



# State of New Jersey

**PHILIP D. MURPHY**  
*Governor*

**TAHESHA L. WAY**  
*Lt. Governor*

OFFICE OF THE STATE COMPTROLLER  
MEDICAID FRAUD DIVISION  
P.O. BOX 025  
TRENTON, NJ 08625-0025  
(609) 826-4700

**KEVIN D. WALSH**  
*Acting State Comptroller*

**JOSH LICHTBLAU**  
*Director*

November 10, 2025

**BY U.S. MAIL AND ELECTRONIC MAIL**

Bridgeton SNF LLC  
BUAH Trust  
Bridgeton SNF Holdco LLC  
Moss Ellenbogen  
Shlomo Fogel  
Eliezer Scheiner  
Gold NJ Trust

Tvzi Lichtschein  
Silver NJ Trust  
Eliyahu Kohn  
Copper NJ Trust  
Michael Meisner  
AYSAN Trust  
Robert Meisner

BH Ocean LLC  
Ari Silberstein  
Silberstein ARK Family Trust  
Zalmen Oberlander  
BSD Overland Trust

In care of:

Aaron Lichtman, Esq.

[Redacted]

Jonathan Leb  
Atlantic Business Solutions  
265 E. Merrick Road  
Valley Stream, NY 11580

[Redacted]

Shloka Joshi, Esq.  
Archer & Greiner P.C.  
1717 Arch St., Ste 3500  
Philadelphia, PA 19103

[Redacted]

Tara Rosenbaum, Esq.  
Rosenbaum & Associates, P.C.  
4 Canaan Circle  
South Salem, NY 10590

[Redacted]

Moss M. Ellenbogen

[Redacted]

Zalmen Oberlander

[Redacted]

**Re: Medicaid Fraud Division Review of Medicaid Provider Application**

Dear Applicants:

The Office of the State Comptroller, Medicaid Fraud Division (MFD) has completed its review of the Medicaid provider application submitted by Shlomo Fogel (Fogel), Licensed Nursing Home Administrator, in connection with the transfer of ownership of South Jersey Extended Care (SJEC), a nursing facility located at 99 Manheim Avenue, Bridgeton, New Jersey. Fogel submitted the

application on behalf of Bridgeton SNF, LLC (Bridgeton SNF), which intends to purchase SJEC and thereafter participate in the New Jersey Medicaid program. For the reasons that follow, MFD hereby denies the Medicaid provider application submitted on behalf of Bridgeton SNF pursuant to N.J.A.C. 10:49-3.2(f) and N.J.A.C. 10:49-11.1(d)(20), (22), and (23). This denial applies to the following individuals and entities (collectively, the Applicants):

Bridgeton SNF LLC	Tvzi Lichtschein	BH Ocean LLC
BUAH Trust	Silver NJ Trust	Ari Silberstein
Bridgeton SNF Holdco LLC	Eliyahu Kohn	Silberstein ARK Family Trust
Moss Ellenbogen	Copper NJ Trust	Zalmen Oberlander
Shlomo Fogel	Michael Meisner	BSD Overland Trust
Eliezer Scheiner	AYSAN Trust	
Gold NJ Trust	Robert Meisner	

In accordance with the Medicaid Program Integrity and Protection Act, N.J.S.A. 30:4D-53 to -64, MFD screens applications to the Medicaid program that have been designated with a categorical risk level of “high.” The NJ Medicaid program has designated nursing homes as “high” risk providers, requiring a stricter standard of review, pursuant to 42 C.F.R. 455.450 and 42 C.F.R. 424.518. Through its review, MFD assesses whether Medicaid applicants, themselves or through their affiliations, should be permitted to participate in the Medicaid program or denied because they pose an undue risk of fraud, waste, or abuse, in accordance with N.J.A.C. 10:49-11.1(d). MFD must review information required to be collected by the high-risk provider regulations and may employ “other screening methods in addition to or more stringent than those required by” the regulations. 42 C.F.R. 455.452.

MFD may deny or terminate a provider’s enrollment in Medicaid if a provider does not submit timely or accurate information on its application. 42 C.F.R. 455.416(d); N.J.A.C. 10:49-11.1(d). Federal regulations related to enrollment require disclosure of information relevant to the Medicaid program, which includes ownership, control, and certain criminal convictions of individuals associated with the entity, regardless of where these events occurred. See 42 CFR 455.104 and 42 C.F.R. 455.106. The regulations further state that federal financial participation is not available for an entity that fails to disclose required ownership or control information. 42 C.F.R. 455.104(f). These disclosures are also addressed in the Disclosure Form that is a part of the Medicaid Provider Application, and in accordance with N.J.A.C. 10:49-3.2(b), New Jersey Medicaid provider applicants must certify that the information they provide is true, accurate, and complete. See FD-452 DMAHS Disclosure Form (05/2023), page 11. As part of the application, applicants consent to MFD verifying the accuracy of all information and documentation submitted in connection with their applications. Id. at 12.

