DAVIS & BRUSCA, LLC
100 Charles Ewing Boulevard, Suite 250
Ewing, NJ 08628
Office: (609) 786-2540
Fax: (609) 939-0333
By: Michael A. Brusca, Esquire 02895-2002
As Special Counsel for Plaintiff, STATE OF NEW JERSEY, OFFICE OF THE STATE COMPTROLLER

STATE OF NEW JERSEY, OFFICE OF THE STATE COMPTROLLER,

Plaintiff

vs.

1.	**INNOVA ATLANTIC WH OPERATIONS, LLC d/b/a HAMMONTON CENTER FOR REHABILITATION AND HEALTHCARE;**
2.	**INNOVA GLOUCESTER DEPTFORD BRIDGE OPERATIONS, LLC d/b/a DEPTFORD CENTER FOR REHABILITATION AND HEALTHCARE;**
3.	**ATLANTIC HEALTH LAND HOLDING CO., LLC;**
4.	**GLOUCESTER HEALTH LAND HOLDING CO., LLC;**
5.	**M&J KLEIN FAMILY ENTERPRISES, LLC;**
6.	**KENNETH ROZENBERG;**
7.	**DARYL HAGLER;**
8.	**BETH ROZENBERG;**
9.	**SHOSHANA ROZENBERG AREMAN;**
10.	**AMIR ABRAMCHIK;**
11.	**DEBORAH ABRAMCHIK;**
12.	**ELI ROZENBERG;**
13.	**JONATHAN HAGLER**

SUPERIOR COURT OF NEW JERSEY
MERCER COUNTY

LAW DIVISION

DOCKET NO:

Civil Action

COMPLAINT

JURY DEMAND

14.	**ELISABETH FARKAS;**
15.	**ISAAC "YITZY" LANIADO**
16.	**TZVI MILLER**
17.	**BENJAMIN DIAMOND**
18.	**MORRIS KLEIN;**
19.	**GEDALIA KLEIN;**
20.	**RAFAEL KLEIN;**
21.	**ELIEZER KLEIN;**
22.	**JOSEPH KLEIN;**
23.	**SARA KLEIN;**
24.	**ELISHEVA HACOEN;**
25.	**CENTERS FOR CARE, LLC;**
26.	**CENTERS BUSINESS OFFICE, LLC;**
27.	**CFSC DOWNSTATE, LLC;**
28.	**CFSC MAINTENANCE d/b/a One70 Group;**
29.	**ONE70 GROUP, LLC**
30.	**SKILLED STAFFING, LLC;**
31.	**CENTERS LAB NJ, LLC d/b/a MEDLABS DIAGNOSTICS;**
32.	**CENTERS AGENCY, LLC;**
33.	**BIS FUNDING CAPITAL, LLC;**
34.	**and JOHN DOEs 1–100,**
	Defendants.

COMES NOW the PLAINTIFF, STATE OF NEW JERSEY, OFFICE OF THE STATE COMPTROLLER, by way of Complaint, says:

PRELIMINARY STATEMENT

1. This civil action is brought by the State of New Jersey, the Office of the State Comptroller, seeking damages arising from a multi-year scheme in which the Defendants, in various capacities, exploited their operation of two nursing homes in

New Jersey, funded primarily with Medicaid funds, to unlawfully profit, while residents received sub-standard quality care. The Defendants engaged in violation of laws, rules, and the Medicaid contract and manipulated financial and compliance reporting, to evade government oversight of their illegal conduct.

2. The claims outlined in this Complaint arise from a multi-year investigation into the finances, operations, and compliance with contractual and quality standards at the nursing homes conducted by the Office of the State Comptroller, Medicaid Fraud Division. This investigation found pervasive, systemic, and longstanding violations of law, contract and/or profiteering by the Defendants.

3. Defendants operated the Facilities as part of a coordinated enterprise controlled by the same core individuals and their family members, nominees, and affiliated entities.

4. The primary payor for both facilities was the New Jersey Medicaid program.

5. Through overlapping ownership interests, management roles, and financial control, Defendants exercised centralized authority over the Facilities' operations, finances, staffing, accounting, cost reporting, and/or vendor relationships.

6. Family members and other beneficial owners were deliberately embedded throughout this structure as owners, officers, and principals of related entities, allowing Defendants to maintain effective control while obscuring true ownership and accountability.

7. By routing funds through entities owned or controlled by Defendants and their relatives, Defendants were able to divert money intended for resident care into private hands, conceal the true flow of funds, and evade scrutiny of their failure to

devote required resources to meet the direct care needs of residents in these facilities.

8. Defendants persistently failed to maintain documents related to the provision of goods and services required to justify the use of Medicaid funds to pay related parties and beneficial entities.

9. The diversion of financial resources away from the operations of the skilled nursing facilities resulted in chronic understaffing, including extended periods without required direct care staff or registered nurse coverage.

10. This sustained pattern of abuse of the Medicaid program resulted in the facilities operating in a manner inconsistent with the health, safety, and dignity of residents.

11. The State seeks all damages, including restitution, penalties, and injunctive relief available under the causes of action set out in detail below.

PARTIES

Plaintiff

12. Plaintiff State of New Jersey, by and through the Office of the State Comptroller (OSC), brings this action pursuant to its authority under the Medicaid Program Integrity and Protection Act, N.J.S.A. 30:4D-53 to -64, and other applicable statutes to recover Medicaid funds wrongfully obtained and retained by Defendants, as well as appropriate penalties and such other equitable relief as appropriate.

Operating Company Defendants (Licensed Medicaid Providers)

13. **INNOVA ATLANTIC WH OPERATIONS, LLC,** doing business as Hammonton Center for Rehabilitation and Healthcare ("Hammonton"), was, at all

relevant times, a New Jersey limited liability company that owns and operates a licensed nursing facility located in Hammonton, New Jersey.

14. At all relevant times, Hammonton was enrolled as a Medicaid provider, executed Medicaid provider participation agreements, submitted state and federal cost reports, certified compliance with staffing and resident-care requirements, and received substantial Medicaid reimbursements.

