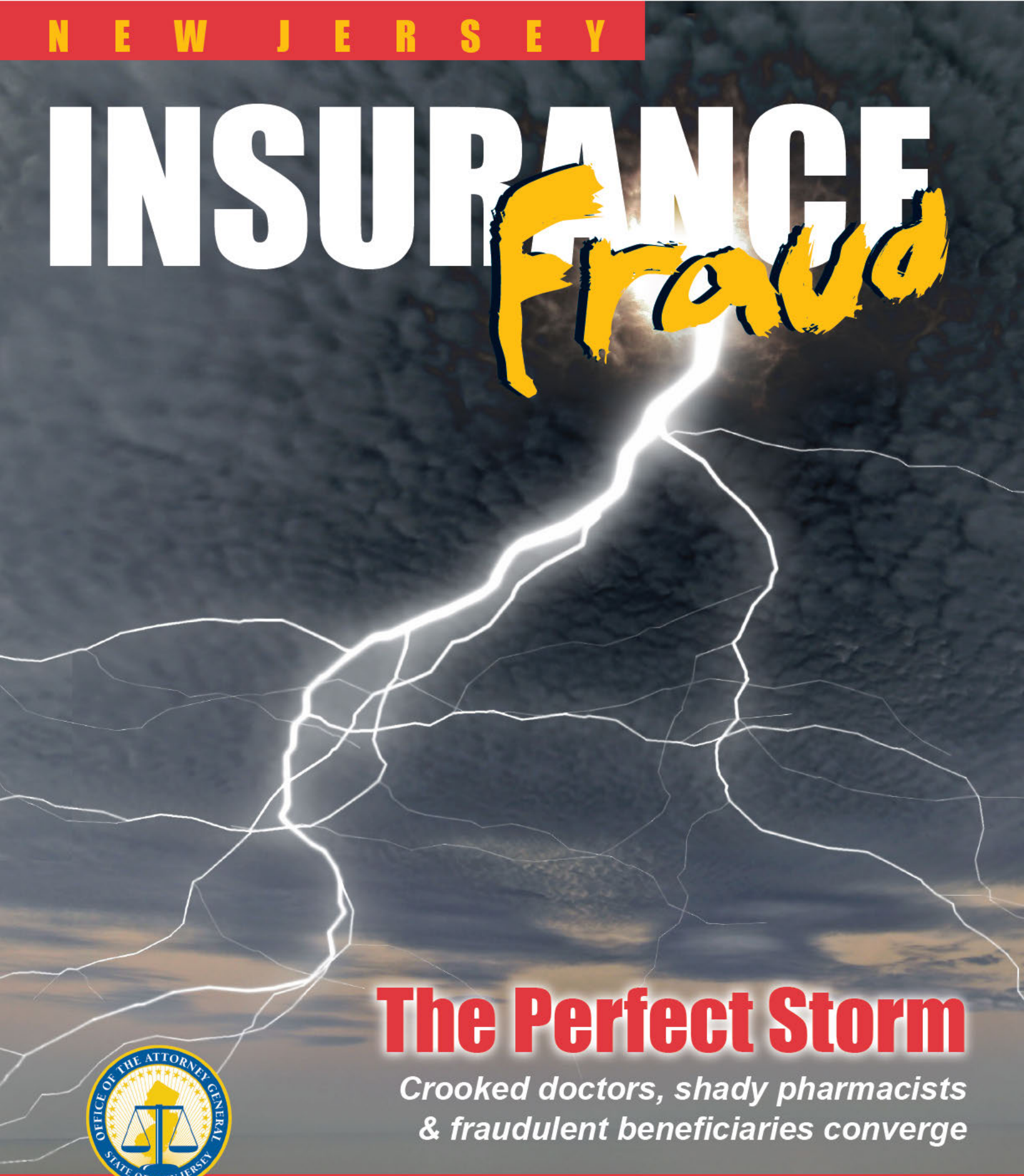
NEW JERSEY

INSURANCE Fraud



The Perfect Storm

Crooked doctors, shady pharmacists & fraudulent beneficiaries converge

2009 Annual Report of the New Jersey Office of the Insurance Fraud Prosecutor

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Annual Report of

The New Jersey Office of the Insurance Fraud Prosecutor

for Calendar Year 2009

Submitted March 1, 2010 (Pursuant to N.J.S.A. 17:33A-24d)

Paula T. Dow, *Attorney General*
Riza Dagli, *Acting Insurance Fraud Prosecutor*

Prepared by:
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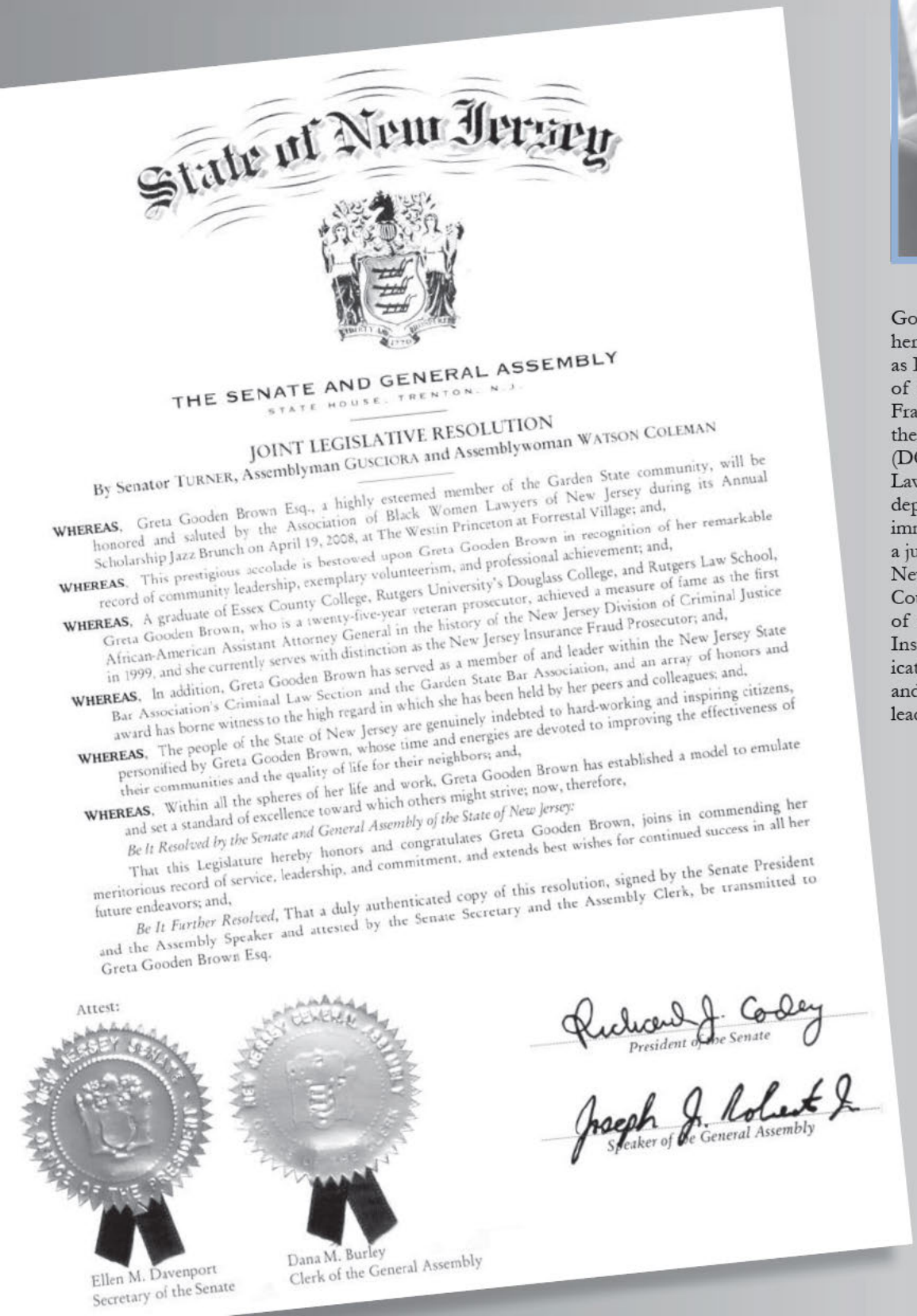


State of New Jersey

THE SENATE AND GENERAL ASSEMBLY
STATE HOUSE · TRENTON, N.J.

JOINT LEGISLATIVE RESOLUTION

By Senator TURNER, Assemblyman GUSCIORA and Assemblywoman WATSON COLEMAN

WHEREAS, Greta Gooden Brown Esq., a highly esteemed member of the Garden State community, will be honored and saluted by the Association of Black Women Lawyers of New Jersey during its Annual Scholarship Jazz Brunch on April 19, 2008, at The Westin Princeton at Forrestal Village; and,

WHEREAS, This prestigious accolade is bestowed upon Greta Gooden Brown in recognition of her remarkable record of community leadership, exemplary volunteerism, and professional achievement; and,

WHEREAS, A graduate of Essex County College, Rutgers University's Douglass College, and Rutgers Law School, Greta Gooden Brown, who is a twenty-five-year veteran prosecutor, achieved a measure of fame as the first African-American Assistant Attorney General in the history of the New Jersey Division of Criminal Justice in 1999, and she currently serves with distinction as the New Jersey Insurance Fraud Prosecutor; and,

WHEREAS, In addition, Greta Gooden Brown has served as a member of and leader within the New Jersey State Bar Association's Criminal Law Section and the Garden State Bar Association, and an array of honors and award has borne witness to the high regard in which she has been held by her peers and colleagues; and,

WHEREAS, The people of the State of New Jersey are genuinely indebted to hard-working and inspiring citizens, personified by Greta Gooden Brown, whose time and energies are devoted to improving the effectiveness of their communities and the quality of life for their neighbors; and,

WHEREAS, Within all the spheres of her life and work, Greta Gooden Brown has established a model to emulate and set a standard of excellence toward which others might strive; now, therefore,

Be It Resolved by the Senate and General Assembly of the State of New Jersey:

That this Legislature hereby honors and congratulates Greta Gooden Brown, joins in commending her meritorious record of service, leadership, and commitment, and extends best wishes for continued success in all her future endeavors; and,

Be It Further Resolved, That a duly authenticated copy of this resolution, signed by the Senate President and the Assembly Speaker and attested by the Senate Secretary and the Assembly Clerk, be transmitted to Greta Gooden Brown Esq.

Attest:

Richard J. Codey
President of the Senate

Joseph J. Roberts Jr.
Speaker of the General Assembly

Ellen M. Davenport
Secretary of the Senate

Dana M. Burley
Clerk of the General Assembly

On June 30, 2009, Greta Gooden Brown brought to a close her illustrious eight-year term as Insurance Fraud Prosecutor of the Office of the Insurance Fraud Prosecutor (OIFP), within the Division of Criminal Justice (DCJ), of the Department of Law & Public Safety (L&PS). Her departure from OIFP was followed immediately by her appointment as a judge of the Superior Court of New Jersey, Law Division, Passaic County. The *2009 Annual Report* of the New Jersey Office of the Insurance Fraud Prosecutor is dedicated to Ms. Brown in recognition and appreciation of her exemplary leadership and service to OIFP.

Ms. Brown graduated with honors from Essex County College in New Jersey in 1977 and thereafter attended Rutgers University's Douglass College where she earned her Bachelor of Arts degree in Economics in 1979. In 1982, Ms. Brown received her Juris Doctorate from Rutgers Law School. Following law school, Ms. Brown served as a law clerk to the Honorable Stephen Skillman and the Honorable Judson Hamlin, both of the Superior Court of New Jersey, Law Division. Ms. Brown is currently a member of the Bar of the State of New Jersey, as well as the Bars of the federal United States Court of Appeals for the Third Circuit and the United States District Court for the District of New Jersey.

Ms. Brown's outstanding career as a State prosecutor began in 1983 when she was appointed as a Deputy Attorney General and assigned to DCJ's Appellate Bureau. There she argued criminal appeals and civil *habeas corpus* actions before the Supreme Court of New Jersey, including *State v. Hartye*; the Superior Court of New Jersey, Appellate Division; and the United States Court of Appeals for the Third Circuit. In 1985, Ms. Brown was promoted to the position of Supervisor in the Appellate Bureau. In 1988, Ms. Brown joined DCJ's Institutional Abuse Unit and was promoted to Section Chief in 1990. From 1991 to 1994, Ms. Brown served as Section Chief for DCJ's Medicaid Fraud Section.

In 1994, Ms. Brown assumed leadership of DCJ's Prosecutors and Police Bureau. As Bureau Chief, Ms. Brown, on behalf of the Attorney General as the Chief Law Enforcement Officer in the State, oversaw the administration of the 21 New Jersey County Prosecutors' Offices, as well as the municipal prosecutors and local police departments throughout the State. In 1999, in recognition of the superlative manner in which Ms. Brown led the Prosecutors and Police Bureau, she was promoted to the title of Assistant Attorney General. Ms. Brown was the first African-American Assistant Attorney General in the history of DCJ.

In 2001, the Governor of New Jersey appointed Ms. Brown to the post of the New Jersey Insurance Fraud Prosecutor (IFP), only the second person to hold this office. As IFP, Ms. Brown led this agency with remarkable vision and vigor. She directed the activities of a staff of 300, including attorneys, investigators, professional, and administrative support personnel, and managed the agency's $30 million budget with discretion and fiscal responsibility. Ms. Brown also spearheaded many innovative criminal, civil, and administrative initiatives which proved fruitful in the fight against insurance fraud. During her eight-year tenure, over 1,100 individuals were charged with indictable insurance fraud-related crimes; convicted defendants were sentenced to a combined total of over 1,000 years of incarceration and paid over $207 million in restitution; and more than $44 million in civil fines and more than $40 million in Medicaid fines and penalties were imposed. As a result of Ms. Brown's visionary stewardship, OIFP has been repeatedly recognized as the nation's leading law enforcement agency in successfully combating insurance fraud.

Not content to be a mere figurehead as IFP, Ms. Brown worked tirelessly to increase the professionalism of her office in both its internal work product and in its representation before the New Jersey State and federal courts; aggressively supported numerous legislative initiatives and regulatory proposals strengthening the criminal and civil laws against insurance fraud; eloquently argued her agency's position before the Supreme Court of New Jersey in *State v. Fleischman*; fostered working relationships with OIFP's partners in the insurance industry, law enforcement, and the County Prosecutors' Offices; promoted insurance fraud awareness to consumers; and molded OIFP's *Annual Report* into an internationally-recognized reference tool relied upon by the Governor, the legislature, the judiciary, the insurance industry, law enforcement, and the public.

Throughout her exemplary career as a prosecutor, Ms. Brown has been lauded on numerous occasions for her remarkable character and professional accomplishments. In 1999, Ms. Brown was appointed by the Governor to New Jersey's Parole Advisory Board, a position she held for five years. Other prestigious and notable accolades include the following:

- Citation from United States Senator Frank Lautenberg for her exemplary public service and leadership - October 24, 2008
- Joint Legislative Resolution from the New Jersey Senate and General Assembly for her meritorious record of service, leadership, and commitment - April 19, 2008
- Honorable Glenn Cunningham Public Safety/Law Enforcement Award - 2008 Recipient (National Organization of Black Law Enforcement Executives)
- Excellence in Public Service Award - 2008 Recipient (Association of Black Women Lawyers of New Jersey)
- Professional Lawyer of the Year Award - 2007 Honoree (New Jersey Commission on Professionalism in the Law)
- Corporate and Government Leadership Award - 2007 Recipient (Caribbean Bar Association of New Jersey)
- Thurgood Marshall Award for Excellence in the Profession - 2007 Honoree (Thurgood Marshall Foundation College Fund)
- High Achieving Woman and Minority Lawyer in the Legal Profession (Selected by the *New Jersey Law Journal*, 181 N.J.L.J. 753 (2005))
- The Douglass Society for Outstanding Accomplishments (Inducted April 14, 1999)

Ms. Brown also serves her professional community. From 2008 to 2009, she served as President of the Garden State Bar Association. In 2007, she was elected to a three-year term as Trustee of the New Jersey State Bar Association's Criminal Law Section.

Ms. Brown's visionary and tireless service as New Jersey Insurance Fraud Prosecutor is the gold standard against which all of her successors will be judged. The expanse of her professional accomplishments, the depth of her character, and the quality of her leadership have inspired all who have had the good fortune to work with her over the years. The citizens of this State have had no greater public servant than Insurance Fraud Prosecutor Greta Gooden Brown.

OIFP Adapts to Economic Realities

A Message From the Insurance Fraud Prosecutor

OIFP Adapts to Economic Realities

As Acting Insurance Fraud Prosecutor, I am proud to present the *Annual Report* of the New Jersey Office of the Insurance Fraud Prosecutor (OIFP) for 2009. The statistics reported in this volume represent the operations and accomplishments of OIFP during the past calendar year, and are presented to the Governor and Legislature as required by N.J.S.A. 17:33A-24d. But statistics do not adequately reflect all of OIFP's impressive achievements in 2009. Thus, within these pages are narrative summaries of an extraordinary roster of criminal and civil investigations, prosecutions, and monetary recoveries from insurance cheats, ranging from licensed professionals to leaders of international car theft rings. And, as in prior volumes, this *Annual Report* also highlights current insurance fraud trends and presents in-depth analysis of specific types of insurance fraud and our fight against them.

The past year has been dominated by change. In June 2009, former Insurance Fraud Prosecutor Greta Gooden Brown was appointed to a well-deserved judgeship in New Jersey, and we wish her much success in her new career. The gubernatorial election in November 2009 gave us a new Governor and a new Attorney General, and we wish them luck and wisdom as they guide the State through these difficult economic times.

Leadership changes, however, were not the only changes affecting OIFP during 2009. The inescapable ripple effects of the economic downturn affected every public agency and private corporation. Expenditures were frozen, employees were furloughed, and retirees were not replaced. OIFP's funding source – the insurance industry – is separate from the State Treasury, yet Statewide fiscal and hiring limitations were also imposed on OIFP. Steady declines in staffing, year after year, have resulted this year in OIFP seeing its fewest number of employees since its inception in 1998. As discussed in the *Year in Review* section of this *Annual Report*, "doing more with less" is not a mere slogan, but is OIFP's guiding principle.

Accordingly, the biggest change in OIFP was the change we ourselves initiated. A shift in operating structure and priority was born of necessity. Criminals don't take any furlough days, and referrals and complaints of insurance fraud keep coming. The sluggishness of the economy is not matched by a slow-down in fraud.

OIFP Adapts to Economic Realities

OIFP takes full advantage of State laws which authorize law enforcement to seize assets, including homes, cars, and investment accounts, which were used to foster the criminal activity or were the proceeds of the crimes.

OIFP now targets multi-defendant conspiracies involving health care professionals, providers, and licensees.

Despite diminished resources, OIFP remains the single most effective insurance fraud deterring and fighting organization in New Jersey. But we can no longer operate on the broad scale we once did. We have adapted our operational and investigative methods by adjusting our priorities and focus; we have supplemented our personnel by partnering with federal, State, and local agencies; and we have coordinated efforts with insurance company Special Investigators who are the "first responders" to insurance claims and often are able to detect trends and market factors before law enforcement can. We have also recognized that many insurance fraudsters build considerable wealth from their illegal activities and, so, we have taken full advantage of State laws which authorize law enforcement to seize assets, including homes, cars, and investment accounts, which were used to foster the criminal activity or were the proceeds of the crimes.

OIFP must send the message that our prosecutions will be zealous and swift. Most importantly, we must send this message to the right audience. For example, OIFP now targets multi-defendant conspiracies involving health care professionals, providers, and licensees. This focus is not only a result of limited resources, it is an effective law enforcement objective. Insurance fraud-related crimes, such as auto "give ups," arson, and false claims, committed by individuals are, regrettably, a never-ending problem. Fear of incarceration and the imposition of hefty monetary penalties provide some deterrence, but there will always be people who pad their insurance claims regardless of the risk of civil and criminal prosecution. As one street-level fraudster is convicted, another takes his place.

OIFP's shift in operational focus should not be construed to mean single-instance fraud will be ignored. Quite the contrary. As this report shows, OIFP has and will prosecute these crimes on a case-by-case basis, or will refer those matters to the County Prosecutor for prosecution. Through OIFP's reimbursement program, OIFP provides funding to several County Prosecutors' Offices to assist in their fraud fighting efforts, and their achievements have been outstanding. See *OIFP Funds County Prosecutors' Insurance Fraud Fighting Efforts* at page 33 of this *Annual Report*.

But it is the more complex conspiracies which most greatly victimize public and private insurance, and these conspiracies are often committed by licensed professionals: doctors, dentists, lawyers, pharmacists, pharmacies, clinics, chiropractors, and corporations. When OIFP locks up a fraudulent physician or shuts down a fraudulent clinic, it takes some time for the fraud marketplace to find a replacement. Eventually, fewer and fewer professionals will jeopardize their practices in order to reap illegal income. In this way, OIFP makes the biggest dent in the enormous costs of insurance fraud.

OIFP's methodology has proven to be extremely effective. In 2009, an unprecedented $58.4 million in criminal and civil fines, penalties, and restitution was imposed on defendants investigated and prosecuted by OIFP. A large portion of this monetary recovery was paid by national pharmaceutical manufacturers settling federal False

Claims Act allegations of Medicare and Medicaid kickbacks and off-label marketing. OIFP seized an additional $7.42 million in defendants' financial accounts, real property, luxury vehicles, and cold hard cash through its Asset Forfeiture Unit.

OIFP also successfully developed and executed complex criminal investigations, including *Operation MedScam* and *Operation PharmScam*, in which dozens of individuals, including physicians and pharmacists, were arrested or indicted for defrauding Medicaid; *Operation Jellystone* and *Operation Dre*, in which large-scale stolen vehicle trafficking rings were dismantled and their leaders sent to State prison for a total of 16 years; and *State v. Justin Sciarra, et al.*, in which individuals and corporations were indicted for operating criminal enterprises designed to fraudulently obtain workers' compensation insurance at below market prices.

To aggressively pursue these complex conspiracies, OIFP has developed excellent working relationships with federal and State agencies.

To aggressively pursue these complex conspiracies, OIFP has developed excellent working relationships with federal and State agencies, including the United States Drug Enforcement Agency, the Federal Bureau of Investigation, the United States Food and Drug Administration, the Office of Inspector General within the federal Department of Health and Human Services, the New Jersey State Police, the New Jersey Department of Human Services, the New Jersey Department of Health and Senior Services, the Office of the Ombudsman for the Institutionalized Elderly within the New Jersey Office of the Public Advocate, and numerous county and local law enforcement agencies. These partnerships do more than merely share information; these are hands-on, working relationships where investigators from different agencies are together on the street handling investigations, conducting interviews, and making arrests. All law enforcement and federal and State agencies are feeling the pinch of tightened budgets and, by working as a team, we can compensate for each other's budgetary shortfalls.

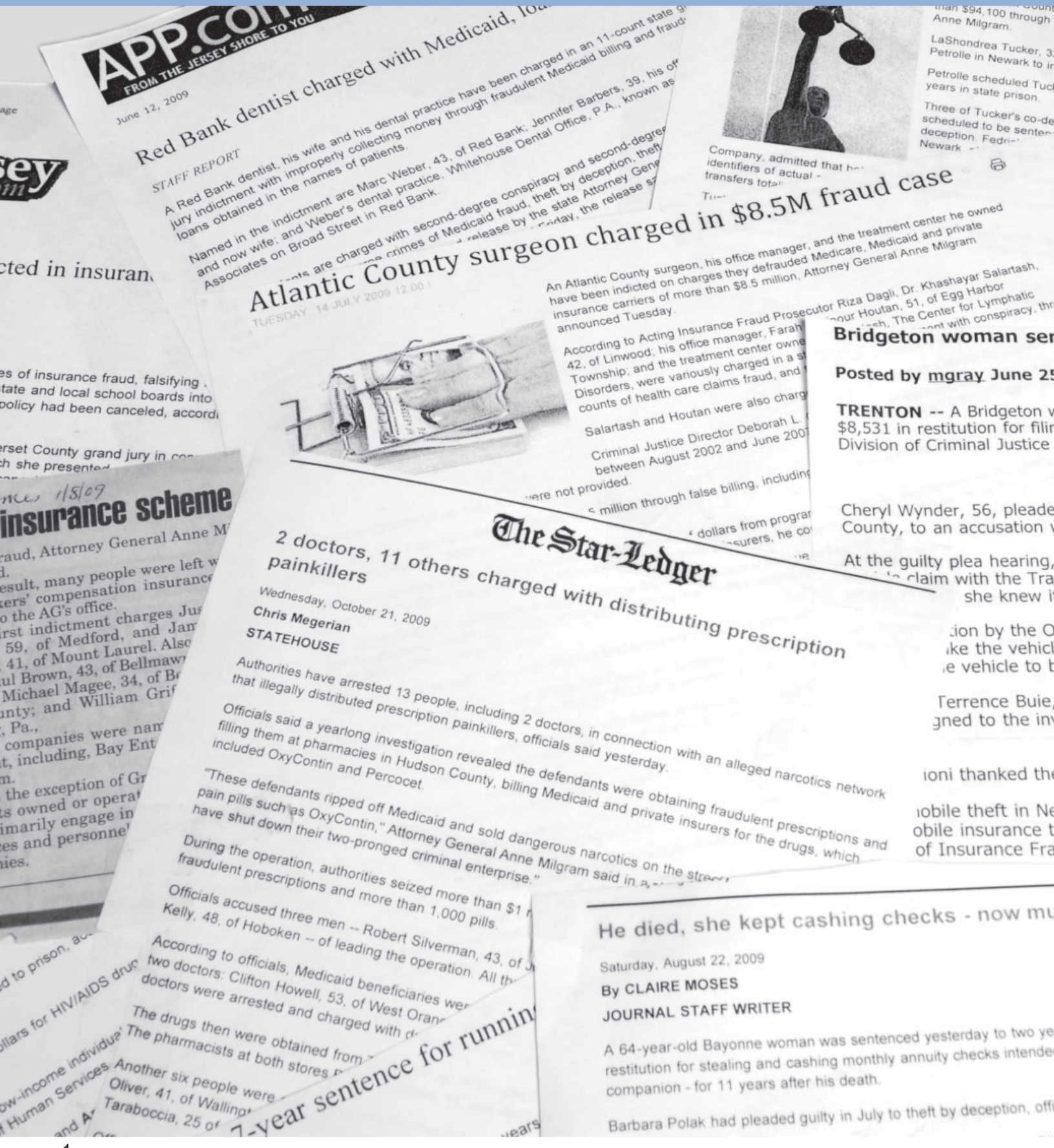
Using innovative techniques, OIFP has launched several new initiatives which we look forward to reporting to the public over the course of 2010. These initiatives are the result of the collective expertise and experience of our talented and dedicated staff in fighting insurance fraud. Indeed, OIFP has the brightest and most enthusiastic investigators, attorneys, analysts, professionals, and support staff in the public and private sectors. We are optimistic that the budget situation will improve and our staffing will increase so that we can be even more proactive in the future. In the interim, the public should be confident that OIFP is ready, willing, and able to fulfill its mission to fight insurance fraud as aggressively as possible.

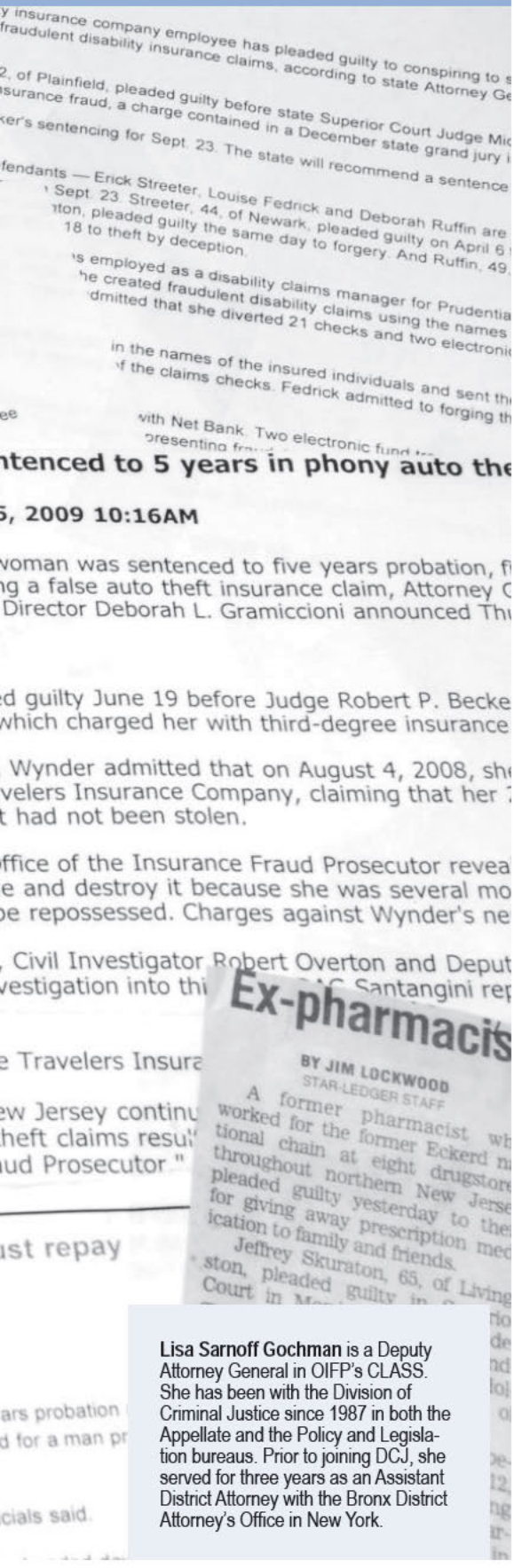
Respectfully submitted,

Riza Dagli

Acting New Jersey Insurance Fraud Prosecutor

OIFP is "Doing More With Less"





Lisa Sarnoff Gochman is a Deputy Attorney General in OIFP's CLASS. She has been with the Division of Criminal Justice since 1987 in both the Appellate and the Policy and Legislation bureaus. Prior to joining DCJ, she served for three years as an Assistant District Attorney with the Bronx District Attorney's Office in New York.

The Year in Review:

OIFP is "Doing More With Less"

by Lisa Sarnoff Gochman

"Doing more with less" is a familiar refrain during the economic downturn of 2009, and is one that the Office of the Insurance Fraud Prosecutor (OIFP) has adopted as its business model. With continued declines in staffing and resources, OIFP has had to make significant structural and priority changes in order to meet its statutory mandate while continuing to ensure quality and professionalism in its criminal and civil litigation. OIFP's revised focus is on investigating and prosecuting more complex, multi-defendant conspiracies that negatively impact a large segment of the insurance market. This fundamental shift in priorities proved successful, and demonstrated that OIFP can indeed do more with less: in 2009, OIFP saw a 6% increase in the total civil sanctions imposed; a 3% increase in the percentage of defendants indicted on charges of first- and second-degree crimes; a 74% increase in the amount of assets seized from fraudsters; and a 59% increase in the amount of criminal fines, penalties, and restitution imposed.