## **I. Background: SJEC Investigative Report and Proposed New Ownership Group**

SJEC is currently owned by Mordechay Weisz, but until recently, was managed and controlled by Michael Konig (Konig) and Steven Krausman (Krausman), brothers-in-law. In December 2024,

MFD issued a report finding that Konig and Krausman inflated costs to related parties, funneled taxpayer-funded Medicaid money into their businesses, and profited from their self-dealing, all while providing minimal services and poor quality care to SJEC's residents.<sup>1</sup> During the five-year period MFD reviewed, SJEC received \$35.6 million in Medicaid funds but spent \$38.9 million on contracts tied to Krausman and Konig. MFD found that Konig and Krausman diverted critical resources intended for resident care to their personal and corporate interests, leaving SJEC on the brink of insolvency by the end of 2022. MFD also found that Konig and Krausman operated nine other nursing facilities in New Jersey, with indications that they employed similar tactics to funnel funds to their related-party entities in those facilities.

In connection with MFD's report, MFD suspended Konig, Krausman, and their related businesses from the Medicaid program, effective February 10, 2025. MFD also issued notices of suspension to Weisz and SJEC itself. Fogel, who was formerly an employee of one of Konig and Krausman's nursing home businesses, has been operating SJEC since November 1, 2023, pursuant to an Administrative Services Agreement. On March 18, 2025, in connection with the Transfer of Ownership (TOO) submitted to the New Jersey Department of Health (DOH), Fogel submitted a Medicaid provider application. On April 11, 2025, a court-ordered receiver was appointed at SJEC to assume the role of administrator or manager of the facility and to take control of the day-to-day operations of the facility. In May 2024, the Applicants submitted a TOO application to DOH.

#### **A. Proposed New Ownership of SJEC**

With this application, Fogel and the prospective owners seek to expand their presence in NJ Medicaid.<sup>2</sup>

According to the documents submitted, Bridgeton SNF is owned by Bridgeton HoldCo. Bridgeton HoldCo is owned by Fogel, the managing member, with a 30 percent share, and three trusts—the Gold Trust (25 percent), Silver Trust (25 percent), and Copper Trust (7 percent). Three additional trusts and a limited liability company (LLC) collectively hold the remaining 13 percent. They are Silberstein ARK Family Trust, through ownership of BH Ocean LLC, BSD Overland Trust, and BUAH Trust.<sup>3</sup> Moss Ellenbogen (Ellenbogen) is the sole Trustee for the Gold, Silver, and Copper trusts (collectively, the Trusts). Although not disclosed in the Medicaid provider application, the grantors of the Gold, Silver, and Copper Trusts are Eliezer Scheiner (Scheiner), Tvzi Lichtschein (Lichtschein), and Eliyahu Kohn (Kohn) respectively. The grantors of the trusts with less than five percent ownership are Silberstein (ARK Family Trust), Oberlander (BSD Overland Trust), and

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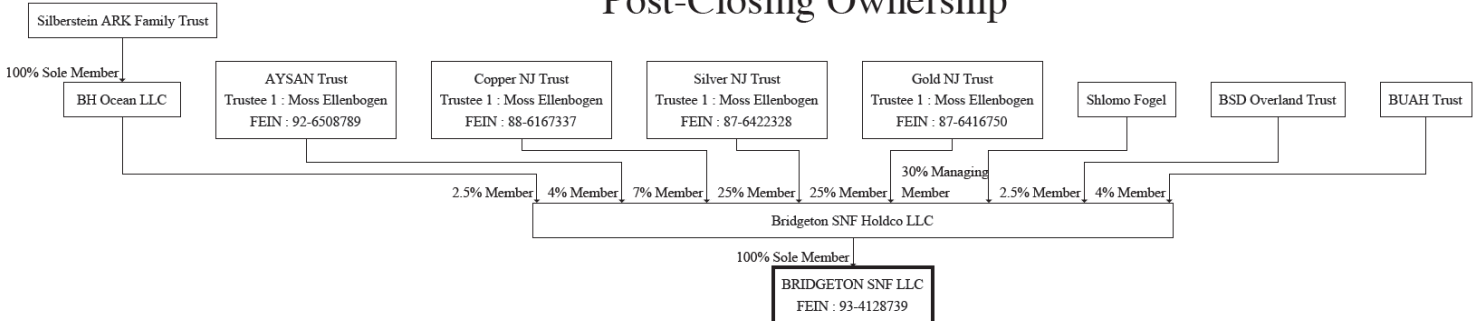
<sup>1</sup> See STATE OF N.J. OFFICE OF THE STATE COMPTROLLER, AN INVESTIGATION OF FRAUD, WASTE, AND ABUSE IN NEW JERSEY'S LOWEST-RATED NURSING HOME (Dec. 2024), <https://www.nj.gov/comptroller/reports/2024/20241212.shtml>.