15. Hammonton was the direct recipient of Medicaid funds and is liable for false claims, false certifications, and statutory violations alleged herein.

16. During the relevant period, on average, approximately 88% of the residents in Hammonton were Medicaid beneficiaries.

17. **INNOVA GLOUCESTER DEPTFORD BRIDGE OPERATIONS, LLC,** d/b/a Deptford Center for Rehabilitation and Healthcare ("Deptford" and collectively with Hammonton, the "Operating Defendants"), was, at all relevant times, a New Jersey limited liability company that owns and operates a licensed nursing facility located in Deptford, New Jersey. At all relevant times, Deptford was enrolled as a Medicaid provider, executed Medicaid provider participation agreements, submitted state and federal cost reports, certified compliance with staffing and resident-care requirements, and received substantial Medicaid reimbursements. Deptford is the direct recipient of Medicaid funds and is liable for the false claims, false certifications, and statutory violations alleged herein.

18. During the relevant period, on average, approximately 84% of the residents in Deptford were Medicaid beneficiaries.

Property Owner and Rent-Extraction Defendants

19. **ATLANTIC HEALTH LAND HOLDING CO., LLC** ("Atlantic Health Land Holding") was, at all relevant times, a related-party real estate entity that owns the land and improvements used by Hammonton. It is owned and controlled by Defendant Kenneth Rozenberg and M&J Klein Family Enterprises, LLC ("KFE"). Atlantic Health Land Holding received distributions of profits disguised as rent payments, which were funded primarily by Medicaid reimbursements. Instead of using those funds for property related costs, Atlantic Health Land Holding distributed those funds to owners and insiders.

20. **GLOUCESTER HEALTH LAND HOLDING CO., LLC** ("Gloucester Health Land Holding") was, at all relevant times, a related-party real estate entity that owns the land and improvements used by Deptford. It is owned and controlled by Defendant Kenneth Rozenberg and KFE. Gloucester Health Land Holding received distributions of profits disguised as rent payments, which were funded primarily by Medicaid reimbursements. Instead of using those funds for property related costs, Gloucester Health Land Holding distributed those funds to owners and insiders.

Klein Family Ownership Defendants

21. **M&J KLEIN FAMILY ENTERPRISES, LLC ("KFE"),** was, at all relevant times a family-owned entity holding ownership interests in the real estate entities for Hammonton and Deptford. Through its ownership or control of the real estate entities, KFE received distributions of profits disguised as rent payments, which were funded primarily by Medicaid reimbursements. Instead of using those funds for property related costs, KFE distributed those funds to owners and insiders.

Individual Defendants

22. **KENNETH ROZENBERG** is an owner, principal, and controlling person of Hammonton, Deptford, and numerous related entities described below. Defendant Kenneth Rozenberg was at all relevant times the Chief Executive Officer of Centers for Care, LLC ("Centers"), and exercised operational and financial control over the nursing facilities through management companies and affiliated vendors, knowingly caused the submission of false cost reports and certifications, and personally benefitted from the diversion of Medicaid funds through related-party transactions.

23. **DARYL HAGLER** is an owner, principal, and senior financial executive of the nursing home enterprise. Defendant Daryl Hagler served in senior financial roles, including Chief Financial Officer for management entities controlling Hammonton and Deptford, signed or authorized false cost reports and certifications, directed the flow of Medicaid funds to related-party entities, and knowingly participated in the conduct alleged herein.

24. **BETH ROZENBERG** is the wife of Defendant Kenneth Rozenberg, and an owner of Defendants Centers, Centers Business Office, LLC, and Centers Lab NJ LLC/Centers Agency, LLC. who exercised control over, participated in, or materially benefitted from the related-party transactions and diversion of Medicaid funds alleged herein.

25. **SHOSHANA ROZENBERG AREMAN** is the daughter of Defendant Kenneth Rozenberg, and an owner of Defendants Centers Business Office, LLC, CFSC Downstate, LLC, and Skilled Staffing, LLC. who exercised control over,

participated in, or materially benefitted from the related-party transactions and diversion of Medicaid funds alleged herein.

26. **AMIR ABRAMCHIK** is the Chief Operating Officer of Defendant Centers, and an owner of Defendant CFSC Downstate, LLC. who exercised control over, participated in, or materially benefitted from the related-party transactions and diversion of Medicaid funds alleged herein.

27. **DEBORAH ABRAMCHICK** is the wife of Defendant Amir Abramchik, and an owner of Defendant CFSC Downstate, LLC. who exercised control over, participated in, or materially benefitted from the related-party transactions and diversion of Medicaid funds alleged herein.

28. **ELI ROZENBERG** is the son of Defendant Kenneth Rozenberg, and an owner of Defendant Centers Business Office NJ, LLC. who exercised control over, participated in, or materially benefitted from the related-party transactions and diversion of Medicaid funds alleged herein.

29. **JONATHAN HAGLER** is the son of Defendant Daryl Hagler, and an owner of Defendants CFSC Downstate, LLC, CFSC Maintenance, LLC d/b/a One70 Group, and BIS Funding Capital, LLC, who exercised control over, participated in, or materially benefitted from the related-party transactions and diversion of Medicaid funds alleged herein.

30. **ELISABETH FARKAS** is the daughter-in-law of Defendant Kenneth Rozenberg, and an owner of Defendant Skilled Staffing, LLC, who exercised control over, participated in, or materially benefitted from the related-party transactions and diversion of Medicaid funds alleged herein.

31. **ISAAC "YITZY" LANIADO** is an owner of Defendant CSFC Maintenance, LLC, d/b/a One70 Group, and Defendant One70 Group, LLC, who exercised control over, participated in, or materially benefitted from the related-party transactions and diversion of Medicaid funds alleged herein.

32. **TZVI MILLER**; is an owner of Defendant One70 Group, LLC, who exercised control over, participated in, or materially benefitted from the related-party transactions and diversion of Medicaid funds alleged herein.