In fact, OIFP's financial recoveries during 2009 were nothing less than spectacular. These recoveries translate into substantial restitution for defrauded government-run and private insurance companies. This year, a grand total of $55.6 million in criminal fines, penalties, and restitution was imposed upon defendants convicted by OIFP. Another $2 million in civil sanctions was imposed through Administrative Consent Orders and civil settlements and Judgments. And, OIFP's Medicaid Fraud Control Unit (MFCU) once again surpassed its own record by recouping $52.2 million for the New Jersey Medicaid Program, both State and Federal, from its participation in seven federal False Claims Act settlements, including settlements with pharmaceutical giants Cephalon, Ely Lilly, Pfizer, Ortho McNeil, and AstraZeneca.

OIFP's Asset Forfeiture Unit also far exceeded last year's figures: in 2009, the Asset Forfeiture Unit seized over $7.42 million in cash and financial accounts, real property, and vehicles, and recovered more than $1 million to be disbursed to insurance fraud victims. Larger-scale, more sophisticated fraud enterprises can reap huge profits from their crimes, and these profits in turn are used to purchase luxury vehicles and homes and fund the participants' retirement accounts. OIFP's criminal litigation sections now routinely work in tandem with the Asset Forfeiture Unit to divest criminals of their ill-gotten gains. At the very same time that search warrants are executed by OIFP Detectives, an OIFP Deputy Attorney General is in court filing the requisite pleadings to seize the targets' bank accounts, real property, vehicles, and other proceeds and instrumentalities of their crimes. Thus, in addition to incarceration and monetary fines and penalties, criminal defendants now also face the loss of their houses, their cars, and their savings.

But financial recoveries cannot be obtained without successful criminal and civil investigations and prosecutions of insurance fraud-related activity. The New Jersey Insurance Fraud Prevention Act

(IFPA) provides that persons who commit insurance fraud may be subject to criminal prosecution. N.J.S.A. 17:33A-1 et seq. In 2009, OIFP arrested 136 individuals, charged 122 defendants by Indictment or Accusation, won 103 criminal convictions, and had 84 defendants sentenced to terms of incarceration for a total of 69 years.

Highlights of OIFP's investigations and prosecutions during 2009 include *Operation PharmScam*. OIFP's MFCU indicted or obtained guilty pleas from 24 defendants, including the owners of a pharmacy and a clinic in Essex County, in an ongoing investigation into schemes in which prescriptions for HIV/AIDS drugs and other expensive medications were bought from Medicaid beneficiaries so that Medicaid could be billed for these drugs which were never dispensed. The total fraud is estimated to have exceeded $2.3 million. The clinic's owner, Bryan X. Chandler, and two pharmacy operators, Abdul Bari and John Borges, each pled guilty to Health Care Claims Fraud. Bari was sentenced to three years in State prison and ordered to pay $500,000 in fines and restitution. Civil Judgments were entered in 2009 against the assets of several *Operation PharmScam* defendants totaling $778,220, plus a $200,000 promissory note for the value of a seized property. These funds will be disbursed as restitution to the Medicaid program.

OIFP's MFCU took down yet another prescription fraud and drug distribution ring in 2009. In *Operation MedScam*, 13 defendants were arrested in October, including doctors and pharmacists, in connection with a major narcotics network in Hudson County that distributed thousands of prescription pain pills, such as OxyContin and Percocet. Search warrants were executed at multiple locations and more than $1 million in assets were seized.

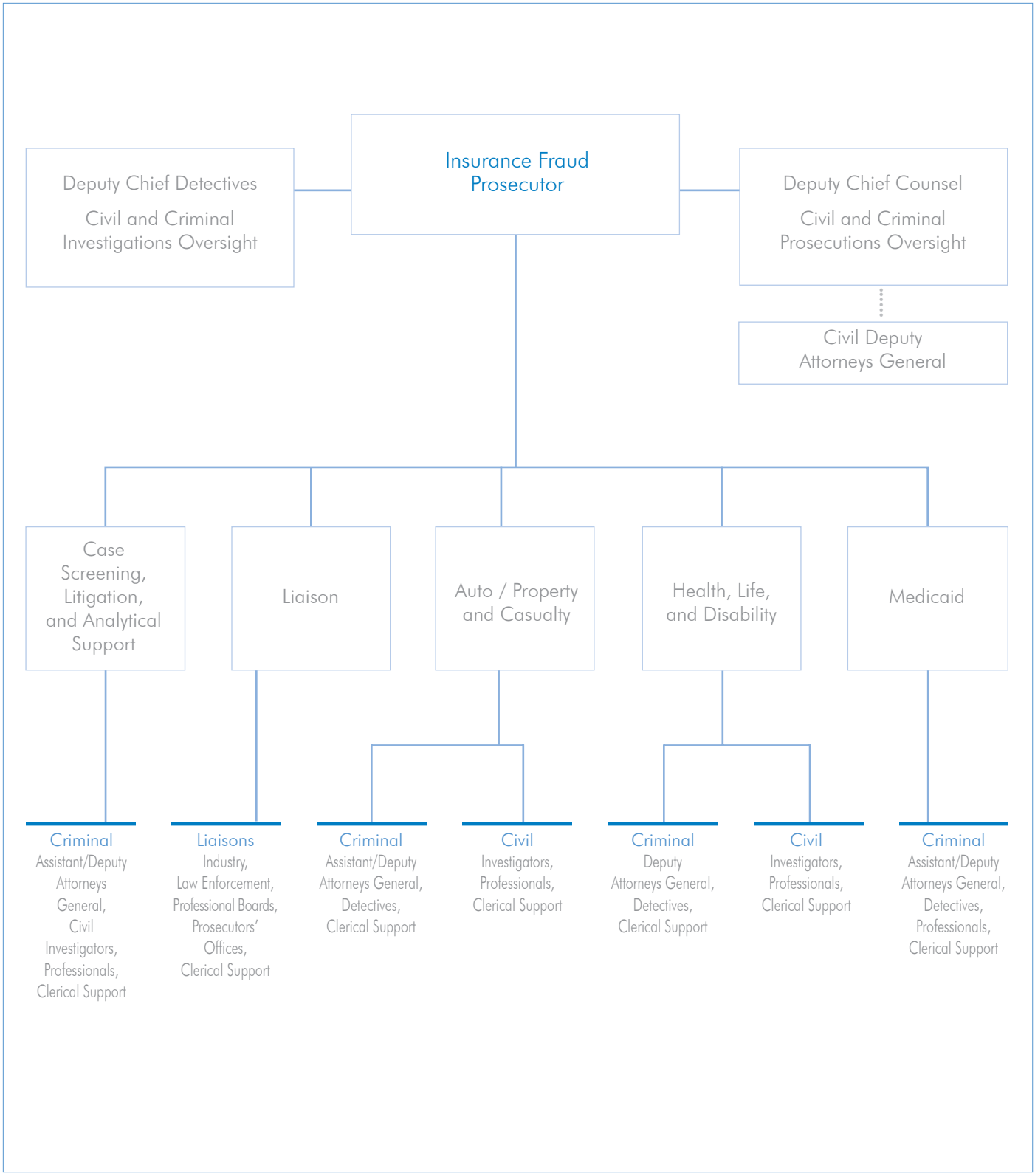
New Jersey Mobile Dental Practice, P.A., involved a series of undercover operations conducted in nursing homes. MFCU Detectives documented that dentists did not perform services that New Jersey Mobile Dental billed to Medicaid. As a result of the investigation, four dentists employed by New Jersey Mobile Dental pled guilty in 2009. The Medicaid program allegedly paid New Jersey Mobile Dental more than $1.3 million from the fraudulent billing for those four dentists.

OIFP staff participate in the 12th Annual New Jersey Insurance Fraud Summit: (l to r) Administrative Analyst Joan Enright, Industry Liaison Carol Naar, Deputy Chief Counsel Stephen J. Cirillo, First Deputy Chief Counsel Norma R. Evans, Assistant Attorney General Louise Lester.

OIFP's Criminal Auto/Property and Casualty Section also saw significant results in several of its more complex cases this year. In *State v. Irwin B. Seligsohn, et al.*, racketeering and related charges had previously been filed against attorney Seligsohn, his law firm, and 48 other individuals in connection with the firm's use of "runners" to recruit clients, many of whom feigned auto accident injuries so fraudulent auto insurance claims could be submitted. Racketeering charges were resolved against the main "runners": In April 2009, Edward Campbell, Jr., pled guilty to second-degree Racketeering and other charges and was sentenced to six years in State prison; Bobbie Campbell pled guilty to Conspiracy to Commit Racketeering and was sentenced to three years in State prison; and Ralph Campbell pled guilty to Conspiracy to Commit Racketeering and was sentenced to one year in jail and five years' probation. These guilty pleas came near the end of the State's case against them at a jury trial. In May 2009, Damon Brown was sentenced to six years in State prison following his guilty plea to Conspiracy to Commit Racketeering and Health Care Claims Fraud. Also in May, Louis Campbell and Dannie Campbell, Sr., were sentenced to probation for their roles in the *Seligsohn* conspiracy.

Dismantling large auto theft networks continues to be a high priority for OIFP. In one case, Saladine Grant pled guilty to Leader of Auto Theft Trafficking Network and was sentenced to nine years in State prison. In a separate case, Jose Torres pled guilty to Leader of Auto Theft Trafficking Network and was sentenced to seven years in State prison with five years' of parole ineligibility. Because many car theft rings depend upon owner "give ups" to replenish their inventory, OIFP aggressively pursues car owners who arrange the staged theft (the "give up") of their car, and then falsely claim to the insurance company and the police that the car had been stolen. During 2009, OIFP filed Indictments or Accusations against approximately 20 individual car owners for filing fraudulent auto theft claims in what were really owner "give ups."


The Star-L
2 doctors, 11 others charged with dis
painkillers


Deputy Chief Detectives
Civil and Criminal Investigations Oversight
Insurance Fraud Prosecutor
Deputy Chief Counsel
Civil and Criminal Prosecutions Oversight
Civil Deputy Attorneys General
Case Screening, Litigation, and Analytical Support
Liaison
Auto / Property and Casualty
Health, Life, and Disability
Medicaid
Criminal
Assistant/Deputy Attorneys General, Civil Investigators, Professionals, Clerical Support
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Criminal
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Civil
Investigators, Professionals, Clerical Support
Criminal
Assistant/Deputy Attorneys General, Detectives, Professionals, Clerical Support

A relatively smaller OIFP investigation and prosecution, but no less important, is *State v. Sean Nisivoccia*. In May 2009, Nisivoccia was indicted for second-degree Health Care Claims Fraud and second-degree Theft by Deception for submitting fraudulent claims to insurance carriers which created the false impression that he personally performed nerve conduction velocity (NCV) studies, or that he was legally qualified to perform or supervise the performance of those studies. The Indictment alleged that Nisivoccia fraudulently received $125,000 from the insurance companies for the NCV tests.

OIFP's Criminal Health, Life, and Disability Section achievements this year include the ongoing prosecution of Professional Employer Organizations, their corporate principals, and others who are charged with Racketeering and other crimes in connection with a workers' compensation premium avoidance scheme spanning more than ten years. In *State v. Justin Sciarra, et al.*, State Grand Juries indicted over ten separate Professional Employer Organizations, several corporate officials, one insurance agency, and others with multiple counts of Conspiracy, Racketeering, Insurance Fraud, Theft by Deception, Workers' Compensation Insurance Fraud, Theft by Failure to Make Required Disposition, Money Laundering, and Misconduct by Corporate Officials. More specifically, the Indictments charge the primary defendants with operating criminal enterprises designed to obtain workers' compensation insurance at below market value through material misrepresentations and omissions. The Indictments also charge that the defendants collected insurance premiums from client companies, but failed to procure insurance and issued fraudulent certificates of insurance.

In tandem with the criminal prosecution in *Sciarra*, in April, OIFP's Asset Forfeiture Unit filed a Verified Complaint seizing a vineyard in Medford, New Jersey, and a summer home in Sea Isle City, New Jersey, which OIFP alleges were purchased by Sciarra and his wife from the proceeds of the premium insurance fraud scheme. The Complaint also seeks relief under the Money Laundering statute for three times the amount of the value of the property acquired through the alleged financial facilitation of crimes. In September, OIFP seized another parcel in connection with the fraud when it filed an Amended Verified Complaint seeking forfeiture of a Bellmawr, New Jersey, residence owned by another alleged conspirator, Paul Brown.

(l to r) OIFP Deputy Chief Counsel Erik Daab presents $75,000 check from funds forfeited in State v. MLK Pharmacy (Operation PharmScam) to Jersey City Police Chief Thomas Comey.

In another criminal matter, LaShondrea Tucker, a former disability claims manager for Prudential Insurance, was sentenced to 364 days in county jail with five years' probation after pleading guilty to Insurance Fraud. Tucker admitted using her position to create fraudulent disability claims by using the names and identifiers of persons enrolled in a teachers' disability plan. Tucker diverted more than twenty checks and two electronic funds transfers totaling more than $90,000.

Several persons holding professional licenses were also prosecuted by OIFP's Criminal Health, Life, and Disability Section. Included among them was Jeffrey Skuraton, a former pharmacist who dispensed prescription medication to family and friends without having obtained valid prescriptions. Skuraton pled guilty to an Accusation charging Theft by Deception and was sentenced to 30 days in county jail conditioned on three years' probation and ordered to make restitution in excess of $11,000 and pay a $15,000 fine.

Other noteworthy 2009 criminal cases include *State v. Julia Daniels Anderson* and *State v. Da'Lynn White*. Julia Daniels Anderson was sentenced to three years in State prison and ordered to pay restitution in excess of $190,000 for submitting false claims for radiation treatment that she never received. Da'Lynn White pled guilty to Insurance Fraud after filing two fraudulent disability claims with the State of New Jersey. OIFP anticipates that White will be sentenced to five years in State prison in 2010.

OIFP also investigates civil insurance fraud cases, and it is the civil cases which continue to account for the largest number of investigations each year by OIFP. OIFP Civil Investigators are trained to recognize criminal violations of the New Jersey statutes, so an investigation that begins as a civil investigation may thus turn into a criminal investigation as well.

The New Jersey Insurance Fraud Prevention Act provides that persons who commit insurance fraud may be subject to the imposition of civil fines in addition to, or as an alternative to, criminal prosecutions. N.J.S.A. 17:33A-1

OIFP Lieutenant Joseph Abrams accepts the 2009 DCJ Director's Award for Excellence in Management and Supervision: (l to r) DCJ Chief of Detectives Paul Morris, Lieutenant Joseph Abrams, DCJ Deputy Director Boris Moczula.

et seq. In 2009, over 4,500 cases were referred to OIFP for investigation. The number of Administrative Consent Orders issued was 469, a 39% increase from 2008. Of these, 297 Consent Orders were executed, an increase of 11% from 2008. Over 820 civil insurance fraud sanctions were imposed, up 6% from last year, including nearly $2.8 million in Consent Orders issued.

Highlights of OIFP's Civil Health and Life Unit accomplishments in 2009 include investigations of the following insurance fraudsters: Aza Ahmadi, a nutritionist who fraudulently doctored patient files to indicate the patients were diabetic when, in fact, they were not, in order to collect higher reimbursement rates from insurance companies; Gina Tanios-Rafia, an orthodontist, who fraudulently doctored patient files and allowed her unlicensed friend to place orthodontic braces on children, take x-rays, and work on patients in emergency situations; At Home Senior Care, a Toms River, New Jersey, home health agency which billed insurance carriers for services rendered by unlicensed and uncertified home health aides; Joel Pruzansky, a licensed insurance agent who created fictional small businesses for clients in order to qualify them for small group health benefits coverage in New Jersey; Monica Mehta, a physician who fraudulently billed two insurance companies for identical treatments provided to a single patient; Gautum Sehgal, a physician who submitted fraudulent invoices for ten patients, under multiple policies and claim numbers, indicating that needle electromyograms were performed when, in fact, they were not; James Katz, a doctor who fraudulently billed for incisions and drainage procedures he did not perform; Anthony LaRusso, a chiropractor who submitted 34 claims for services not rendered on behalf of a single patient; and Shams Quershi, a doctor who filed fraudulent claims to various insurance carriers for physical therapy services he knew had not been rendered or had been rendered by persons who were not legally authorized to perform the services.

Highlights of OIFP's Civil Auto/Property and Casualty Unit accomplishments include investigations of the following insurance fraudsters: Susan Villafuerte, a Long Branch, New Jersey, woman who registered and insured nearly 100 vehicles under her name during a five-year period for use by undocumented aliens; David Johnson, who conspired with Vera Zelkina and submitted statements on a claim for automobile insurance proceeds falsely alleging that Zelkina's 2007 Toyota Tacoma was destroyed in a flood, when it was actually deliberately submerged to cause total damage after it was involved in a hit-and-run accident; Johny Kirpalani, who knowingly submitted three false receipts from companies which did not exist as proof of loss to his casualty insurance company; Frederick Armor, who took possession of a 2003 Toyota and a 1997 Ford Expedition in two owner "give ups" and subsequently gave both vehicles to an undercover Jersey City, New Jersey, Police Detective to dispose of the vehicles; Christian Munoz, who fraudulently reported to his auto insurance company that his car was stolen; Janet Glover, an employee of Zurich American Insurance, who conspired with her boyfriend Jessie McGuire to create a false insurance claim and issue two checks, one for $4,500 and one for $7,500, in McGuire's name; John Getchius, who filed eight fraudulent claims with various insurance companies falsely alleging that marine equipment was lost at sea; and Jose Suarez, who disposed of multiple vehicles in owner "give up" schemes.

During 2009, the Insurance Fraud Section of the Division of Law (DOL) consolidated with the Banking and Insurance Section to form the Banking, Insurance, and Insurance Fraud Section. This merger will allow for enhanced coordination involving matters of mutual interest to OIFP, the Department of Banking and Insurance (DOBI), and the insurance industry.

DOL Deputy Attorneys General won significant legal victories during the past year. In *Open MRI of Morris & Essex, L.P. v. Frieri*, 405 N.J. Super. 576 (App. Div. 2009), the Superior Court of New Jersey, Appellate Division, issued a published opinion reaffirming that proof of fraud under the IFPA does not require proof of an intent to deceive. The Appellate Division found that Open MRI was chargeable with knowledge of the requirement for an MRI facility to be duly licensed by the New Jersey Department of Health and Senior Services, and that the submission of claims without such license was a violation of the IFPA as a matter of law.

DOL also resolved several important cases against licensed professionals that served to advance the purposes of the IFPA in aggressively confronting the problem of insurance fraud in New Jersey. In *State v. Imatiaz Ahmad*, a physician licensed in the State of New Jersey agreed to pay the State $200,000 to resolve allegations related to billing for services not provided and for misrepresenting patients' symptoms. In *State v. Enrique Hernandez*, another physician licensed in the State of New Jersey agreed to pay the State $40,000 to settle charges that he employed unlicensed assistants to perform physical modalities at the Neurology & Pain Treatment Center, P.C. In *State v. George Otlowski*, an attorney li-

censed in the State of New Jersey agreed to pay the State $8,163 and admitted to making misleading statements on his professional liability insurance application.

OIFP's outstanding investigative and litigative achievements could not be reached without its long-standing partnerships with the insurance industry, State and federal government agencies, and the law enforcement community. The majority of cases investigated by OIFP in 2009 were the result of referrals from the Special Investigations Units (SIU) of insurance companies which are required by the IFPA to refer matters of suspected insurance fraud to OIFP. To foster OIFP's working relationship with the insurance industry, OIFP co-hosted its Twelfth Annual New Jersey Insurance Fraud Summit in October, along with the Insurance Council of New Jersey (ICNJ) and the New Jersey Special Investigators Association (NJSIA). At this summit, industry representatives, members of law enforcement, and government officials converged to exchange ideas and present solutions to the most pressing insurance fraud-related issues of the day.

Providing continuing education and training for law enforcement officers, civil investigators, deputy attorneys general, and assistant prosecutors who prosecute insurance fraud is a vital component of OIFP. OIFP thus offers the Comprehensive Insurance Fraud Training Program (CIFT) at police academies throughout the State. In 2009, over 700 police officers successfully completed CIFT. OIFP also offers In-Service Training programs to provide more in-depth analysis of specific aspects of insurance fraud. Topics for 2009 included Prescription Drug Abuse, Diversion, and Fraud; Parallel Civil Insurance Enforcement Actions; Parallel Asset Forfeiture Proceedings; and Business Entities in New Jersey.

Public outreach designed to educate New Jerseyans on insurance fraud prevention is another critical part of OIFP's mission. This year, Insurance Fraud Prosecutor Greta Gooden Brown gave a presentation to the Mercer County, New Jersey, Women Lawyers' Caucus on OIFP and its operations. Assistant Attorney General John Kennedy spoke to the Monmouth/Ocean Counties Chapter of the American Association of Professional Coders on the topic of medical coding errors versus intentional fraud. Assistant Attorney General John Krayniak presented a training session on New Jersey's False Claims Act at Seton Hall Law School to New Jersey judges and Administrative Office of the Courts personnel. Deputy Attorney General James Flanagan discussed the practice of law in the public sector at Rutgers Law School in Newark, New Jersey, and presented lectures on Government Ethics and Criminal Law to newly-elected municipal government officials, and on Criminal Insurance Law to Savings Bank Life Insurance (SBLI) agents. Detective Joseph Luccarelli discussed compliance with traffic violations, auto insurance scams, out-of-state vehicle registrations, and international licenses with attendees at the Trenton, New Jersey, Hispanic Community meeting in January.

One of OIFP's most enjoyable and most successful public outreach programs is the annual Anti-Fraud Awareness Essay Contest for High School Seniors, which is co-sponsored by ICNJ and NJSIA. High school seniors across New Jersey compete each year for $2,250 in scholarship funds donated by ICNJ and NJSIA by submitting 500-word essays addressing the impact of insurance fraud on the residents of New Jersey. Over 150 essays were received this year from high school seniors. By enlightening high school students about the costly effect of insurance fraud, OIFP hopes these future consumers will be better prepared to make intelligent choices when they purchase casualty insurance coverage for their homes and automobiles, and health, life, and disability insurance coverage for themselves and their families.

The year 2009 brought much deserved recognition to many individuals at OIFP for their contributions to all aspects of OIFP's civil and criminal investigations and prosecutions. Assistant Attorney General John Krayniak received the *Excellence in the Integrity of the Medicaid Program Award* from the Inspector General of the United States Department of Health and Human Services. Insurance Industry Liaison Carol Naar received the *New Jersey Special Investigators Association Annual Service Award* for her contributions to NJSIA and the industry's Special Investigations Unit (SIU) community.

The New Jersey Department of Law and Public Safety (L&PS) present-

OIFP analysts receive the 2009 L&PS Award for Excellence in Operations: (l to r) Supervising Analyst Christina Runkle, Administrative Analyst Marie Beyer, Administrative Analyst Barbara Ziolkowski, former Attorney General Anne Milgram, Supervising Analyst Paula Carter, Administrative Analyst Bethany Schussler, former DCJ Director Deborah L. Gramiccioni.

OIFP Acting Civil Squad Supervisors Craig Leshner and Donna Augustyniak accept the 2009 DCJ Director's Award for Excellence in Investigations: (l to r) Acting Insurance Fraud Prosecutor Riza Dagli, Craig Leshner, DCJ Chief of Detectives Paul Morris, DCJ Deputy Director Boris Moczula, Donna Augustyniak.

ed the following awards to OIFP staff during 2009:

- The **L&PS Award for Excellence in Operations** was presented to Supervising Analysts Paula Carter and Christina Runkle, and Administrative Analysts Marie Beyer, Bethany Schussler, and Barbara Ziolkowski who are assigned to OIFP's Case Screening, Litigation, and Analytical Support Section (CLASS).
- The **L&PS Award for Excellence in Litigation** was presented to Deputy Attorney General Andrew Fried, Detective Ned Shaw, Special Assistant George Delgrosso, and Civil Investigator Gerard Pizzillo for their work in *State v. Irwin B. Seligsohn, et al.*

The Division of Criminal Justice also presented the following Director's Awards to OIFP staff during 2009:

- **Excellence in Trial Litigation Awards** were presented to Assistant Attorney General John Krayniak for his work on federal False Claims Act recoveries; to Deputy Attorneys General Erik Daab and Linda Rinaldi, Detective Christine Barclay Sullivan, and Paralegal Bhavini Patel for their work in *State v. Paola D'Ottavio*; and to Deputy Attorney General Andrew Fried, Detective Ned Shaw, Special Assistant George Delgrosso, and Civil Investigator Gerard Pizzillo for their work in *State v. Irwin B. Seligsohn, et al.*
- **Excellence in Management/Supervision Awards** were presented to Lieutenant Joseph Abrams and Assistant Attorney General John Kennedy.
- **Excellence in Investigations Awards** were presented to Deputy Attorney General John Higgins, Detectives Jeffrey Lorman and Jaroslaw Pyrzanowski, and Supervising Analyst Christina Runkle for their work in *Operation Dre;* and to Acting Civil Squad Supervisors Donna Augustyniak and Craig Leshner for their work in the *Ottenstein* and *Woolman* cases.
- **Outstanding Service Awards,** honoring individuals "for service and dedication to the Division and its mission which sets that individual apart from his or her peers," were presented to Managing Civil Investigator Patricia Barry and Supervising Analyst Paula Carter.

These impressive awards are a testament to OIFP's stellar accomplishments during 2009 in the face of economic adversity and decreased staffing and demonstrate that OIFP does indeed do more with less.

Background

OIFP was created on May 19, 1998, pursuant to the provisions of the Automobile Insurance Cost Reduction Act (AICRA). P.L.1998, c.21. As set forth in the legislative statement attendant to the Act, OIFP was established to provide for "more effective investigation and prosecution" of insurance fraud than had previously existed. In its preamble to the Act, the Legislature recognized that, whether in the form of inappropriate medical treatments, inflated claims, staged accidents, or any other form, insurance fraud must be "uncovered and vigorously prosecuted."

Pursuant to AICRA, OIFP was established within the Division of Criminal Justice (DCJ) in the Department of Law and Public Safety (L&PS). OIFP is overseen and managed by the Insurance Fraud Prosecutor. The Insurance Fraud Prosecutor is appointed by the Governor, with the advice and consent of the Senate, and reports to the Attorney General.

As a law enforcement agency, OIFP's primary focus is criminal prosecution. AICRA also required, however, that to ensure the most effective coordination of public and private anti-fraud efforts, certain civil enforcement functions of the Division of Insurance Fraud Prevention, Department of Banking and Insurance (DOBI), would be transferred to OIFP pursuant to a plan of reorganization which became effective on August 24, 1998 (Reorganization Plan 0007-89).

As a result, under AICRA, OIFP is responsible for the investigation of all types of insurance fraud and is the focal point for criminal, civil, and administrative investigations and prosecutions of insurance and Medicaid fraud in New Jersey. OIFP is also responsible under AICRA for the coordination of all anti-insurance fraud efforts of law enforcement and other public agencies and departments in New Jersey, as well as private industry, to ensure the most effective and well integrated statewide strategy possible for combating insurance fraud.

OIFP-Criminal

Organizational and Operational Structure

OIFP-Criminal investigates and prosecutes all areas of insurance fraud, most of which involve health, life, disability, auto, home owners', or commercial insurance coverages, including both claims and application underwriting fraud. Lieutenants and Detectives in DCJ, within L&PS, who are assigned to OIFP are responsible for conducting OIFP's criminal investigations. OIFP's criminal cases are prosecuted by Assistant and Deputy Attorneys General within DCJ, who are similarly assigned to OIFP. Lieutenants, Detectives, Assistant and Deputy Attorneys General are assigned to one of three specialized sections: Auto/Property and Casualty; Health, Life, and Disability; and Medicaid Fraud.

Assistant and Deputy Attorneys General in each section are supervised by a Deputy Chief Counsel, while Detectives in each section are supervised by a Lieutenant. The Deputy Chief Counsel reports to the Insurance Fraud Prosecutor. Lieutenants report to the Deputy Chief Detective in charge of criminal prosecutions, who in turn reports both to the Chief of Detectives for DCJ, as well as to the Insurance Fraud Prosecutor.

Teams of analysts, technical assistants, paralegals, and other professional support staff provide support and assistance to the investigators and prosecuting attorneys in OIFP-Criminal. Support staff assist in organization and analysis of documents, records, and related data compiled in the course of conducting criminal investigations. They also perform case and financial analysis, legal research, case tracking, and other administrative functions. OIFP-Criminal operates utilizing a strike force model whereby the attorneys, investigators, and professional and clerical support staff work together to investigate and prosecute insurance fraud throughout the State.

Auto/Property and Casualty Section

The Auto/Property and Casualty Section investigates and prosecutes a wide array of fraudulent insurance scams, including large-scale auto theft trafficking networks, individual owner "give up" schemes, staged vehicle accident and "runner" enterprises, counterfeit motor vehicle documents and certificates of liability, and fraudulent automobile, home, and commercial property insurance claims.

Auto Theft Rings and Owner "Give Up" Schemes

This year, OIFP Detectives and Assistant and Deputy Attorneys General made significant progress in dismantling vehicle theft trafficking networks in New Jersey. In *Operation Jellystone* and *Operation Dre*, leaders of two separate stolen automobile rings both entered guilty pleas and received lengthy State prison terms for their roles in these criminal enterprises. And, in *Operation Ninja II*, six members of one southern New Jersey stolen motorcycle ring were sentenced during 2009.

The Auto/Property and Casualty Section continued to aggressively investigate allegations regarding stolen vehicles in order to determine whether a recovered car which had been reported as stolen was a staged theft, commonly referred to as a "give up" or owner-initiated fraudulent auto theft, or was genuinely stolen from an innocent owner. During 2009, OIFP filed Indictments or Accusations against approximately 20 individual car owners for filing auto theft claims which were really owner "give ups."

"Give ups" are most often initiated by two groups: The first are automobile lessees who have exceeded the permitted mileage under a lease and are facing substantial lease-end penalty payments. The second are automobile owners who cannot afford to continue paying on their car loan, or who want to hide the true fair market value of a worn or damaged car in order to recover from their insurance carriers the higher book value of a similar make and model in better condition. Insurance company and law enforcement investigators are trained to look for typical "red flags" in investigating stolen car allegations, including lack of evidence that the car was broken into, lack of damage to the locking mechanism of the steering column and/or ignition, presence of a financial motive to get rid of the car, and lack of proper maintenance of the car and/or recent damage to the car.