<sup>2</sup> The proposed transfer of ownership contemplates Fogel and the other owners purchasing the operating company only, not the property company. It is MFD's understanding that SJEC's property company is owned by third parties who are not subject to this application.

<sup>3</sup> Ari Silberstein is the Trustee of the Silberstein ARK Family Trust, Oberlander is the Trustee of BSD Overland Trust, and Ellenbogen is the Trustee of BUAH Trust.

Robert Meisner (BUAH Trust). The Medicaid application submitted by Fogel on behalf of the Applicants included the post-closing ownership chart below.

### Post-Closing Ownership

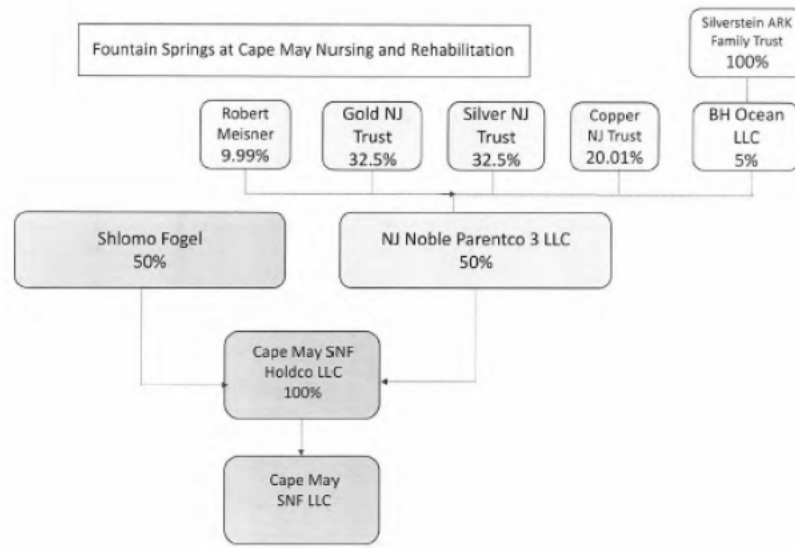


### B. Ownership of Fountain Springs Operating Company and Property Company

As part of this review, MFD also reviewed certain aspects of the transfer of ownership of Oceana (now Fountain Springs), another New Jersey nursing home previously owned by Weisz and operated by Konig and Krausman. Oceana and the associated property company were bought by many of the same entities and individuals that own Bridgeton HoldCo. Fogel and the Trusts collectively own over 90 percent of the holding company that owns Fountain Springs (Cape May SNF HoldCo LLC, or Fountain Springs OpCo). And Fogel, Kohn, and the Lichtschein and Scheiner families also directly or indirectly own the Fountain Springs property holding company (502 N. Route 9 LLC or Fountain Springs PropCo).

Consistent with the current transfer, Lichtschein, Scheiner, and Kohn are the grantors of the Trusts, and Ellenbogen is the Trustee. The post-closing ownership structure of the operating company disclosed on the Department of Health TOO application is shown below<sup>4</sup>.

<sup>4</sup> This chart reflects the ownership percentages of all owners, including those with five percent or more ownership, that were disclosed on the Medicaid provider application.



### C. Ownership and Control of the Trusts

The Trusts are structured as irrevocable trusts formed by the grantors (Lichtschein, Scheiner, and Kohn) for the benefit of their descendants. The Trusts limit the liability of both the grantors and the trustee. The grantors have the power to appoint and remove trustees at will. The grantor or others can contribute additional assets to the Trusts and influence how those assets are allocated within the trust. The grantors can reacquire assets contributed to the trust as long as they are replaced with assets of equivalent value. The trust can also lend trust assets to the grantor if there is adequate interest charged—but there need not be adequate security interest to back the loan. While the trustee(s) are given significant authority and powers through the trust agreement, it appears that the grantors nevertheless retain significant control over the Trusts. As such, for purposes of determining who can exert control within the purchasing group, the grantors should be considered in the same manner as the trustees.

Mortgage and financial documents MFD obtained in connection with the Fountain Springs transaction and mortgage further indicate that the Trusts were not the true owners in that transaction, and that Scheiner, Lichtschein, and Fogel were exercising significant control over the transfer. Financial documents from the lender state:

Based in Brooklyn, NY, Mr. Lichtschein and Mr. Scheiner, the principals of TL Management, who have been partners for the last 15 years, function as investors, owners, and operators of SNF facilities. Though their myriad of ownership interests is not consolidated, each of them individually and together directly hold equity interests in approximately 118 SNF properties with more than 12,500 beds located across 5 states. The majority of their properties

are equally owned by the subject two principals with ownership interests held through various and multiple SPE's. While the majority of their senior housing assets are held jointly, Mr. Lichtschein and Mr. Scheiner have historically included other owner/operator groups as appropriate and with whom they have maintained a prior or long standing and / or proven relationship.