33. **BENJAMIN DIAMOND** is an owner of One70 Group, LLC, who exercised control over, participated in, or materially benefitted from the related-party transactions and diversion of Medicaid funds alleged herein.

34. **MORRIS KLEIN** is a member, manager, or beneficiary of KFE, who received distributions and financial benefits traceable to inflated rent payments funded by Medicaid reimbursements, despite such funds being intended for resident care.

35. **GEDALIA KLEIN** is a member, manager, or beneficiary of KFE, who received distributions and financial benefits traceable to inflated rent payments funded by Medicaid reimbursements, despite such funds being intended for resident care.

36. **RAFAEL KLEIN** is a member, manager, or beneficiary of KFE, who received distributions and financial benefits traceable to inflated rent payments funded by Medicaid reimbursements, despite such funds being intended for resident care.

37. **ELIEZER KLEIN** is a member, manager, or beneficiary of KFE, who received distributions and financial benefits traceable to inflated rent payments funded by Medicaid reimbursements, despite such funds being intended for resident care.

38. **JOSEPH KLEIN** is a member, manager, or beneficiary of KFE, who received distributions and financial benefits traceable to inflated rent payments funded by Medicaid reimbursements, despite such funds being intended for resident care.

39. **SARA KLEIN** is a member, manager, or beneficiary of KFE, who received distributions and financial benefits traceable to inflated rent payments funded by Medicaid reimbursements, despite such funds being intended for resident care.

40. **ELISHEVA HACOEN** is a member, manager, or beneficiary of KFE, who received distributions and financial benefits traceable to inflated rent payments funded by Medicaid reimbursements, despite such funds being intended for resident care.

Management and Administrative Defendants

41. **CENTERS FOR CARE, LLC** ("Centers") was, at all relevant times, a management company owned by Defendants Kenneth Rozenberg, Daryl Hagler and Beth Rozenberg, that exercised centralized operational, financial, staffing, and compliance control over Hammonton and Deptford. Centers prepared or supplied information used in state and federal cost reports, billed substantial management fees funded by Medicaid, concealed related-party relationships, and knowingly participated in the submission of false claims and certifications.

42. **CENTERS BUSINESS OFFICE, LLC** was, at all relevant times, a related-party administrative and consulting entity owned or controlled by Defendants Kenneth Rozenberg, Daryl Hagler, and their family members. It provided administrative services to Hammonton and Deptford, received Medicaid-funded payments, and was intentionally omitted from required related-party disclosures.

Related-Party Vendor Defendants

43. **CFSC DOWNSTATE, LLC** was, at all relevant times, a related-party vendor that provided maintenance, housekeeping, and other facility services to Hammonton and Deptford and received Medicaid-funded payments without proper disclosure or fair-market-value support.

44. **CFSC MAINTENANCE**, d/b/a **One70 Group**, was, at all relevant times, a related-party entity that provided maintenance, construction, and capital services to Hammonton and Deptford, were funded by Medicaid reimbursements, and served as conduits for the diversion of Medicaid funds.

45. **ONE70 GROUP, LLC,** was, at all relevant times, a related-party entity, that provided goods and/or services to Hammonton and Deptford, that were funded by Medicaid reimbursements and served as conduits for the diversion of Medicaid funds.

46. **SKILLED STAFFING, LLC** was, at all relevant times, a related-party staffing entity that provided nursing and clinical staff to Hammonton and Deptford, billed the facilities at inflated rates to avoid related-party scrutiny.

47. **CENTERS LAB NJ, LLC**, d/b/a MedLabs Diagnostics ("Centers Lab"), and **CENTERS AGENCY, LLC** were, at all relevant times, related-party entities. Centers Lab provided laboratory services and was a wholly owned subsidiary of Defendant Centers Agency, LLC. Centers Agency, LLC provided clinical and staffing-related services to Hammonton and Deptford. Centers Lab and Centers Agency, LLC received Medicaid-funded payments without required disclosure.

48. **BIS FUNDING CAPITAL, LLC** , was, at all relevant times, a related-party finance entity that provided intercompany financing and/or information technology supplies and received payments derived from Medicaid reimbursements, functioning as part of the enterprise to distribute Medicaid funds to owners and insiders.

49. **JOHN DOEs** – At present the identities of Defendants, JOHN DOES 1-100 is/are unknown to plaintiff. As such, "JOHN DOE" is a fictitious designation, representing one or more individuals, sole proprietorships, associations, management companies, limited partnerships, general partnerships, limited liability companies and/or corporations, who committed and/or are otherwise liable, in whole or in part, whether by direct action, agency and/or apparent authority, for the negligent acts and/or omissions identified in this Complaint, and/or who provided negligent services and/or deviated from the accepted standard of care (if applicable) with respect to Plaintiff, causing and/or contributing to the damages, harms, losses and/or injuries set forth in this complaint.

JURISDICTION

50. This Court has subject matter jurisdiction over this action pursuant to N.J.S.A. 30:4D-7(h), N.J.S.A. 52:15C-23 et seq., and N.J.S.A. 30:4D-53 to -64 because this action arises from contractual breaches, false statements, false claims, and other unlawful conduct in connection with New Jersey's Medicaid program.

51. This Court has personal jurisdiction over all Defendants because Defendants knowingly transacted business with the State of New Jersey, availed themselves of the New Jersey Medicaid program by signing a provider contract and accepting Medicaid payments for services, submitted cost reports, certifications, and claims to

New Jersey state agencies, and/or received Medicaid funds administered and disbursed by the State of New Jersey.

52. The individual Defendants are subject to jurisdiction because they entered into a contract with the State, owned, controlled, directed, authorized, participated in, or knowingly benefitted from the submission of false cost reports, false certifications made to New Jersey agencies, and/or because they derived substantial revenue from conduct occurring within this State.