In a typical "give up," a vehicle's owner or lessee turns the vehicle over (the "give up") to a middleman who has connections with a stolen car ring. The ring may operate an unscrupulous auto body repair shop, also known as a "chop shop," which disassembles vehicles and sells the parts on the black market. In other instances, the vehicle is given a different vehicle identification number (VIN). This is known as "re-tagging" and prevents law enforcement from identifying the vehicle as stolen. Re-tagged vehicles can be sold to unsuspecting buyers both in and out of the United States. Some sales are made face-to-face; other sales are made through advertisements in trade newspapers or on Internet sites such as eBay.

Sometimes, the middleman will attempt to destroy the vehicle completely, often by dousing it with an accelerant such as gasoline and burning it, to prevent its recovery and return to its owner.

Assistant Attorney General John Kennedy accepts the 2009 DCJ Director's Award for Excellence in Management and Supervision: (l to r) Acting Insurance Fraud Prosecutor Riza Dagli, John Kennedy, DCJ Deputy Director Boris Moczula.

Assistant Attorney General John Krayniak accepts the 2009 DCJ Director's Award for Excellence in Trial Litigation: (l to r) Acting Insurance Fraud Prosecutor Riza Dagli, John Krayniak, DCJ Deputy Director Boris Moczula.

After a vehicle has been chopped, re-tagged, or destroyed, the owner or lessee typically files a fraudulent police report and insurance claim alleging the vehicle has been stolen in order to collect the insurance payout. OIFP has redoubled its efforts to investigate "give ups" where VINs are re-tagged by coordinating these investigations with the New Jersey Motor Vehicle Commission (MVC).

Staged Accidents, Fraudulent Personal Injury Protection (PIP) Claims, and Criminal Use of Runners

The Auto/Property and Casualty Section investigated and prosecuted staged accident rings, fraudulent Personal Injury Protection (PIP) claims, and criminal use of "runners." Vehicle insurance policies in New Jersey provide coverage for medical bills, lost wages, and essential services for persons injured in vehicular accidents as part of PIP coverage. These benefits are provided to persons who have the appropriate automobile insurance or reside with licensed drivers who have the appropriate automobile insurance.

PIP insurance typically covers diagnostic testing and treatment for persons injured in automobile accidents. Because the extent of medical treatment is usually considered in evaluating the seriousness of a claimant's injuries, unscrupulous claimants have an incentive to seek more medical treatment than is necessary to enhance their prospects for an inflated monetary insurance settlement. Unscrupulous health and medical services providers have a similar incentive to provide unnecessary treatments.

Uninjured occupants of vehicles involved in collisions are sometimes contacted by "runners" and encouraged to pursue claims for purported soft tissue injuries, such as back sprains or whiplash. Soft tissue injuries are frequently claimed because they often are not verifiable by common diagnostic tools and visualization techniques, such as x-rays and Magnetic Resonance Imaging (MRI).

"Runners" typically receive an illegal fee or commission for recruiting potential claimants and referring them to unscrupulous medical providers and attorneys who, in turn, benefit by providing unnecessary medical services or pursuing unwarranted legal claims for monetary damages. Some "runners" go so far as to plan and stage auto accidents to insure a steady flow of phony injury claimants. Sometimes a "runner" or conspirator may claim to have been in an accident when there was no collision at all. To execute this scheme, a previously damaged vehicle is placed in a public location and the "runner" or conspirator reports that the vehicle and its occupants were the victims of a collision with a phantom "hit-and-run" vehicle. Persons who claim to be in auto accidents when they were not are commonly called "jump in" claimants.

Staged accident rings typically involve a combination of players: claimants; "runners"; medical and chiropractic mills specializing in phony diagnostic testing and treatment; auto repair facilities; and investigators, office managers, paralegals, and attorneys who specialize in pursuing frivolous and fictitious claims. In 2009, OIFP continued its successful prosecution in *State v. Irwin B. Seligsohn, et al.*, by resolving racketeering charges against the main "runners." OIFP also investigated and prosecuted fraudulent PIP insurance claims by non-health care practitioners in five other cases during 2009.

Counterfeit Vehicle Insurance Identification Cards

This year, the Auto/Property and Casualty Section once again prosecuted large numbers of cases involving counterfeit vehicle insurance identification card cases, for which there is a considerable black market in New Jersey. On the street, these cards can sell for more than $200 each. Some drivers are willing to pay high prices for these phony cards to avoid purchasing more costly, legitimate automobile insurance policies.

Fraudulent Certificates of Liability

Another aspect of fraud investigated and prosecuted by the Auto/Property and Casualty Section is fraudulent certificates of insurance. Proof that a business or contractor is insured is often required to undertake construction work in the event of an insurable loss. Contractors sometimes alter expired certificates, making it appear as though they are currently covered by liability insurance. The dramatic downturn in the construction and housing sectors over the past few years has led to an increase of referrals to OIFP of shady businesses and contractors offering fictitious certificates of liability insurance so that they may be awarded construction contracts. In 2009 alone, 11 separate cases involving fraudulent certificates of insurance were investigated and prosecuted by OIFP.

Fraudulent Automobile and Property Insurance Claims

Fraudulent automobile insurance claims often arise when a person purchases automobile insurance coverage and then files a claim that the vehicle was stolen or damaged after the effective date of the policy when, in fact, the vehicle was stolen or damaged prior to the purchase of the insurance policy. Property insurance claims typically arise when home owners and business owners falsely claim damage to their property, inflate the actual damages incurred, or pad the insurance claims with phantom property. In one particular fraudulent property

insurance case prosecuted by OIFP in 2009, *State v. John Getchius*, a disbarred attorney pled guilty to submitting $64,000 worth of phony insurance claims alleging five dinghies, five outboard motors, a life raft, and a marine tender were lost at sea on various dates.

In 2009, the Auto/Property and Casualty Section also investigated and prosecuted matters involving identity theft, theft by deception, arson, and weapons offenses which arose out of insurance fraud-related criminal activity, as well as insurance agent fraud, insurance carrier employee fraud, and insurance sales fraud.

Specific examples of matters prosecuted by the Auto/Property and Casualty Section are reported in the OIFP Criminal Case Notes section of the *2009 Annual Report*.

Health, Life, and Disability Section

Typically, health, life, and disability insurance fraud in New Jersey involves the submission of a fraudulent claim for reimbursement provided under a coverage provision in a legitimately issued insurance policy. The significant cost of this pervasive fraud is, regrettably, borne by the law-abiding citizens of New Jersey through higher premiums and associated costs. In 2009, OIFP once again remained vigilant in its effort to expose and combat insurance fraud throughout this State.

Health Care Insurance Fraud

In addressing health care claims fraud, traditional crimes such as Theft, Conspiracy, and Falsifying Records often apply, but the premier charging weapon used by OIFP's Criminal Health, Life, and Disability Section (H,L&D) is the Health Care Claims Fraud statute enacted by the New Jersey Legislature in 1997. N.J.S.A. 2C:21-4.3. A tremendous boon to health care fraud prosecutors, this statute criminalizes at a higher degree of crime the mere submission of false claims by a health care provider to insurance companies, regardless of the amount of payment sought or whether the claims were paid out by the insurer. For non-providers, the threshold level of payment sought from the insurance carrier, whether attempted or actually received by the claimant, is only $1,000. The Health Care Claims Fraud statute thus presents a significant prosecutorial advantage over the far higher $75,000 threshold level of payment for both health care providers and non-providers required by traditional second-degree theft offenses. Penalties under the Health Care Claims Fraud statute apply to both health care providers and non-providers.

Dentists, chiropractors, physical therapists, social workers, psychotherapists, and pharmacists were some of the licensed health care providers investigated and prosecuted for health care claims fraud-related offenses, including fraudulent billing and phony prescription claims, during 2009. Some of the criminal conduct by health care beneficiaries investigated and prosecuted by OIFP this year included forging drug prescriptions, submitting bogus health care claims for services not rendered or misrepresenting the nature of the services provided, including non-eligible participants on small group employer health insurance applications, identity theft, and altering invoices for prescription drug purchases in order to obtain inflated reimbursement from the insurance carrier.

Life, Disability, and Workers' Compensation Insurance Fraud

Prior to 2003, the traditional criminal charges for acts of life, disability, and workers' compensation insurance fraud were Theft, Conspiracy, and Falsifying Records. In 2003, the New Jersey Legislature enacted the Insurance Fraud statute, N.J.S.A. 2C:21-4.6, which, like its Health Care Claims Fraud counterpart, presents a significant advantage in combating fraudulent life and disability insurance claims. The Insurance Fraud statute criminalizes the mere submission of a fraudulent claim for insurance benefits and provides that the crime is committed whether or not the proceeds are actually obtained by the claimant.

This year, H,L&D investigated and prosecuted several licensed insurance agents, as well as an insurance company, for deliberately failing to remit health care and/or workers' compensation insurance premiums paid by purchasing customers to the respective insurance companies, leaving the customers uninsured. Another fraudulent scam foiled by OIFP involved

OIFP Managing Civil Investigator Patricia Barry accepts the 2009 DCJ Director's Outstanding Service Award: (l to r) Acting Insurance Fraud Prosecutor Riza Dagli, DCJ Chief of Detectives Paul Morris, Patricia Barry, DCJ Deputy Director Boris Moczula.

State v. Irwin B. Seligsohn, et al. trial team accepts the 2009 L&PS Award for Excellence in Trial Litigation: (l to r) OIFP Civil Investigator Gerard Pizzillo, Deputy Attorney General Mary Erin McAnally, Administrative Analyst Kathleen Ratliff, former Attorney General Anne Milgram, Deputy Attorney General Andrew Fried, former DCJ Director Deborah L. Gramiccioni.

insurance agents who operated criminal enterprises designed to obtain workers' compensation insurance at below market value through material misrepresentations and omissions. By fraudulently under-reporting the payroll or wrongly identifying the work force, the insured business entity pays a greatly reduced workers' compensation premium. This premium is not truly reflective of the heightened risk incurred by the insurance carrier, which is unknowingly responsible for a far greater risk of loss than that disclosed by the business entity. Premium fraud is an extremely costly crime, with losses often running into the hundreds of thousands of dollars per annual policy.

Two insurance carrier employees were convicted this year in separate prosecutions of creating fraudulent claims and improperly diverting the proceeds to themselves or others. Other OIFP-Criminal H,L&D investigations and prosecutions during 2009 include fraudulent unemployment insurance claims, failure to provide workers' compensation insurance coverage, fraudulent disability and "slip and fall" claims, fraudulent life insurance claims, fraudulent health insurance applications, and theft of insurance proceeds.

Specific examples of matters prosecuted by the Health, Life, and Disability Section are reported in the OIFP Criminal Case Notes section of the *2009 Annual Report*.

Medicaid Fraud Control Unit

Medicaid is a State and federally-funded health insurance program which pays the health care expenses of the disabled, economically disadvantaged, and, more recently, those who work but whose income and health benefits fall below certain established levels. Currently, $9.5 billion is spent annually by the New Jersey Medicaid Program to reimburse health care providers and other ancillary service providers who are licensed to operate and administer services under the Medicaid program and who provide essential health services to Medicaid beneficiaries.

Medicaid fraud is a serious problem with far-ranging consequences, not only for taxpayers, but for the beneficiaries who depend on these programs for their health care. To preserve the financial integrity of the Medicaid health care system in New Jersey, the Medicaid Fraud Control Unit (MFCU) within OIFP is federally-mandated to investigate and prosecute violations of all applicable State laws pertaining to fraud in the administration of the Medicaid program, the provision of medical assistance, and the activities of providers of medical assistance under the State Medicaid plan. MFCU is also required to review complaints alleging abuse or neglect of patients in health care facilities receiving payments under the State Medicaid plan and may review complaints of misappropriation of patients' private funds in such facilities.

In fulfilling its required functions, MFCU relies primarily on two New Jersey statutes: Medicaid Fraud, N.J.S.A. 30:4D-17, and Health Care Claims Fraud, N.J.S.A. 2C:21-4.3. Other criminal statutes which are also routinely invoked in the prosecution of Medicaid fraud include Money Laundering, Theft, Patient Neglect, and Fencing.

Medicaid Funding

MFCU receives 75% of its operational funding from the federal government. Because MFCU typically recovers more money in restitution and penalties than the 25% State-matched portion of its budget, MFCU provides an extremely cost effective means of combating fraud and abuse in the administration of the Medicaid program.

Medicaid Provider Fraud

Medicaid provider fraud occurs when a provider of Medicaid-covered services fraudulently receives medical assistance payments to which he is either not entitled or in a greater amount than that to which he is entitled. In 2009, MFCU successfully investigated and prosecuted fraud committed by physicians, dentists, pharmacists, medical transport providers, mental health counselors, and home health care agencies.

Patient Protection Unit

The Patient Protection Unit (PPU) within MFCU focuses on preventing physical injury and financial harm to Medicaid patients in institutions and hospitals, and prosecutes those who prey upon these vulnerable victims, who are often elderly and disabled. Hospitals and nursing homes together account for approximately 40% of Medicaid expenditures.

Since its inception in 2003, PPU has fostered cooperation with other State governmental agencies which address issues unique to the elderly and disabled communities throughout New Jersey. In addition to cases brought to the attention of PPU by concerned citizens, referrals come from offices within State government, primarily the New Jersey Department of Health and Senior Services and the Office of the Ombudsman for the Institutionalized Elderly within the New Jersey Department of the Public Advocate.

This year, PPU implemented significant changes in screening cases referred from State government agencies alleging abuse and neglect of institutional-

ized elderly and disabled persons. These changes have greatly advanced PPU's mission to investigate and prosecute Medicaid providers and their employees who commit criminal offenses upon any elderly or disabled patient in their care, as well as health care providers who commit a criminal offense upon any elderly or disabled Medicaid recipient.

The changes in PPU's case referral procedures were proposed by Debra H. Branch, the Ombudsman for the Institutionalized Elderly, who suggested that PPU review all matters in which the Ombudsman's office has first substantiated an act of physical abuse or neglect or has found financial exploitation committed upon an institutionalized elderly or disabled Medicaid beneficiary or resident in a Medicaid facility. Previously, the Ombudsman would refer its findings on a case-by-case basis to one of the 21 County Prosecutors' Offices or to PPU. With the support of the Director of the Division of Criminal Justice and the Insurance Fraud Prosecutor, PPU revised its existing guidelines for determining which cases will be investigated and prosecuted by PPU and which cases will be referred to the County Prosecutor for appropriate action. The revised guidelines provide a "bright line" for determining which prosecutorial agency is responsible for the investigation and prosecution of cases originating in the Ombudsman's office.

Pursuant to the revised guidelines, PPU now retains, investigates, and, where appropriate, prosecutes all allegations received from the Ombudsman's office of neglect or physical abuse against an institutionalized elderly or disabled Medicaid recipient or resident in a Medicaid facility. PPU also investigates and, where appropriate, prosecutes any case involving financial exploitation committed upon a Medicaid recipient. Based on the positive results stemming from the new PPU/Ombudsman case referral guidelines, PPU has now begun to screen cases received from other sources in a similar manner.

PPU will continue to forward to the County Prosecutors' Offices cases alleging financial harm to victims who are not Medicaid recipients. PPU remains charged with the responsibility, however, to collect disposition information from the County Prosecutors' Offices on prosecutions involving financial harm and physical injury to institutionalized elderly and disabled Medicaid recipients, as well as elderly and disabled patients in Medicaid facilities, and report that data to the federal Office of the Inspector General within the United States Department of Human Services.

PPU's newly-instituted case screening procedure has the additional advantage of having an experienced criminal trial attorney assigned to PPU thoroughly review all incoming referrals. Those referrals which warrant further criminal investigation and prosecution are kept by PPU and those referrals which do not warrant further criminal investigation are diverted to the appropriate agency. When necessary, matters are also brought to the attention of the various New Jersey occupational licensing boards and civil regulatory authorities during PPU's initial screening process.

This year, PPU once again saw an increase in the number of cases received and opened for criminal investigation over the previous year. Crimes involving the financial exploitation of the elderly, often committed by close relatives or friends, are on the rise. Many of these thefts of Social Security and pension incomes and other assets are perpetrated by the very people who had previously been appointed to positions of fiduciary trust by their victims. These victims are often left penniless and, because of Medicaid's stringent rules governing the transfer of assets, may not qualify for Medicaid or may lose their Medicaid benefits.

The grant of a Power of Attorney does not allow the attorney-in-fact to treat the principal's assets as his own without regard to the present and future needs of the principal. New Jersey's "Revised Durable Power of Attorney Act," P.L.2000, c.109 (codified at N.J.S.A. 46:2B-8.1 et seq.) governs the actions of those appointed to this fiduciary position. PPU has previously recommended that the position of "attorney-in-fact" be expressly included as one of the relationships within the definition of the term "fiduciary" set forth in the New Jersey Code of Criminal Justice and applicable to the Code's theft and embezzlement statutes. See *Closing the Loopholes on Insurance Fraud: OIFP's 2008 Recommendations for Legislative Reform - Protecting the Institutionalized Elderly From Physical Abuse and Financial Exploitation and Combating Reverse Rate Evasion in New Jersey*, by William Hoyman and John Kennedy at page 52 of OIFP's *2008 Annual Report*. This simple amendment to the definition of the term "fiduciary" would allow prosecutors to charge the existing crimes of theft and embezzlement in appropriate cases.

Changes in Medicaid applications also would significantly and immediately decrease incidents of theft of Social Security and pension incomes and other assets. The Medicaid application process requires the county Boards of Social Services to accept applications for Medicaid benefits and to then determine an applicant's eligibility to receive these benefits. Often these applications are completed by an attorney-in-fact acting on behalf of nursing home residents unable to act on their own behalf. The application process includes a determination of the available income of the prospective Medicaid beneficiary. As a condition of Medicaid eligibility, this available income, less a small monthly stipend, must be paid to the facility where the applicant resides in order to offset the cost of his or her care. A Statement of Understanding is executed by the applicant or his agent acknowledging this responsibility. Following the approval of Medicaid benefits for a nursing home resident, an unscrupulous agent may misappropriate this income to his own use, rather than paying it over to the facility. Such cases are now routinely prosecuted by PPU for the crime of Theft by Unlawful Taking or, if appli-

cable, Theft by Failure to Make Required Disposition of Property Received.

To thwart this criminal behavior, PPU recommends that the Medicaid regulations, which are set forth in the New Jersey Administrative Code, be amended to require, as a condition precedent to receiving Medicaid benefits, that a Medicaid applicant or his agent consent to the appointment of the residential facility as the payee representative in order to directly receive the applicant's income. With the income going directly to the facility, the opportunity to steal is greatly reduced.

This year also brought an increase in the number of cases involving assaultive crimes against the institutionalized elderly or disabled. For example, PPU successfully prosecuted John Esposito, who was charged with committing an act of sexual contact against an elderly, mentally handicapped nursing home resident in Ocean County, New Jersey, for his own sexual gratification. Esposito will be sentenced in 2010. This criminal case evolved from a joint investigation between PPU and authorities in Manchester Township, New Jersey. Other cases involving neglect of patients are currently moving toward prosecution.

Medicaid Civil Settlements

MFCU's ability to settle federal civil cases has proven to be very effective in protecting the Medicaid program from overpayments that would not otherwise be recovered. In addition, by collaborating with MFCUs in 47 other states and the District of Columbia, as well as federal authorities, OIFP's MFCU has aggressively pursued its settlement authority to recover monies from providers whose business is national in scope. Most of these cases, which have dramatically increased over the past several years in numbers and complexity, are initially filed under the federal False Claims Act.

All monetary recoveries and penalties pursuant to federal False Claims Act filings are generally allocated based upon a state's actual Medicaid damages. State and federal prosecutors work as a team on each case, negotiating the best possible settlement for their respective governmental entities. In addition to restitution and possible civil or administrative penalties, all settlements require a corporate integrity agreement and, where appropriate, criminal action against the offending parties or debarment from participation in federally funded programs.

In 2009, OIFP's MFCU recovered $52.2 million for New Jersey's Medicaid Program from federal False Claims Act settlements with seven major corporations. This sum included recoveries from the first two federal False Claims Act settlements to exceed $1 billion:

Eli Lilly & Co. agreed to pay a total civil and criminal settlement of $1.4 billion to resolve allegations of illegal "off label" marketing by Eli Lilly for its anti-psychotic drug Zyprexa. Under this settlement Eli Lilly paid the states and the federal government $800 million in civil damages and penalties to compensate Medicaid and other federal health care programs for causing false claims to be submitted to the Medicaid program. In addition to the civil settlement, Eli Lilly pled guilty to a misdemeanor violation of the federal Food, Drug, and Cosmetic Act and paid a criminal fine of $615 million. New Jersey's joint Medicaid share of this settlement, both federal and State, was $18.4 million. The State's Medicaid share alone was over $9 million.

Pfizer, Inc., agreed to pay to a total settlement, including civil fines, forfeiture, civil restitutions, and penalties, of $2.3 billion to resolve allegations that Pfizer illegally promoted four of its medications – Bextra, Lyrica, Zyvox, and Geodon – for treatments not approved by the FDA and gave kickbacks to doctors to promote the "off label" use of these four drugs and nine others. New Jersey's joint Medicaid share, both federal and State, was over $25.1 million. The State's Medicaid share alone was just under $13 million.

Since 1993, OIFP's MFCU has recovered over $106 million through its federal False Claims Act fighting activities. MFCU collected an additional $4.8 million for New Jersey's funded pharmaceutical assistance programs, the Pharmaceutical Assistance for the Aged and Disabled (PAAD) and Senior Gold (SG) programs.

In January 2008, the New Jersey False Claims Act, P.L.2007, c.265 (codified at N.J.S.A. 2A:32C-1 et seq.), was signed into law. See *New Jersey's New False Claims Act: Arming OIFP With Powerful Ammunition to Recoup Millions of Dollars for the State's Medicaid Program* by John Krayniak at page 48 of OIFP's *2008 Annual Report.* In less than two years, more than 100 civil actions have been filed in the Superior Court of New Jersey alleging fraud against New Jersey's Medicaid Program. Many of these cases are filed along with allegations of violations of the federal and other states' false claims acts. This dynamic makes cooperation among the states and federal government essential to achieving fair resolution of these matters.

Specific examples of matters prosecuted criminally by MFCU and PPU are reported in the OIFP Criminal Case Notes section of the *2009 Annual Report.* MFCU's 2009 False Claims Act settlements are reported in the OIFP Civil Case Notes section of the *2009 Annual Report.*

Asset Forfeiture Unit

OIFP's Asset Forfeiture Unit, formally constituted in 2008, recovers from criminals the proceeds and instruments of their crimes. Asset forfeiture is a civil remedy allowing the State to seize the proceeds and instrumentalities of criminal activity from the perpetrators of crimes. Any property with a direct connection to the crimes may be seized. Seized assets can be used to pay restitution to victims of the perpetrator's crimes.

Forfeiture law permits OIFP to seize assets early in a criminal investigation, often as early as when search warrants are executed. This allows seizure or restraint of stolen insurance proceeds or premiums and any property purchased with the stolen funds before insurance fraudsters have an opportunity to hide, spend, or otherwise prevent recovery by OIFP. The

same is true of property that is used in furtherance of the crimes alleged. Thus, bank accounts, investment accounts, real property, vehicles, and any other property with a nexus to the criminal activity may be seized by the State.

In 2009, the Asset Forfeiture Unit seized a record $7.42 million in cash and financial accounts, real property, and vehicles, an increase of 74% over 2008. Similarly, in 2009, OIFP recovered more than $1 million in seized assets by extinguishing the interests of claimants to the seized property, an increase of 27% over recoveries in 2008. OIFP made these funds available for restitution, civil penalties, and forfeiture. Another $656,000 was recovered and will be disbursed, principally for restitution and civil penalties, when related criminal matters are resolved. Since its inception in 2007, the OIFP Asset Forfeiture program has seized over $15 million and recovered more than $1.8 million.

Specific examples of seizures and recoveries obtained by the Asset Forfeiture Unit are reported in the OIFP Asset Forfeiture Case Notes section of the *2009 Annual Report*.

OIFP-Civil

Organizational and Operational Structure

OIFP-Civil investigations are conducted by three bureaus located in the northern (Whippany), central (Lawrenceville), and southern (Cherry Hill) regions of the State. In 2009, 70 Civil Investigators were assigned throughout New Jersey. A Managing Civil Investigator assumes the leadership role for each regional bureau. Each bureau is further divided into squads and each squad is managed by a Civil Squad Supervisor. The squads are further divided into two subject matter areas: health and life insurance, and auto/property and casualty insurance. Overall, there are four Managing Civil Investigators and 13 Civil Squad Supervisors. Each Managing Civil Investigator reports directly to the Deputy Chief Detective who bears responsibility for and oversees all civil investigations.

The Civil Investigator assigned to review an allegation of fraud first reviews the case to determine which specific provision of the Insurance Fraud Prevention Act (IFPA) has been violated. The Civil Investigator then takes the necessary initial investigative steps, for example, obtaining documents, conducting surveillance, and interviewing witnesses, to substantiate the violation of the IFPA. The case is then evaluated by the Civil Investigator and his or her Civil Squad Supervisor to determine the most appropriate method for proving the fraud.

At the conclusion of a civil investigation, if the assigned Civil Investigator determines that the fraud allegation is supported by the evidence, the Civil Investigator prepares and serves the subject with an administrative Consent Order for execution providing for an appropriate civil fine under authority of the IFPA. The IFPA provides for fines up to $5,000 for the first violation, $10,000 for the second violation, and $15,000 for the third and subsequent violations. The proposed Consent Order includes a description of the violation, an admission of facts which establishes the fraud, and the amount of the fine. In addition, if the subject is a licensed person or entity, such as a physician, nurse, attorney, or auto body shop, the Consent Order also states that the subject's licensing authority will be notified that the subject entered into a Consent Order in an insurance fraud matter. In 2009, OIFP-Civil issued 469 Consent Orders totaling almost $2.8 million.

Civil Auto/Property and Casualty Unit

The number of OIFP-Civil investigations into workers' compensation premium fraud increased during 2009 as businesses try to save money at the expense of the insurance companies. Workers' compensation rates for any given business are based upon the number of individuals employed by that business. A company may fraudulently underreport the number of its employees in order to cut the cost of workers' compensation insurance premiums. Employees may be unaware of the company's underpayment of workers' compensation premiums until an employee is injured on the job and is denied the workers' compensation insurance proceeds needed to pay medical bills.

OIFP-Civil and the New Jersey Motor Vehicle Commission (MVC) continue to monitor another recent trend in which legal residents of New Jersey defraud motor vehicle insurance companies by registering multiple cars with the MVC and insuring those cars through multiple carriers. The motor vehicle registrations and insurance identification cards are then sold to undocumented aliens living in New Jersey who are ineligible for State-issued documents, such as driver's licenses, motor vehicle registrations, and motor vehicle insurance. In exchange for these documents, the undocumented aliens pay monthly fees to the individual under whose name the cars are registered and insured. This scheme defrauds insurance carriers which issue insurance policies and calculate rates based upon the information provided to them by the applicants.

Civil Health and Life Unit

OIFP-Civil has uncovered the establishment of phantom employee and labor unions which fraudulently obtain health care coverage at reduced rates. Individuals establish these phantom unions in an unscrupulous attempt to get health care coverage for individuals who are ineligible for such insurance and to take advantage of their status as a "union" to receive discounted health care premiums. By using the Internet to solicit others to join, the number of members who join phantom unions is potentially limitless. Health care insurance companies lose huge dollar amounts when they provide discounted group rates to persons who do not qualify for the group rates.

Sometimes the phantom "union leaders" also require individuals to pay union dues to become members. Not surprisingly, these union dues go directly into the pockets of these fraudulent "union leaders."

During 2009, OIFP-Civil and the Division of Community Affairs investigated dishonest home health care agencies which employed unlicensed home health aides to provide personal care and homemaking services to patients requiring at-home nursing. In New Jersey, home health aides must complete a training program approved by the New Jersey Board of Nursing and must be certified by that Board. N.J.A.C. 8:42-7.5. By hiring untrained and uncertified home health aides, the fraudulent agency puts the patient's care and comfort directly at risk.

Specific examples of matters prosecuted civilly by the OIFP-Civil units are reported in the OIFP Civil Case Notes section of the *2009 Annual Report*.

Case Screening, Litigation, and Analytical Support Section (CLASS)

Referrals

Most cases investigated by OIFP in 2009 were the result of referrals from the Special Investigations Units (SIU) of insurance companies which are required by law to refer matters of suspected insurance fraud to OIFP. N.J.S.A. 17:33A-9. OIFP's well-publicized hotline and interactive Web site also generate a significant number of referrals to OIFP. OIFP's statutory reward program, which provides a monetary reward for information leading to the arrest, prosecution, and conviction of an insurance fraudster, gives private citizens a monetary incentive to report fraud. N.J.S.A. 2C:21-4.7 and N.J.A.C. 13:88-3.1 et seq. Other law enforcement, regulatory, and administrative agencies make a significant number of referrals to OIFP. All referrals to OIFP are screened and reviewed by the Case Screening, Litigation, and Analytical Support Section (CLASS).

Coordination with County Prosecutors' Offices

The County Prosecutors' Offices report targets and defendants under investigation by their offices on a monthly basis. OIFP opens a substantial number of civil insurance fraud investigations based on these reports. CLASS assists in identifying potential civil cases from these reports, and assigns them for civil action. In order to ensure effective coordination between OIFP and County Prosecutors' Offices, OIFP has designated four Civil Investigators, on a regional basis, to be the primary points of contact responsible for coordinating OIFP's actions with those of the County Prosecutors. Regardless of whether those subjects are ultimately prosecuted by the County Prosecutors' Offices, the subjects are investigated by OIFP-Civil whenever the allegations appear to constitute a civil violation of the IFPA.

Case Screening and Assignment

Upon receipt, all referrals of suspected insurance fraud are date stamped, classified by OIFP region and type of insurance fraud, and subjected to an initial screening by CLASS to determine whether a potential crime and/or civil violation has occurred. If the referral is deemed appropriate for a criminal investigation, the case is assigned to the appropriate section and becomes the responsibility of an OIFP Detective and Assistant and Deputy Attorneys General. If the referral is deemed appropriate for a civil investigation, the case is assigned accordingly and initially becomes the responsibility of an OIFP Civil Investigator, with legal guidance provided by Assistant and Deputy Attorneys General assigned to CLASS.

Of the referrals to OIFP in 2009, CLASS identified 2,764 as warranting further investigation following initial review and screening. Referrals not warranting assignment after initial screening are entered into OIFP's database for future reference should additional information come to light. Many referrals identified for investigative follow-up are assigned initially to OIFP-Civil. As noted, however, some referrals may be assigned directly for criminal investigation immediately following initial screening. Civil investigations are continually monitored and evaluated with respect to their potential for possible criminal prosecution. Many of the criminal prosecutions handled by OIFP-Criminal were, in fact, initiated as civil insurance fraud investigations. Most of the cases prosecuted criminally by OIFP have both civil and criminal components, resulting in the most comprehensive response to fighting insurance fraud. OIFP's procedures ensure the most efficient allocation of OIFP resources and preserve the confidentiality of privileged law enforcement files.