In connection with the Fountain Springs transaction, the documents note, "The Buyer is TL Management, owner of the Borrowing entities. Steven Fogel will also have an ownership interest and will operate the facility as the Administrator." They later state "Note that Mr. Lichtschein and Mr. Scheiner are the principals of TL Management. They are partnering with Mr. Fogel in this transaction." This indicates that despite what was listed on the ownership chart above, and despite holding out Ellenbogen as in control of the Trusts, Scheiner, Lichtschein, and Fogel are in control.

Given Lichtschein and Scheiner's past practice of owning nursing homes "through various and multiple [special purpose entities]," it appears this practice is being continued in the current Bridgeton transaction, and that even though their names have not been disclosed in connection with these transactions, they would have significant ownership or control of the facility. This is consistent with Fogel's sworn testimony, in which he testified that he does not know Ellenbogen, the Trustee of the trusts, and does not talk with him.

#### **D. Ownership of Other Nursing Homes**

As noted above, Lichtschein, Scheiner, Kohn, and the Trusts hold ownership, management, and/or controlling interests in many other nursing homes and nursing home properties throughout the United States. At the time of the Fountain Springs transaction, financial documents showed that Lichtschein and Scheiner had a portfolio of ownership interests in 118 other skilled nursing facilities spread over five states. Similarly, when MFD independently reviewed their involvement in other nursing homes in connection with this application, MFD found that, according to federal records, Lichtschein, Scheiner and Kohn had ownership or control over 43 facilities in multiple states that were not disclosed. The Trusts and other owners of Bridgeton (including AYSAN Trust, BUAH Trust, BSD Overland Irrevocable Trust, Ellenbogen, Ari Silberstein, Michael Meisner, Robert Meisner, and Zelman Oberlander) have interests in an additional 50 nursing homes.

## **II. Investigative Findings**

MFD conducted this review to determine whether the Applicants are sufficiently responsible to be admitted into the New Jersey Medicaid program pursuant to the criteria set forth in N.J.A.C. 10:49-11.1(d). MFD considered the following factors and findings in its determination to deny this application pursuant to N.J.A.C. 10:49-11.1(d)(20), (22), and (23):

- a lack of transparency regarding the terms of the transfer;
- continued financial ties to suspended individuals;

- repeated failures to disclose material information to state and federal regulatory and oversight bodies as well as repeated misstatements and misrepresentations regarding the composition and track record of individuals in the purchasing group;
- a track record of poor quality care in a significant percentage of facilities owned by the buyer group; and
- improper, inflated “rental” payments to an undisclosed related party in another NJ facility owned by the buyer group.

Collectively, MFD finds these factors weigh against permitting the Applicants to expand their presence in the NJ Medicaid program, because, among other reasons, they lack the requisite responsibility, accountability, and candor.

**A. Lack of Candor Regarding Ownership Group and Terms of Transfer; Lack of Transparency Regarding the Terms of the Transfer; Continued Financial Ties to Suspended Individuals**

MFD conducted interviews with Fogel, the “managing member” of Bridgeton, in an attempt to understand his role and the terms of this proposed transaction, as well as his role and the terms of the transfer of Fountain Springs. Despite having access to documents and multiple opportunities during and after interviews to provide information, Fogel, put forward as the central figure in the ownership group for each facility, denied knowledge, understanding, or recollection of basic elements of these transfers. In his testimony, Fogel disclaimed virtually any knowledge of the corporate or legal structure or formalities, explaining to MFD that he has accountants, lawyers, and professionals for that purpose. Despite this lack of information, he signed and submitted multiple documents to state and federal regulators certifying the truthfulness and accuracy of the information he submitted.

For example, despite signing the application showing that he was the managing member and owner of 30 percent of Bridgeton HoldCo, he claimed he did not recall submitting the application. He did not know if he was a managing member, he was unsure if he knew what a managing member was, and he did not know if he was an owner of the entity. Fogel told MFD he did not know the purchase price for the facility that is the subject of this application, he did not know even a ballpark of the price, and he did not know who among the buyer group would know the price. He did not know whether there would be a bill of sale for the transaction. He could not explain what distributions or compensation he, or the other owners, would be paid as owners of the nursing home.

Though Fogel is a licensed Nursing Home Administrator, 30 percent owner, and is currently assisting in managing the facility, Fogel testified he did not know who the other owners of Bridgeton were. He only knew that certain individuals were involved or may have been involved with the buyer group, including Lichtschein, Scheiner, Kohn, and others. Fogel similarly denied knowing or understanding key information about the ownership and purchase of Oceana/Fountain Springs.