53. The entity Defendants are subject to jurisdiction because they owned, operated, managed, financed, staffed, entered into real estate transactions with, or provided services for New Jersey Medicaid providers, entered contracts governed by New Jersey law, and received payments traceable to New Jersey Medicaid reimbursements.

54. Defendants acted in concert and as part of a single integrated enterprise, and each Defendant is subject to jurisdiction based on:

(a) civil conspiracy, where overt acts in furtherance of the scheme—including the submission of false cost reports—were committed in New Jersey;

(b) agency and apparent authority, where false submissions were made by agents acting on behalf of owners and affiliated entities; and

(c) enterprise, joint venture, and alter-ego principles, where affiliated entities functioned as instrumentalities to perpetrate fraud on the Medicaid program.

55. Defendants further are subject to jurisdiction under the effects doctrine, because they intentionally directed false submissions to New Jersey agencies

knowing that the resulting financial injury would be suffered by the State of New Jersey.

56. By enrolling in and participating in the New Jersey Medicaid program, Defendants agreed to abide by all relevant federal and state laws, rules and requirements and consented to jurisdiction in New Jersey for claims arising from that participation.

57. At all relevant times, Defendants acted individually and in concert, as part of a single integrated enterprise, and each Defendant is liable for the acts of the others under principles of agency, conspiracy, aiding and abetting, and unjust enrichment.

58. Defendants each remain liable for the acts and omissions of one another because they were engaged in a joint venture and enterprise to act in concert regarding the operation, management, and maintenance of the subject facility.

59. More specifically, Plaintiff alleges that the Defendants agreed to a common purpose of operating, managing, and maintaining the subject facilities and that each had equal rights to control their venture, as well as to control the operation and management of the subject facilities.

VENUE

60. Venue is proper in Mercer County pursuant to Rule 4:3-2(a)(2) because the causes of action arose in Mercer County, where the Office of the State Comptroller, the Division of Medical Assistance and Health Services, and other State agencies received, reviewed, relied upon, and paid claims based in part on Defendants' false cost reports and certifications.

61. Defendants' false statements and omissions were directed to and processed by State agencies headquartered in Trenton, and the resulting Medicaid payments were authorized and disbursed from Mercer County, causing financial injury to the State at its seat of government.

DEFINITIONS

62. **"CMS"** The Centers for Medicare & Medicaid Services, the federal agency responsible for administering the Medicare program and overseeing state Medicaid programs.

63. **"Cost Report"** The annual report that a nursing facility is required to submit to CMS and the *New Jersey Division of Medical Assistance and Health Services* ("DMAHS") as a condition of participation in the Medicaid program. Cost Reports disclose facility census, staffing costs, operating expenses, ownership information, and payments to related parties, and are relied upon by the State for oversight efforts and in determining Medicaid reimbursement.

64. **"Direct-Care Staff"** Nursing personnel and other staff who provide hands-on care to residents, including registered nurses ("RNs"), licensed practical nurses ("LPNs"), and certified nurse aides ("CNAs").

65. **"HPPD" or "Hours Per Patient Day"** A staffing metric reflecting the average number of direct-care hours provided to residents in a 24-hour period, calculated by dividing total direct-care hours by resident census.

66. **"Medicaid"** The joint federal–state medical assistance program established under Title XIX of the Social Security Act and administered in New Jersey by DMAHS.

67. **"Medicaid Provider Agreement"** The agreement pursuant to which a nursing facility participates in the New Jersey Medicaid program and certifies compliance with all applicable statutes, regulations, and program requirements in exchange for Medicaid reimbursement.

68. **"Minimum Staffing"** New Jersey's minimum staffing law, N.J.S.A. 30:13-18, requires:

a. Day shift: 1 CNA per 8 residents;
b. Evening shift: 1 direct-care staff per 10 residents;
c. Overnight shift: 1 direct-care staff per 14 residents.

69. **"Neglect"** As defined by the New Jersey Nursing Home Responsibilities and Rights of Residents Act, N.J.S.A. 30:13-1 et seq., the failure to provide goods, services, or care necessary to maintain the physical or mental health, safety, or well-being of a resident, including failure to provide adequate nursing care or staffing.

70. **"Owner" or "Ownership Interest"** Any individual or entity that directly or indirectly holds an ownership, membership, partnership, or financial interest in a nursing facility or that exercises operational or financial control over a facility, including through affiliated entities.

71. **"PBJ" or "Payroll-Based Journal"** The federally mandated staffing reporting system through which nursing facilities report paid staffing hours to CMS by staff category and day.

72. **"Related Party"** As defined by 42 C.F.R. § 413.17, any individual or organization that is associated or affiliated with, or controlled by, a nursing facility or its owners, including management companies, staffing agencies, property

companies, and other affiliated vendors. Payments to related parties are subject to disclosure and regulatory review.

73. **"RN Coverage"** The provision of registered nurse services sufficient to meet resident needs, including minimum daily RN staffing requirements imposed by state and federal law. New Jersey requires that facilities with more than 150 beds have an RN on duty "at all times" (N.J.A.C. 8:39-25.2(e)).

74. **"Resident Census"** The number of residents residing in a nursing facility on a given day, which affects staffing requirements and reimbursement calculations.

75. **"Staffing Requirements"** The staffing obligations imposed by New Jersey statutes and regulations governing nursing facilities, including minimum staffing and requirements related to the number, qualifications, and availability of nursing staff necessary to provide adequate resident care.

GENERAL ALLEGATIONS

Hammonton

76. Hammonton is a nursing home located in Atlantic County.

77. Hammonton is certified by the New Jersey Department of Health to provide 240 nursing home beds and has an average daily census of approximately 178 residents.

78. Hammonton is an enrolled provider in the New Jersey Medicaid program and approximately 88% of Hammonton's residents are Medicaid beneficiaries.

79. Defendant Daryl Hagler owns 99% of Innova Atlantic WH Operations LLC, the operating company for the Hammonton facility.