OIFP Liaison and Coordination Functions

In crafting the Automobile Insurance Cost Reduction Act (AICRA), the Legislature recognized the critical importance of coordinating the diverse activities of the many public and private entities in New Jersey dedicated to combating insurance fraud. To address this need, AICRA required that OIFP designate liaisons to maintain open channels of communication between OIFP and other law enforcement and governmental agencies, as well as insurers. In so doing, AICRA effectively mandates the consolidation and coordination of a variety of fraud fighting functions under the umbrella of OIFP. AICRA further requires the use of resources among public agencies to achieve the most effective and well integrated system to combat insurance fraud within the law enforcement community. To achieve these objectives, the Liaison Section of OIFP includes a County Prosecutor Liaison, a Law Enforcement Liaison, an Insurance Industry Liaison, and a Professional Boards Liaison.

County Prosecutors' Offices Liaison

As the local prosecuting authority in each county, County Prosecutors' Offices play a critical role in OIFP's comprehensive statewide strategy to combat insurance fraud. By virtue of their ability to work with local informants and their familiarity with local trends and demographics, County Prosecutors' Offices are particularly well-suited to investigate and prosecute

potential cases of insurance fraud that might otherwise go undetected.

To support and encourage the efforts of County Prosecutors in the investigation and prosecution of insurance fraud, and to enhance their fraud fighting capabilities, AICRA ensures that they receive both technical and financial support. Technical support, including training and coordination, is provided through OIFP's County Prosecutor Liaison, while financial support is provided through a funding program administered by OIFP.

During 2009, the Attorney General, through OIFP, provided $3.3 million in funding to 16 of the 21 County Prosecutors' Offices. County Prosecutors have relied upon this funding to pay the salaries of fraud fighting personnel, including Assistant Prosecutors and Detectives, and to purchase the equipment necessary for combating insurance fraud. In 2009, OIFP also provided $400,000 in funding for the operation of the Essex/Union Auto Theft Task Force (ATTF).

OIFP also continued its training program for County Prosecutor investigative and prosecutorial personnel by conducting a full-day seminar at the New Jersey Forensic Science Technology Center in Hamilton Township, Mercer County, New Jersey, on June 8, 2009. Richard Zenuch, Director, Law Enforcement Liaison and Education at Purdue Pharma, LP, gave an informative presentation on prescription drug abuse and diversion. Assistant Attorney General Louise Lester, Acting Senior Counsel of CLASS, opened a dialog among the assistant prosecutors about the efficacy of issuing civil Consent Orders contemporaneously with the return of a county Grand Jury criminal Indictment. Deputy Attorney General Carol Stanton Meier, who heads up OIFP's Asset Forfeiture program, explored the value of pursuing the civil remedy of asset forfeiture as a deterrent and source of restitution.

OIFP liaison personnel are also responsible for the coordination of insurance fraud case referrals, investigations, and prosecutions between OIFP and County Prosecutors' Offices, as well as other law enforcement agencies. In order to coordinate investigations and prosecutions, avoid duplication of effort among law enforcement agencies, and ensure that OIFP identifies appropriate cases for the imposition of civil penalties, County Prosecutors' Offices are required to update OIFP monthly as to the status of all insurance fraud-related matters pending within each County Prosecutor's Office. Information provided by County Prosecutors' Offices is entered and maintained in OIFP's broader investigative and case tracking database.

Law Enforcement Liaison

AICRA recognized that coordination among law enforcement agencies at every level is crucial to ensuring the effectiveness of a broad-based program to reduce the incidence of insurance fraud. Aggressive enforcement requires the timely sharing of information and resources among law enforcement professionals, from the local police officer checking a driver's license, motor vehicle insurance identification card, and registration, to State and federal investigators probing sophisticated insurance scams. OIFP's Law Enforcement Liaison maintains open lines of communication with municipal, county, State, and federal law enforcement officials to meet these objectives.

As part of its continuing effort to fight insurance fraud throughout New Jersey, OIFP provides all New Jersey law enforcement agencies with intelligence tools and training materials to aid in the detection of insurance fraud during routine police encounters with the public. This year, the Uninsured Motorists Identification Directory (UMID), which assists police officers in the field to identify fraudulent motor vehicle insurance identification cards, was reformatted onto CD-ROMs and distributed to over 6,000 police officers throughout New Jersey. The UMID contains contact telephone numbers of insurance carriers for verification of automobile insurance coverage. One type of insurance fraud most commonly encountered by law enforcement officers is the presentation of a fictitious or counterfeit automobile insurance identification card to a police officer during a motor vehicle stop. By giving law enforcement instant access to the direct telephone numbers of insurance carriers to verify insurance coverage, the UMID enables the officer in the field to quickly ascertain the validity of the suspect's insurance identification card and take appropriate enforcement action.

The UMID describes the anti-counterfeiting measures utilized by insurance carriers on the motor vehicle insurance identification cards issued to policyholders. By providing law enforcement with these descriptions, the UMID also serves as an invaluable source of intelligence information in conducting these investigations. Because the UMID contains this proprietary commercial information which is not subject to public access pursuant to N.J.S.A. 47:1A-1 et seq., or public disclosure pursuant to N.J.A.C. 11:3-6.4(l), this information is highly confidential, **must** be safeguarded, and **must not** be made available to the general public. OIFP is currently planning the installation of the UMID onto the Mobile Data Terminal so that the UMID may be accessed by law enforcement officers from their vehicles.

The Law Enforcement Liaison also maintains communication with organizations, such as the New Jersey Special Investigators Association (NJSIA), Society of Investigators of Greater Newark (SIGN), International Association of Special Investigation Units (IASIU), NJ Vehicle Theft Investigators (NJVTI), and Pennsylvania Auto Crime Investigator Association (PACIA), whose members include representatives from the law enforcement community or the private sector who are engaged in the investigation of insurance fraud.

Another function of the Law Enforcement Liaison is to assist local law enforcement agencies in the identification, investigation, and charging of insurance fraud offenses by developing and coordinating insurance fraud train-

ing for the law enforcement community. Except in a handful of urban areas which have served as hubs for auto insurance fraud over the years, most local law enforcement agencies are not trained to deal with the challenges presented by the subtleties and complexities of insurance fraud. To address this need, the Comprehensive Insurance Fraud Training Program (CIFT) was launched last year in conjunction with the National Insurance Crime Bureau (NICB) and the NJ Motor Vehicle Commission Document Fraud Unit. This training has proved very successful: in 2009 over 700 police officers were trained at 20 police academies throughout the State.

Also in 2009, the Law Enforcement Liaison coordinated four law enforcement meetings in both the northern and southern regions of New Jersey with officials from the law enforcement community whose common interest is the pursuit of insurance fraud violators. Each meeting offered a guest speaker who provided information critical to the detectives' and prosecutors' understanding of insurance fraud. Topics covered this year included Prescription Drug Fraud and "Chop Shops" (Vehicle Theft Rings). OIFP also participated in Police Recruit Training sessions held at county police academies throughout the year. During the past year, the Law Enforcement Liaison also coordinated in-house training for OIFP Detectives, Civil Investigators, and Deputy Attorneys General in the areas of Pharmaceutical Diversion and Fraud Training and Photo Line-Ups.

Insurance Industry Liaison

Success in the battle against insurance fraud also hinges upon a cooperative and mutually supportive partnership between law enforcement and the insurance industry. OIFP's Insurance Industry Liaison is primarily responsible for maintaining OIFP's close working relationship with the private industry. In addition, the Insurance Industry Liaison is assigned to coordinate OIFP activities with the Department of Banking and Insurance (DOBI), the Motor Vehicle Commission (MVC), and various industry trade groups. The Insurance Industry Liaison's activities have been instrumental in ensuring the continuing progress of anti-fraud programs statewide.

As the primary point of contact, the Insurance Industry Liaison routinely provides advice, guidance, and technical assistance to members of the insurance industry. As a charter member of the New Jersey Special Investigators Association (NJSIA), the Insurance Industry Liaison has also been instrumental in organizing and promoting the two-day Annual NJSIA Conference, which has served over the years to offer invaluable training and networking opportunities for insurance fraud professionals from both the public and private sectors. The Annual NJSIA Conference is the most highly attended conference of its kind in the United States and provides some of the most valuable educational and training opportunities available today for insurance fraud professionals.

The OIFP Insurance Industry Liaison also played a prominent role in the planning and organization of the Annual Insurance Fraud Summit sponsored jointly by NJSIA and the Insurance Council of New Jersey (ICNJ). This year, as a cost savings measure, the Summit was scheduled to coincide with the NJSIA Annual Training Seminar which was held on Monday, October 19, 2009, in Atlantic City, New Jersey. Building on the success of the format introduced in 2008, the Summit was a time for the industry to review progress made over the past twelve months and set new goals for the future. Every attendee participated in interactive workshops to identify and discuss emerging fraud trends. A comprehensive report entitled *Report From the Twelfth Annual New Jersey Insurance Fraud Summit: Top Emerging Fraud Trends as Reported by the Industry* memorializes the product of this year's Summit workshops and includes recommendations for regulatory and legislative change. This report can be found on page 27 of the *2009 Annual Report*.

In addition, during 2009, OIFP's Insurance Industry Liaison hosted or participated in numerous meetings with various industry and trade groups dedicated to combating insurance fraud. These meetings included ongoing working group meetings with industry professionals focusing on areas of shared concern, such as workers' compensation premium insurance fraud.

The Insurance Industry Liaison is also responsible for referring and tracking insurance fraud-related matters involving businesses and individuals licensed by DOBI. The Insurance Industry Liaison serves as OIFP's primary contact with DOBI. In this capacity, the Insurance Industry Liaison served as a key member in the periodic meetings of the DOBI/OIFP Interface Group. Those meetings were attended by representatives of DOBI's Enforcement Division, which oversees the tracking and coordination of case dispositions involving licensed producers, public adjusters, and real estate agents. In 2009, those efforts resulted in the imposition by DOBI of licensing sanctions against seven insurance professionals.

Professional and Occupational Boards Liaison

Committing civil or criminal insurance fraud can result in professional license suspension, revocation, or other disciplinary actions. Coordination is necessary to ensure that professional licensing boards within the Division of Consumer Affairs (DCA), in the Department of Law and Public Safety (L&PS), are alerted promptly when a licensee is the subject of an OIFP investigation, as well as prompt notification when a professional licensee is criminally convicted or enters into an OIFP Consent Order. Responsibility for coordinating OIFP's activities with those of the professional and occupational boards is assigned to OIFP's Professional Boards Liaison who, prior to joining OIFP in 1998, served as an Executive Director of the New Jersey State Board of Medical Examiners. Procedures implemented by the Professional Boards Liaison provide for prompt notification to the professional licensing boards by OIFP when licensees are the subject of OIFP investiga-

tions. These procedures also provide for reciprocal notification of OIFP by the professional licensing boards so that OIFP can initiate a civil or criminal investigation, as warranted.

The specific duties of the Professional Boards Liaison include the maintenance of a comprehensive database of insurance fraud complaints involving professional licensees, including information as to the nature of such allegations, the source of the referral, and the status of the matter within DCA's Enforcement Bureau and OIFP. To provide for the periodic review and discussion of licensees under suspicion for insurance fraud, the Professional Boards Liaison also established and chairs the Liaison and Continuing Communications Group. This Group is comprised of intermediate and upper level OIFP supervisory investigative and legal staff, a representative of DCA's Enforcement Bureau, and a representative of the Division of Law in Newark, New Jersey. The Group meets bi-monthly to track the status and progress of active cases of professional licensees under investigation by the respective agencies. Maintaining the database and convening the bi-monthly meetings facilitate the ongoing exchange of information necessary for the detection and investigation of insurance fraud committed by professional licensees.

Since its establishment in October 1998 through the end of 2009, the Liaison and Continuing Communications Group reviewed and resolved 1,651 cases through administrative closure, civil or criminal disposition by OIFP, or licensing sanctions by the appropriate professional board. During 2009, the Group continued to monitor 525 active insurance fraud-related cases. Through this collaborative effort, professional and occupational boards within DCA took disciplinary action against 35 professionally licensed individuals in 2009.

Specific examples of disciplinary actions taken against licensed professionals are reported in the Professional Licensing Proceedings case notes section of the *2009 Annual Report*.

Division of Law

Banking, Insurance, and Insurance Fraud Section

During 2009, the Insurance Fraud Section of the Division of Law (DOL) was consolidated with DOL's Banking and Insurance Section to form the Banking, Insurance, and Insurance Fraud Section. This merger will improve coordination involving matters of mutual interest to OIFP, the Department of Banking and Insurance (DOBI), and the insurance industry.

When a subject refuses to sign the proposed Civil Consent Order issued by OIFP-Civil, the case is referred to DOL's Banking, Insurance, and Insurance Fraud Section for further action. Civil litigation by DOL Deputy Attorneys General is typically pursued where evidence strongly indicates that the subject of the investigation has violated the IFPA and the subject has refused to execute a Consent Order or agreement requiring payment

2009 Licensing Sanctions Imposed on Licensed Professionals by State Licensing Boards

	Suspension	Revocation	Voluntary Surrender	Reprimand	TOTAL
Cosmetology & Hairstyling	1	0	0	1	2
Chiropractic	1	0	0	1	2
Psychology	1	0	0	0	1
Dental	3	0	0	0	3
Medical	6	0	2	3	11
Nursing	8	0	0	1	9
Pharmacy	3	2	1	0	6
Professional Counselors	1	0	0	0	1
TOTAL	24	2	3	6	35

Division of Law Deputy Attorneys General at a section meeting: (l to r) Section Chief Raymond R. Chance, III; Kathleen F. Doran; Sonia M. Frontera; Brian Brennan; Michael S. Rubin.

of an appropriate insurance fraud fine. Civil litigation is also pursued to enforce the provisions of a prior fraud settlement where the fine is delinquent.

As with most litigation, a significant percentage of civil cases are settled before trial. Resolution of a civil case through settlement prior to trial usually entails admissions which establish the fraud, fines, attorney fees, costs, and restitution. Matters are referred for licensing sanctions in appropriate cases. A fraud allegation involving automobile insurance which is adjudicated by court order may also require the suspension of driving privileges.

DOL's 2009 settlements and judgments are reported in the DOL Civil Litigation Case Notes section of the *2009 Annual Report*.

2009 Licensing Sanctions Imposed on Insurance Professionals by the Department of Banking and Insurance

	Suspension	Revocation	Surrender	Other	TOTAL
Public Adjusters	0	0	0	0	0
Real Estate Agents	0	0	0	0	0
Insurance Producers	0	7	0	0	7
TOTAL	0	7	0	0	7

OIFP Criminal Investigations and Prosecutions Statistics
January 1, 2009 - December 31, 2009

New Cases Opened	344
Indictments/Accusations Filed	100
Number of Defendants Charged	122
Number of Defendants Convicted	103
Number of Defendants Sentenced	138
Number of Defendants Sentenced to State Prison Total Number of Years	12 53
Number of Defendants Sentenced to County Jail Total Number of Years	72 16
Total Criminal Fines Imposed	$56,880
Total Criminal Penalties Imposed	$21,975
Total Civil Penalties/Fines Imposed in Medicaid Cases	$26,944,431
Total Restitution Imposed	$28,648,522[1]

[1]*This total includes restitution imposed in criminal and civil actions.*

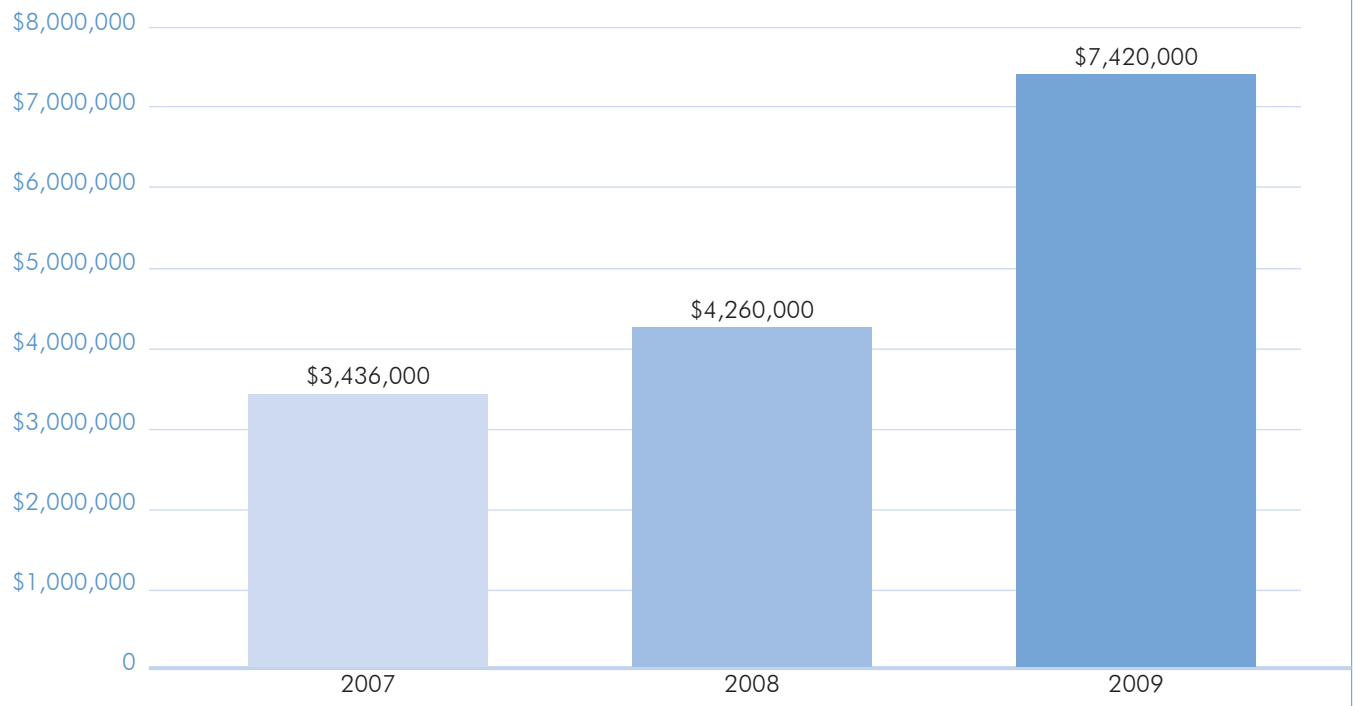
OIFP Civil Investigations and Litigation Statistics[2]
January 1, 2009 - December 31, 2009

Civil Investigations	Number	Dollar Amount
New Cases Opened	4559	
Number Forwarded for Investigation	2764	
No Investigation Warranted	1795	
Sanctions Imposed		
Insurance Fraud Letters of Admonition	338	
Administrative Consent Orders Issued	469	$2,794,500
Administrative Consent Orders Executed	297	$1,029,350
Settlements Entered	29	$425,000
Judgments Entered	107	$577,755
Complaints Filed	52	
Collections (Department of Banking and Insurance)[3]		
Number of OIFP Accounts Paid in Full	231	
Total Amount Received		$1,413,111

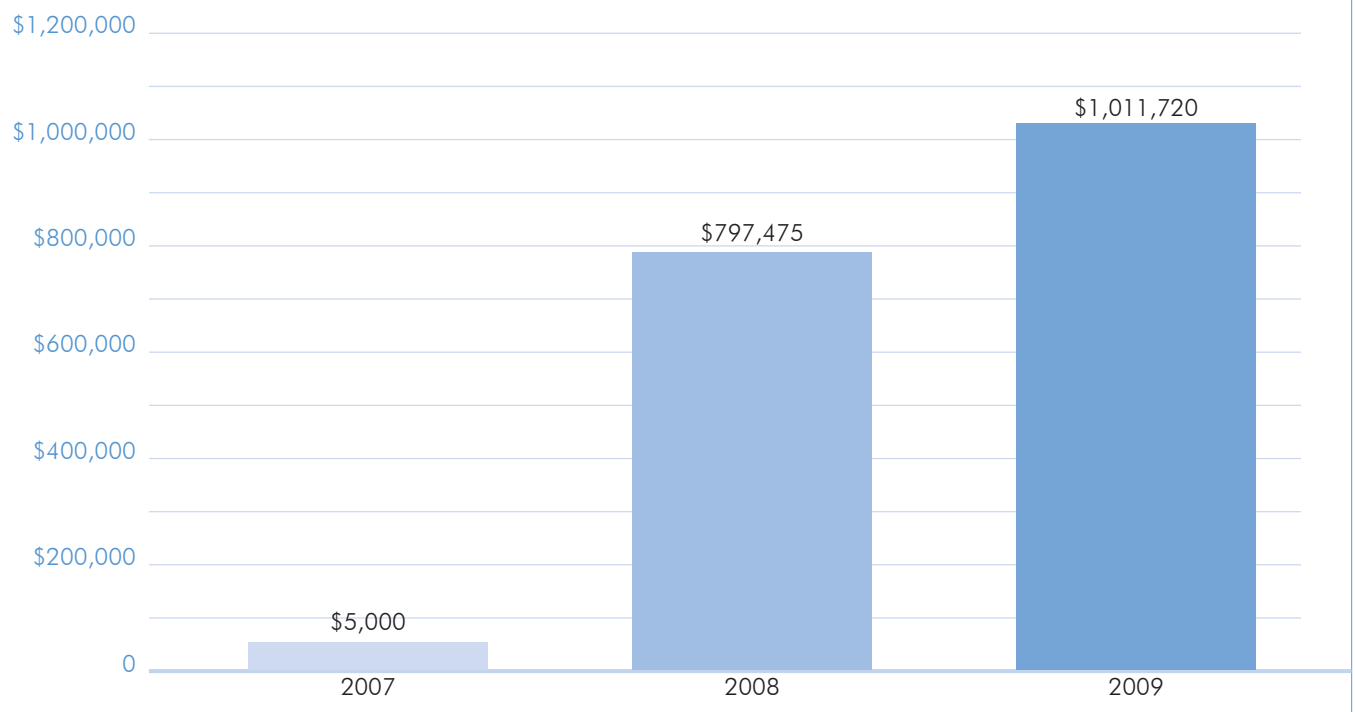
[2]*These statistics comprehensively reflect the number of discrete actions undertaken by OIFP in pursuing civil sanctions against insurance fraud violators. It should be noted that, in some instances, more than one action was taken against a single violator or for a single violation.*

[3]*These figures were reported by the Department of Banking and Insurance which is responsible for the collections function.*

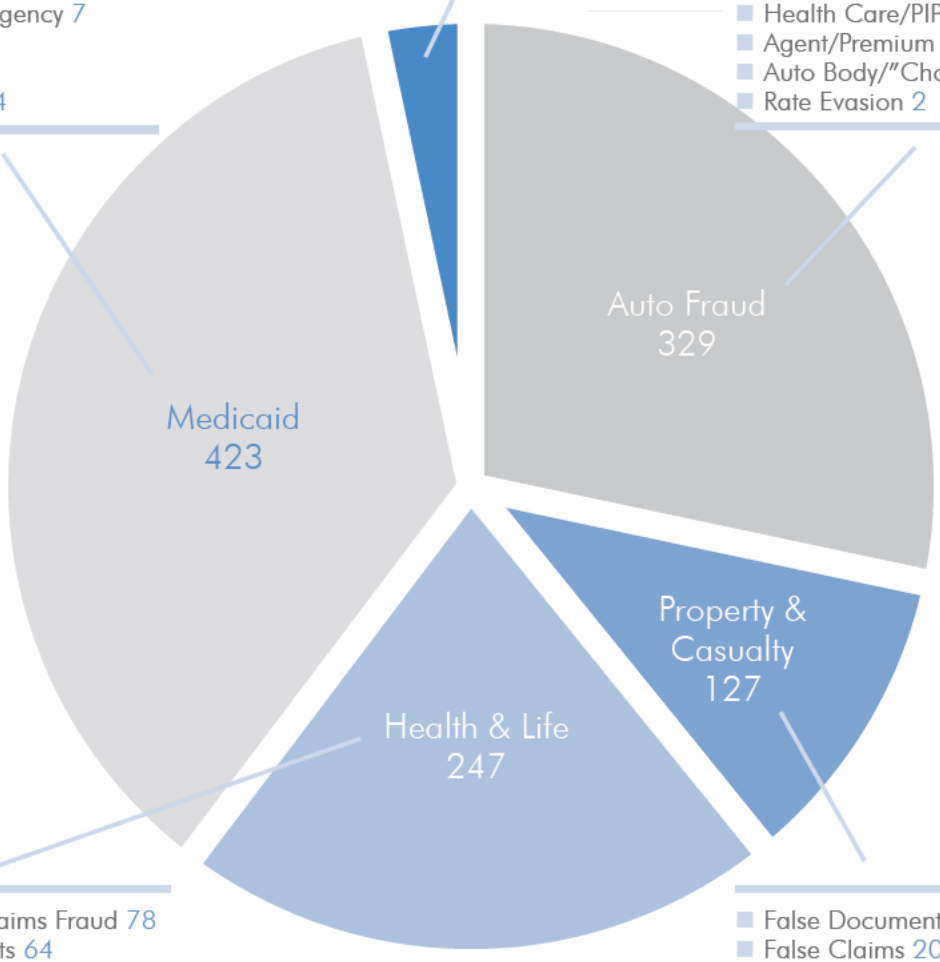
OIFP Asset Forfeiture Unit Seizures 2007-2009



OIFP Asset Forfeiture Unit Recoveries 2007-2009



OIFP Criminal & Civil Forfeiture Cases Investigated in 2009 by Fraud or Provider Type



- Patient Funds 143
- Pharmaceutical Manufacturer 74
- Pharmacy 51
- MD/DO 32
- Facility Other 26
- Patient Abuse and Neglect 25
- Medical Support Other 15
- Program Other 14
- Nursing Facility 13
- Durable Medical Equipment 9
- Home Health Agency 7
- Dental 6
- Nurse/PA/NP 4
- Transportation 4

- Auto 16
- Medicaid 12
- Health/Life 10

- Fraudulent Insurance Cards 86
- Staged Thefts/"Give Up" Schemes 70
- Theft 41
- False Documents 36
- Mismatched VIN 27
- False Claims 22
- Miscellaneous 16
- Staged Accidents/"Runners" 14
- Health Care/PIP/BI 6
- Agent/Premium Fraud 6
- Auto Body/"Chop Shop" 3
- Rate Evasion 2

- Health Care Claims Fraud 78
- False Documents 64
- Disability Insurance/Workers' Compensation Fraud 49
- Prescription Fraud 22
- Miscellaneous 19
- Premium Fraud 7
- Practicing Without a License 4
- Life Insurance Fraud 2
- Health Plan Administration 2

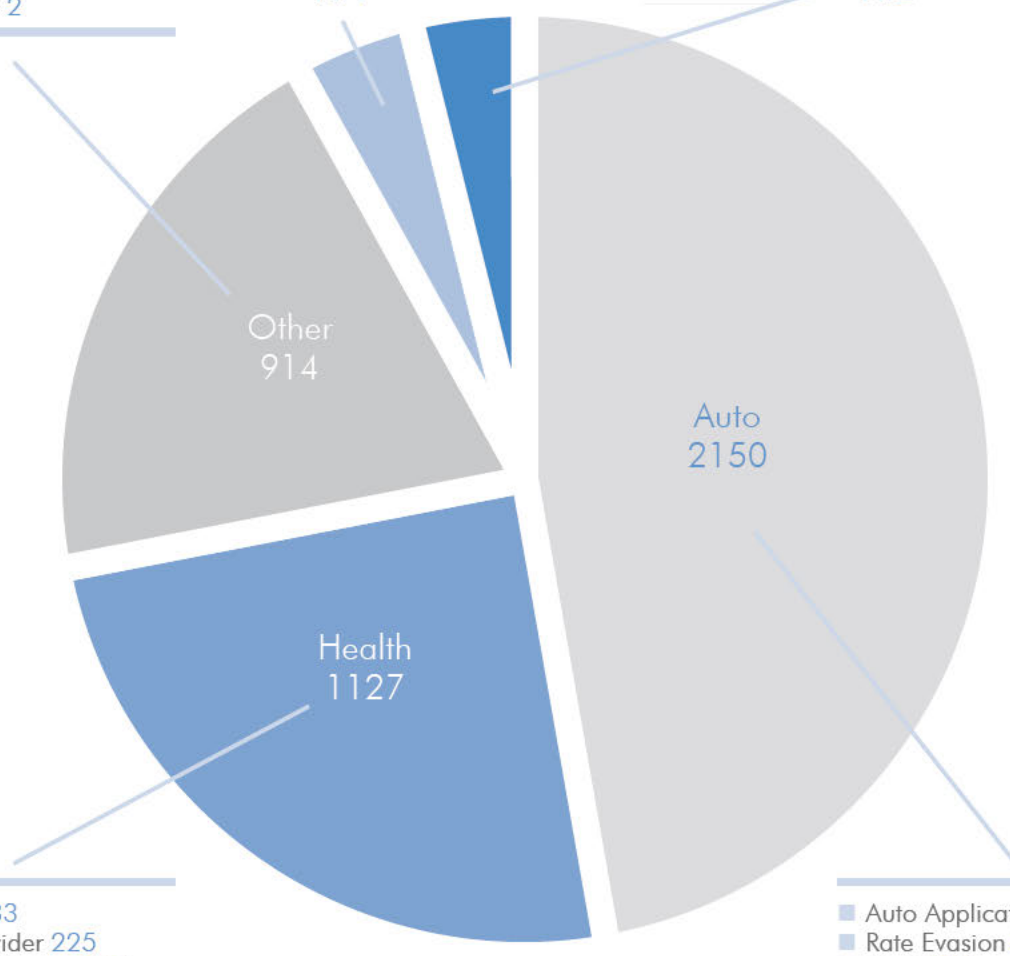
- False Documents 44
- False Claims 20
- Premium Fraud 15
- Agent Fraud 14
- Miscellaneous 13
- Misappropriation Embezzlement/Theft 9
- Liability Insurance 6
- Property Damage 3
- Commercial Insurance 3

OIFP Civil Cases Opened in 2009 by Fraud or Provider Type

- Other 435
- Intake Review Pending 12/31/2009 267
- Fraud 124
- Agent 32
- Certificate of Liability Insurance 25
- Insurance Company 15
- Towing and Storage 14
- Insurance Company Employee 2

- Property Damage 89
- Theft 48
- Fire 17
- Injury 11
- Miscellaneous 11
- Arson 9
- Home Owners' App. 9

