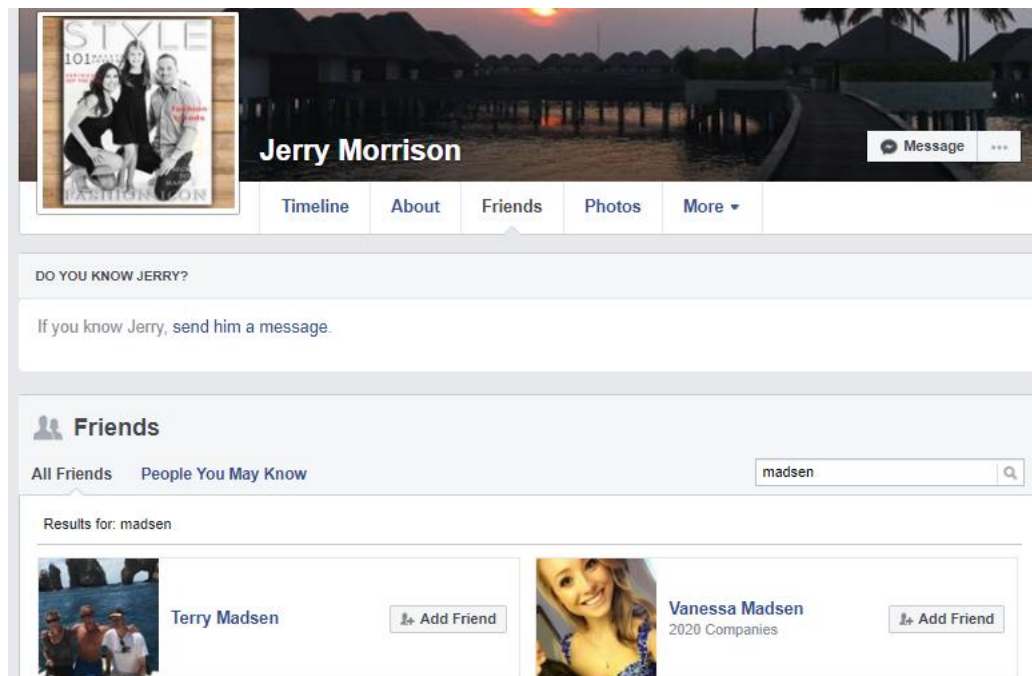


Figure 3 Extract of Jerry Morrison's Facebook page<sup>4</sup>

Madsen has three businesses under his name in Texas: **Kat, LLC; Madsen Orthopedics LLC and Premier Muscle Testing, LLC.**

**Strangely none of Terry Madsen's businesses are cleared with the FDA for storage or distribution of HCT/P products despite using the product for some years..**

Madsen has history with Forest Park Medical Center: appearing in a media release on their YouTube page:

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<sup>4</sup> <https://www.facebook.com/profile.php?id=1313626871>



Dr. Terry Madsen Talks About When a Shoulder Injury Needs Surgery

43 views

0 0 SHARE + ...



Forest Park

Published on Aug 24, 2012

SUBSCRIBE

Dr. Terry Madsen explains the signs and symptoms of a shoulder injury that requires surgery. Grant tells his story and experience being a patient of Dr. Terry Madsen.

Figure 4 Extract of Forest Park YouTube video<sup>5</sup>

Madsen has also previously resigned in the face of disciplinary action for failing to file full medical reports at Baylor hospital and being intoxicated whilst on call.

2. Specific Panel Findings:
  - a. Respondent failed to timely self-report a December 2011 arrest for public intoxication arising from an assault and domestic disturbance while Respondent was under the influence of alcohol. Charges related to the 2011 arrest were subsequently dismissed.
  - b. Respondent failed to self-report numerous hospital suspensions for failing to timely complete medical records.
  - c. Respondent resigned his privileges at Baylor Hospital while under investigation for several instances of being intoxicated while on call.

Figure 5 Extract disciplinary action against Dr. Terry Madsen by the Texas Medical Board<sup>6</sup>

<sup>5</sup> <https://www.youtube.com/watch?v=-DCyNGbaTN0>

<sup>6</sup> <https://www.healthgrades.com/media/english/pdf/sanctions/HGPY33D7972087558151706162017.pdf>



## Lou Roselli: the fall-guy

Viceroy and Aurelius Value have previously identified Lou Roselli as a key figure in MiMedx's channels stuffing operations.

Whistleblower emails released to Marc Cohodes at Grant's conference shows Lou Roselli notifying sales staff that:

- MiMedx cannot take any big credits before the end of the year.
- MiMedx cannot appear to reconcile its inventory with federal customers, which Viceroy believe to be worth ~\$3.5m