80. Kenneth Rozenberg and KFE own Atlantic Health Land Holding, the property company for the Hammonton facility.

81. Hammonton is subject to New Jersey and Federal laws and regulations.

82. In accordance with 42 C.F.R. 483.70 the "facility must be administered in a manner that enables it to use its resources effectively and efficiently to attain or maintain the highest practicable physical, mental, and psychosocial well-being of each resident."

Deptford

83. Deptford is a nursing home located in Gloucester County.

84. Deptford is certified by the New Jersey Department of Health to provide 240 nursing home beds and has an average daily census of approximately 199 residents.

85. Deptford is an enrolled provider in the New Jersey Medicaid program and approximately 84% of Deptford's residents are Medicaid beneficiaries.

86. Daryl Hagler is the majority owner of Innova Gloucester Deptford Bridge Operations LLC, the operating company for the Deptford facility.

87. Kenneth Rozenberg and KFE own Gloucester Health Land Holding, the property company for the Deptford facility.

88. Deptford is subject to New Jersey and Federal laws and regulations.

89. In accordance with 42 C.F.R. 483.70 the "facility must be administered in a manner that enables it to use its resources effectively and efficiently to attain or maintain the highest practicable physical, mental, and psychosocial well-being of each resident."

Centers for Care, LLC

90. Centers for Care, LLC ("Centers") was, at all relevant times, jointly owned by Defendants Daryl Hagler and Kenneth Rozenberg and is used to operate and control their many nursing homes and related party businesses.

91. Kenneth Rozenberg is Centers' Chief Executive Officer, and Defendant Daryl Hagler was Centers' Chief Financial Officer until at least 2022.

The Investigation

92. The Office of the State Comptroller ("OSC") investigated Hammonton and Deptford covering the period from January 1, 2019, to June 16, 2024.

93. OSC reviewed thousands of pages of facility records, including staffing logs, timecards, payroll records, CNA sign-in sheets, RN licensing records, cost reports, bank statements, property records, HUD refinance documents, vendor invoices, general ledgers, and management agreements.

94. OSC conducted sworn interviews, issued multiple subpoenas, followed up repeatedly for missing documents, and ultimately filed motions to enforce compliance.

95. OSC determined that Defendants failed to produce complete staffing records for both facilities and failed to produce adequate documentation supporting millions of dollars in payments to related-party vendors.

96. OSC found that both nursing homes continually failed to meet minimum state staffing requirements.

97. At all relevant times, defendants were enrolled providers in the New Jersey Medicaid program and were required to submit true and accurate annual cost reports to both CMS and the State of New Jersey.

98. Defendants knowingly filed cost reports containing false statements and omissions of material fact, including concealment of related-party transactions and failure to disclose ownership and control interests.

99. OSC's investigation revealed that Defendants submitted multiple years of false federal and state cost reports that omitted or misrepresented payments to various related entities described herein.

100. The investigation also revealed that Defendants certified compliance with staffing requirements while operating below statutory staffing minimums and RN coverage requirements.

101. As a result of these false submissions, defendants obtained and retained Medicaid payments to which they were not entitled.

102. A Notice of Overpayment was sent to Defendants on or about September 9, 2025.

103. Despite notice from OSC, defendants failed to return the identified overpayments and continued to conceal their related-party relationships.

Chronic Understaffing

104. Hammonton routinely operated in violation of law with grossly inadequate staffing levels, including persistent shortages of direct-care staff and the frequent absence of a registered nurse.

105. During the relevant period, Hammonton's daily census averaged 178 residents, requiring, on average, a minimum of at least 53 direct-care staff daily.

106. During the relevant period, Hammonton averaged a shortage of nearly 28 direct care staff per day; less than 1/2 the required minimum daily staff needed to comply with New Jersey's minimum staffing law.

107. Despite its failure to comply with statutorily mandated staffing levels, Hammonton submitted claims and certifications to the State representing that it complied with all Medicaid requirements.

108. Deptford routinely operated with grossly inadequate staffing levels, including persistent shortages of direct-care staff and the frequent absence of a registered nurse.

109. During the relevant period, Deptford's daily census averaged 199 residents, requiring at least 59 direct-care staff daily.

110. During the relevant period, Deptford averaged a shortage of nearly 32 direct care staff per day; less than 1/2 of the required minimum daily staff needed to comply with New Jersey's minimum staffing law.

111. Despite its failure to comply with statutorily mandated staffing levels, Deptford submitted claims and certifications to the State representing that it complied with all Medicaid requirements.

112. Due to the number of licensed beds at both facilities, continuous RN coverage is a mandatory condition of licensure and Medicaid participation.

113. During the relevant period, Hammonton failed to have an RN available for resident care 56% of the sample days reviewed.

114. During the relevant period, Deptford failed to have an RN available for resident care approximately 81% of the sample days reviewed.

115. These staffing failures alone jeopardized resident health and rendered Medicaid payments improper.

116. The facilities forced Licensed Practical Nurses to practice outside the scope of their licenses.

117. Both facilities consistently received poor quality ratings (1-2 stars on a 5-star scale) from CMS.

118. Both facilities were designated as a 'Special Focus Facility' (a nursing home identified by CMS as having a history of persistent and serious problems requiring increased federal oversight) multiple times.

Surveys & Other Investigations Show Systemic Care Failures

119. NJDOH surveys revealed widespread care deficiencies at both facilities. Findings included:

a. Residents missing essential medications for nine days, including insulin;
b. Sexual assaults due to lack of supervision;
c. Residents found sitting in feces for extended periods;
d. Unaddressed medical emergencies due to lack of available staff.

120. In one instance, a resident at Deptford died after being given a sandwich and cookie despite being limited to a pureed diet for medical reasons.

121. At Hammonton, a resident was left sitting in their own excrement for over 24 hours, and another resident's insulin administration was consistently delayed for as many as three hours.

122. OSC also interviewed a long-term volunteer who provided photographs and contemporaneous observations. The volunteer reported:

a. Residents left hungry and dehydrated;
b. Severed call-bell cords, leaving residents unable to obtain help;
c. Rooms saturated with feces and urine;
d. Flies on resident food trays;
e. Dirty diapers left on floors;
f. Untreated wounds and overgrown toenails.