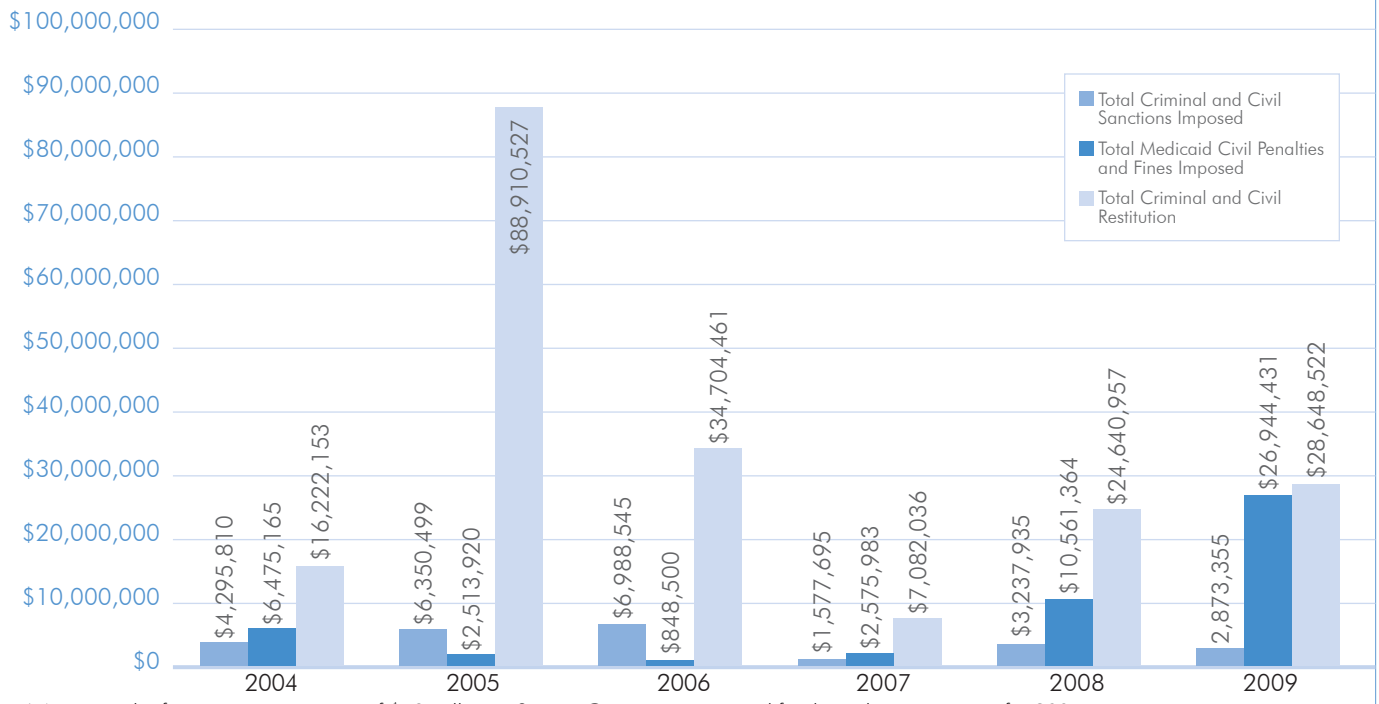
- Injury 88
- Theft 33
- Property Damage 29
- Commercial Applications 10
- Arson 9
- Fire 2
- Miscellaneous 1



- Health 233
- Auto/Provider 225
- Workers' Comp. 167
- Disability 130
- Life Applications 100
- Prescription 88
- Health/Other 58
- Health Applications 53
- Dental 38
- Life 24
- Workers' Comp. Prem. 11

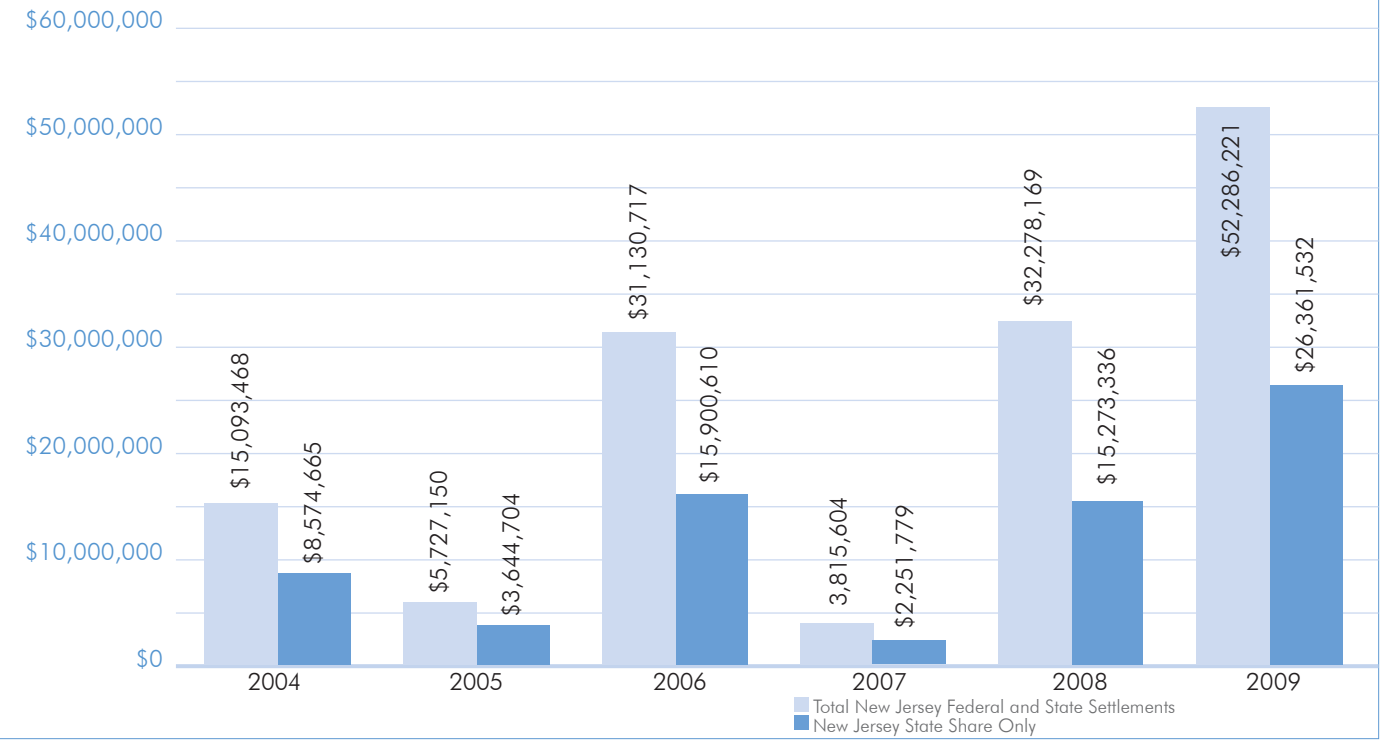
- Auto Applications 905
- Rate Evasion 333
- Theft 296
- Bodily Injury 237
- Property Damage 185
- PIP 124
- Miscellaneous 47
- Arson 18
- Fire 5

OIFP Criminal & Civil Monetary Sanctions and Restitution Summary 2004-2009



** A court order for restitution in excess of $78 million in State v. Gruppuso accounted for the spike in restitution for 2005.*

OIFP Medicaid Federal False Claims Act Settlements Summary 2004-2009




The Star-
2 doctors, 11 others charged with dis
painkillers

New Jersey Observes Fourth Annual Insurance Fraud Awareness Month

In October 2009, OIFP, working in conjunction with the Insurance Council of New Jersey (ICNJ) and the New Jersey Special Investigators Association (NJSIA), celebrated the fourth annual "Insurance Fraud Awareness Month." Several anti-insurance fraud events traditionally sponsored by OIFP and various industry trade organizations during the month of October are now coordinated to heighten public awareness of the impact of insurance fraud on New Jersey's residents and to spotlight New Jersey's nationally recognized anti-insurance fraud efforts. Some of the special events commemorating this year's Insurance Fraud Awareness Month included the Twelfth Annual New Jersey Insurance Fraud Summit, the Fourth Annual Anti-Fraud Awareness Essay Contest for High School Seniors, the Nineteenth Annual New Jersey Special Investigators Association Training Seminar, and OIFP and Industry Working Group meetings.

Twelfth Annual New Jersey Insurance Fraud Summit

Since its creation in 1998, OIFP has hosted a statewide Insurance Fraud Summit during the month of October, jointly sponsored by ICNJ and NJSIA. For the twelfth consecutive year, executive-level representatives from the State's insurance industry, government officials, and members of the law enforcement community committed to the detection, investigation, and prosecution of insurance fraud gathered at the Summit to collectively review the year's accomplishments, discuss programmatic and policy issues, and suggest legislative and regulatory changes to enhance New Jersey's ability to effectively curb insurance fraud. This year's Summit was held at the Trump Taj Mahal in Atlantic City, New Jersey, on Monday, October 19, 2009.

At this year's Summit, as in the past, OIFP recognized Special Investigations Units and individuals who have made significant contributions to anti-fraud efforts. The **2009 Prosecutor's Excellence in Investigations Award** was presented to New Jersey Manufacturers Insurance Company. Christopher J. Loiodice of High Point Safety and Insurance Company New Jersey received the **2009 OIFP Recognition Award**.

Last year, OIFP changed the emphasis of the Summit to focus on the future, rather than the past, in order to tackle the significant challenges faced by the insurance industry and law enforcement more efficiently. This change proved highly successful and was carried over to this year's Summit. The theme of this year's Summit was "Assessing the Impact of the Economy in Today's Marketplace." Summit attendees participated in one of two morning workshops on the following topics: *Overview of the New PIP Fee Schedule* and *New Credentialing System for Catastrophe/Mobility of Private Sector Personnel.*

During the afternoon, all attendees participated in small group discussions concerning *Emerging Fraud Trends in the Property and Casualty Industry*, facilitated by Howard Potter of Travelers Insurance Company and Frank Sztuk of Hanover Insurance Company. Through problem-solving exercises and straightforward discussions and deliberations, the participants identified the top emerging trends facing the industry today. At the Summit's conclusion, representatives from each of the working groups reported what their respective groups identified as the "short list" of emerging trends which pose significant challenges in detecting, investigating, and prosecuting insurance fraud. The discussion groups also reported on proposed opportunities to counteract the growth in fraud in the areas identified. The following report is the culmination of the Working Groups' collaborative efforts to prioritize and combat the most pressing trends in insurance fraud.

NJM's Special Investigations Unit accepts OIFP's 2009 Prosecutor's Excellence in Investigations Award at the 12th Annual New Jersey Insurance Fraud Summit.

Report From the Twelfth Annual New Jersey Insurance Fraud Summit: Top Emerging Fraud Trends as Reported by the Industry

by Howard Potter, Travelers Insurance Company, and Frank Sztuk, Hanover Insurance Company

Top Emerging Fraud Trends Identified

Personal Injury Protection (PIP)

- Staged accidents
- Hidden ownership of ancillary service organizations, such as physical therapy, radiology, and pain clinics
- Clinic use of unlicensed technicians
- Cookie cutter treatment
- Pain management clinics
- Ambulatory surgery centers

Christopher J. Loiodice, High Point Safety and Insurance, accepts OIFP's 2009 Prosecutor's Appreciation Award at the 12th Annual New Jersey Insurance Fraud Summit: (l to r) Christopher J. Loiodice and OIFP Liaison Section Chief John Butchko.

- Overuse and misuse of pain management procedures, including epidural steroid injections, manipulation under anesthesia, and diagnostic testing
- Increase in traditional billing issues, such as "upcoding" and unbundling
- Secret provider networks and kickbacks for referrals
- Phantom providers

Premium Fraud

- Undeclared operators not listed on policies
- On-line scams as a result of direct written policies
- Workers' compensation premium rate evasion
- Business use not declared in private passenger policies
- Auto-related geographic rate evasion

Property Insurance Fraud

- Arson, both personal and commercial
- Increased content loss fraud associated with fires
- Scheduled property theft and mysterious disappearance
- Public adjusters/storm chasers adjusting on these types of losses
- Increased home owner claims due to fraud-driven economy

Automobile Insurance-Related Fraud

- Increase in thefts and owner "give ups" due to economy
- Increase in small collision-related fraud due to high deductibles
- Increase in towing and storage fraud
- First-party fraud growth from e-commerce opportunities

Proposed Countermeasures

- Introduce medical providers into the legislative process
- Introduce qualified medical providers into the arbitration process
- Bifurcate the arbitration process
- Increase "sting" type proactive investigations by OIFP of unscrupulous medical providers
- Medical provider credentialing by carriers at time of first billing to ascertain validity of provider or provider organization
- Educate judiciary about elements of insurance fraud as it pertains to no-fault and other lines of business
- Customer and claimant identification at time of loss or request for treatment post-accident
- Public adjuster credentialing
- Increase "sting" type investigations into catastrophes to attack storm chaser issue
- Provide greater sharing of information between carriers, law enforcement, and OIFP
- Provide topic-specific carrier fraud training at "line of business" level
- Provide internal auditor fraud training in workers' compensation premium rate evasion
- Increase availability of driver's license photos to the insurance investigation community through the Motor Vehicle Commission (MVC)
- Increase access to MVC information to include carrier identification on policies

Roadblocks to Implementing Identified Strategies

- Reduced staffing levels at OIFP
- Bureaucratic backlogs
- PIP arbitration is anti-insurance
- Privacy laws are unreasonably invoked
- Decreased emphasis on fraud investigation at carrier and law enforcement level
- Downsizing of carriers' Special Investigations Units
- Resistance of judiciary to attack fraud problem
- Removal of subpoena powers
- Lack of use of insurer resources
- Hesitancy of essential partners to discuss issues with each other

Regulatory and Legislative Needs

- Implement mechanism to allow additional carrier clinic inspections and create methodology to share that information through third parties
- Require New Jersey Department of Health and Senior Services to identify clinic owners and provide carrier access to this information
- Passage of the insurer-to-insurer immunity legislation
- Create cooling off period on dissemination of accident information to outside parties not involved in the accident
- Open access to all MVC information, including photographs of drivers
- Increase insurance company information provided to MVC and, conversely, make it available to requesting carriers
- Restructure National Arbitration Forum to include qualified medical providers on panels
- Strengthen deductible and co-pay requirements
- Mandate usage of ISO by all carriers

- Increase penalties for premium fraud
- Require OIFP referrals on care-path (preapproved medical treatments and diagnostic testing for injuries sustained in a motor vehicle accident) fraud issues
- Develop statewide fraud court for insurance fraud cases

Fourth Annual "Anti-Fraud Awareness Essay Contest for High School Seniors"

In a proactive effort to educate future insurance consumers about the significant burden insurance fraud places on our society, OIFP, ICNJ, and NJSIA sponsored the Fourth Annual "Anti-Fraud Awareness Essay Contest for High School Seniors." In mid-August, notices were mailed to more than 480 public and private high schools throughout New Jersey, inviting seniors to compete for $2,250 in scholarship funds donated by ICNJ and NJSIA. Participants were required to write an essay of 500 words or less on the following topic: "What is the Impact of Insurance Fraud on the Residents of New Jersey?".

OIFP received more than 150 entries from high school seniors throughout the State. Applying pre-established criteria, including written expression, creativity, and language mechanics, a panel of representatives from OIFP, ICNJ, and NJSIA read and graded all of the essays submitted and identified 15 finalists. Applying the same guidelines, Acting New Jersey Insurance Fraud Prosecutor Riza Dagli, NJSIA Board Member Thomas Cellili, and ICNJ President Magdalena Padilla reviewed the finalists' essays and selected the contest winners.

An awards ceremony for the winners took place at the NJSIA General Membership Quarterly Meeting on December 11, 2009. Edgardo Bueser of Hasbrouck Heights High School was awarded first place and received a $1,000 scholarship. Diana Ming of the Academy of Saint Elizabeth in Convent Station, New Jersey, was awarded second place and received a $750 scholarship. Cameron Ross of West Windsor-Plainsboro High School North was awarded third place and received a $500 scholarship. The winning essays are reproduced below:

1st Place

Edgardo Bueser

Hasbrouck Heights High School

Growing up, I've never really paid much attention to the term "insurance fraud." Whenever I heard it, I simply cast it aside into a list of words such as "premiums," "policy holders" and "deductibles." These words, I thought to myself, weren't something I needed to worry about until I was well into my adulthood. However, insurance fraud in 2009 is so rampant that it has become, or should become, the worry of everyone. The adverse effects of fraud not only encompass the insurer but the policy holders and their children as well.

Anyone can commit insurance fraud, even your next door neighbor. Especially in a time of recession, the allure of free money can spur many policy holders to report fraudulent claims, or claims that are a lie. Who pays for this? We, the policy holders, do. The Coalition Against Insurance Fraud estimates that $80 billion a year is attributed to insurance fraud, and that amounts to approximately $950 a year per family. Unfortunately, those who attempt insurance fraud are not always mindful of the safety of those around them.

Aside from raising the cost of premiums, insurance fraud can physically harm innocent people. There are two kinds of fraud that a consumer commits - hard and soft fraud. Soft fraud is usually in the form of a lie, and although it does not put people in danger, it still adds to the rising premiums. Hard fraud is a more extreme form of fraud in which people are spurred to act irrationally: committing arson, staging burglaries, and intentionally creating car accidents. Consumers who go to extreme measures such as these, endanger the lives of innocent civilians around them. Consumers, however, are not the only ones who commit fraud.

Another type of insurance fraud is insurer fraud. After all, insurance companies aren't nonprofit organizations. Thus, some insurance companies create misleading advertisements, with the ultimate intention of strengthening their bottom line. Furthermore, insurance companies that commit insurer fraud continually diminish the connotation of insurance companies across the nation. Because of the frequency of insurance fraud, some people view

Kenneth Pringle, General Counsel, New Jersey Special Investigators Association, addresses attendees at the 12th Annual New Jersey Insurance Fraud Summit.

Jean Bickal, Assistant Commissioner, New Jersey Department of Banking and Insurance, conducts a workshop at the 12th Annual New Jersey Insurance Fraud Summit.

insurance companies as a necessary evil as opposed to a security net.

Luckily, New Jersey has taken stringent measures against insurance fraud. The New Jersey Insurance Fraud Prevention Act helps identify probable fraud. The Act allows the Office of the Insurance Fraud Prosecutor to standardize fraud reporting forms so that it is easy to identify repeat offenders and patterns of fraudulent activity. Although much more has to be done to eradicate insurance fraud, New Jersey has taken a step in the right direction.

As a college applicant living in the midst of a recession, the price of tuition is a struggle to meet, and with insurance fraud costing my family $950 a year, which is approximately a year's worth of books, life is much more stressful. The frequency of insurance fraud has made me dread the time when I have to become a policy holder. This has to change. Insurance is available to us so that we don't have to worry about driving our new car, starting a business, or getting sick. Insurance both stimulates our economy and allows us to take risks in life. Unfortunately, fraud has changed this perception of insurance, and instead of being seen as something that erases our worries, insurance has become one of the things we worry about the most.

2nd Place

Diana Ming

Academy of Saint Elizabeth

It's never the subject of a prime time episode of Law & Order, or the reason parents fear for their children's safety. It doesn't lurk in the woods at night or leave fingerprints and a ransom note behind. It is virtually impossible to detect. What crime could this possibly be?

As unlikely as it may seem, insurance fraud has become one of New Jersey's fastest growing forms of theft. While many people cannot begin to grasp the severity of insurance fraud, even more are unaware of how significant of a role insurance plays in the lives of millions of New Jerseyans. Adults rely on automobile insurance to protect their cars and trucks from accidents, senior citizens receive health care under the Medicaid program, the unemployed collect benefits that help support themselves and their families, and the disabled use financial assistance for the special services they need. When the insurance system is working correctly, New Jersey residents can continue to work, learn, play, and live enriching lives. Effective insurance has the ability to keep New Jersey economically strong and its residents financially secure.

But when individuals take advantage of insurance payments and services by exploiting them and committing fraud, they are not only jeopardizing their own futures, but also are threatening the financial futures of countless others. According to the Coalition Against Insurance Fraud, an estimated $80 billion was lost in the U.S. to insurance fraud in 2006. This is $80 billion gone from the hands of innocent people, including victims of car accidents, fire, injury, and family tragedy who may need to fully depend on insurance plans for aid.

When criminals steal money from insurance companies by making false claims, insurance companies are forced to compensate for their losses by increasing policy costs for everyone. Simply put, every New Jersey resident who pays insurance premiums becomes a victim of the effects of insurance fraud. Suddenly, the single mother of two children from Newark must take on another job to pay for her childcare and automobile insurance. The retired veteran from Toms River can no longer afford adequate healthcare. The recent college graduate from Princeton sinks deeper into debt. The lives insurance fraud impacts are countless. In today's rough economic climate, New Jerseyans should not have to pay more to compensate for insurance fraud while the price of living -- including gas, food, and college tuition -- continues to increase.

Exposing the dangers and effects of insurance fraud is truly in the best interest of all New Jersey residents. In times where every dollar matters, dishonest people cannot be allowed to simply walk away with thousands of dollars worth of invented claims. Insurance policies were first created to ensure security in times of distress. However, when the system is abused by a select few, the public only feels a greater loss of security and sense of distress. While not as interesting as the murder of a teenage girl may be for TV audiences, if anything, insurance fraud has certainly tested New Jersey's very own law and order.

3rd Place

Cameron Ross

West Windsor-Plainsboro High School North

Insurance: a practice or arrangement by which a company or government agency provides a guarantee of compensation for specified loss, damage, illness, or death in return for payment of a premium.

Fraud: wrongful or criminal deception intended to result in financial or personal gain.

Insurance fraud takes on many different forms. Some of the more common types are health, auto, and homeowner's insurance. The practice of insurance fraud is popular because people do not see the act as one of wrongdoing.

"Nearly one in four Americans say it's okay to defraud insurers (8% say it is "quite acceptable" to bilk insurers, and 16% say it's "somewhat acceptable")" (Coalition Against Insurance Fraud).

There are many different ways to commit insurance fraud. One example is when a person fakes or exaggerates a work-related injury. The person then avoids work and collects the workers' compensation benefits. To make up for the losses, insurance companies raise their customer's premiums. Insurers are forcing their customers, mostly law-abiding citizens, to pay for the well-being of thieves. Companies try to combat fraud by hiring investigators, yet again raising premiums. Insurance fraud costs Americans over $120 billion annually. This is unfair to Americans.

Fraud impacts insurance companies financially. When the insurance companies are overly affected, they may find it no longer profitable to continue doing business in New Jersey. If an insurance company discontinues coverage in New Jersey there is also no longer a need for employees. Unemployment would increase and New Jersey residents would have to pay more taxes to take care of those without jobs. Insurance fraud is hurting New Jersey economically.

New Jersey is trying to fight insurance fraud is various ways. There is a zero tolerance policy in place for insurance crimes and many criminals do serve jail time; 100 defendants were sent to prison in 2008 alone (Office of the Insurance Fraud Prosecutor). In New Jersey, some insurers are trying to combat insurance crimes by training employees to recognize and report fraud, denying suspected fraudulent claims, equipping law enforcement with the necessary information to prosecute offenders, funding anti-fraud hotlines and supporting various other organizations. One way the government can further fight insurance crime is through an advertising campaign. Many people are not aware of the harm insurance fraud perpetrates on America and others do not understand that they themselves are committing insurance fraud. Soft fraud, or opportunity fraud, is when a normally honest person tells a "little white lie" to their insurance companies. Many think it's harmless, but it is in fact a crime. Creating public service announcements that illustrate not only the effect of insurance fraud, but also clearly state severity of the crime, you will go to jail, could help combat soft fraud. The PSAs would also increase awareness of insurance fraud and encourage more people to fight against it.

For too long, insurance fraud criminals have been reaching into the pockets of Americans and picking out what is not rightfully theirs. It is time to put an end to this injustice.

Winners of the Fourth Annual Insurance Fraud Awareness Essay Contest for High School Seniors with Contest Sponsors: (l to r) Howard Potter, President, NJSIA; Edgardo Bueser, Hasbrouck Heights High School, 1st place; Cameron Ross, West Windsor-Plainsboro High School North, 3rd Place; Diana Ming, Academy of Saint Elizabeth, 2nd Place; Acting Insurance Fraud Prosecutor Riza Dagli; Chuck Leitgeb, Vice President, ICNJ.

OIFP's Fraud Detection Reward Program

OIFP's statutory Insurance Fraud Detection Reward Program provides a tangible incentive for members of the public to come forward and assist law enforcement in the detection, investigation, and prosecution of insurance fraud-related crimes. Recognizing the significant role the public plays in the detection of insurance fraud, the Insurance Fraud Detection Reward Program was established by the New Jersey Legislature on June 9, 2003. P.L.2003, c.89, §72 (codified at N.J.S.A. 2C:21-4.7). The reward program makes available payments of up to $25,000 to a person who provides a tip if there is no existing investigation concerning the reported information and the reported information leads to a criminal conviction for Health Care Claims Fraud, Insurance Fraud, or any other criminal offense involving or related to an insurance transaction. The implementation of this program by OIFP makes New Jersey one of only a few states in the nation to offer such a reward.

Two separate cash rewards have been granted by OIFP since the program began in 2003. In both instances, the tipsters called OIFP's toll-free hotline to report fraudulent activity by two different dentists. The tips led to OIFP's successful investigations and prosecutions of both dentists.

OIFP has promulgated regulations to administer the reward program. These regulations, found at N.J.A.C. 13:88-3.1 et seq., provide a mechanism for individuals to report suspected insurance fraud to OIFP and to apply for a reward under the Insurance Fraud Detection Reward Program.

Making a Confidential Referral to OIFP

To be eligible for the Insurance Fraud Detection Reward, individuals may confidentially report suspected fraud cases using one of the following methods:

- Call the OIFP toll-free hotline at 1-877-55-FRAUD (1-877-553-7283) during regular business hours (Monday through Friday 9:00 a.m. to 5:00 p.m.) and speak to a hotline operator;
- Call the OIFP toll-free hotline at 1-877-55-FRAUD (1-877-553-7283) after regular business hours and leave a detailed message, including a name and phone number at which the caller can be reached;
- Log onto OIFP's Web site at *www.njinsurancefraud.org* and submit an online report using the OIFP Fraud Reporting Form;
- Send an electronic mail message to OIFP at *njinsurancefraud@njdcj.org*; or
- Write directly to OIFP at the following address:

  Office of the Insurance
  Fraud Prosecutor
  P.O. Box 094
  Trenton, New Jersey 08625-0094
  Attention: CLASS

Anonymous tips may also be made at any time to OIFP, but OIFP cannot grant a reward to an unidentified tipster.

Reward Application Procedure

A person seeking a reward for information submitted to OIFP under this law must fully complete a reward application form provided by OIFP. The application form may be obtained by requesting one in writing from OIFP, requesting one by calling the OIFP toll-free hotline, or visiting the OIFP Web site and downloading the form. The application form must be completed in its entirety, signed, and notarized. The application form must be mailed to the Office of the Insurance Fraud Prosecutor, P.O. Box 094, Trenton, New Jersey 08625-0094. OIFP will acknowledge all applicants in writing of the receipt of an application.

An applicant may be required to submit to an OIFP interview regarding the provided information. An applicant may also be required to give a verbal statement under oath and sign a written memorialization of the statement. The applicant may also be called to testify before the Grand Jury or at trial or other related hearings.

A person seeking a reward must either simultaneously file a reward application at the time of the fraud referral or file an application no later than 30 days from the date the person initially provided information to OIFP.

Criteria for Evaluating a Reward Application

OIFP may pay a reward following the conviction of a person or entity for Health Care Claims Fraud, Insurance Fraud, or any other criminal offense involving or related to an insurance transaction. A person who provides such information to OIFP and submits a timely reward application shall be eligible for a reward if the information:

- leads to the conviction of a specific individual(s) or entity(ies) for specified conduct occurring during a particular time period, as detailed in the reward program application submitted by the informant pursuant to N.J.A.C. 13:88-3.5; or
- directly leads to the conviction of other individuals or other entities for specified conduct occurring during a particular time period as detailed in the reward program application submitted by the informant pursuant to N.J.A.C. 13:88-3.5.

OIFP Funds County Prosecutors' Insurance Fraud Fighting Efforts

Aided by funding provided by the Attorney General through the Office of the Insurance Fraud Prosecutor (OIFP), New Jersey's County Prosecutors continued in 2009 to do their part in the State's war on insurance fraud. By conducting criminal investigations and prosecutions at the county level, County Prosecutors have used OIFP funding to launch or augment programs to catch and punish insurance cheats.

Pursuant to the Automobile Insurance Cost Reduction Act of 1998 (AICRA), the Attorney General is authorized to reimburse County Prosecutors for their efforts in combating insurance fraud. Since its inception in 1999, the New Jersey County Prosecutor Insurance Fraud Reimbursement Program, administered by OIFP on behalf of the Attorney General, has funded fraud fighting personnel and equipment in most of the State's 21 County Prosecutors' Offices. This year, OIFP provided a total of $3.7 million to fund 16 County Prosecutors' Offices.

The funding of County Prosecutors' Offices to enhance their ability to investigate and prosecute insurance fraud is an integral part of New Jersey's comprehensive war on insurance fraud because County Prosecutors are often able to detect, investigate, and prosecute insurance scams which might otherwise "fly below the radar screen" of the broader statewide criminal justice system. Through their cultivation of local informants, their ability to tap local law enforcement resources, and their unique familiarity with local crime demographics, County Prosecutors are often able to identify and develop promising leads which culminate in successful criminal prosecutions.

With financial and technical support from OIFP, County Prosecutors continued in 2009 to implement new and innovative initiatives uniquely tailored to investigate and prosecute insurance cheats within their respective jurisdictions. These programs ran the gamut in terms of their focus and operational methods. The common element in all of these programs, however, is that without funding from OIFP, local law enforcement authorities would have lacked sufficient resources to adequately investigate and prosecute most of these cases.

Pursuant to the requirements of AICRA and the County Prosecutor Insurance Fraud Reimbursement Program, county Insurance Fraud Units (IFU) work closely and coordinate their activities with OIFP on an ongoing basis. All County Prosecutors' Offices submit periodic reports to OIFP, which include names, addresses, and other pertinent identifying information regarding any subjects under investigation for insurance fraud within their offices. The status of all matters under investigation is updated in monthly reports which provide OIFP with information that is added to its own database of cases to ensure that its own investigations do not duplicate or overlap those undertaken by the counties.

The information reported by county IFUs also enables OIFP, in most cases, to open corresponding civil cases whenever it appears that OIFP may have authority to impose a civil fine on the subject under investigation by the County Prosecutor's Office pursuant to the provisions of the Insurance Fraud Prevention Act. In 2009, the reporting of subjects under investigation by County Prosecutors' Offices resulted in OIFP opening 306 civil investigations, most of which would not have come to OIFP's attention but for the reports submitted by the counties. Many of the significant civil cases opened by OIFP-Civil have resulted from these county referrals.

