

[Securities Regulation Daily Wrap Up, FRAUD AND MANIPULATION— S.D.N.Y.: Political intelligence consultant, hedge fund partners charged in Medicare insider trading scheme, \(May 30, 2017\)](#)

Securities Regulation Daily Wrap Up

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By [John M. Jascob, J.D., LL.M.](#)

The Department of Justice has filed criminal charges against a political intelligence consultant and three other individuals for allegedly participating in an insider trading scheme involving changes in Medicare reimbursement rates. An indictment unsealed in federal court in Manhattan alleges that consultant David Blaszcak obtained stolen government information from Christopher Worrall, a friend and former colleague at the Centers for Medicare and Medicaid Services (CMS), and then funneled that market-moving information to a hedge fund client. Two partners and analysts at the hedge fund, Theodore Huber and Robert Olan, were also charged with insider trading in the scheme, which allegedly netted the fund \$3.5 million in illicit profits ([U.S. v. Blaszcak](#), May 24, 2017).

"Just like trading on material nonpublic corporate information can be a federal crime, so can trading based on secret government information, as alleged to have happened here," said Acting U.S. Attorney Joon H. Kim in a [news release](#). "We remain as committed and vigilant as ever in protecting the integrity of the securities markets and our government institutions."

Political intelligence. According to the government, the hedge fund retained Blaszcak as a consultant to provide political intelligence concerning, among other things, the content and timing of CMS reimbursement decisions. As part of the scheme, Huber and Olan allegedly encouraged Blaszcak to obtain confidential and material nonpublic information from insiders at CMS, where Blaszcak had formerly worked. In exchange for providing the hedge fund's adviser with this inside information, Blaszcak received more than \$263,000 in consulting fees.

In one instance, Blaszcak allegedly obtained confidential and material nonpublic information about CMS's planned radiation oncology reimbursement cuts from Worrall. Blaszcak then provided that information to Huber and Olan, who used the information on behalf of their fund to make profitable trades in public companies that would be adversely affected by the cuts. In another instance, Worrall allegedly gave Blaszcak two confidential, internal CMS documents related to CMS's plans to cut the reimbursement rate for various kidney dialysis treatments and drugs. Based on that information, the hedge fund's adviser entered orders to short the stock of a company that would be hurt by such a significant kidney dialysis reimbursement reduction.

The government also charged Blaszcak with participating in a separate scheme to obtain confidential and nonpublic information about cuts in CMS's reimbursement rates for home health providers. Blaszcak allegedly provided that stolen information to Christopher Plaford, a portfolio manager at a different healthcare-focused hedge fund in New York. Plaford has previously pleaded guilty to using that inside information unlawfully to execute profitable trades for the fund that he managed.

The case is [No. S1 17 Cr. 308 \(DLC\)](#).

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