123. Defendants failed to provide the quality or volume of services that the New Jersey Medicaid Program required and for which they were paid Medicaid funds.

The Enterprise of Related Parties

124. Defendants created a complex network of related party companies to which they diverted Medicaid funds, including property companies, management companies, and staffing agencies.

125. These related parties included the following Defendants:

a. Centers for Care, LLC;
b. Atlantic Health Land Holding Co., LLC;
c. Gloucester Health Land Holding Co., LLC;
d. CFSC Downstate LLC;
e. CFSC Maintenance LLC;
f. Skilled Staffing LLC;
g. Centers Agency LLC;
h. Centers Lab NJ LLC;
i. Centers Business Office LLC; and
j. BIS Funding Capital LLC.

126. Defendants disguised the distribution of Medicaid funds as "rent" and "additional rent" payments, based on inflated mortgages for sums greater than the properties were worth, diverting financial resources to themselves and other beneficial owners.

127. Defendants "rent" and "additional rent" were misclassified to disguise operational payments as property costs.

128. Defendants submitted state and federal cost reports containing material misrepresentations, including:

a. Nondisclosure of related-party vendors;
b. Inflated real estate charges to divert payments to related entities;
c. Failure to report millions in related party payments;
d. Failure to adjust costs to allowable Medicaid amounts.

129. Defendant Daryl Hagler signed and certified these false cost reports as accurate.

130. Defendants paid related parties for goods/services without adequate documentation as required by N.J.S.A. 30:4D-12 and N.J.A.C. 10:49-9.8.

131. On June 17, 2024, a court-appointed Receiver took control of both facilities' operations and finances.

COUNT #1 Breach of Medicaid Provider Participation Contract

(as to the Operating Defendants, Daryl Hagler (as signatory) and Centers)

132. Plaintiff repeats and realleges all preceding paragraphs of this Complaint as if fully set forth herein.

133. Plaintiff is authorized pursuant to N.J.S.A. 30:4D-57(d), as it relates to recovering improperly expended Medicaid funds, to pursue civil and administrative enforcement actions against any providers, contractors, agents, recipients, individuals, or other entities that engage in fraud, abuse, or other illegal acts within the Medicaid program, including actions for civil recovery and seizure of property or

other assets connected with such payments, and to initiate civil suits and maintain actions for civil recovery on behalf of the State.

134. At all relevant times, Hammonton and Deptford (the "Operating Defendants"), entered into and maintained valid and enforceable contracts with the State of New Jersey for participation in the Medicaid program.

135. The contractual relationship between the State and the Operating Defendants is memorialized in, among other documents, in the Provider Enrollment and Termination System ("PETS") application and related participation agreements, which constitute binding contracts governing Medicaid participation.

136. The Medicaid participation contracts required the Operating Defendants, as express conditions of payment, to comply with all applicable federal and state statutes, regulations, and program requirements, including but not limited to laws governing staffing levels, resident care and safety, cost reporting, and truthful certifications.

137. Defendant Daryl Hagler executed and certified the PETS application and related participation documents on behalf of the Operating Defendants and acted as a principal and authorized agent with responsibility for financial reporting, compliance, and Medicaid participation.

138. In addition, the Operating Defendants entered into management and consulting agreements with Centers, pursuant to which Centers assumed responsibility for providing administrative, operational, financial, and compliance-related consulting and advisory services, including oversight of regulatory compliance and Medicaid participation requirements.

139. At all relevant times, Centers acted as an agent of the Operating Defendants and exercised substantial control over operational and compliance functions material to the Medicaid contracts, including staffing practices, cost reporting, and regulatory compliance.

Breach

140. The Operating Defendants materially breached their Medicaid participation contracts by failing to comply with applicable federal and state laws and regulations, including but not limited to:

a. Failing to meet minimum staffing requirements, including maintaining adequate levels of direct-care staff and registered nurse coverage, as required by state and federal law;

b. Violating residents' rights and resident-care requirements, including operating the Facilities under conditions constituting neglect and depriving residents of adequate care and supervision;

c. Submitting false, misleading, and inaccurate cost reports and certifications, including the failure to disclose related-party transactions and the misrepresentation of staffing, real estate, and operating costs.

141. These breaches were systemic and ongoing, not isolated or technical violations, and reflected Defendants' knowing decision to operate the facilities in a manner inconsistent with the contractual conditions of Medicaid participation.

Materiality

142. Defendants' contractual breaches were material because compliance with staffing, resident-care, documentation of services provided, and truthful reporting requirements is fundamental to state and federal oversight of the Medicaid program and was the basis of the bargain for participating in the Medicaid program. Defendants' persistent contractual breaches enabled them to continue to carry out

their scheme for years, which materially harmed residents of these facilities and prevented state and federal oversight bodies from identifying their wrongdoing and taking action.

143. Defendants' noncompliance materially undermined the purpose of the Medicaid contracts, deprived residents of the quality of care for which Medicaid funds were paid and caused the State to reimburse Defendants for services that were not lawfully or adequately provided.

Damages

144. As a direct and proximate result of Defendants' breaches of contract:

a. The State of New Jersey paid millions of dollars in Medicaid funds for nursing facility services that failed to meet contractual and legal standards;

b. Medicaid beneficiaries suffered harm through inadequate staffing, deficient care, and unsafe conditions;

c. The State was deprived of the benefit of its bargain, including assurance that Medicaid funds would be used to provide lawful, adequate, and appropriate care to residents.

145. Defendants' breaches caused the State to expend Medicaid funds that would not have been paid, or would have been paid in lesser amounts, had Defendants complied with their contractual obligations.

146. Defendants are jointly and severally liable for all damages resulting from the breaches of the Medicaid participation contracts.