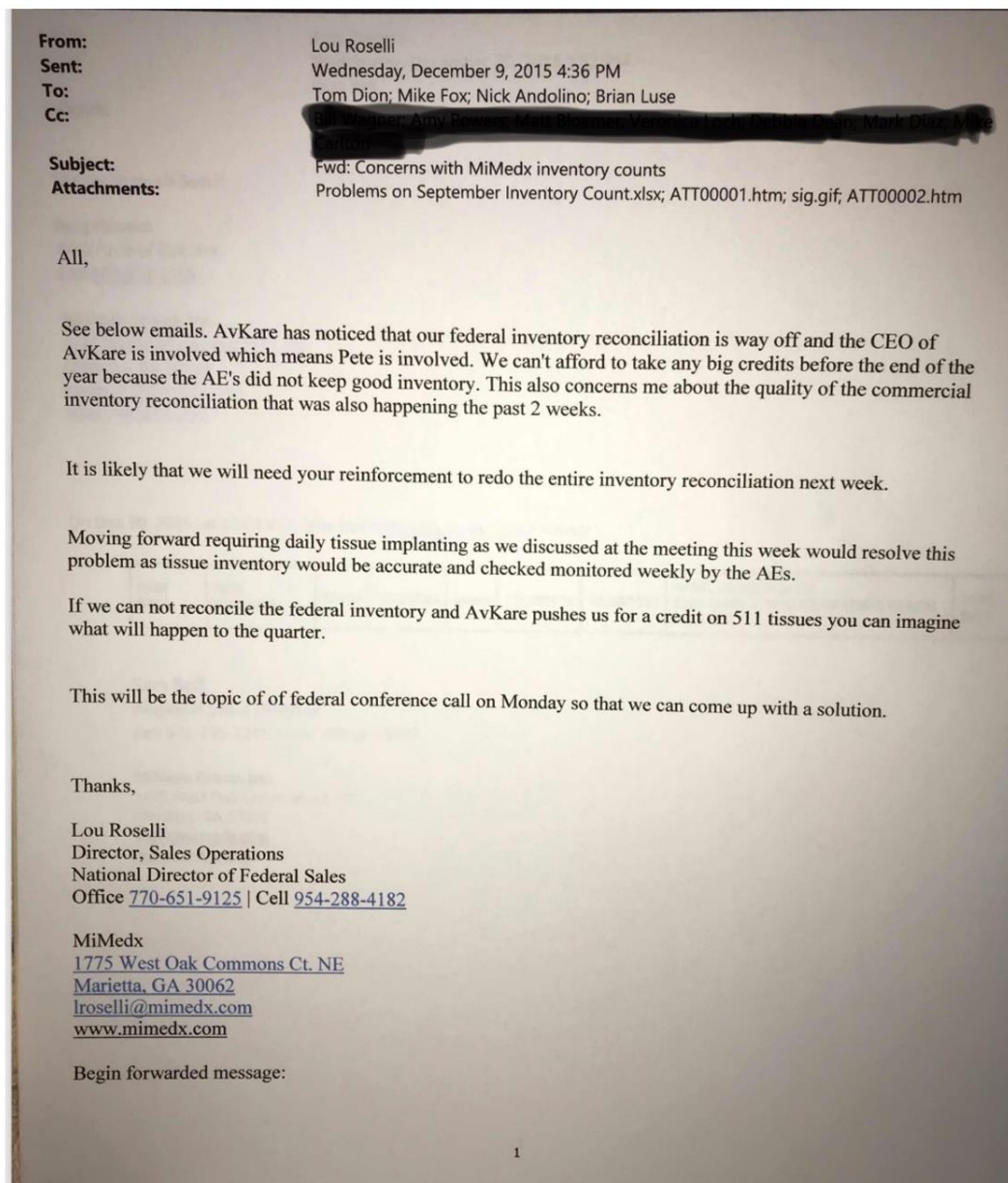


Figure 6 Lou Roselli's email to sales staff

**MiMedx fail to present any information that exonerates them in their alleged independent report, which was marked confidential.**



We now conclude MiMedx 'internal non-independent investigation' was bogus. The above email disproves MiMedx's poor attempt in covering up the Roselli incident:

Mr. Roselli: No, I—look, I get it. I—I've sat on the other side of the table and I've been asked to do it, you know. And now I'm on the other side asking everybody to do it too, you know. What I'll tell you is that—I mean, if you can do it you know, and just don't want to do it, and orders come through—this is—this is right out of Pete's mouth. So this is the— Pete says—I [unintelligible]—I fully understand the risk that we're taking. We share the same risk with him. And he said: But this is a company directive. So if they can help, they need to help. And if they don't and orders come through between now and [team meeting]—this is the only time I've ever heard him cuss. He said: Their ass is grass. So, I'm just—I'm just putting it out there. I don't want to see anybody in trouble because an order came in in January that he didn't want to come in, you know.

*Figure 7 Lou Roselli extract – Case CA-013806-XXXX-MD*

MiMedx attempted to brush Lou Roselli aside in a misrepresented claim that he 'lied' to Jess Kruchoski to draw out information. Now with the email in existence, Pete Petit and those implicated should immediately resign.

Pete Petit would be failing if he attempted to distance himself from internal emails showing evidence of channel stuffing. The question is, **where they disclosed as part of an SEC Subpoena**, we think not! through to 'specific' sales reps about the channel stuffing and PODs.

## Summary

Viceroy firmly believes that MiMedx derives a large portion of revenue from the schemes we have listed above. Our focus on Texas is not an error of omission: we simply wish to highlight the sheer number of these schemes in operation in a fairly small area (we shall release the spreadsheet on this, correlated with other regulatory filings for the avoidance of doubt).

Our previous reports have focused on the company's activities in selling to such operations: an activity we believe continues. Our findings have been reported to the relevant authorities and we expect action to be taken against both the physicians themselves and MiMedx.

As a reminder MiMedx, having endorsed the strong relationship with former employee Jerry Morrison. MiMedx are fully aware of the mechanism both lawful and unlawful that have been used and corroborated with court filings of former-employees, emails and photographic evidence we have in our possession.

MiMedx asserts that it will refute some of the allegations, however the Physician Owned Distributors, relationships with questionable LLC and concerning with Forrest Park Medical Fraud need answering. They would be wise to wait for the Regulators.