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Doctor sentenced to probation, community service for role in prescription scam

Patrick Lakamp

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A City of Tonawanda physician – a linchpin in a scheme that generated \$8.5 million in exorbitant pharmaceutical reimbursements – was sentenced Wednesday in U.S. District Court to a year’s probation and 100 hours of community service.

William Stephan’s remorse, cooperation with prosecutors and supportive letters from patients led to his light sentence, U.S. District Judge Lawrence Vilardo said in court.

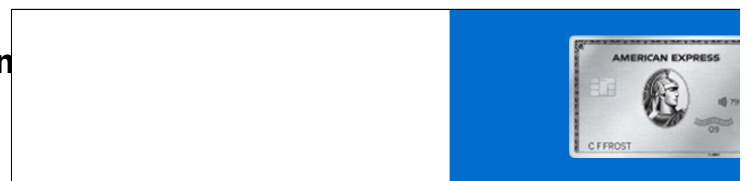
So did the fact that Stephan, 65, did not profit from the scheme nor realize the scope of what the government called a brazen case of health care fraud.

“What’s been clear is the defendant was taken advantage of by people he trusted,” said Assistant U.S. Attorney Charles Kruly.

Stephan previously pleaded guilty to misprision of a felony, essentially having knowledge of a felony and failing to report it.

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Stephan signed more than 140 prescriptions for 19 patients without examining them. None of them were his patients. The prescriptions signed by Stephan for these patients were refilled more than 500 times, according to the U.S. Attorney's Office.

Insurance company reimbursements for the compound creams for scars, wounds and pain came at astronomical rates. In one case, a one-month supply of compound pain cream carried a reimbursement rate of \$22,000, according to prosecutors.

Erik Berg, who pleaded guilty to conspiracy to commit health care fraud in 2021 and is scheduled to be sentenced next month, presented prescriptions to Stephan that had already been filled out, prosecutors said.

The government has contended Michael Luehrsen, a former Clarence resident who now lives in Miami, orchestrated a pyramid operation to get prescriptions for non-narcotic, custom-made creams that included highly priced ingredients. Prosecutors, however, failed to convict Luehrsen of anything at his 2022 trial, and Vilardo declared a mistrial on the health care fraud charge and other counts.

In a plea agreement earlier this year, ahead of Luehrsen's retrial, the government agreed to dismiss his charges except for a lone perjury count for his false testimony during the 2022 trial.

The government's case against Stephan, Berg, Luehrsen and others centered on custom medications, also called compounds. These are not the medications made by pharmaceutical companies that doctors typically prescribe for patients and then are picked up by the patients at their local drugstore. Some patients can't use major,

commercially available drugs because of an ingredient to which they may be allergic. So a compound is a custom medication made by a pharmacist without an ingredient a patient may be allergic to and with a different ingredient used.

Luehrsen identified insurance plans, such as those offered by Verizon and National Grid, that would pay for compounds made of the most expensive ingredients, and then those involved in the scheme found unwitting utility employees as “patients,” prosecutors said.

A pharmacy benefit manager that acts as an intermediary for insurers, pharmacies and drug manufacturers conducted an audit in 2016 on certain prescriptions signed by Stephan. During the audit, he and Berg completed audit forms on which Stephan stated that he had written and signed certain prescriptions for compounded medications, concealing the fact that he had not, in fact, written out the prescriptions, and that he did not have a doctor-patient relationship with the patients, according to the U.S. Attorney’s Office.

When Stephan learned of the exorbitant reimbursement rates for the compounds, he refused to sign any more prescriptions, prosecutors said.

Prosecutors said none of the pharmacy benefit managers providing the prescriptions signed by Stephan would have approved the prescriptions had they known that Berg had presented the prescriptions to Stephan already filled out or that the doctor did not see any of those ultimately receiving the prescriptions.

“I know you didn’t really recognize the amount of dollars,” Vilaro said during Stephan’s sentencing hearing.

Health care is expensive for a lot reasons, and one of them is fraud, the judge said.

Stephan apologized in court Wednesday, saying he has become “much more diligent in my practice.”

Stephan was taken advantage of by others, said defense attorney Eric Soehnlein, who urged a lenient sentence.

“He’s a good man,” Soehnlein said. “He’s a physician through and through.”

Stephan has lived with the federal investigation “hanging over his head for nine years,” Soehnlein said.

Now, Stephan will likely face a medical license investigation by the state, he said.

Patrick Lakamp can be reached at plakamp@buffnews.com



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By Patrick Lakamp
Enterprise Editor