WHEREFORE, Plaintiff seeks judgment against Defendants for breach of contract, including:

a) Compensatory damages in an amount to be determined at trial;

b) Restitution and disgorgement of Medicaid funds paid because of Defendants' contractual breaches;

c) Pre- and post-judgment interest as permitted by law; and

d) Such other and further relief as the Court deems just and proper.

COUNT #2 Violations of the Medical Assistance and Health Services Act and the Medicaid Program Integrity and Protection Act

(N.J.S.A. 30:4D-1 et seq.; N.J.S.A. 30:4D-53 to -64)

(as to ALL defendants)

147. Plaintiff repeats and realleges all preceding paragraphs of this Complaint as if fully set forth herein.

148. Pursuant to N.J.S.A. 30:4D-59 and N.J.S.A. 52:15C-23, Plaintiff is authorized to perform all Medicaid audit, program integrity, fraud, and abuse prevention and recovery functions performed by, among other agencies, the Department of Health and the Division of Medical Assistance and Health Services in the Department of Human Services.

149. Plaintiff is authorized pursuant to N.J.S.A. 30:4D-57(d) and N.J.S.A. 52:15C-23, as it relates to recovering improperly expended Medicaid funds, to pursue civil and administrative enforcement actions against any providers, contractors, agents, recipients, individuals, or other entities that engage in fraud, abuse, or other illegal acts within the Medicaid program, including actions for civil recovery and seizure of property or other assets connected with such payments, and to initiate civil suits and maintain actions for civil recovery on behalf of the State.

150. At all relevant times, the Defendants were enrolled providers in the New Jersey Medicaid program and/or received Medicaid reimbursement for nursing facility services.

151. As Medicaid providers or the recipients of Medicaid reimbursement, the Defendants were required to comply with all applicable federal and state statutes, regulations, and program requirements governing Medicaid participation, including requirements relating to staffing, resident care, truthful reporting, disclosure of related-party transactions, and the submission of accurate claims and cost reports.

152. The Operating Defendants were further required to certify, as a condition of payment, that all claims, cost reports, and related submissions to the State were true, accurate, complete, and in compliance with applicable law.

Unlawful Conduct

153. As set forth in detail in the State's overpayment determinations and investigative findings, Defendants knowingly submitted, caused to be submitted, or retained payment for Medicaid claims and cost reports that were false, misleading, or otherwise noncompliant with program requirements.

154. Defendants' violations of the Medicaid program included, but were not limited to:

a. Submitting claims and certifications while operating the Facilities in violation of staffing and resident-care requirements, rendering such claims false and improper;

b. Failing to disclose and properly report related-party transactions, including payments to entities owned or controlled by Defendants, in violation of Medicaid reporting rules;

c. Submitting inaccurate or misleading cost reports, including misstatements and omissions material to the calculation of Medicaid reimbursement;

d. Retaining Medicaid payments to which Defendants were not entitled, after learning, or having reason to know, that such payments were improper.

e. Excessive profit-taking and/or receiving payments for unsupported services.

155. Defendants' conduct violated N.J.S.A. 30:4D-17, which prohibits the submission of false or misleading information to obtain or retain Medicaid funds and authorize recovery of overpayments and the imposition of penalties.

Knowledge and Responsibility

156. Defendants acted knowingly, as that term is used in the Medicaid Program Integrity and Protection Act, in that they had actual knowledge of, deliberately ignored, or recklessly disregarded their noncompliance with Medicaid requirements.

157. Defendants who did not directly submit Medicaid claims are nevertheless liable because they owned, controlled, managed, directed, authorized, aided and abetted, or knowingly benefitted from the submission and retention of improper Medicaid payments.

158. Defendants acted individually and in concert, through common ownership, shared control, and interrelated entities, as part of a coordinated scheme affecting Medicaid reimbursement for the Facilities.

Harm to the State

159. As a direct and proximate result of Defendants' violations of the Medicaid Program Act, the State of New Jersey paid Medicaid funds for services that were not lawfully provided, not adequately provided, or not properly reported, resulting in financial harm to the Medicaid program.

160. Defendants' unlawful conduct undermined the integrity of the Medicaid program and deprived the State and Medicaid beneficiaries of the protections afforded by law.

WHEREFORE, Plaintiff seeks all relief authorized by the Medical Assistance and Health Services Act and the Medicaid Program Integrity and Protection Act and other applicable law, including but not limited to:

a) Recovery of Medicaid overpayments resulting from Defendants' unlawful conduct.
b) Civil penalties and interest as authorized by statute;
c) Restitution and disgorgement of improperly retained Medicaid funds;
d) Injunctive and equitable relief to prevent future violations; and
e) Such other and further relief as the Court deems just and proper.

COUNT #3 UNJUST ENRICHMENT

(as to *Defendants Kenneth Rozenberg and KFE*)

161. Defendant Kenneth Rozenberg and KFE received substantial financial benefits derived from payments made by the nursing home operating companies for the Hammonton facility and the Deptford facility.

162. The funds used to make those payments were primarily derived from Medicaid reimbursements paid by the State of New Jersey to Hammonton and Deptford for the purpose of providing lawful, adequate, and appropriate care to residents.

163. Rozenberg and KFE received these benefits through ownership and control of related-party property entities and through lease arrangements under

which the nursing homes paid base rent and so-called "additional rent" to the property companies.

Receipt of Benefit at the State's Expense

164. As reflected in bank records and financial analyses, Medicaid funds flowed from Hammonton and Deptford to related-party property entities and were thereafter distributed to Rozenberg and KFE.

165. These distributions constituted a direct personal benefit to Rozenberg and KFE and were obtained at the expense of the New Jersey Medicaid program and Medicaid beneficiaries, whose funds were intended to support resident care and facility operations.