### Financial Ties to Suspended Individuals

While he did not know what the purchase price of the facility was or who the owners would be post-closing, Fogel testified that in order to purchase the operating company from Weisz, Bridgeton has been loaning funds to the facility to cover any financial shortfall there may be, thereby lessening the funds that the facility's current owner, Weisz, needs to expend on continued operations. As of March 2024, Fogel believed he had loaned or invested approximately \$60,000 of his own money for this purpose, with the remaining funds coming from the buyer group. [REDACTED]

[REDACTED] His representative estimated Bridgeton had loaned SJEC around \$2.5 million. Documents appeared to show loans of approximately \$1.8 million. He did not know whether he or the buyer group would be repaid.

Fogel's representative also explained that in order to be able to enter into a lease agreement with the current property owners or SJEC, Fogel had to purchase a "lease assignment." [REDACTED] In March 2023, SJEC transferred the rights to enter into a tenancy agreement to "Auschwitz Memorial House of Prayer," a nonprofit controlled by Konig. [REDACTED] Then, on November 1, 2023, a \$2,750,000 wire transfer was sent to Auschwitz Memorial House of Prayer on behalf of Bridgeton SNF for the purpose of obtaining the lease rights to the property. Further investigation revealed that the lease rights were previously assigned to Auschwitz Memorial House of Prayer for unknown reasons. [REDACTED] It is not clear why Konig's nonprofit was involved in any of these transactions. Fogel testified that he relied on his attorneys to deal with this transaction and did not know anything about it. He did not know how Bridgeton obtained the funds to make the payment.

MFD also learned that Fogel entered into a "seller-finance" arrangement in which Fogel signed two promissory notes providing for total payment of \$2 million, plus interest, in monthly installments through December 2026, again payable to Konig's nonprofit. [REDACTED] As a result of this arrangement, it appears that Fogel has an ongoing financial obligation to pay millions of dollars to a nonprofit organization controlled by an individual who has been suspended from the Medicaid program.

Fogel's lack of knowledge about the proposed ownership of Bridgeton HoldCo and his lack of knowledge of critical financial and other transaction details demonstrates a lack of responsibility, knowledge, transparency, and/or accountability over financial matters for the nursing home. His failure to recall almost all significant details is equally troubling. Fogel signed and certified the Medicaid provider application and yet claims to now have no recollection of doing so and no understanding of what he certified to. This, in itself, is problematic. The point of ownership disclosures is to disclose who will actually own, control, and make decisions for Bridgeton. Shielding ownership and control by using layers of trusts and LLCs designed to limit accountability and liability, to the point where even Fogel, the Managing Member, is unsure who owns or controls the facility, is improper.

In addition, MFD finds that the ongoing ambiguous financial ties and associations with suspended individuals, through the repayment of the promissory notes to Auschwitz, especially when the

overall financial arrangement, including the purchase price, has not been disclosed, presents undue risk to the facility, the residents, and the Medicaid program. These factors collectively reflect on the Applicants' lack of requisite responsibility in a serious and compelling manner.

## **B. Repeated Failures to Disclose Material Information, Misstatements, and Misrepresentations to State and Federal Regulatory and Oversight Bodies**

Throughout this review, MFD has uncovered repeated failures to disclose material information and/or misstatements or misrepresentations on the Applicants' provider applications, state and federal cost reports, and patient care ratio reports. Failure to submit accurate information to state and federal regulatory and oversight bodies violates applicable regulations and reflects a lack of sufficient responsibility and accountability.

### **1. Failure to disclose full and accurate information in Bridgeton and Fountain Springs Medicaid provider applications**

MFD found that the Applicants did not fully disclose the ownership and control of Fountain Springs or Bridgeton in their Medicaid provider applications. Instead, those applications relied on layers of special purpose entities and trusts to conceal the identities of various individuals with significant stakes in the ownership and control of the entities.

The Medicaid provider application requires "full and accurate disclosure of ownership and financial interest." But the applications submitted by the Applicants did not include all of the individuals who would have "an ownership or control interest in" Bridgeton or Fountain Springs. Individuals with an ownership or control interest include persons and entities that possess a direct or indirect interest of five percent or more of the nursing home. Federal regulations also require disclosure of "Additional Disclosable Parties" for nursing homes, which includes those that have financial, operational, or managerial control of the facility. 42 C.F.R. 455.104. Based on the facts presented here, this would include the grantors of the Trusts, specifically, Lichtschein, Scheiner, and Kohn. The application did not disclose these individuals, despite their having control over the various entities involved in the transaction. The failure to disclose this information was material because these individuals can replace Ellenbogen, the sole Trustee of the Trusts, at will, reacquire certain assets of the Trusts, and contribute and control how contributions to the Trusts are allocated. This gives them significant control over these entities. Moreover, financial documents related to Fountain Springs underscored their level of involvement in acquiring and owning nursing homes.