County Prosecutors' IFUs contribute greatly to OIFP's overall success in its enforcement efforts. In 2009, these county units charged a total of 211defendants and obtained 164 convictions by guilty plea or trial. These convictions resulted in aggregate jail terms of more than 65 years. Some of the most notable criminal cases handled by the County Prosecutors' IFUs in 2009 are summarized in the County Prosecutors' Offices Case Notes section of OIFP's *2009 Annual Report*.

Below are highlights of the 2009 achievements of the funded counties.

Atlantic County Prosecutor's Office

During 2009, the Atlantic County Prosecutor's IFU opened 21 new insurance fraud investigations, nearly doubling its number of open insurance fraud cases. By working closely with the National Insurance Crime Bureau (NICB), the federal Drug Enforcement Administration (DEA), and local law enforcement agencies, Atlantic County IFU detectives maximized their investigations into document fraud, prescription fraud, automobile theft, boat theft, and insurance fraud. The IFU also assisted with the Atlantic County Prosecutor's Fatal Accident Unit DWI Check Point program in 2009.

Burlington County Prosecutor's Office

During 2009, Burlington County's IFU increased its sources of referrals, as well as the number of arrests, indictments, and convictions, through aggressive investigations and prosecutions and by working closely with local law enforcement, the Division of Consumer Affairs, and OIFP. This year, the IFU arrested 68 persons, indicted 11 defendants, and convicted 15 defendants for prescription fraud, health care claims fraud, simulated motor vehicle insurance cards, insurance fraud, arson, and other insurance fraud-related offenses. In addition, a total of $35,141 in restitution was paid to fraud victims.

Camden County Prosecutor's Office

In 2009, the Camden County Prosecutor's Office IFU, with the assistance of OIFP, conducted training for local police officers on the topics of counterfeit automobile insurance identification cards, prescription fraud, health care claims fraud, and owner "give ups" of automobiles. This year, the Camden County IFU met with the New Jersey Office of the Inspector General to discuss long-term interagency investigations into prescription fraud. The IFU receives referrals from and works closely with private insurance carriers; federal, State, and local law enforcement and other governmental agencies; the NICB; and the general public. Areas of investigations included health care claims fraud, prescription fraud, misappropriation of insurance proceeds, fraudulent insurance cards, and auto "give ups."

Cape May County Prosecutor's Office

This year, the Cape May County Prosecutor's IFU successfully prosecuted

Attorney General and former Essex County Prosecutor Paula T. Dow pictured with Governor Chris Christie.

photo by Tim Larsen

Thomas Moran, who was sentenced to six years in State prison and ordered to forfeit his residence and $651,000 in cash, gift cards, and merchandise following Moran's convictions for Receiving Stolen Property and Criminal Sexual Conduct. Moran, his wife Bonita, and their three children were involved in a 30-year identity theft and retail theft scam which branched out into several other crimes, including scholarship fraud and insurance fraud.

The Cape May County Prosecutor's IFU continued its mission in 2009 to increase the number of major insurance fraud investigations, with a focus on health care provider fraud. The IFU detective met with several police departments within the county to offer assistance in ferreting out insurance fraud on the local level. In addition, the IFU detective regularly attended meetings sponsored by insurance fraud-related associations, including the NJSIA and NICB.

Essex County Prosecutor's Office

This year, the Essex County Prosecutor's Office IFU obtained significant convictions against an elementary school principal and a middle school guidance counselor for their roles in unrelated owner "give ups." In the first case, a jury found Amanda Wright-Stafford, an Orange, New Jersey, elementary school principal, guilty of Insurance Fraud for fraudulently trying to collect insurance proceeds for her torched 2000 Honda SUV. In the second case, Kenyatta O'Bryant, a middle school guidance counselor employed by the Newark, New Jersey, Board of Education, was sentenced to one year in jail as a condition to three years' probation following his guilty plea to Arson, Conspiracy to Commit Arson, and Insurance Fraud. O'Bryant admitted that he arranged to destroy his 2002 BMW by arson and then filed a fraudulent insurance claim, falsely stating that his car had been stolen. O'Bryant also arranged for the destruction by arson of a 2004 Acura TL owned by Terrence Williams, the principal of the Red Bank, New Jersey, Middle School.

In 2009, the Essex County Prosecutor's Office moved forward in its efforts to combat insurance fraud by integrating the investigative resources of the Arson Task Force and the Economic Crime Unit. Essex County Prosecutor Paula T. Dow and Assistant Prosecutor Michael Morris were interviewed on several television news programs, including CNN's *American Morning*, on the subject of car owners hiring others to torch their vehicles for the insurance money.

Although the Office, like most governmental agencies dealing with harsh fiscal realities, had to adapt to a hiring freeze, reduced overtime, and limited resources, important insurance fraud investigations and prosecutions moved forward with great success. Two outside agencies also provided full-time personnel to assist with these efforts, and cooperation and coordination with local agencies continued to improve. During 2009, 19 defendants were indicted, 30 defendants were convicted for insurance fraud-related offenses, and a total of $35,460 in court-ordered restitution was imposed.

Essex & Union County Prosecutors' Offices

In 2009, OIFP once again reimbursed the costs incurred as a result of the successful operations of the Essex/Union Auto Theft Task Force (ATTF). ATTF was created in 1991 to combat auto theft and related crimes in urban areas of Essex and Union Counties. During the early 1990s, the New Jersey cities of Newark, Irvington, and Elizabeth were listed by the National Insurance Crime Bureau (NICB) as having the highest per capita vehicle theft rate in the United States. Thanks to the creation of ATTF by the Prosecutors of those counties, Essex and Union Counties no longer bear that dubious distinction. ATTF has become an international model for its innovative methods used to combat auto theft. In addition to personnel from the Essex and Union County Prosecutors' Offices, ATTF is comprised of officers from several municipal police departments, the Essex County Sheriff 's Department, the Essex County Corrections Department, and the Air National Guard. Since its inception in 1991, ATTF has recovered 7,536 stolen vehicles totaling more than $83.6 million in value. As the average vehicle value has increased, so has the recovered value. In 2009 alone, ATTF recovered 348 stolen vehicles, valued at almost $4 million.

Gloucester County Prosecutor's Office

In 2009, the Gloucester County Prosecutor's Office IFU continued working with the New Jersey Motor Vehicle Commission (MVC) offices located within the county. As a result, the IFU prosecuted individuals who provide false insurance information when applying for auto registrations by charging them with possessing counterfeit motor vehicle insurance identification cards and tampering with public records. The IFU detective met weekly with the Consumer Affairs Division of Gloucester, Burlington, and Camden Counties regarding insurance fraud, resulting in 17 new referrals during 2009.

The IFU also conducted training for local police officers, fire investigators, and new police recruits; participated in the MVC "Ride-Along" program to identify fraudulent insurance identification cards; and met with Deptford Mall Security and representatives of a recently opened Wal-Mart SuperStore to discuss various ways to combat auto "give ups" in their parking lots. In addition, the IFU addressed self-insureds on the impact of insurance fraud and participated in public awareness programs, including "National Night Out."

Hudson County Prosecutor's Office

In 2009, with the assistance of the Port Authority Special Operations Unit, the Hudson County Insurance Fraud Unit continued its program of conducting surprise, random inspections of commercial mini-buses operating in Hudson County. As a result of an inspection conducted in December 2009, five vehicles were taken out of service and 17 additional summonses were issued for safety, insurance, and Title 39 violations.

Also in 2009, the Hudson County Prosecutor's IFU opened 30 new investigations, arrested 20 defendants, and filed 26 criminal Indictments. Twenty defendants entered guilty pleas, one defendant was sentenced to three years in State prison, 11 defendants were sentenced to a total of 335 days in county jail, and 23 defendants were sentenced to probationary terms.

The Unit's enforcement efforts remain active in several areas, including health care claims fraud, the manufacture and sale of fictitious documents, and insurance fraud-related arson of dwellings and vehicles. Investigations are frequently conducted in conjunction with other law enforcement agencies and with the cooperation of the victimized insurance companies. Arrests by municipal police departments and other law enforcement agencies are also routinely reviewed by the IFU to determine whether further investigation is warranted. These arrests are also evaluated for their intelligence value in identifying trends in insurance fraud. The IFU also provided training and legal assistance to municipal police departments regarding insurance fraud issues.

Mercer County Prosecutor's Office

One of the more significant cases handled this year by Mercer County's IFU was *State v. Rhonda Coons-Lidge*, in which the defendant was sentenced to five years in State prison following her conviction for Insurance Fraud. Coons-Lidge was driving her husband's SUV when she was involved in a car accident. When questioned by the police, Coons-Lidge lied by giving her daughter's name and claiming that a third vehicle had struck her and fled the scene. The following day, Coons-Lidge filed two separate fraudulent damage claims to two different insurance carriers for the same accident.

In 2009, the Mercer County Prosecutor's IFU continued to receive referrals from New Jersey Manufacturers Insurance Company, local law enforcement, and other agencies in its fight against insurance fraudsters. The IFU successfully prosecuted second-degree arson and insurance fraud cases that resulted in the imposition of significant prison sentences for the defendants and/or restitution to victims.

(l to r) Essex County Assistant Prosecutors Gregg Brown, Jeffrey Cartwright, and Jason Hollingsworth.

Morris County Prosecutor's Office

In 2009, the Morris County Prosecutor's Office IFU handled 45 active cases, resulting in the arrest of three suspects, the return of Indictment against four defendants, and the entry of guilty pleas from eight defendants. In addition, the IFU obtained more than $185,000 in restitution for victims of insurance fraud-related crimes. The cases included insurance application fraud, display of fraudulent vehicle insurance cards, health care claims fraud, workers' compensation fraud, rate evasion, arson, auto "give ups," and insurance fraud.

One of these cases involved John Hagen, III, a former employee of the Boonton, New Jersey, Police Department. Prior to reporting for his daily shift, Hagen injured his knee playing basketball at the YMCA. When he arrived at work, however, Hagen lied and claimed that he injured his knee while on duty. Hagen then filed a fraudulent workers' compensation claim. In 2009, Hagen was sentenced to three years' probation, conditioned on serving 90 days in jail, and payment of full restitution of $141,000.

Also in 2009, Morris County law enforcement, in cooperation with the IFU, aggressively investigated and pursued more than 160 incidents of stolen and recovered vehicles. The IFU's Auto Crimes/Insurance Fraud Program, in which referral forms are evaluated for "red flags" indicating possible insurance fraud, uncovered additional auto "give up" cases. The IFU also reviewed more than 140 new complaints or incidents involving possible insurance fraud, 18 of which resulted in formal investigations and prosecutions. The IFU received referrals from municipal police departments, insurance companies, OIFP, other law enforcement agencies, and concerned citizens. The IFU continued to work closely with the Special Investigations Units of Horizon, Allstate, Selective, One Beacon, and Liberty Mutual Insurance Companies.

In 2009, the IFU participated in the Morris County Prosecutor's Annual Symposium on financial crimes by presenting various investigative techniques to assist

law enforcement in combating insurance fraud in their respective jurisdictions.

Ocean County Prosecutor's Office

This year, the Ocean County Prosecutor's IFU trained police officers and educated civic organizations, elderly citizens, and the general population in detecting and preventing insurance fraud. The unit has emphasized training in the Ocean County Police Academy to teach recruits the "red flag" indicators of insurance fraud.

During 2009, the IFU detected an unexpected type of insurance fraud: due to the struggling economy, employee embezzlement is on the rise, due either to financial desperation or the fact that employers are paying closer attention to their accounting ledgers. Insurance companies are often the indirect victims of these crimes when they pay out on fidelity bonds.

Passaic County Prosecutor's Office

In 2009, Passaic County's IFU obtained an Indictment against Natasha Thomas for insurance fraud-related charges stemming from her use of stolen credit card numbers to purchase auto insurance policies over the internet. Thomas would then cancel the policies, which resulted in refund checks being mailed to her. Thomas failed to appear at her arraignment and a bench warrant was issued for her arrest. She then submitted a fraudulent death certificate with the court, resulting in additional charges against her for Forgery and Tampering with Public Records.

In 2009, the Passaic County Prosecutor's Office IFU continued to cultivate its relationships with street-level informants. Information provided by one informant led to the indictment of one defendant on second-degree insurance fraud charges and the arrest of another suspect involving an owner "give up." The informant also supplied valuable information concerning an investigation into "chop shops" operating in Passaic County.

During 2009, the IFU maintained its ongoing relationship with insurance carriers and State and local law enforcement agencies, including OIFP, in developing insurance fraud investigations. One referral from High Point Insurance Company involved staged accidents; another referral from OIFP involved several "chop shops" in the Paterson area.

Salem County Prosecutor's Office

In 2009, the Salem County Prosecutor's IFU detective participated in the "Ride Along" program with municipal police officers to identify counterfeit motor vehicle insurance cards. In addition, as part of the Prosecutor's "Salem City Crime Reduction Initiative," the IFU detective successfully identified several individuals suspected of committing insurance fraud-related offenses.

Somerset County Prosecutor's Office

In 2009, the Somerset County Prosecutor's Office IFU actively investigated and prosecuted health care providers for insurance fraud. The IFU obtained an Indictment against Lisa M. Guensch, a registered nurse who was fraudulently filling narcotic prescriptions for herself using the DEA registration numbers for four different doctors and nurse practitioners. In another case, Kenneth Thorn was sentenced to three years' probation and had his chiropractic license suspended following his guilty plea to Health Care Claims Fraud during which Thorn admitted to submitting fraudulent bills to health care insurers for services not rendered.

Also during 2009, the IFU continued its proactive approach for initiating insurance fraud investigations by collaborating with the County's Arson Task Force, Major Crimes Unit, Narcotics Task Force, State and local law enforcement agencies, and the NICB. Seventeen new investigations were opened, including a successful staged motor vehicle accident investigation in conjunction with NICB. In addition, six defendants were charged with insurance fraud-related crimes, three of whom were charged with additional offenses detected in the course of the initial investigation. Another six defendants were convicted and sentenced for insurance fraud-related crimes.

Sussex County Prosecutor's Office

During 2009, the Sussex County Prosecutor's IFU activated a link on the Prosecutor's Office Web site which gives the public information on the IFU's crime-fighting activities. The IFU also continued its community outreach program with various governmental and civic organizations to heighten awareness of the many facets of insurance fraud. The IFU detective also attended training offered by OIFP, the New Jersey Vehicle Theft Investigators Association, the New Jersey Special Investigators Association, and other insurance fraud fighting associations, and continued to network with the insurance industry's Special Investigations Units.

Union County Prosecutor's Office

A significant accomplishment of the Union County Prosecutor's Office IFU during 2009 was the undertaking of two major health insurance fraud cases. In *State v. Victor Fakondo*, the IFU charged a part-time pharmacist with Insurance Fraud and Forgery for submitting false invoices for several different prescription medications to Medco Insurance Company in the amount of $354,027. In *State v. Jennifer Massimo, et al.*, a billing clerk for a medical office, her mother, and her father, were charged with Insurance Fraud for submitting altered claims for health insurance benefits in excess of $75,000.

The IFU also continued its partnership with the Essex/Union Auto Theft Task Force (ATTF), which resulted in the investigation of several motor vehicle thefts and owner "give ups." The IFU continued to work with insurance carriers, as well as federal, State, and local law enforcement agencies, to identify insurance fraud and coordinate ongoing investigations.

Warren County Prosecutor's Office

During 2009, the Warren County Prosecutor's IFU maintained its close working relationships with local and State police agencies serving Warren County and provided support services to the insurance industry's Special Investigations Units. The IFU detective attended training seminars offered by OIFP, the New Jersey Special Investigators Association, and the New Jersey Vehicle Theft Investigators Association. Warren County IFU investigations included suspicious vehicle and structure fires, vehicle theft, health care claims fraud, contractor fraud, workers' compensation fraud, and uninsured motorists insurance fraud.

OIFP's Budget for Fiscal Years 2009 - 2010

Most OIFP operations are funded through an assessment on the private insurance industry, pursuant to the New Jersey Insurance Fraud Prevention Act.[1] Although OIFP's Medicaid Fraud Control Unit (MFCU) is part of OIFP, monies derived from the assessment on the private insurance industry do not fund MFCU. Rather, MFCU is funded by a federal grant that provides 75% federal funding and requires the State of New Jersey to provide a 25% State match from Direct State Services funds.

OIFP's annual budget is determined by the State of New Jersey Department of the Treasury. For fiscal year 2009 (July 1, 2008, through June 30, 2009), Treasury set OIFP's budget at just under $30 million. This is the same level of funding that Treasury allocated to OIFP for its startup costs and operating expenses eleven years ago, and funding has remained flat ever since. The lack of adequate funding, together with attrition and an ongoing statewide hiring freeze, has reduced OIFP's staff from its all-time high of 333 civil and criminal investigators, attorneys, analysts, and support staff when OIFP was implemented eleven years ago, to an all-time low of 222 staff members by the end of 2009.

OIFP's operating costs consist of expenses incurred directly by OIFP staff, as well as expenses for services, facilities, and equipment shared jointly with the Division of Criminal Justice (DCJ) and the Department of Law and Public Safety (L&PS). By sharing these common services with DCJ and L&PS, OIFP takes advantage of economies of scale, thereby reducing its overall operating budget.

In accordance with the 2005 New Jersey State Auditor Report, non-OIFP personnel who provide various support services to OIFP must be paid with OIFP funds. See *Office of the State Auditor, Auditor Report, Department of Law and Public Safety, Division of Criminal Justice, Office of the Insurance Fraud Prosecutor*, issued July 15, 2005, available at *www.njinsurancefraud.org*. Such services include administrative and investigative support. To ensure transparency, accountability, and fiscal integrity in all expenditures of private insurance industry monies, OIFP implemented a Cost Allocation Plan (CAP), effective July 2005, which precisely identifies all support services provided by DCJ to OIFP and documents a fair methodology for assessing costs associated with those expenses.

Prior to FY2010, which runs from July 1, 2009, through June 30, 2010, most of the agencies within L&PS maintained their own administrative support services, such as Human Resources, Facilities, and IT Services. In FY2010, these various agencies' separate administrative support services were consolidated within the Office of the Attorney General (OAG). Consequently, the CAP will be reformulated for the second half of FY2010 to provide an accurate picture of the services provided to OIFP by the newly-consolidated administrative support services under OAG. Because the Medicaid Fraud Control Unit is not funded through private insurance industry assessments, for purposes of the CAP, the Medicaid Fraud Control Unit is considered part of DCJ and not OIFP.

Administrative Support

In past years, the Division of Criminal Justice (DCJ) provided administrative support to OIFP as a way to lower costs and reduce duplication of services. In 2009, the Office of the Attorney General (OAG) further consolidated administrative services up to the department level for greater savings. The Cost Allocation Plan (CAP) is being reformulated in order for OIFP to benefit from these cost reduction efforts. The CAP will be completed and will become part of OIFP's FY2010 operating budget. At the beginning of each subsequent fiscal year (July 1), this revised formula will be used to determine the yearly percentages of salaries and fringe benefits associated with administratively supporting OIFP for the upcoming fiscal year.

For FY2009, which ended June 30, 2009, OIFP paid 29.04% of salaries and fringe benefits of DCJ staff from sections that provided administrative support to OIFP. Under the revised formula, OIFP expects to reduce its cost for OAG-consolidated support services as part of the overall L&PS cost-reduction efforts.

Criminal Justice Support Services

DCJ provides a number of criminal justice support services necessary for OIFP-Criminal's investigations and prosecutions of insurance fraud. Evidence Storage, State Grand Jury, and Records and Identification Sections, among others, allow OIFP-Criminal to utilize resources already in place rather than create its own separate resource providers. At the beginning of each fiscal year, the CAP details a formula to determine the percentage of OIFP's usage of these shared criminal justice resources. This percentage is then used to pay the corresponding portion of staff salaries and fringe benefits costs for staff assigned to DCJ sections under this classification during the upcoming fiscal year.

For FY2009, which ended June 30, 2009, OIFP paid 18.34% of salaries and fringe benefits of DCJ staff from sections that provided criminal justice support services to OIFP. The cost allocation percentage for FY2010 will be determined once the revised formula for administrative support has been determined.

1. N.J.S.A. 17A:33A-30 ("Payment of annual expenses of the Office of Insurance Fraud Prosecutor") provides:

> The Attorney General shall annually, on or before October 1, certify to the State Treasurer an amount allocable to the expenses of the Office of the Insurance Fraud Prosecutor for the preceding fiscal year, which amount shall be transferred to the Department of Law and Public Safety by the State Treasurer from the amounts assessed and collected for the operation of the Division of Insurance Fraud Prevention in the Department of Banking and Insurance pursuant to section 8 of P.L.1983, c.320 (C.17:33A-8).

Intermittent Investigative and Legal Personnel Support

DCJ continues to provide OIFP with additional personnel on an "as needed" basis for the execution of search warrants, forensic computer analysis, handwriting analysis, and the installation of electronic surveillance equipment. Additionally, OIFP sometimes calls upon designated DCJ legal staff to assist in criminal trials and appeals, ethics inquiries, and other legal areas. DCJ developed a Division-wide timekeeping system to allow OIFP to precisely track the amount of time spent by DCJ employees on OIFP-related activities. Conversely, this timekeeping system allows OIFP to track OIFP staff who are assigned to non-OIFP-related activities. At the end of each fiscal quarter, time spent by non-OIFP staff on OIFP-related matters and OIFP staff on non-OIFP-related matters is calculated and the appropriate accounting adjustments are made.

For FY2009, which ended June 30, 2009, OIFP paid 3.10% of salaries and fringe benefits for DCJ staff from sections that provided intermittent investigative and legal personnel support services to OIFP. The cost allocation percentage for FY2010 will be determined once the revised formula for administrative support has been determined.

OIFP also reimbursed DCJ $125,746 in salaries and fringe benefits for DCJ personnel used as needed for OIFP assignments, while DCJ reimbursed OIFP $139,962 for use of OIFP personnel as needed for non-OIFP assignments. OIFP saw a net gain of $14,216 in reimbursements for FY2009.

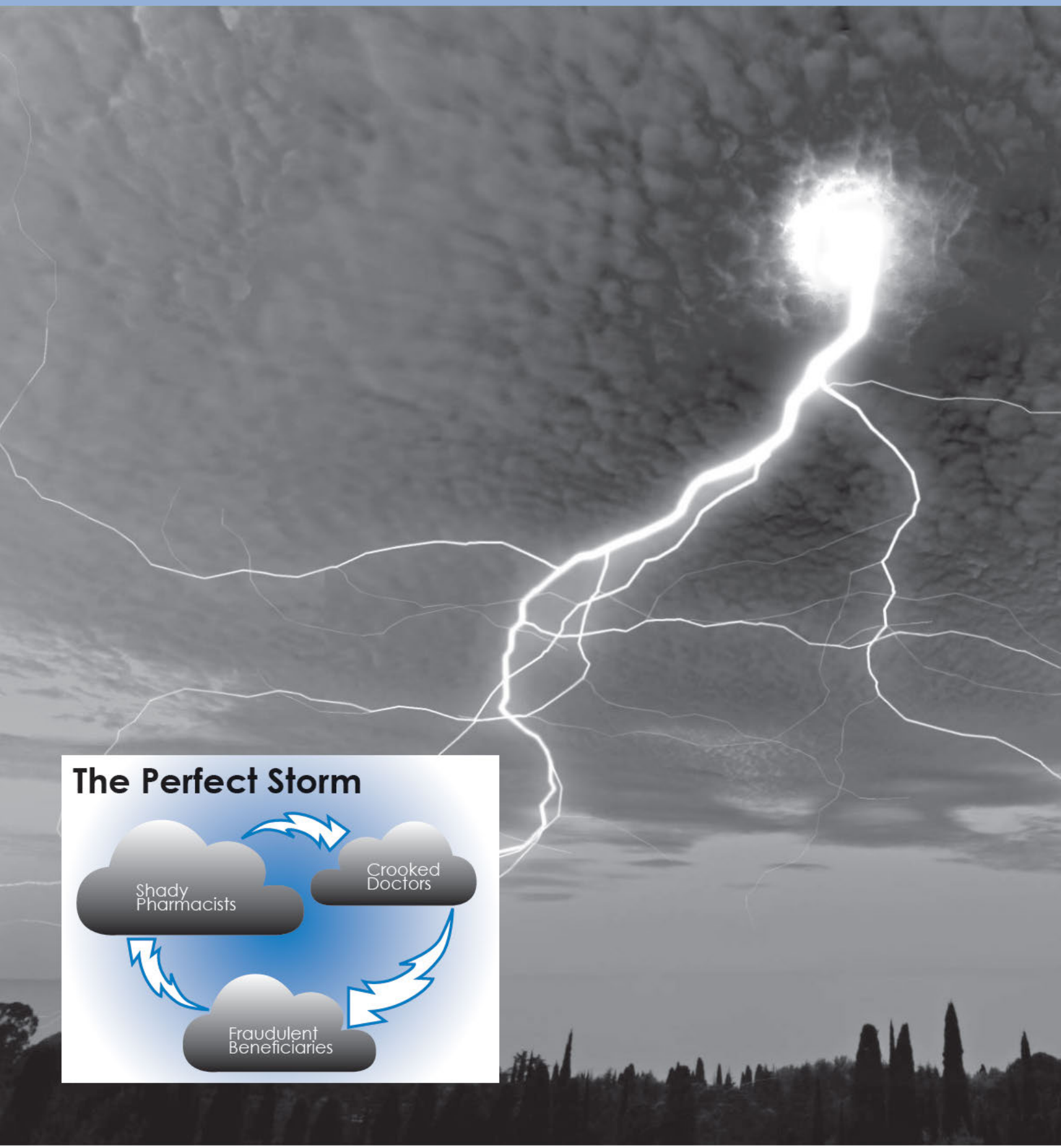
A summary of the revised Cost Allocation Plan, when available, and quarterly expense reports are posted on OIFP's Web site at *www.njinsurancefraud.org* to afford the insurance industry and general public continuous access to OIFP's fiscal activities and reports.

OIFP Expenditure Report for Fiscal Year 2009
(Fiscal Year = July 1 through June 30)

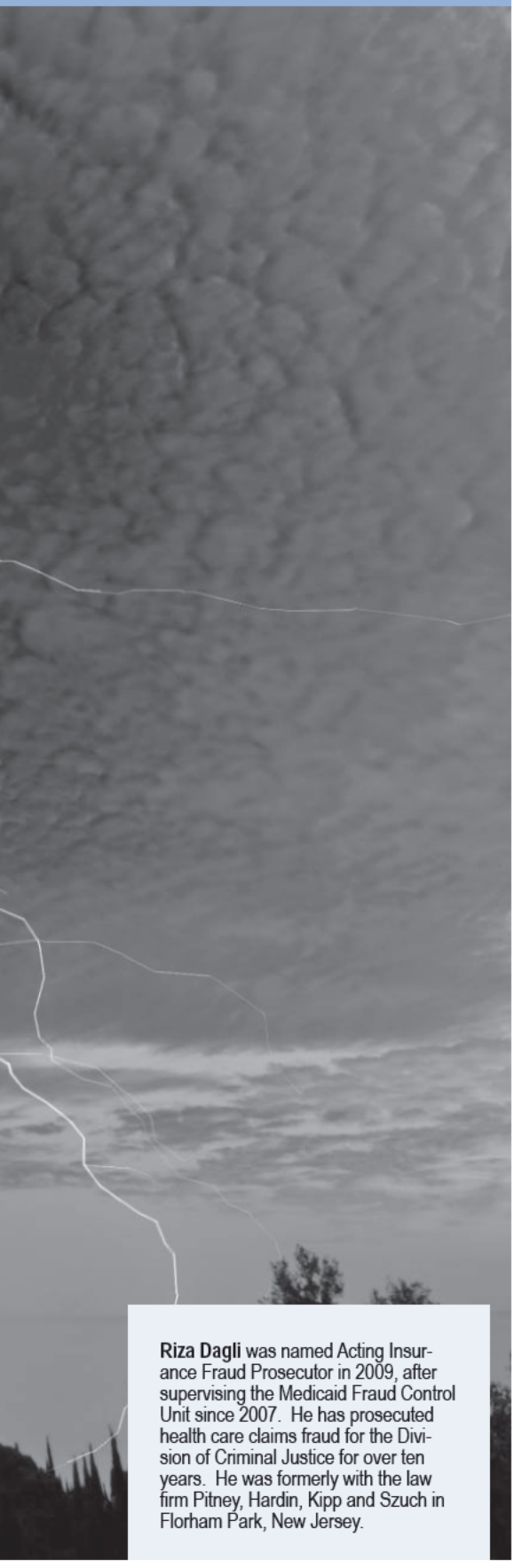
Personnel (Salaries and Fringe Benefits)	$22,143,161.02
OIFP Staff Salaries and Fringe Benefits[1]	$19,967,910.10
DCJ Support Staff Salaries and Fringe Benefits[2]	$2,175,250.92
Outside and Professional Services	$4,649,843.16
County Prosecutors' Reimbursement Program[3]	$3,391,164.83
DOL Professional Support[4]	$1,038,743.00
Expert Witness and Other Professional Services	$174,275.83
Transcription and Other Expenses	$45,659.50
Training, Trial, and Investigative Travel Expenses[5]	$10,348.19
Vehicles and Vehicle Maintenance	$502,276.67
Maintenance, Fuel, and Oil for OIFP Undercover Vehicles	$55,712.28
Undercover Vehicle Lease and Maintenance	$23,288.73
Vehicle Replacement Purchase	$0.00
State's Central Motor Pool Vehicle Lease, Maintenance, and Fuel[6]	$423,275.66
Office Supplies, Services, Equipment, and Maintenance	$491,295.71
Household and Janitorial Supplies	$10,352.89
Maintenance of Equipment	$6,068.39
Office Equipment Purchases	$5,037.93
Supplies	$93,811.46
Postage	$18,523.79
Telephone	$254,050.79
Database Licensing Purchases and Maintenance	$93,034.42
State Mainframe Charges	$0.00
IT and Telephone Equipment Purchases and Maintenance	$10,416.04
Building Rent and Maintenance[7]	$71,588.70
Maintenance - Building	$0.00
Rent - Buildings	$50.00
Rent - Other	$71,538.70
Total OIFP Expenditures for Fiscal Year 2009	$27,868,513.45

Notes:

[1]Includes attorneys, investigators, and professional and clerical staff working directly for OIFP.
[2]Cost of shared administrative and criminal support provided by DCJ per the FY2009 Cost Allocation Plan.
[3]Funds provided to County Prosecutors' Offices as reimbursement for activities undertaken by those offices in connection with investigating and prosecuting insurance fraud. See N.J.S.A. 17:33A-28.
[4]Civil attorney staff and services provided by the Division of Law to litigate OIFP civil cases under the NJ Insurance Fraud Prevention Act. See N.J.S.A. 17:33A-1 et seq.
[5]Includes witness transportation to and from trial.
[6]Vehicle lease, fuel, and maintenance for vehicles used by OIFP detectives, civil investigators, and deputy attorneys general.
[7]Includes rental of undercover facilities, but does not include cost of building rent for OIFP's three regional offices which is billed separately by the Department of the Treasury.


