



# Diverted Pharmaceuticals & Gang Distribution



Amid new reports of **anthrax-laced heroin** killing eight users this past winter<sup>1</sup> and **cocaine cut with a livestock de-worming drug** that sickened dozens and killed two,<sup>2</sup> new dangers associated with illicit drugs have come to light, apart from those previously known.

Conversely, controlled pharmaceutical drugs (CPDs) are believed to be “much safer” than illicit drugs by 40% of teens.<sup>4</sup> Owing in part to being FDA-approved and being manufactured for legitimate medical purposes, some recreational users trust that CPDs are comparatively safer and less addictive than illicit drugs, even during non-medical use. However, these dangerous misconceptions are negated by clear-cut fact: **opioid painkillers** (such as codeine, fentanyl, OxyContin® and Vicodin®) now cause more drug overdose deaths than cocaine and heroin combined.<sup>4</sup>

70% of cocaine seized in the U.S. contains Levamisole, a livestock de-worming drug that supposedly enhances cocaine’s euphoric effects but has been linked to illness and deaths.

SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, SEPTEMBER 21, 2009

### From OxyContin® to Heroin and Beyond

Reportedly, the American public attaches relatively little stigma to the diversion of prescription meds in comparison to illicit narcotics;<sup>5</sup> such that a heroin-injecting junkie is viewed more negatively than a pill-popping recreational user.

The more accurate picture of an OxyContin® abuser, though, isn’t one of an addict clutching pills in one hand and a glass of water in the other. Snorting, smoking and injecting Oxy are the most popular methods of abuse. In a process called “chasing the dragon,” abusers place the pill on aluminum foil, heat the underside with a flame, and inhale the vapors.<sup>6</sup> The process effectively bypasses the drug’s time-release control and floods the user with euphoria to last 3 to 4 hours. As higher tolerance levels are developed, some users dissolve OxyContin® pills and inject the solution.

Since OxyContin® and heroin are both opiates and deliver a similar high, dependency on the prescription drug has preceded future heroin abuse in numerous cases.<sup>7</sup> Based on his observations of a growing number of youths who abuse prescription pain relievers, San Diego Sheriff’s Detective David Ross articulated that, “Many OxyContin® abusers will try heroin at some point. Once the abuser gets over the fear of using needles, heroin becomes the cheaper, more preferred drug.”<sup>8</sup> The DEA reported that some OxyContin® users “switch to heroin as they build a tolerance to prescription opioids and seek a more euphoric high.”<sup>9</sup>

Abuse of other diverted CPDs may also lead to illicit drug use. Ritalin® and Adderall® are stimulants whose effects are “similar to that of cocaine or methamphetamine when abused.”<sup>10</sup> As a substitute for heroin, addicts dissolve and inject hydromorphone (Dilaudid®) tablets, which are two to eight times more potent than morphine.<sup>11</sup> The Street Drugs Identification Guide

### OXY ADDICT’S MATH

Oxycodone abusers with a high tolerance may ingest 400 milligrams of the drug daily (five 80 milligram tablets), for an average cost of \$400. These abusers could maintain their addictions with 2 grams of heroin daily, at a cost of one-third to one-half that of prescriptions opioids, depending on the area of the country and the purity of the heroin.

NATIONAL PRESCRIPTION DRUG THREAT ASSESSMENT 2009, NDIC, DEA

## LOS ANGELES AREA GANGS TRAFFICKING CPDs

- ◆ 18th Street
- ◆ A.V. Skins (White Power)
- ◆ Arizona Maravilla
- ◆ Armenian Power
- ◆ Avenue Piru Bloods
- ◆ Azusa 13
- ◆ Campanella Park Piru
- ◆ Center Park Bloods
- ◆ Centinela Park Bloods
- ◆ Choppers
- ◆ City Terrace
- ◆ Elsinore Young Classics
- ◆ Fraser Maravilla
- ◆ Gage Maravilla
- ◆ Geraghty Loma
- ◆ Hells Angels
- ◆ Inglewood Trece
- ◆ Juarez Maravilla
- ◆ King Kobras
- ◆ Laguna Park Vikings
- ◆ Lil Valley
- ◆ Lopez Maravilla
- ◆ Lott Stoners
- ◆ Mara Salvatrucha (MS-13)
- ◆ Maravilla Rifa
- ◆ Murrieta Fight Club
- ◆ Nazi Low Riders (NLR)
- ◆ Old Town Trece
- ◆ Osage Legend Crips
- ◆ Peckerwoods (SWP)
- ◆ Public Enemy Number One (PEN1)
- ◆ Queen Street Bloods
- ◆ Raymond Avenue Crips
- ◆ Rollin 30s
- ◆ Sangra
- ◆ Santa Monica 13
- ◆ South Side Gangsters
- ◆ Stoners 13
- ◆ Upland 9th Street
- ◆ White Fence

\*LAHIDTA GANG THREAT ASSESSMENT 2008, LAJDIG  
\*TELEPHONIC INTERVIEWS WITH GANG & HEALTH CARE FRAUD INVESTIGATORS, MARCH 2010

reported that, “The biological effects of pharmaceutical fentanyl are indistinguishable from those of heroin, with the exception that the fentanyls may be hundreds of times more potent.”<sup>12</sup>

### The Supply Channels

The sources of diverted CPDs are many. They can be acquired through rogue Internet pharmacies and through diversion techniques such as doctor-shopping, prescription fraud, and theft.<sup>13</sup> Of particular difficulty for law enforcement is thwarting the large segment of users who receive diverted CPDs for free from friends and family.