Lichtschein and Scheiner's actual control of Fountain Springs and proposed control of Bridgeton should have been disclosed in the Medicaid applications because their control is evident from other facts obtained through MFD's investigation. As noted above, financial documents obtained by MFD related to Fountain Springs reveal that Lichtschein and Scheiner are viewed as the actual owners of that entity by their financial institution. The documents reveal that Lichtschein and Scheiner have selectively veiled their ownership and control interests in nursing homes when it benefits them, thereby limiting liability and transparency to oversight bodies, while otherwise using their actual control of the properties to obtain financing and expand their business interests.

Fogel's role in the ownership structure and his near total ignorance of facts related to the transaction also suggest that someone other than Fogel controls the finances and operations. Fogel is responsible for the day-to-day operations of Fountain Springs and SJEC but knew surprisingly little about important issues like rent and distributions to owners, lending the impression that he was not truly in control. Fogel also testified that he does not know Moss Ellenbogen, the Trustee of AYSAN Trust, BUAH Trust, and the Trusts, which own 65 percent of Bridgeton HoldCo, and has never talked with him.

As a result of this failure to disclose those who own and control Bridgeton in the manner required by law, Applicants also failed to provide accurate and complete information in response to Question (III)(e), which requires applicants to disclose the names of other providers in which they possess an ownership or controlling interest. Specifically, the question advises applicants that the information sought is in accordance with 42 C.F.R. 455.104(b)(3), which requires applicants to disclose the name of any other entity in which an owner has an ownership or control interest. The federal regulation, 42 C.F.R. 455.104, also requires disclosure the members of the governing body, any officers, directors, members, partners, trustees, or managing employees, any other "additional disclosable party," and the organizational structure of any additional disclosable party. That information is used by oversight bodies to assess a prospective purchaser's track-record as a provider, which is used as an indicator of the applicant's suitability to be a Medicaid provider.

In response to this question for the Bridgeton application, the completed application listed nursing homes located in New Jersey owned by Fogel and the trustees of the various trusts. However, the application failed to identify the many other nursing homes in which Lichtschein, Scheiner, and Kohn, the grantors of the trusts, have an ownership or control interest outside of New Jersey. In response to the question, the Applicants responded "Please see attached," but there was no responsive attachment. MFD followed up with the Applicants through counsel on April 3, 2025. On April 9, Shloka Joshi, Esq. advised that the applicants would supplement their application by April 11, 2025. Months later, MFD still has not received anything.

## **2. Failure to disclose related parties in Fountain Springs' state and federal cost reports**

In addition to the disclosure issues in their Medicaid provider applications, MFD also found that the Applicants, in connection with Fountain Springs, repeatedly failed to disclose their related-party property company, 502 N Route 9 LLC, on state and federal cost reports, state Patient Care Ratio (PCR) reporting, and on the Medicaid provider application. In his capacity as Administrator of Fountain Springs, Fogel signed and certified a federal cost report for Fountain Springs on or about May 29, 2023 covering expenses for calendar year 2022. He signed and certified another on or about June 3, 2024, for calendar year 2023. He also submitted New Jersey state cost reports for Fountain Springs on or about November 9, 2023 and September 30, 2024, for expenses for calendar years 2022 and 2023, respectively. In all of those instances, Fogel failed to report 502 N. Route 9 LLC, despite being required to do so.

Fountain Springs' failure to disclose the Fountain Springs PropCo as a related party was not a mere technical violation of CMS requirements.<sup>5</sup> State and federal law requires nursing facilities to submit annual cost reports that include disclosure of related-party transactions (New Jersey paused collecting cost reports, for nearly a decade, but resumed in 2023). See 42 U.S.C. 1395yy, 42 C.F.R. 413, and N.J.A.C. 10:166-3.1. CMS uses cost report information when updating skilled nursing facility payment rates.<sup>6</sup> Failure to submit the information renders the cost report incomplete and unacceptable for the purposes of claiming federal reimbursement.

Just as with their state and federal cost reports, Fountain Springs submitted PCR reporting on or about May 29, 2023, that likewise failed to disclose their related party, 502 N Route 9 LLC. Here too, the failure to disclose had a significant impact, as any costs paid to related parties that exceed fair market value are disallowed and cannot be reported as direct care costs. This can lead to the recoupment or rebate of funds from providers.

During the course of its review, MFD interviewed Fogel and/or his representative on three separate occasions. MFD also afforded Fogel and his counsel the opportunity to submit documentation related to Fountain Springs and the Bridgeton transaction. Fogel's counsel/representative, Mr. Lichtman, advised MFD that he represented both Fogel and the Trusts in their purchase of Fountain Springs and SJEC. In the course of Fogel's interview, MFD asked Fogel why he failed to disclose 502 N Route 9 LLC on state and federal cost reports. In response, Fogel denied knowing who prepared the cost reports, and why or how the cost reports failed to include this material information. As an owner of a nursing home, a Licensed Nursing Home Administrator, a position he holds at Fountain Springs, and the individual who signed and certified these documents, Fogel is legally responsible for understanding the fiscal and regulatory requirements for the nursing homes in which he is involved, and reporting this information truthfully, accurately, and completely. See 42 C.F.R. 413.20(b) and N.J.A.C. 8:34-1.3.