The Perfect Storm
Shady Pharmacists
Crooked Doctors
Fraudulent Beneficiaries

Prescription Fraud Conspiracies: The Perfect Storm



Riza Dagli was named Acting Insurance Fraud Prosecutor in 2009, after supervising the Medicaid Fraud Control Unit since 2007. He has prosecuted health care claims fraud for the Division of Criminal Justice for over ten years. He was formerly with the law firm Pitney, Hardin, Kipp and Szuch in Florham Park, New Jersey.

by Riza Dagli

Prescription fraud is an enormous problem contributing to the rising cost of health care in the United States. Prescription fraud is any fraud committed in connection with the writing of prescriptions and dispensing of prescription medication. It includes the unlawful or inappropriate writing of prescriptions by physicians, the unlawful dispensing or purchase of prescription medication by pharmacists, the sale of prescription blanks, and the submission of fraudulent insurance claims to prescription insurance carriers. Drug diversion, or the black market sale of pills on the street, is also a part of prescription fraud. Prescription fraud is most commonly committed by pharmacists, doctors, and patients acting alone, in small-scale or single-instance frauds. Where these three types of fraudsters collaborate in large-scale conspiracies in which the players provide cover for each other, however, the fraud is magnified, resulting in the "perfect storm."

The price of prescription medication is a large component of the average patient's annual health care expenditures. For individuals requiring daily medication to treat chronic illnesses, such as HIV, cancer, high cholesterol, allergies, or high blood pressure, prescription medication is not a sporadic expense, such as it might be for antibiotics used to treat a short-term respiratory infection. For patients with chronic medical conditions, the cost for maintenance drugs can easily exceed thousands of dollars per month. A one-month supply of the HIV drug Fuzeon, for example, costs more than $2,300. Public and private insurance may assist in paying these long-term prescription medication costs.

In the typical, legitimate prescription transaction, the key participants are the patient, the physician, and the pharmacist. The patient visits a physician, who prescribes medication for that patient based on a substantiated medical need. The patient either pays the physician directly for that visit, or the physician submits a claim to the patient's health insurance provider. The patient then brings the prescription to the pharmacy of his choice, where the pharmacist dispenses the medication, and either bills the patient directly or submits a claim to the patient's prescription insurance provider. This is the basic legal transaction, although with the advent of online pharmacies and e-prescriptions, there are variations in some of those steps.

There are several reasons why prescription transactions paid by prescription insurance are vulnerable to fraud:

Volume: Billions of prescriptions are dispensed annually in the United States, making it impossible for insurers, both public and private, to pre-approve or investigate most of these prescriptions. Add to the sheer volume of prescriptions the fact that federal and State privacy laws protect most patient/physician and patient/pharmacist interactions, and it is easy to understand why insurers must "trust" that the participants are behaving honestly. It is this

trust among physicians, patients, pharmacies, and insurance companies which allows prescriptions to be promptly dispensed to those in medical need, but this trust-based system also makes these transactions vulnerable to fraud.

Most prescription transactions paid by prescription insurance are POS, or point of sale, transactions. Pharmacy software generally uses a POS system to accomplish several actions at the same time: a customer profile is created or updated; the reimbursement rate for the particular drug and dosage is calculated; the reimbursement is approved or denied (for example, reimbursement will be denied if the required amount of time between refills has not elapsed); the claim is submitted; and a prescription label is printed. All this happens in a matter of seconds, and the pharmacy is generally reimbursed by the insurance carrier less than one week later.

The bulk of these claims are paid for up front, based on trust. The payer (the prescription insurance carrier) trusts that there was a valid prescription, a valid beneficiary, valid medication, and the medication was validly dispensed. Except for periodic audits, spot checks, or requests for documentation to detect fraudulent transactions, the pharmacy will continue to operate uninterrupted.

Street value: Many prescription drugs are in significant demand on the street, and this creates an incentive to sell pills illegally. At the top of the list are narcotics and other painkillers, such as Percocet and OxyContin.

Cost of drugs: Many drugs, especially anti-viral medications and those used to treat HIV and cancer, are very expensive. As a result, some pharmacies look for cheaper sources of those drugs, rather than pay the wholesale price charged by the manufacturer.

High reimbursement rates for drugs: The more expensive the medication, the higher the reimbursement rate by private insurance companies and government programs. A pharmacy can bill hundreds of thousands of dollars in fraudulent claims in a matter of weeks, before any suspicion ever arises and an investigation by the insurance company's Special Investigations Unit or by law enforcement, including OIFP, begins.

Competition: There are many pharmacies in New Jersey, both chains and independents. As a result, pharmacies are always trying to draw more customers. Providing illegal cash kickbacks to beneficiaries is one form of inducement.

Addiction: Many drugs are habit-forming, and the demand for the drug may linger after the medical necessity has ended. A good example is OxyContin, which was approved by the federal Food and Drug Administration (FDA) in 1995 to treat moderate to severe pain. OxyContin has powerful addictive qualities similar to heroin.

For these reasons, prescription fraud offers significant opportunities for profiteering by criminals, and prescription fraud-related crimes committed separately by doctors, pharmacists, and patients is a growing concern.

Some patients engage in prescription fraud by selling the pills prescribed for them. For example, a patient complains to his doctor of back pain or headache, which are subjective medical conditions not readily verifiable by diagnostic tests administered by the doctor. Relying on the veracity of his patient, the doctor prescribes Percocet for the alleged back pain or headache and the patient, after filling the prescription, illegally sells the Percocet on the street. An opioid analgesic, Percocet and other potent pain relievers, such as OxyContin, are in high demand and are easily sold in quantity or as loose pills. The doctor may be unaware that the patient is selling the pills and the pharmacist filling the prescription may be unaware that the pills are being resold on the street.

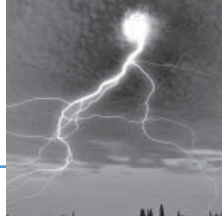
Some physicians engage in prescription fraud by selling narcotics prescriptions for cash without examining the patient and submitting an insurance claim that the patient was treated, even though no treatment was rendered. Often the patient is unaware that his physician submitted a fraudulent claim to his health insurance company for the non-existent examination. In the case of the federal and State Medicaid program, an Explanation of Benefits printout is not sent to the beneficiary following the appointment, so the patient never knows what medical procedures the doctor claimed to have performed.

Similarly, some pharmacists will submit claims for dispensing medication in a patient's name when no medication was dispensed. Or a pharmacist may dispense the medication to the customer, only to buy the medication back from that customer at a fraction of the manufacturer's wholesale price. Or the pharmacist may purchase loose pills from customers or drug dealers. Often the doctor is unaware of these transactions and the patient may be unaware that the pharmacy is submitting insurance claims in his name for medication or refills of medication that were not dispensed.

Statutory and regulatory rules and regulations governing the three key players -- the physician, the pharmacist, and the patient -- provide checks and balances which make it easier to detect fraud when one of the three players is behaving dishonestly. When the key players act in concert to form a larger conspiracy, however, statutory and regulatory oversight becomes ineffective as each player provides cover for the other and the fraud increases exponentially. This results in a "perfect storm" of prescription fraud.

The following example illustrates the lucrative conspiracy among crooked doctors, shady pharmacists, and fraudulent prescription insurance beneficiaries:

Step 1: Patient A visits Doctor B and tells Doctor B which medication he wants. In a matter of minutes, and without a medical examination, Doctor B writes multiple prescriptions for Patient A, and sometimes for Patient A's friends who may or may not be present. In addition to narcotic medications, Doctor B may also write prescriptions for moderately-priced, non-narcotic



medications he believes will not draw the prescription insurance carrier's attention, such as blood pressure pills, antibiotics, and asthma inhalers. Patient A pays cash to Doctor B for the prescriptions, often hundreds of dollars per prescription. Doctor B directs Patient A to give the prescription to Pharmacist C. Doctor B may also submit bogus claims to Patient A's health insurance carrier for "treating" the patient. This transaction occurs many times each day with Patient A, Patient B, Patient C, etc.

Step 2. Patient A takes the prescription to Pharmacist C as directed by Doctor B. Patient A then signs the pharmacy's signature log for the various names on the prescriptions. Pharmacist C enters the information on the pharmacy's computer and instantly submits claims for all of the medications as though each prescription was properly dispensed. In actuality, Pharmacist C dispenses only the painkillers, such as Percocet, and pays Patient A cash, usually $20 to $100, for each of the other prescriptions. Pharmacist C conducts this transaction many times each day with Patient A, Patient B, Patient C, etc., resulting in tens of thousands of dollars in claims for medication that is not dispensed.

A variation of this transaction occurs when Patient A obtains from Doctor B a prescription for high-priced medications, like the protease inhibitor Kaletra to treat HIV/AIDS or the chemotherapy drug Neupogen to treat cancer. Patient A has these medications dispensed to him by Pharmacist C and then sells the dispensed medication back to Pharmacist C for cash at a cost lower than the manufacturer's wholesale price.

Step 3. Patient A sells the painkillers on the street, either directly to users or to middlemen who bring the medication to a central location to sell. When Patient A runs out of pills, he goes back to Step 1.

Step 4. Pharmacist C pays Doctor B a piece of the pharmacy's profits based on the claims Pharmacist C submitted to patient A's prescription insurance carrier.

Through this ongoing collaboration of Patient A, Doctor B, and Pharmacist C, the number and frequency of prescriptions can be increased, the combinations of drugs prescribed can be made to appear legitimate, the profit-sharing can be predicted and organized, and the necessary documentation (prescriptions, signatures, and patient charts) can be provided to an investigating insurance carrier or law enforcement agency if suspicions are raised. The conspirators will corroborate one another that the treatment was rendered, the prescription was required, and the medication was lawfully dispensed.

In addition to the difficulties of investigating and prosecuting this fraud triangle, the success of this conspiracy raises significant public health concerns:

Drug overdose. The availability of narcotics on the street increases the danger of overdose. According to the Center for Disease Control (CDC), over 20,000 people in the United States die of drug overdoses every year.[1] Opioid drugs are the most common source of drug overdose deaths. Between 1999 and 2005, the annual number of unintentional drug overdose deaths in the United States more than doubled, from 11,155 to 22,447.[2] According to the CDC, the rise in deaths was due to overdoses from prescription drugs, rather than illicit controlled substances like heroin or cocaine.[3] By 2007, more teenagers used opioid analgesics recreationally than they used marijuana.[4]

Counterfeit medications. When pharmacies or individuals purchase drugs from illegitimate sources, there is no guarantee of the integrity of that medication. The pills may be counterfeit, expired, or in the wrong dosage.

Due to the substantial dangers and risks to the public and financial loss to the insurance industry, OIFP has made prescription fraud a crime-fighting priority. Over the past year, OIFP Detectives and Assistant and Deputy Attorneys General have conducted significant raids, made numerous arrests, won many convictions, and dismantled several prescription fraud networks. A good example is *Operation MedScam*, in which OIFP arrested 13 individuals, including two doctors and two pharmacists, and seized over $1 million in a series of raids in 2009 targeting prescription fraud in Hudson County. Another initiative, *Operation PharmScam*, which included several raids in 2008, saw significant developments in 2009, including the indictments of four pharmacists, three pharmacies, and three pharmacy technicians in a prescription fraud scam working in Hudson and Essex Counties. Additional prescription fraud convictions in 2009 included the plea of a Hudson County doctor writing narcotics prescriptions for cash and the trial conviction of an Atlantic County pharmacist for writing and filling phony prescriptions. These cases, as well as others involving health care professionals, pharmacists, and beneficiaries commiting prescription fraud, are discussed in detail in the 2009 Criminal Case Notes at pages 83 and 86 of this *Annual Report*. By understanding how prescription fraudsters operate and by working together with federal, State, and local law enforcement agencies, OIFP has taken a proactive approach to snuff out this "perfect storm."

Riza Dagli
Acting Insurance Fraud Prosecutor

1. Center for Disease Control *Report 2008 Prescription Drug Overdose*.
2. bid.
3. bid.
4. bid.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CAUTION

OIFP on the Frontlines: Combating the Growing Trend of International Exportation of Stolen Vehicles

by Norma R. Evans

Norma R. Evans is a Supervising Deputy Attorney General serving as First Deputy Chief Counsel within OIFP, assigned to oversee the Auto, Property, and Casualty Section of the Office. Prior to joining DCJ in 1998, she served as an Assistant Prosecutor with the Camden County Prosecutor's Office for seven years.

Automobile theft continues to be a mounting problem in New Jersey, which has long been identified as a state with high rates of automobile theft. According to the *New Jersey State Police 2008 Uniform Crime Report*, every 26 minutes and seven seconds a motor vehicle is stolen in New Jersey.[1] In 2008, motor vehicles alone represented 44% of the total value of property stolen in New Jersey.[2] But automobile theft is fast becoming far greater than a mere local problem. An emerging trend among more "sophisticated" car thieves is the exportation of stolen cars through the ports of New Jersey to less developed nations.

Criminal networks in Dubai, West Africa, Eastern Europe, and Russia provide thriving markets for cars stolen from the United States and other countries. The lucrative nature of this criminal enterprise is readily apparent as the resale price of the stolen car upon its arrival in a third-world country far exceeds the original purchase cost of the vehicle. As the demand for stolen cars in third-world countries increases, the illegal exportation of stolen cars or their parts from the United States, including New Jersey, also has escalated.

High-end luxury vehicles, such as BMWs, Mercedes-Benzes, Corvettes, and Porsches, are often the targets of organized car theft networks. The vehicle may be dismantled or "chopped" for parts and its vehicle identification number (VIN) altered to conceal its stolen nature. "Chop shops" are unscrupulous garages and other facilities where car thieves disassemble stolen cars and sell the parts. A VIN marker of a stolen car is often replaced with a VIN from a car that is legally owned, thereby creating two vehicles with identical VINs, one legitimate, the other stolen. To complete the conversion of the identity of a stolen car, fraudulent ownership documents are created. Through this process, known as "cloning," the vehicle cannot be easily identified as stolen.

Federal regulations addressing the exportation of motor vehicles are set forth in Part 192 of Title 19 of the Code of Federal Regulations. To prevent the illegal exportation of stolen vehicles, the exporter must provide proof of ownership, such as the Certificate of Title and other original ownership documents, to United States Customs agents for official examination.[3] These measures are taken to determine the legitimacy of the car's ownership status.

To further tackle the growing problem of vehicle theft and the illegal exportation of automobiles, the federal government enacted the Motor Vehicle Theft Law Enforcement Act of 1984 and the Anti-Car Theft Act of 1992. The overarching purposes of these acts are to reduce the incidence of motor vehicle thefts; facilitate the tracing and recovery of stolen motor vehicles and parts from

1. *www.state.nj.us/njsp/info/ucr2008/pdf*
2. bid.
3. 19 C.F.R. § 192.2.

stolen vehicles; and provide law enforcement with adequate investigative tools to detect, apprehend, and prosecute those who engage in automobile theft and exportation. The Anti-Car Theft Act of 1992, for example, increases federal penalties for crimes related to motor vehicle theft and requires United States Customs officials to randomly inspect automobiles and shipping containers that may contain automobiles that are being exported to determine whether such automobiles were stolen.

The Port Authority of New York and New Jersey is the leading North American port for automobile imports and exports. In 2008, the Port handled 1,031,540 vehicles, of which 376,780 were exports.[4] Vehicle terminals are located at the Port Newark/Elizabeth Marine Terminal and the Port Jersey/Port Authority Marine Terminal complexes.[5] Both Terminals are accessible in New Jersey. Given the geographic location of the Ports in New Jersey, investigating international trafficking of stolen cars has become a top priority of the Office of the Insurance Fraud Prosecutor (OIFP).

A major 2009 OIFP auto theft ring investigation stopped the attempted overseas exportation of stolen high-end vehicles. The stolen cars had been loaded into containers for shipment to Dubai but were intercepted by United States Customs officials who in turn notified OIFP Detectives. OIFP determined the vehicles were, in fact, stolen as many of the VINs were altered to match the fraudulent ownership documentation submitted to Customs to clear the vehicles for overseas shipment. Ultimately, the investigation lead to the recovery of a number of expensive stolen vehicles, including:

- one 2006 Chevrolet Corvette
- one 2004 BMW X3
- one 2008 BMW 750Li
- one 2005 BMW 545i
- one 2004 BMW 645Ci
- one 2007 Mercedes-Benz S550
- one 2008 Mercedes-Benz S550
- one 2004 VW Touareg

OIFP's Auto Unit North Squad worked collaboratively with the Essex/Union Auto Theft Task Force (ATTF) and the Morris County Prosecutor's Office and arrested five major players involved in this car theft and international exportation ring.

During 2007, in *Operation Auto Export*, the New Jersey Division of Criminal Justice (DCJ) successfully shut down another major international car theft ring working out of the Ports. Working in tandem with 15 law enforcement agencies, including the New Jersey State Police, DCJ uncovered a complex and widespread operation where stolen vehicles were being delivered to the Ports of Newark and Elizabeth and then shipped to various ports in Egypt, Jordan, West Africa, and Greece. Seventy-two high-end vehicles with a total estimated value of over $2.55 million were recovered and arrest warrants were served on members of the auto theft trafficking network up and down the East Coast, including New Jersey, New York, Maryland, and Virginia.

There are various means by which vehicles are illegally taken in New Jersey for resale to third-world markets. Typically, automobiles are stolen from innocent owners by skilled thieves who unlawfully enter the vehicle and successfully engage the ignition system without a transponder key. Even in this advanced age of technology, transponder systems can be defeated. A more violent means by which cars are stolen is carjacking, where the driver may be forcefully removed from the vehicle by the perpetrator.[6]

The type of vehicle theft that most directly implicates an act of insurance fraud is the owner "give up." Incidents of owner "give ups" are increasing during this struggling economy. When a high-end vehicle is no longer affordable to own or lease, its owner or lessee may be tempted to voluntarily surrender the car to a theft ring and then falsely report to the insurance company that the car was stolen in order to collect insurance proceeds. Thus, the owner is complicit in the "theft" of his or her vehicle. Meanwhile, the theft ring re-tags the vehicle and exports it out of the country, resulting in a loss to the insurance carrier with little or no chance of recovering the car.

Aside from the federal laws that address illegal international exportation of stolen vehicles, there are various New Jersey criminal statutes which address auto theft-related crimes. When an owner voluntarily surrenders his or her car to a criminal enterprise for exportation and falsely reports the vehicle as stolen to his or her insurance carrier (owner "give up"), the crime of Insurance Fraud applies.[7] In enacting the crime of Insurance Fraud in 2003, the New Jersey Legislature recognized the need for a specific law to enable more efficient prosecutions of

4. *www.panynj.gov*
5. Ibid.
6. N.J.S.A. 2C:15-2.
7. N.J.S.A. 2C:21-4.6.
8. N.J.S.A. 2C:21-4.4.
9. N.J.S.A. 2C:21-4.6.
10. N.J.S.A. 2C:20-18.
11. Ibid.
12. Ibid.
13. N.J.S.A. 2C:17-6.
14. Because a vehicle may no longer bear its original VIN once it is dismantled, OIFP often executes search warrants on "chop shops" to recover luxury vehicle parts as the first line of prevention against illegal exportation.
15. N.J.S.A. 2C:20-16.
16. N.J.S.A. 2C: 20-7.1.

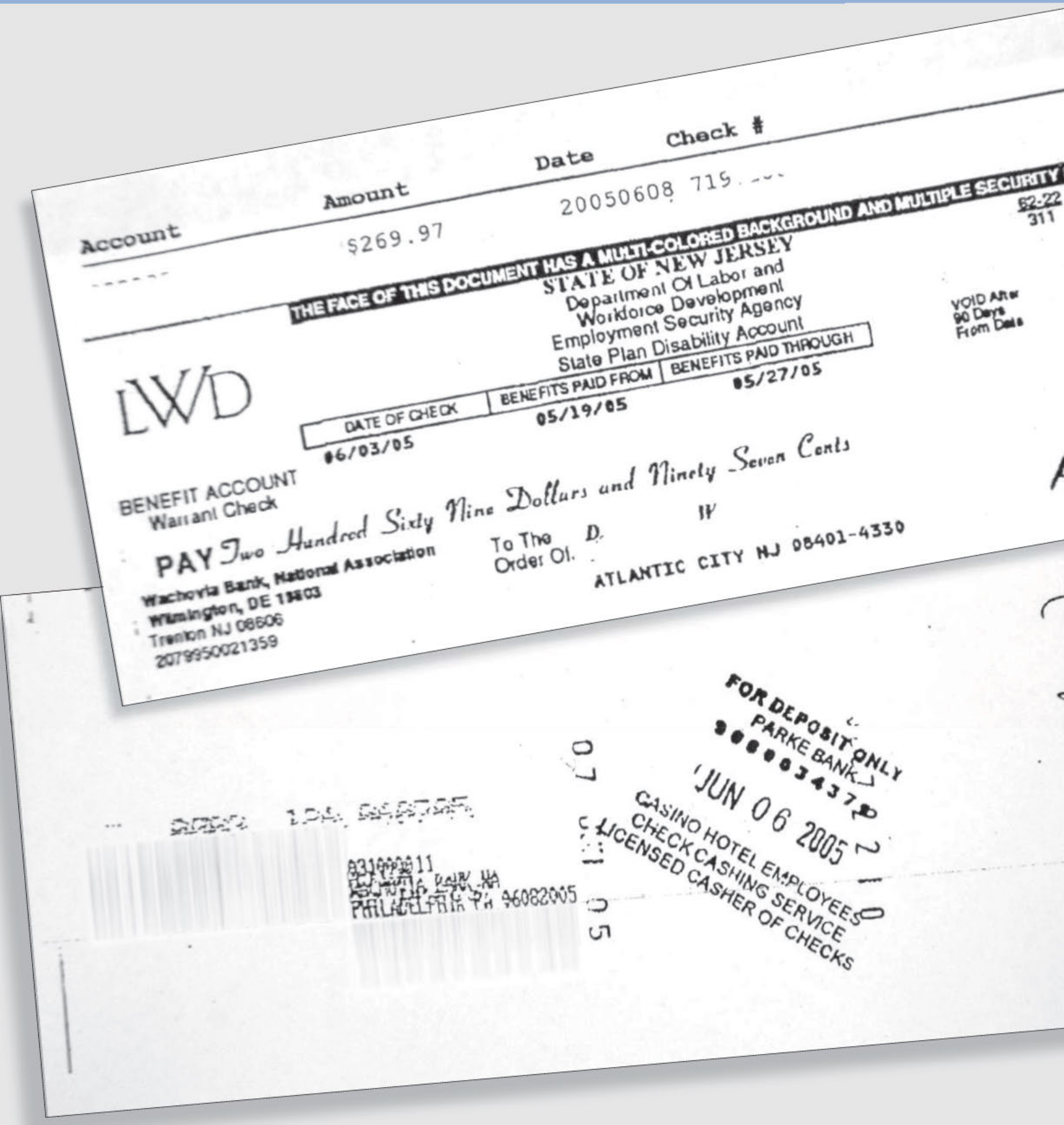
persons who commit, assist, or conspire with others in committing fraud against insurance companies, and to deter others from such illicit activity.[8] When a car owner lies to the insurance carrier regarding the "theft" of his or her vehicle, he or she faces up to ten years in prison if there are five or more acts of insurance fraud and the value of the vehicle is at least $1,000.[9]

If a person conspires with others as an organizer, supervisor, financier, or manager, to engage for profit in a scheme or course of conduct to unlawfully take, dispose of, distribute, bring into, or transport in New Jersey vehicles as stolen property, he or she can be charged as the Leader of an Auto Theft Trafficking Network, a crime of the second degree.[10] If convicted, the leader of an auto theft trafficking network may be imprisoned for as long as ten years.[11] In addition to prison time, the court may impose a fine up to five times the value of the automobiles seized at the time of arrest not to exceed $250,000.[12]

Alteration of VINs is common among car thieves and exporters of stolen vehicles. The crime of Certain Alterations of Motor Vehicle Trademarks and Identification Numbers criminalizes this activity by making it illegal to alter a VIN or possess a vehicle or vehicle parts with an altered VIN.[13] The process of altering VINs often occurs in facilities that deal in stolen auto parts.[14] To combat this illegal activity, it is a second-degree crime for a person to operate a facility for the sale of stolen automobiles or parts.[15] Finally, a person is guilty of dealing in stolen property, more commonly known as Fencing,[16] if he or she traffics in, or initiates, organizes, plans, finances, directs, manages, or supervises trafficking in stolen property, including vehicles.

As New Jersey continues to rank high on the list of states unduly impacted by car theft, law enforcement must continue to address the growing trend of exportation of stolen vehicles. Law enforcement must be vigilant in combating local vehicle theft rings, whose criminal acts are the precursor to illicit trafficking and overseas exportation of stolen cars, *before* a stolen vehicle reaches the port for shipment. Critical to the prevention of this multi-jurisdictional crime is the ongoing collaboration of law enforcement agencies to include State, federal, and local authorities. Through this philosophy of collaboration and cooperation, the emerging trend of international exportation of stolen vehicles can be forestalled before it inflicts significant economic harm on legitimate car owners and insurance companies.

Norma R. Evans
Supervising Deputy Attorney General
First Deputy Chief Counsel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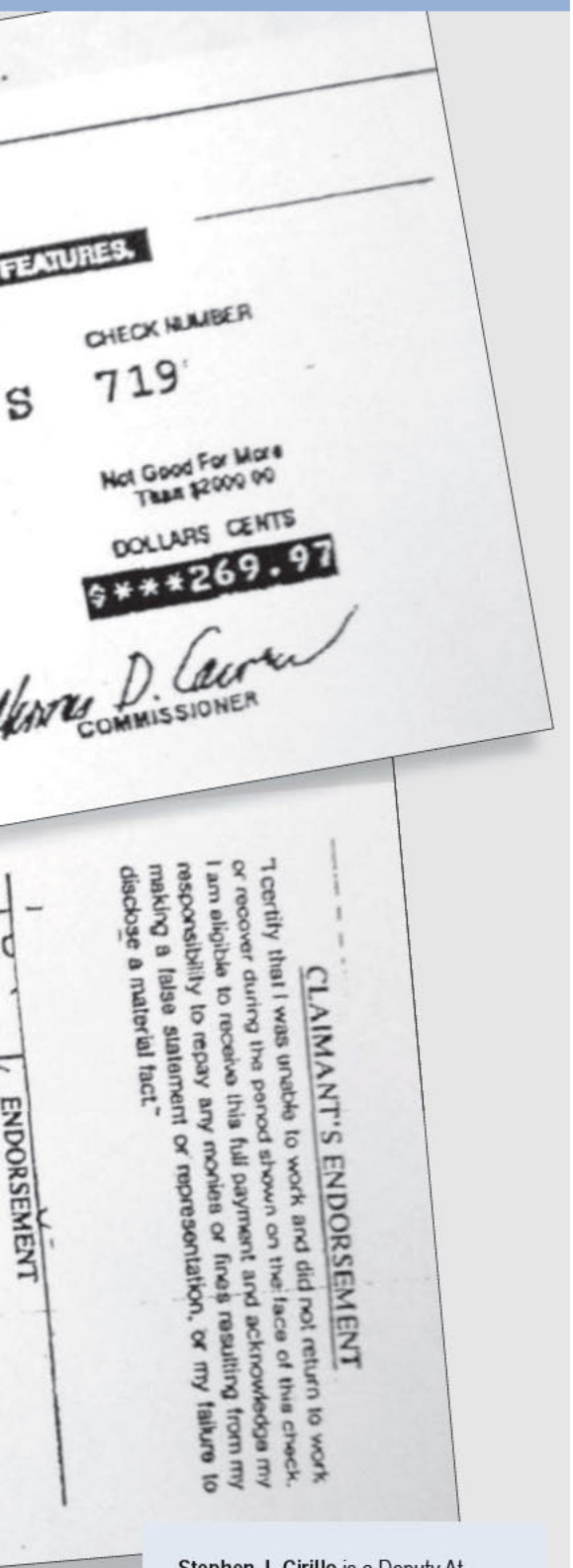


Proving Disability Claim Fraud: An Investigative Primer

by Stephen J. Cirillo

Just as the longest journey begins with the first step, so too the successful prosecution of disability claim fraud starts with the initial investigative step. This article explores the investigative measures fundamental to exposing disability claim fraud; it is not intended to exhaust the realm of possible investigative action but to highlight typical sources of primary proofs encountered in combating this widespread and costly criminal conduct. As with any type of insurance fraud, methodical investigation is essential to a successful prosecution of the crime.

Disability claim fraud may be generally described as the submission, through commission or omission, of materially false or misleading information regarding a claim for benefits based on a covered injury (physical, mental, or emotional) incurred pursuant to the terms of an applicable contract or other entitlement. The gravamen of disability claim fraud involves deceit in the amount of the benefit entitlement (income loss); fabrication or exaggeration as to the nature, extent, or existence of the disabling condition; or the failure to report or the underreporting of income received during the benefit period. Fraudulent claims filed under the statutory workers' compensation provisions share several substantive elements with false disability claims, and the investigative steps discussed here are applicable as well to workers' compensation matters.

The Initial Claim

The disability claims process is initiated by the submission of a completed disability claim form to the involved insurance carrier or to the third party administrator acting on behalf of the involved insurance carrier. Consequently, it is the claim form itself that draws the initial focus of investigative concern in a suspected fraudulent disability claim. Components of interest contained in the initial claim form include the claimant's description of the onset and nature of the injuries purportedly suffered, as well as the time, date, and circumstances of the injury's alleged occurrence.

The claimant's representations provide an initial statement of facts which may later be tested for veracity against information subsequently developed during the investigation. The claimant will find it difficult and, ultimately, very damaging to alter the original "story" he provided in the initial claim form to fit the facts as they later emerge. The claimant also may face the challenge of attempting to credibly explain discrepancies between the original claim and the facts later uncovered by a thorough investigation. The fact that the claim form bears the handwriting of the claimant and is signed and dated by him irrevocably ties the claimant to the representations made on the claim form.

Stephen J. Cirillo is a Deputy Attorney General serving as Deputy Chief Counsel within OIFP, assigned to oversee the Health, Life, and Disability Fraud Section of the Office. He has been with the Division of Criminal Justice since 1988.