Inequitable Means

166. The benefits received by Rozenberg and KFE were obtained through fraudulent, misleading, or otherwise inequitable means, including but not limited to:

a. Structuring lease agreements to characterize profit distributions as "rent," including "additional rent," despite contractual and regulatory requirements that Medicaid funds be used to maintain a safe, clean, and home-like environment for residents;

b. Using "additional rent" provisions that were purportedly intended to cover facility-related expenses such as maintenance, taxes, insurance, and reserves, but were instead used to extract profits for owners and affiliates;

c. Bundling the acquisition of nursing home operations with the acquisition of real property and related financing, and then reporting the resulting rent and mortgage-related costs as allowable facility expenses, despite the absence of arm's-length transactions;

d. Valuing the acquisition of nursing home operations, property, and related financing based on inflated profit projections that deprived needed care funds from New Jersey nursing home residents;

e. Concealing the true nature of these related-party arrangements and financial transfers through misleading cost reporting and certifications submitted to the State.

167. The Medicaid program paid funds to Hammonton and Deptford based on the expectation and contractual requirement that such funds would be used to provide lawful and adequate care to residents and to support legitimate facility expenses—not to generate undisclosed profits for owners and affiliated entities.

Equity and Good Conscience

168. Rozenberg and KFE retained the benefits described herein while the nursing home facilities were chronically understaffed, residents were subjected to deficient conditions of care, and emergency services were repeatedly required, as documented by surveys, inspections, incident reports, and other records.

169. Allowing Rozenberg and KFE to retain the benefits obtained from Medicaid-funded payments under these circumstances would be unjust, inequitable, and contrary to good conscience, particularly where those funds could and should have been used to provide care to vulnerable residents or to support the Medicaid program.

170. Rozenberg and KFE were aware, or reasonably should have been aware, that the funds they received were derived from Medicaid reimbursements and were obtained through arrangements that undermined the purposes and requirements of the Medicaid program.

Entitlement to Relief

171. Under principles of equity and New Jersey law, Rozenberg and KFE are required to disgorge and make restitution of all benefits unjustly received as a result of the conduct alleged herein.

WHEREFORE, Plaintiff demands judgment against Defendants Kenneth Rozenberg and KFE for:

a) Restitution and disgorgement of all benefits unjustly received;
b) Imposition of a constructive trust over funds or assets traceable to the unjust enrichment;
c) Pre- and post-judgment interest as permitted by law; and
d) Such other and further equitable relief as the Court deems just and proper.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff, the State of New Jersey, Office of the State Comptroller, by and through the Attorney General of New Jersey, respectfully requests that this Court enter judgment in its favor and against Defendants, and grant the following relief:

1) Restitution of Medicaid overpayments from all Defendants;
2) Civil penalties for each false statement or representation made in connection with Medicaid claims, and for each day of staffing violations;
3) Treble damages for all false claims submitted;
4) Civil penalties allowable by law for each false claim;
5) Reasonable attorneys' fees and costs;
6) Pre- and post-judgment interest and statutory interest under N.J.S.A. 30:4D-7(h);

7) Any injunctive relief available under New Jersey law; and

8) Such other relief as the Court deems just and proper.

By: */s/Michael A. Brusca*
MICHAEL A. BRUSCA
DAVIS & BRUSCA, LLC
Attorney for Plaintiff

Dated: 1/19/2026

JURY DEMAND

Plaintiff hereby demands a trial by jury as to all issues.

CERTIFICATION

Pursuant to the provisions of Rule 4:5-1, the undersigned attorneys certify that this matter is not the subject of any other action pending in any court or arbitration proceeding, nor is any other action or arbitration proceeding contemplated, and all known necessary parties have been joined in this action.

Further, by signing below, counsel hereby certifies that all confidential identifiers have been removed from this pleading and will be removed prior to filing any future pleading in the public record associated with this action.

DESIGNATION OF TRIAL COUNSEL

Pursuant to the provisions of Rule 4:25-4 the Court is advised that Michael A. Brusca, Esq. is hereby designated as trial counsel.

By: */s/Michael A. Brusca*
MICHAEL A. BRUSCA
DAVIS & BRUSCA, LLC
Attorney for Plaintiff

Dated: 1/19/2026

Civil Case Information Statement

Case Details: MERCER | Civil Part Docket# L-000158-26

Case Caption: STATE OF NEW JERSEY, OFFICE O VS INNOVA ATLANTI
Case Initiation Date: 01/19/2026
Attorney Name: MICHAEL ANTHONY BRUSCA
Firm Name: DAVIS & BRUSCA, LLC
Address: PRINCETON SOUTH CORPORATE CTR 100 CHARLES EWING BLVD., STE #250
EWING NJ 08628
Phone: 6097862540
Name of Party: PLAINTIFF : State of New Jersey, Office of
Name of Defendant's Primary Insurance Company (if known): Unknown

Case Type: COMPLEX COMMERCIAL
Document Type: Complaint with Jury Demand
Jury Demand: YES - 6 JURORS
Is this a professional malpractice case? NO
Related cases pending: NO
If yes, list docket numbers:
Do you anticipate adding any parties (arising out of same transaction or occurrence)? NO
Does this case involve claims related to COVID-19? NO

Are sexual abuse claims alleged by: State of New Jersey, Office of? NO

THE INFORMATION PROVIDED ON THIS FORM CANNOT BE INTRODUCED INTO EVIDENCE

CASE CHARACTERISTICS FOR PURPOSES OF DETERMINING IF CASE IS APPROPRIATE FOR MEDIATION

Do parties have a current, past, or recurrent relationship? NO

If yes, is that relationship:

Does the statute governing this case provide for payment of fees by the losing party? NO

Use this space to alert the court to any special case characteristics that may warrant individual management or accelerated disposition:

Do you or your client need any disability accommodations? NO
If yes, please identify the requested accommodation:

Will an interpreter be needed? NO
If yes, for what language:

Please check off each applicable category: Putative Class Action? NO **Title 59?** NO **Consumer Fraud?** NO **Medical Debt Claim?** NO

I certify that confidential personal identifiers have been redacted from documents now submitted to the court, and will be redacted from all documents submitted in the future in accordance with *Rule* 1:38-7(b)

01/19/2026
Dated

/s/ MICHAEL ANTHONY BRUSCA
Signed