Fogel's failure to disclose this information and his misstatements and misrepresentations violate the requirement that the submission must be "true, accurate and complete." In addition, his failure to disclose this information is a material omission because it deprived MFD of critical facts needed to assess prospective owners' suitability for further participation in the Medicaid program.

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<sup>5</sup> See Provider Reimbursement Manual – Part 2, CMS Publ. No. 15-2, chapter 41, §§ 4104.1 and 4117.

<sup>6</sup> The federal cost reports, on Schedule A-8-1 include the following language: "The Secretary, by virtue of the authority granted under section 1814(b)(1) of the Social Security Act, requires that you furnish the information requested under Part II of this worksheet. This information is used by the Centers for Medicare and Medicaid Services and its intermediaries/contractors in determining that the costs applicable to services, facilities, and supplies furnished by organizations related to you by common ownership or control represent reasonable costs as determined under section 1861 of the Social Security Act. If you do not provide all or any part of the requested information, the cost report is considered incomplete and not acceptable for purposes of claiming reimbursement under title XVIII."

### **C. The Applicants Inflated Rent Payments to Themselves by Mortgaging Both the Operating and Property Companies and Reported Unallowable Costs on the State and Federal Cost Reports**

The financial documents related to Fountain Springs also contained other serious red flags that lead MFD to question whether the Applicants will be responsible stewards for Medicaid recipients and Medicaid dollars. MFD found that Fogel, Lichtschein, and Scheiner, through an LLC, borrowed \$14.42 million to finance their purchase of the Fountain Springs OpCo and PropCo, and passed both the acquisition and property costs onto the Medicaid program through inflated “rent” payments to a related party. And they did not disclose on state and federal reports that the OpCo and PropCo were related parties, nor reveal the extent to which the “rent” payments were not direct care expenses, but were actually payments toward the portion of the loan that was used to purchase the business. The “rent” was not solely their property/building costs but included payment toward a loan that was used substantially for the purpose of paying for the Fountain Springs OpCo.

According to loan documents, property appraisals, and interviews with Fogel, the \$14.42 million loan was used to fund the acquisition of both the operating company and the property company. The prior mortgage for the property was \$3.775 million in 2019. A 2021 appraisal report valued the property at \$19.2 million but came to that valuation using various approaches that take into consideration the value of the entire nursing home business as well as the property itself.<sup>7</sup> It included an analysis of revenues (almost all of which was from Medicaid) and expenses (e.g., nursing, dietary, social activities) to determine the net operating income. The value of the business was then used to determine the loan amount.<sup>8</sup>

In connection with the acquisition and \$14.42 million loan, a new lease agreement was entered into between the Fountain Springs OpCo and PropCo, through which the base rent for the facility increased from the reported amount of \$453,000 annually to \$1.75 million annually and would increase each year by a compounding three percent. The rent amount was determined based on how much the PropCo must pay the lender. In the loan agreement, the OpCo and PropCo agreed that the rent would not be “less than debt service” on the loan. Fountain Springs thus agreed to set the rent based not on the fair market value of the property, or what would be paid in an arm’s-length transaction, as required by state and federal law, but rather based on payments due on a business loan.<sup>9</sup> As a result of these inflated payments to a related party used to fund the purchase of a nursing home’s operations and property, significantly less Medicaid revenue is available for resident care.

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<sup>7</sup> The appraisal specifically declines to use a cost approach for the appraisal—which it defined as “the sum of the land value and the cost new of the improvements, less accrued depreciation.” [REDACTED]

Collateral for the loan included the Oceana property itself, as well as all the assets of the borrowers (Fountain Springs OpCo and PropCo), a pledge of equity, and limited personal guarantees from Lichtschein, Scheiner, and Fogel.

<sup>9</sup> In 2024, a new appraisal was prepared that found Fountain Springs was worth \$31.6 million, a \$13.1 million increase in just three years. The new appraisal suggests that Fountain Springs may be on the verge of entering into a new loan with a significantly higher valuation and increased rent.

Notably, when asked in an interview whether, based on his experience, the base annual rent of \$1.75 million reflected fair market value, which it is legally required to do, Fogel simply responded, “I don't know.”

The combination of the inflated rent, a failure to disclose the nature of those payments and the relatedness of the PropCo and Fogel's failure to ensure that the nursing home complied with applicable law, or even know what the law requires, demonstrates that the Applicants' business practices present an unacceptably high risk for fraud, waste, and abuse to the Medicaid program.

#### **D. Risks of Poor Quality Care**

To evaluate risks involved in allowing Applicants to be admitted to the Medicaid program to run another nursing home, MFD evaluated the existing nursing homes with which Lichtschein and Scheiner and others who possess ownership interests in Bridgeton are involved. These facts suggest approving this Medicaid application would result in a significant risk of poor quality care at the facility and an unacceptable risk of harm to residents. In combination with the above findings, these facts weigh strongly against approving the Application.