Between 2004 and 2008, 49% of law enforcement authorities in the Southwest region of the U.S. reported street gang involvement in illicit pharmaceutical distribution.

NATIONAL PRESCRIPTION DRUG THREAT ASSESSMENT 2009, NDIC, DEA

Though they are not typically distributed by drug trafficking organizations and criminal groups in the same manner as heroin, cocaine, marijuana, and methamphetamine, numerous illicit drug distributors, particularly street gangs and outlaw motorcycle gangs, have added diverted CPDs to their drug supplies.<sup>14</sup>

Distributing prescription opioids alongside heroin, in particular, makes good business sense. According to the 2009 National Prescription Drug Threat Assessment, “heroin distributors who add prescription opioids to their street supplies will ensure continuity in their customer base, particularly as prescription opioid abusers realize that heroin is less costly.”<sup>15</sup>



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### Organized Crime Involvement

While major gangs like 18th Street, Hells Angels, Mara Salvatrucha (MS-13), Nazi Low Riders (NLR), and Public Enemy Number One (PEN1) play a role in trafficking CPDs,<sup>16</sup> their involvement is reportedly less significant than black gangs. White gang members, a number of whom commit identity theft,<sup>17</sup> generally obtain CPDs from less sophisticated diversion techniques such as doctor-shopping and prescription fraud, using fake IDs. The source of diverted CPDs for many black gangs, however, is a highly efficient Eurasian organized crime operation.<sup>18</sup>

In one such example recounted by Health Authority Law Enforcement Task Force (HALT) Team Supervisor Sergeant Steve Opferman (LASD), Russian Organized Criminal Enterprises (OCEs) provide financial backing to Armenian OCEs to setup fake medical clinics with dirty doctors on payroll. "Cappers" recruit Medicare beneficiaries who surrender their medical cards and/or identities for a small fee. Prescriptions written by the clinic's dirty doctors are usually filled at non-complicit pharmacies, billed to Medicare, and then surrendered by the beneficiaries to the Armenian OCEs. Finally, the Armenian OCEs sell the diverted CPDs to gangs, including MS-13. The great majority, however, ends up in the hands of black gangs, particularly the Crips, for retail distribution.

"Armenian OCEs have been associated with massive health care fraud for over twenty years. A few years ago, after Medicare Part D went into effect, they added prescription drugs into their repertoire."

SERGEANT STEVE OFFERMAN (LASD), HEALTH AUTHORITY LAW ENFORCEMENT TASK FORCE (HALT)

### MEDICARE MAX OUT

In thousands of cases, health care defrauders have stolen a person's identity, created a Medicare card in his/her name and billed Medicare for \$100,000 worth of diagnostic procedures, prescription drugs, medical equipment and other benefits - all within a few days.

SERGEANT STEVE OFFERMAN (LASD), HEALTH AUTHORITY LAW ENFORCEMENT TASK FORCE (HALT) TEAM SUPERVISOR

Given that the CPDs are paid for by Medicare, diversion schemes generate "nearly 100% profit."<sup>19</sup> In the case of one fake Los Angeles-based medical clinic, 7,000 prescriptions for OxyContin® were falsely written and billed to Medicare in one year.<sup>20</sup> At the average cost of \$900 per prescription, the loss to the U.S. government totaled \$6.3 million for the clinic in one year. Moreover, this one location was responsible for the non-medical distribution of \$16-50 million

worth (street value) of OxyContin®.

While most diverted CPDs are reportedly acquired through friends and family, the last few years have seen gangs and organized crime entities carving out a larger piece of the narcotics black market through prescription drugs.

According to Sergeant Opferman, "In the Los Angeles area, the majority of Medicare money goes to Eurasian organized crime groups as a result of fraud." Out of that majority emerged a "nearly 100% profit" crime scheme that leaves a slew of peculiar victims in its wake: Medicare beneficiaries without benefits, CPD deaths through the use of "safer" drugs, and taxpayers who finance both.

### OCEs IN CALIFORNIA INVOLVED IN HEALTH CARE FRAUD

Russian OCE financiers and Armenian OCE health care defrauders are not the only ones in on the action. Reportedly Nigerian, Filipino, Iranian, and other Middle Eastern organized crime groups are involved as well.

\* SERGEANT STEVE OFFERMAN (LASD), HEALTH AUTHORITY LAW ENFORCEMENT TASK FORCE (HALT), TELEPHONIC INTERVIEW, 3/10/10  
\* FBI AGENT, TELEPHONIC INTERVIEW, 3/17/10

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## ORGANIZED CRIME ACQUISITION OF OXYCONTIN<sup>21 22</sup>

