



State of New Jersey

**CHRIS CHRISTIE**  
*Governor*  
**KIM GUADAGNO**  
*Lt. Governor*

OFFICE OF THE STATE COMPTROLLER  
MEDICAID FRAUD DIVISION  
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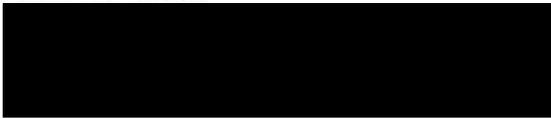
**A. MATTHEW BOXER**  
*State Comptroller*  
**MARK ANDERSON**  
*Director*

June 20, 2012

**Via Electronic Mail & Regular Mail**

Shapiro's Shoes  
217 Broadway Avenue  
Camden, NJ 08103  
c/o Paul R. Melletz, Esq.

RE: Amended Notice of Claim, Notice of Suspension, Notice of Filing Certificate  
of Debt



Dear Mr. Melletz:

The New Jersey Office of the State Comptroller, Medicaid Fraud Division (MFD), hereby provides amended notice of the State's claim against your client, Shapiro's Shoes, in the amount of **\$2,540,430.40**.

MFD's investigation has determined that Shapiro's Shoes improperly billed the New Jersey Medical Assistance and Health Services Program (Medicaid) for high-top Nike sneakers, Timberland boots and other sneakers that it falsely classified as orthopedic footwear.

MFD's investigation commenced upon receiving information from a third party that Shapiro's Shoes was, among other things, selling a Converse "Chuck Taylor" brand sneaker and billing Medicaid for same as corrective footwear. As a result, MFD conducted two separate reviews of recipient files totaling 120 files representing 307 claims, and found that those claims billed by Shapiro's Shoes lacked appropriate supporting documentation resulting in an overpayment of \$36,416.

In its first review, MFD sampled 70 recipient files representing 127 claims for the period of January 1, 2011 to June 30, 2011. MFD found all of the files contained at least one disqualifying issue that rendered the claim ineligible for Medicaid reimbursement. Specifically, each of the files contained at least one of the following:

- Billing Medicaid for non-orthopedic shoes
- Blank standardized forms signed by recipients
- Inappropriately completed forms that were missing key information such as dates, signatures and/or shoe model

A second on-site review conducted by MFD sampled 50 recipient files representing 180 claims dating back to 2006. The majority of these files were similarly missing required information, and the documentation that did exist did not support the billing of the orthotic footwear and/or orthotic inserts that had been dispensed.

Additionally, the investigation determined that Shapiro's Shoes was not accurately filling recipients' prescriptions and that recipients were not being measured for shoes according to recognized standards required for fitting and dispensing orthopedic footwear.

The investigation also determined that Shapiro's Shoes did not maintain the equipment required to accurately and professionally fit Medicaid recipients for orthopedic shoes. Based on our on-site visit, there were no orthopedic shoes or orthotic inserts in stock, or equipment to fabricate such inserts.

The investigation also included an interview with the owner of Shapiro's Shoes, Tammy Hahm. Ms. Hahm claimed that the Nike sneakers that Shapiro's Shoes dispensed were authorized orthopedic footwear. However, Nike does not manufacture a high top corrective basketball shoe. As per Nike staff, Nike's only corrective shoe is a walking shoe that Shapiro's Shoes does not have in its inventory.

The investigation also included interviews with physicians who prescribed footwear for the Medicaid recipients in our sample. One prescribing physician, for example, stated that in the 38 years he has been practicing medicine, he has never written a prescription for a high-top sneaker.

Accordingly, MFD has determined that Shapiro's Shoes received the benefit of payments totaling **\$36,416.00** for the period November 29, 2006 to June 30, 2011 in excess of the amount payable under the Medicaid program, NJ FamilyCare, or Work First New Jersey/General Assistance programs because Shapiro's Shoes failed to maintain records as required for reimbursement pursuant to N.J.S.A. 30:4D-12(d) & (e) and N.J.A.C. 10:49-9.8(b), did not have

orthopedic shoes or inserts as defined and required by 10:55-1.7, and failed to have the proper equipment necessary to measure for orthopedic shoes or inserts to assure conformity with the prescription and to ensure proper fit as required by standards to participate in violation of N.J.A.C. 10:55-1.4(a)(1). Therefore, we are seeking recovery for these claims for this period pursuant to N.J.S.A. 30:4D-7(h).

Pursuant to N.J.S.A. 30:4D-17(e), we are also assessing false claims penalties on a per claim basis, plus interest on the principal amount owed in the amount of \$10,014.40, for the total notice of claim amount of **\$2,540,430.40**. Please note that additional interest will accrue at the rate of 6% until payment is made in full.

A summary reflecting the specific claims in this matter is enclosed for your review, along with the Certificate of Debt filed with the Clerk of the Superior Court. Filing of the Certificate of Debt does not affect your hearing rights as outlined below.

In addition, 42 C.F.R. 455.23 requires MFD to suspend all payments to Shapiro's Shoes which applies to any and all Medicaid claims submitted by [REDACTED]. Any claims Shapiro's Shoes has submitted on or after June 25, 2012, will therefore be pended, meaning Shapiro's Shoes will not receive payment for the claims until the suspension has been removed. Pursuant to 42 C.F.R. 455.23(c), payment suspension will cease upon either of the following events: (i) a determination is made that there is insufficient evidence of fraud; or (ii) legal proceedings related to the alleged fraud are completed.

If Shapiro's Shoes agrees with the amount owed please make your check payable to "Treasurer, State of New Jersey" and mail to: N.J.D.M.A.H.S. – Medicaid Fraud Division, Division of Revenue, Lockbox 656, Attn: Frank Clark, 160 South Broad Street, 1<sup>st</sup> Floor, Trenton, NJ 08625-0656. If you disagree with the amount owed, and/or dispute the suspension of payments, you may request a pre-hearing conference by contacting me directly at [REDACTED] on or before July 20, 2012 to discuss your case. As a part of the pre-hearing process, Shapiro's Shoes has the right to submit documentation for consideration at the conference. Alternatively, Shapiro's Shoes may request a formal hearing before the Office of Administrative Law within 20 days of receipt of this amended notice. Such a request must be made in writing and mailed to Michael McCoy, Manager – Fiscal Integrity Unit, Medicaid Fraud Division, P.O. Box 025, Trenton, NJ 08625-0025. If Shapiro's Shoes chooses to request a pre-hearing conference and that conference fails to resolve the matter, Shapiro's Shoes will have an additional opportunity to request a formal hearing before the Office of Administrative Law.

If Shapiro's Shoes does not request either a pre-hearing conference or a formal hearing within the time limits specified above, it will have waived its rights to any further proceedings in this matter, and this notice will then become a self-executing Default Judgment for the total amount sought, as well as the Final

Agency Decision in this matter. Additionally, suspension of program payments will continue pursuant to 42 C.F.R. 455.23(c).

Sincerely,

Greg Custer Jr.  
Medical Review Analyst  
Recovery Unit

GC:c  
Enclosures