As noted above, in the Fountain Springs transaction, financial documents showed that at the time of the transfer of ownership, Lichtschein and Scheiner had a portfolio of nursing home operating companies and property companies that included approximately 118 nursing facilities in five states. If those facilities had been disclosed, a review of the application would have revealed that they were the subject of multiple civil lawsuits.

MFD also independently reviewed ownership information for various individuals holding interests in Bridgeton HoldCo, directly or indirectly. MFD found that one or more of the prospective owners possess an ownership or control interest in a total of 93 other nursing facilities around the country, located in Texas, Florida, New York, Pennsylvania, Nebraska, and Georgia. MFD's review of these homes found that 34 of these facilities (37 percent) have the lowest possible CMS rating of one-star.<sup>10</sup> More than half (almost 53 percent) of the facilities have a two-star or less CMS rating, significantly lower than NJ's average rating of 3.1 stars. In addition, two of the out-of-state facilities controlled by the prospective owners were identified at one point as “special focus” or “special focus candidate,” which means they have a history of serious and pervasive quality problems requiring increased monitoring. In short, most of the nursing homes owned by the Applicants are among the lowest quality nursing homes in their respective states.

The quality of the nursing homes linked to Lichtschein, Scheiner, and other owners reveals a high risk of poor quality care if their Medicaid application is approved. It is not in the Medicaid program's interest or in the interests of Medicaid beneficiaries to accept this high level of risk.

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<sup>10</sup> According to a CMS study, one-star nursing homes are over 400 times more likely to receive actual harm citations than five-star facilities. Specifically, 45.2 percent of one-star homes had such citations, compared to just 0.1 percent of five-star homes. Additionally, one-star facilities were significantly more likely to have “immediate jeopardy” citations and substandard quality of care deficiencies.

### **III. Conclusion and Notices**

In sum, for the above reasons, MFD hereby **denies** the Applicants' Medicaid provider application, finding that there is good cause, in accordance with N.J.A.C. 10:49-11.1(d)(20), (22), and (23), and finding that this denial is in the best interests of the Medicaid program. MFD's decision to deny the application is based on a comprehensive evaluation of factors that highlight the Applicants' lack of responsibility, accountability, and transparency. These factors include undisclosed financial ties, failure to provide material information, and a history of poor care quality, all of which undermine the integrity and best interests of the Medicaid program.

This decision is informed by and based on the requirements of the federal Medicaid provider screening and enrollment rules in 42 C.F.R. Part 455, Subpart E, which are designed to prevent fraud, waste, and abuse in the Medicaid program. Title 42 C.F.R. 455.416(d) requires states to deny a Medicaid application when a provider, or any person with ownership, control, or management responsibilities, fails to submit timely or accurate information when doing so is in the interest of the program. The federal rules further generally require states to ensure that only qualified and trustworthy providers participate in the program. They also enhance transparency regarding ownership and control of provider entities and allow states to identify and bar providers who pose an elevated risk to Medicaid. Medicaid serves medically vulnerable populations who depend on safe, well-managed care. The federal regulations are designed not only to identify overt fraud and dishonesty but also to prevent future harm to residents and Medicaid by excluding individuals who have demonstrated a failure to manage nursing homes responsibly, fail to cooperate transparently with required screening, or present a high risk for fraud, waste, and abuse.

This denial is effective in thirty (30) days. Applicants cannot resubmit a Medicaid provider enrollment application for a period of one year from the date of this letter. N.J.A.C. 10:49-3.2(d)(3). MFD's review of the Applicants' suitability and its decision to deny their Application based on the findings above does not foreclose MFD from conducting further investigation and/or administrative action. If this proceeding on appeal or otherwise is reversed based on questions of fact or law, in accordance with N.J.S.A. 30:4D-59(a), in order to comply with the requirements of federal law governing high risk provider reviews required by 42 C.F.R. 455.410 (requiring screening of providers); 455.416 (requiring denial of enrollment upon certain findings), and 455.434-436 (required fingerprinting and criminal background checks), consideration of the Application should be remanded to MFD to conduct further investigation to ensure full compliance with all applicable state and federal requirements.

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If Applicants' disagree with this decision, pursuant to N.J.A.C. 19:70-4.8, Applicants may request a hearing before an Administrative Law Judge by submitting a written request for an appeal to Justin Berardo, Assistant Deputy Director, Regulatory and Exclusions Unit, Medicaid Fraud Division, Office of the State Comptroller, 20 West State Street, P.O. Box 025, Trenton, New Jersey 08625 or an electronic response request to [REDACTED] **within 20 days from the date of this letter.**

Sincerely,

KEVIN D. WALSH  
ACTING STATE COMPTROLLER

By: Josh Lichtblau  
Josh Lichtblau, Director  
Medicaid Fraud Division