The increasing dependence on electronic document submission by insurance companies unfortunately hinders the fraud investigator's and prosecutor's ability to rely on the initial claim form as conclusive proof in fraud matters. Electronic document submission had been embraced by insurance companies to reduce the cost and increase the speed of transmission of claim forms. But electronically-submitted documents which do not bear the claimant's handwriting or signature threaten to compromise the evidential value of such documents for use in investigations and at trial if they cannot be authenticated and identified. Nonetheless, a thorough examination of each and every document, including an electronically-submitted claim form, at the outset of any suspect disability claim remains a fundamental investigative step.

Surveillance Activity

One of the most effective means of establishing disability claim fraud is video and audio tape recorded surveillance of the claimant, which can be undertaken by the Special Investigations Unit of the claimant's insurance carrier, by a private security firm retained by the carrier, or by law enforcement. Successful surveillance accomplishes what no other proofs can do: it allows the trier of fact to see and hear the claimant engaging in activities he fraudulently claimed to the insurance company he was unable to perform due to his purported disability. Surveillance tapes thus capture the claimant actually committing the crime of disability insurance fraud. Such demonstrative, conclusive evidence cannot be overvalued in its appeal to the trier of fact, whether it be a judge in a bench trial or a jury. Surveillance evidence places the claimant in the extraordinarily difficult position of having to construct a plausible explanation for his criminal activities played out before the judge and jury in the courtroom.

Investigators should take care not to describe the events as they are occurring or make comments on the surveillance tape but to let the images speak for themselves. Important investigative concerns regarding preservation of the veracity and admissibility of surveillance evidence includes insuring the integrity of the surveillance operation (following established procedures; accurate reporting; identification of parties; correct times, dates, and locations; etc.) and maintaining a proper chain of custody for the resulting original recording.

Benefit Checks

Significant among documentary proofs in a disability claim fraud investigation are the benefit checks issued to the claimant by the involved carrier. A disability check endorsed by the claimant establishes two important elements of the crime: one, it confirms the claimant's identity as the recipient of the benefits (as does derivative financial record evidence, such as account deposit information); two, it fixes the dollar amount illegally obtained by the claimant as a result of his fraud.

A critical aspect of the benefit checks lies in the endorsing language often found imprinted above the signature line on the reverse side of each check. This language typically warns of the civil and criminal consequences of submitting false or fraudulent information in support of a disability claim. Check-endorsing language also may set forth the specific element of the claim, such as lack of employment during the benefit period encompassed by the disability check to which the claimant, by his signature, is attesting. By endorsing each check directly beneath these express warnings, the claimant will be hard-pressed to convincingly argue later on that he was ignorant of the consequences of his actions or was unaware that information he confirmed was false.

Periodic Certifications

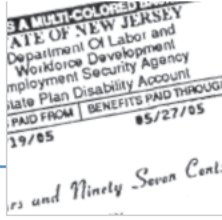
To sustain a claim for disability benefits, insurance policy terms often require that the claimant periodically (typically on a monthly or quarterly basis) submit a sworn certification attesting to several foundational elements of the claim, such as continuance of the disability and current lack of employment income. These periodic certifications are materially relied upon by the carrier involved to support the continued payout of benefits. Fraudulent or misleading information provided by the claimant in these certifications constitutes persuasive proof of fraud. The certifications also present another opportunity to indelibly link the claimant to the fraud through handwriting analysis. And, like benefit checks, certifications often post warnings immediately above the signature line advising the claimant of the consequences of providing misleading or fraudulent information in the disability claim process.

The Claimant's Statement

A key opportunity in a criminal investigation of disability claim fraud presents itself in the claimant interview. Often required by the terms of the policy, the statement may be taken by a member of the carrier's Special Investigations Unit or by a member of law enforcement. If obtained by law enforcement in a criminal context, the encounter must adhere to applicable legal constraints, such as Miranda[1] entitlements.

Committing the claimant orally or in writing to a detailed version of the facts of his claim as early in the process as possible is vital. The more details that are provided by the claimant, the more opportunity there will be to challenge the claimant's veracity when his

1. Miranda v. Arizona, 384 U.S. 436, 86 S.Ct. 1602 (1966).



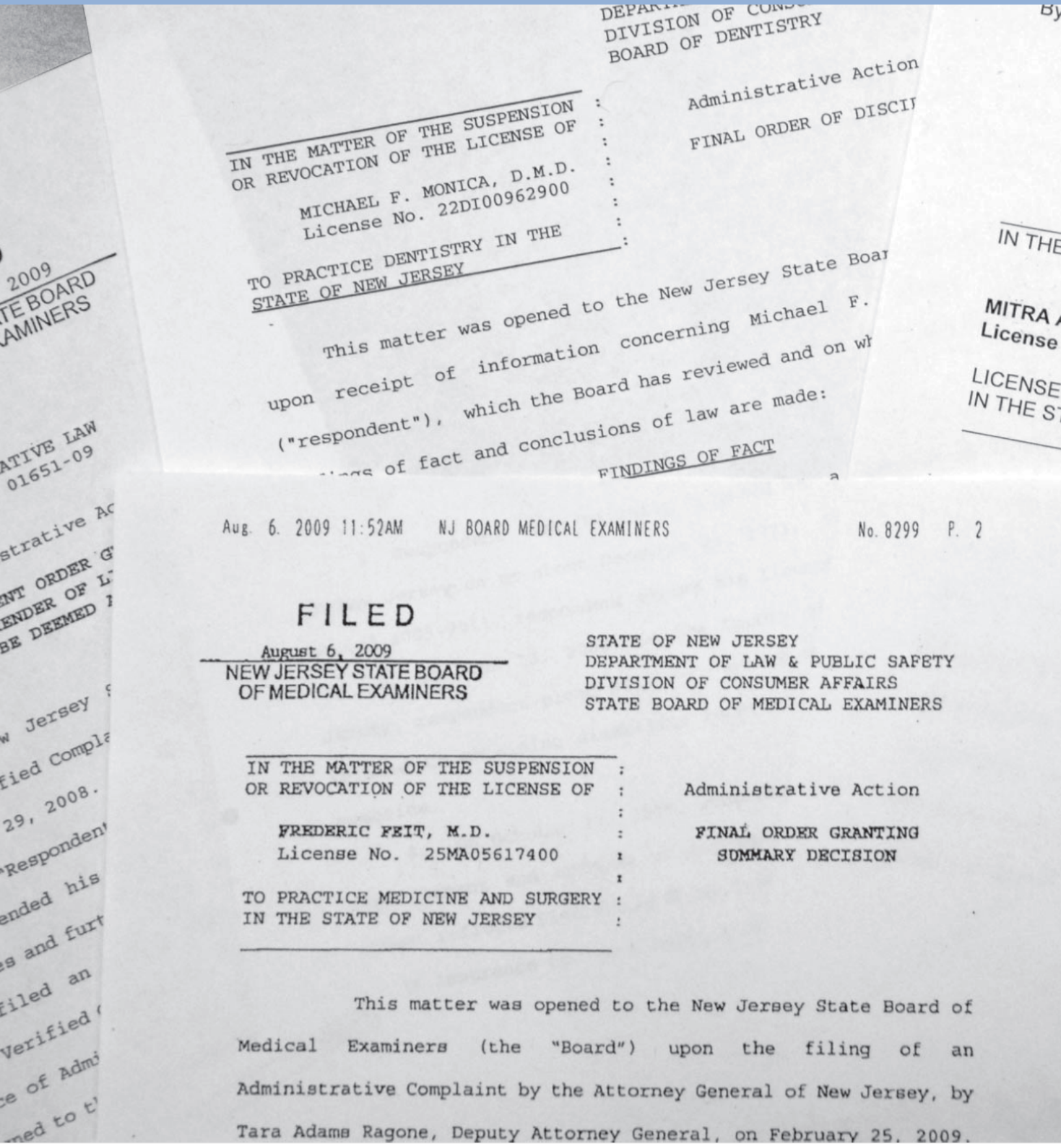
story is not corroborated by subsequent investigation. As well, the statement should include express warnings of the consequences of providing false or misleading information.

The manner in which the statement is taken is also important. Ideally, the claimant's words will be audio tape recorded and the claimant will attest to the statement's truth and completeness. Second best is a sworn and signed written statement executed by the claimant in his own hand.

Conclusion

Although the investigative journey of a suspected fraudulent disability claim may appear at the outset to be daunting in scope and expansive in duration, careful attention to several primary evidentiary proof sources will materially aid the endeavor. Given the growing cost of this type of insurance fraud, there is no doubt of the need to aggressively and methodically pursue these time-tested investigative steps.

Stephen J. Cirillo
Deputy Attorney General
Deputy Chief Counsel



DIVISION OF CONSUMER AFFAIRS
BOARD OF DENTISTRY

IN THE MATTER OF THE SUSPENSION OR REVOCATION OF THE LICENSE OF

MICHAEL F. MONICA, D.M.D.
License No. 22DI00962900

TO PRACTICE DENTISTRY IN THE STATE OF NEW JERSEY

Administrative Action

FINAL ORDER OF DISCI

This matter was opened to the New Jersey State Boar upon receipt of information concerning Michael F. ("respondent"), which the Board has reviewed and on wh

FINDINGS OF FACT

Aug. 6. 2009 11:52AM NJ BOARD MEDICAL EXAMINERS No. 8299 P. 2

FILED
August 6, 2009
NEW JERSEY STATE BOARD
OF MEDICAL EXAMINERS

STATE OF NEW JERSEY
DEPARTMENT OF LAW & PUBLIC SAFETY
DIVISION OF CONSUMER AFFAIRS
STATE BOARD OF MEDICAL EXAMINERS

IN THE MATTER OF THE SUSPENSION OR REVOCATION OF THE LICENSE OF

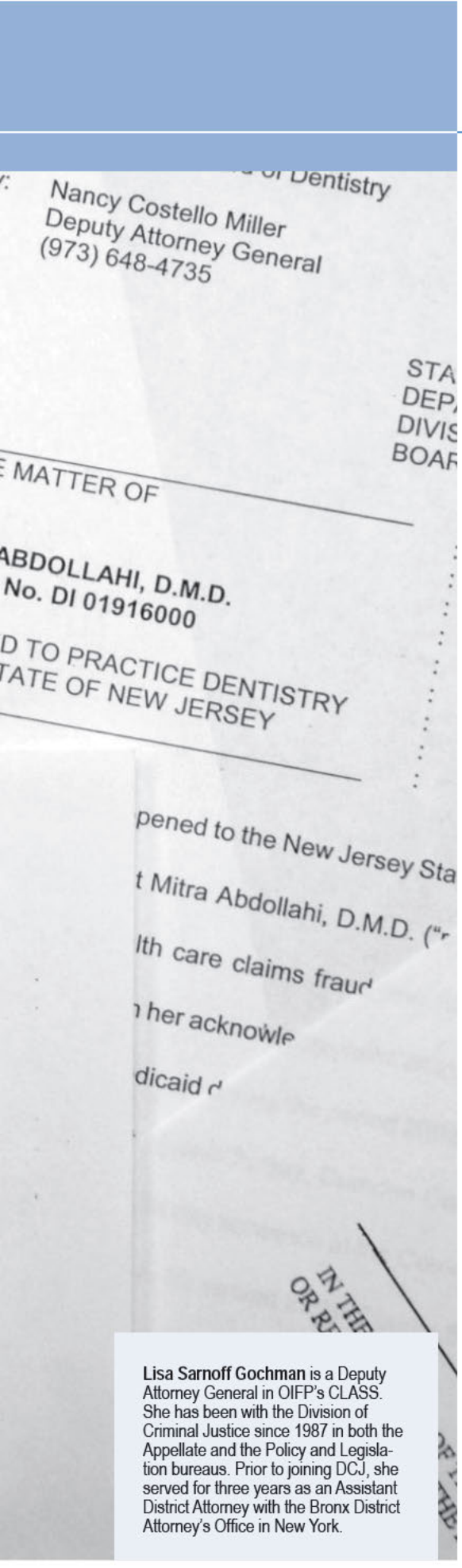
FREDERIC FEIT, M.D.
License No. 25MA05617400

TO PRACTICE MEDICINE AND SURGERY IN THE STATE OF NEW JERSEY

Administrative Action

FINAL ORDER GRANTING SUMMARY DECISION

This matter was opened to the New Jersey State Board of Medical Examiners (the "Board") upon the filing of an Administrative Complaint by the Attorney General of New Jersey, by Tara Adams Ragone, Deputy Attorney General, on February 25, 2009.



Shutting Down a Fraudulent Physician's Practice:

OIFP & Federal and State Licensing & Regulatory Agencies Deliver the One-Two Punch Driving Fraudsters Out of Business

by Lisa Sarnoff Gochman

In 2009, as the debate over health care reform takes center stage in the United States, one constant remains: the insidious and costly crime of health care claims fraud committed by physicians and other licensed practitioners must be stopped. The United States spends more than $2 trillion on health care annually. More than three percent of that spending -- or $68 billion -- is lost to fraud each year.[1] The cost of fraud borne by insurance companies is passed along to consumers through higher premiums, co-pays, and deductibles, as well as reduced benefits. Reining in these astronomical fraud-related costs may be accomplished by identifying and shutting down the practices of dishonest health care professionals, thus cutting off their opportunity to perpetuate health care claims fraud.

The New Jersey Office of the Insurance Fraud Prosecutor (OIFP) is the primary law enforcement agency charged with rooting out, investigating, and prosecuting fraudulent health care providers licensed in this State.[2] The court-authorized consequences of OIFP's successful investigations and prosecutions are onerous, and include imposition of a State prison sentence[3] or term of probation;[4] leveeing substantial criminal monetary penalties;[5] requiring full restitution to the defrauded insurance company and other victims;[6] imposition of civil penalties pursuant to the New Jersey Insurance Fraud Prevention Act;[7] seizure and forfeiture of assets, such as vehicles, financial accounts, and real property, used as instrumentalities to perpetuate insurance fraud or purchased with the proceeds of the fraudulent conduct;[8] mandatory submission of a blood sample or other biological sample for DNA testing;[9] and, in certain cases, suspension or forfeiture of professional licenses.[10]

Related federal and State administrative consequences are triggered by a successful OIFP investigation and conviction of a health care claims fraud-related crime. A physician's license to practice medicine may be suspended or revoked by the New Jersey Board of Medical Examiners;[11] his federal and State registrations authorizing him to prescribe

Lisa Sarnoff Gochman is a Deputy Attorney General in OIFP's CLASS. She has been with the Division of Criminal Justice since 1987 in both the Appellate and the Policy and Legislation bureaus. Prior to joining DCJ, she served for three years as an Assistant District Attorney with the Bronx District Attorney's Office in New York.

1. *www.insurancefraud.org/healthinsurance.htm*

2. N.J.S.A. 17:33A-19 ("The Insurance Fraud Prosecutor shall investigate and, if warranted, prosecute, cases referred to it by insurers, State agencies, or county and municipal governments.").

3. N.J.S.A. 2C:43-2b(3).

4. N.J.S.A. 2C:43-2b(2).

5. N.J.S.A. 2C:21-4.3a; N.J.S.A. 2C:21-4.3b.; N.J.S.A. 2C:43-2b(1); N.J.S.A. 2C:43-2b(4).

6. N.J.S.A. 2C:43-2b(1), -2b(4).

7. N.J.S.A. 17:33A-5b.; N.J.S.A. 17:33A-5c.

8. N.J.S.A. 2C:64-1 et seq. OIFP instituted its Asset Forfeiture Program in 2007. Since then, OIFP has proactively seized assets worth over $15 million, including parcels of real property, financial accounts, and vehicles. OIFP has also secured judgments totaling more than $1.8 million. See *Taking the Profit Out of Insurance Fraud: OIFP's New Initiative Uses Asset Forfeiture as a Deterrent and Source of Restitution* by Carol Stanton Meier at page 44 of OIFP's *2008 Annual Report*.

9. N.J.S.A. 53:1-20.20g.

10. N.J.S.A. 2C:51-5.

11. N.J.S.A. 45:1-21.

narcotic pain killers and other controlled substances may be revoked by the United States Drug Enforcement Administration and the New Jersey Division of Consumer Affairs;[12] and his participation in federal and State health care programs, such as Medicaid, Medicare, and NJ FamilyCare, may be terminated by the United States Department of Health and Human Services and the Division of Medical Assistance and Health Services within the New Jersey Department of Human Services.[13]

The severity of all of these consequences, both penal and collateral, serve dual purposes by ridding the health care system of fraudulent physicians and discouraging other practitioners from engaging in health care claims fraud.

Defining Health Care Claims Fraud

Health care claims fraud by physicians and other licensed practitioners is a type of white-collar crime that involves the filing of dishonest health care claims in order to turn a profit. Fraudulent health care schemes by physicians come in many forms: billing by practitioners for medical care that they never rendered; filing duplicate claims for the same service rendered; altering the dates, description of services, or identities of members or providers; billing a non-covered service as a covered service; modifying medical records; intentional incorrect reporting of diagnoses or procedures to maximize payment ("upcoding"); hiring unlicensed staff; accepting or giving kickbacks or other inducements to beneficiaries or other health care providers; and prescribing additional or unnecessary costly treatment.[14]

Fraudulent doctors may be prosecuted by OIFP under several different New Jersey statutes, including Health Care Claims Fraud,[15] Insurance Fraud,[16] Medicaid Fraud,[17] Financial Facilitation of Criminal Activity (money laundering),[18] and Theft by Deception.[19]

The Health Care Claims Fraud statute was enacted in 1997 by the New Jersey Legislature[20] in response to the recommendation by the Attorney General of New Jersey "to reform the criminal laws to address health care claims fraud perpetrated by health care practitioners and others, particularly in the treatment of patients involved in automobile accidents."[21] The Legislature recognized the challenge of deterring and prosecuting health care claims fraud under traditional theft statutes where "fraudulent claims often involve small amounts that require prosecutors to prove hundreds of relatively small thefts in order to establish a second degree offense."[22] To prove a second-degree crime of theft by a fraudulent practitioner, the prosecutor must establish by proof beyond a reasonable doubt that the aggregate amount of the fraud involved is $75,000 or more;[23] to prove a third-degree crime of theft by a fraudulent practitioner, the prosecutor must establish by proof beyond a reasonable doubt that the aggregate amount of the fraud involved exceeds $500 but is less than $75,000.[24] In stark contrast, the more specific crime of Health Care Claims Fraud does not require the prosecution to prove the monetary amount of the fraud committed by a health care practitioner.[25] The crime of Health Care Claims Fraud thus "enable[s] more efficient prosecution of criminally culpable persons who knowingly, or with criminal recklessness, submit false or fraudulent claims for payment or reimbursement for health care services."[26].

The New Jersey Code of Criminal Justice defines the crime of Health Care Claims Fraud as follows:

> "Health care claims fraud" means making, or causing to be made, a false, fictitious, fraudulent or misleading statement of material fact in, or omitting material fact from, or causing a material fact to be omitted from, any record, bill, claim or other document, in writing, electronically or in any other form, that a person attempts to submit, submits, causes to be submitted, or attempts to cause to be submitted for payment or reimbursement for health care services.[27]

"Practitioner" as used in the Health Care Claims Fraud statute is defined in the Code as:

> a person licensed in this State to practice medicine and surgery, chiropractic medicine, dentistry, optometry, psychology, pharmacy, nursing, physical therapy, or law; any other person licensed, registered or certified by any State agency to practice a profession or occupation in the State of New Jersey or any person similarly licensed, registered, or certified in another jurisdiction.[28]

A practitioner who knowingly commits Health Care Claims Fraud in the course of providing professional services is guilty of a second-degree crime.[29]

12. 21 U.S.C. § 824(a)(3); 21 C.F.R. 1306.03(a); N.J.S.A. 24:21-12a(4).

13. 42 U.S.C. § 1320a-7; N.J.S.A. 30:4D-17.1; N.J.A.C. 10:49-11.1(d)26.

14. *topics.law.cornell.edu/wex/healthcare fraud*

15. N.J.S.A. 2C:21-4.2; N.J.S.A. 2C:21-4.3.

16. N.J.S.A. 2C:21-4.6.

17. N.J.S.A. 30:4D-17.

18. N.J.S.A. 2C:21-25.

19. N.J.S.A. 2C:20-4.

20. P.L.1997, c.353.

21. New Jersey Senate Health Committee Statement to Senate bill S-2270 (December 11, 1997). The Health Care Claims Fraud bill was intended to complement the "New Jersey Insurance Fraud Prevention Act," P.L.1983, c.320 (codified at N.J.S.A. 17:33A-1 et seq.).

22. Legislative findings and declarations to P.L.1997, c.353, §1c.

23. N.J.S.A. 2C:20-2b(1)(a).

24. N.J.S.A. 2C:20-2b(2)(a).

25. N.J.S.A. 2C:21-4.3.

26. Legislative findings and declarations to P.L.1997, c.353, §1d.

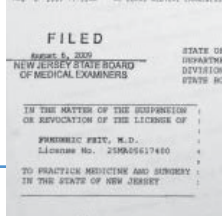
27. N.J.S.A. 2C:21-4.2; State v. Tarlowe, 370 N.J. Super. 224, 232-33 (App. Div. 2004).

28. N.J.S.A. 2C:21-4.2.

29. N.J.S.A. 2C:21-4.3a.

30. N.J.S.A. 2C:43-6a(2).

31. N.J.S.A. 2C:43-3a(2), e.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Second-degree crimes are punishable by a term of imprisonment of between five and ten years[30] and the imposition of a criminal fine not to exceed $150,000 or up to twice the pecuniary gain to the offender or loss to the victim.[31]

A practitioner who recklessly commits Health Care Claims Fraud in the course of providing professional services is guilty of a third-degree crime.[32] Third-degree crimes are punishable by a term of imprisonment of between three and five years[33] and the imposition of a criminal fine not to exceed $15,000 or up to twice the pecuniary gain to the offender or loss to the victim.[34]

The Code further authorizes the imposition of an additional monetary penalty of up to five times the pecuniary benefit obtained or sought to be obtained by a health care practitioner convicted of second- or third-degree Health Care Claims Fraud.[35]

A presumption of imprisonment attaches to any person, including a physician, convicted of any second-degree crime.[36] A health care practitioner convicted of a second-degree health care claims fraud-related crime and sentenced to State prison would, of course, be unable to continue his practice of medicine in the State of New Jersey during his term of incarceration. Revocation of his medical license during this period of imprisonment may seem redundant. But a physician convicted of health care claims fraud-related crimes who overcomes the presumption of imprisonment or completes his or her custodial sentence is not necessarily fit to practice medicine in the State of New Jersey. And, not all health care practitioners convicted of health care claims fraud-related crimes face incarceration. For example, a physician convicted of a third-degree crime, including reckless Health Care Claims Fraud,[37] is entitled to a presumption of non-incarceration at sentencing, as is any first-time offender convicted of a third-degree crime.[38]

Fortunately, in New Jersey, both the trial courts and the State Board of Medical Examiners have the statutory authority to ensure that physicians who have committed health care claims fraud-related crimes are stripped of their licenses to practice medicine in this State.[39]

Court-Ordered Suspension or Forfeiture of Professional Licenses

In tandem with its creation of the crime of Health Care Claims Fraud, the New Jersey Legislature also enacted an important public safety statute, N.J.S.A. 2C:51-5, which mandates the suspension or forfeiture of a health care practitioner's professional license by the trial court following the practitioner's conviction for Health Care Claims Fraud or a substantially similar crime under the law of any other state or the United States, such as Medicaid Fraud.[40] This statute ensures that fraudulent health care providers, including physicians, are stripped of their licenses and unable to continue to practice regardless of any action taken or to be taken by the appropriate State licensing board.

Under N.J.S.A. 2C:51-5, a licensed professional convicted of second-degree knowing Health Care Claims Fraud[41] or a substantially similar crime under the laws of a another state or the United States must forfeit his license and is forever barred from the practice of the profession, unless the sentencing court finds that such license forfeiture would be a serious injustice to the practitioner which overrides the need to deter such conduct by others.[42] In the event the sentencing court finds that permanent license forfeiture would create a serious injustice to the practitioner, it must nonetheless impose a period of license suspension of no less than one year.[43] If the court does not permanently forfeit the license of a practitioner convicted of second-degree Health Care Claims Fraud, the sentence does not become final for ten days in order to permit the State to appeal the sentence.[44]

Under the same statute, upon a practitioner's first conviction of third-degree reckless Health Care Claims Fraud,[45] the practitioner's license must be suspended for a period of at least one year during which time he is barred from the practice of the profession.[46] Upon a practitioner's second conviction of third-degree reckless Health Care Claims Fraud the practitioner permanently forfeits his license and is forever barred from the practice of the profession.[47] There is no "serious injustice" exception available to a practitioner convicted on two or more occasions of Health Care Claims Fraud, regardless of the degree of the crime.

Since the enactment of N.J.S.A. 2C:51-5 in January 1998, many health care practitioners, including physicians, dentists, pharmacists, and social workers, have had their professional licenses suspended or revoked by court order as required by statute following successful investigations and prosecutions by OIFP under the Health Care Claims Fraud statute.

More recently, in September 2007, Doctor Martin H. Weinstein pleaded guilty to second-degree Health Care Claims Fraud before the Honorable Francis P. DeStefano, J.S.C., in the Sup-

32. N.J.S.A. 2C:21-4.3b.
33. N.J.S.A. 2C:43-6a(3).
34. N.J.S.A. 2C:43-3b(1), e.
35. N.J.S.A. 2C:21-4.3a, -4.3b.
36. N.J.S.A. 2C:44-1d.
37. N.J.S.A. 2C:21-4.3b.
38. N.J.S.A. 2C:44-1e.
39. Court and administrative revocation or suspension of a professional license is not "punishment" for constitutional double jeopardy purposes when it furthers a regulatory goal. Wendte v. State, 70 P.3d 1089, 1093-94 (Alaska 2003).
40. N.J.S.A. 30:4D-17.
41. N.J.S.A. 2C:21-4.3a.
42. N.J.S.A. 2C:51-5a(1).
43. Ibid.
44. Ibid.
45. N.J.S.A. 2C:21-4.3b.
46. N.J.S.A. 2C:51-5a(2).
47. N.J.S.A. 2C:51-5a(3).

erior Court of New Jersey, Monmouth County. Weinstein admitted that over an 18-month period between July 1997 and January 1999, he fraudulently billed Horizon Blue Cross Blue Shield approximately $285,000 for podiatric services he never rendered. Weinstein submitted the fraudulent claims electronically to Horizon and diverted the insurance checks to a rented post office box. He stole the money by forging the patients' names on the back of the checks and depositing the checks into his personal bank account.

On September 28, 2007, the trial court sentenced Weinstein to five years in State prison and ordered him to pay $200,695 in restitution to the insurance company and $735 to OIFP for extradition costs from Miami, Florida, to New Jersey. Under the statutory authority of N.J.S.A. 2C:51-5, Judge DeStefano signed an order of permanent forfeiture of Weinstein's podiatric license and Weinstein is forever barred from the practice of his profession in New Jersey absent further order of the court.[48]

Regulatory Authority of the New Jersey State Board of Medical Examiners

There is no similar statutory authorization for mandatory court-ordered suspension or forfeiture of professional licenses of physicians and other health care providers convicted of insurance fraud-related crimes other than Health Care Claims Fraud. In these cases it is left to the discretion of State licensing boards regulating professional licensees to determine whether a convicted licensee can continue to practice his or her profession.

Take the example of Doctor Frederic Feit, a solo practitioner with a pain management practice in Freehold, New Jersey. The State alleged that Feit, a licensed physician in the State of New Jersey, knowingly submitted thousands of false claims totaling just under $590,000 to the New Jersey Medicare Program, Aetna Insurance Company, and Horizon Blue Cross Blue Shield between December 1996 and March 2004 by routinely billing for expensive paraspinal nerve block injections requiring fluoroscopic guidance when, in fact, Feit administered far less costly and far less invasive intramuscular injections without the benefit of fluoroscopic guidance.[49] On September 26, 2006, a State Grand Jury returned Indictment No. 06-09-00108-S, charging Feit with two counts of second-degree Health Care Claims Fraud and one count of second-degree Theft by Deception.

On December 24, 2008, Feit appeared before the Honorable Ronald Lee Reisner, J.S.C., in the Superior Court of New Jersey, Monmouth County, and entered a plea of guilty to count three of the Indictment, Theft by Deception, amended to a third-degree offense. Feit admitted under oath to knowingly defrauding the insurance carriers through his seven-year "upcoding" scam.[50] In exchange for Feit's guilty plea to third-degree Theft by Deception, OIFP moved to dismiss counts one and two of the Indictment charging Health Care Claims Fraud.[51]

On April 2, 2009, Feit appeared before Judge Reisner for sentencing. This was defendant's first criminal conviction and the judge found, over OIFP's objection, that the statutory presumption of non-incarceration[52] applied. Feit was sentenced to five years' probation; ordered to pay the maximum fine of $15,000; ordered to pay $578,978 in restitution to the defrauded insurance carriers in annual installments of at least $100,000; ordered to maintain full-time employment; and ordered to undergo mandatory DNA testing.[53] Because Feit's conduct also violated the "Insurance Fraud Prevention Act," he was assessed a civil administrative penalty of $578,978 by OIFP.[54]

By pleading guilty to Theft by Deception instead of Health Care Claims Fraud, Feit avoided mandatory court-imposed license suspension or forfeiture.[55] Feit was free on probation, but not necessarily free to continue the practice of medicine following his criminal conviction and sentence. To the contrary, the doctor's future ability to carry on his pain management practice was now in the hands of the New Jersey State Board of Medical Examiners (Board), a disciplinary body which acts when licensees violate the rules and regulations that the Board promulgates and enforces.[56]

48. *www.njconsumeraffairs.gov/bme/* (New Jersey Health Care Profile practitioner search for podiatrist "Martin Weinstein").

49. A fluoroscope is a radiologic instrument equipped with a fluorescent screen on which opaque internal structures can be viewed as moving shadow images formed by the differential transmission of x-rays through the body. *The American Heritage Science Dictionary*, Houghton Mifflin (2005), available at *www.dictionary.reference.com/browse/fluoroscopy*. Fluoroscopic guidance is used as a rapid and effective means of guiding needle placement when performing spinal nerve root blocks. *American Journal of Neuroradiology* 25:1592-94 (October 2004), available at *www.ajnr.org/cgi/content/full/25/9/1592*.

50. Transcript of plea proceedings in *State v. Frederic Feit*, SGJ Indictment No. 06-09-00108-S (December 24, 2008) at page 13, line 7, to page 15, line 25.

51. Id. at page 3, line 13, to page 4, line 2.

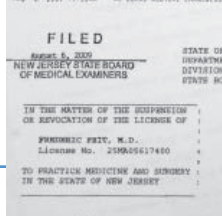
52. N.J.S.A. 2C:44-1e.

53. Transcript of sentencing proceedings in *State v. Frederic Feit*, SGJ Indictment No. 06-09-00108-S (April 2, 2009) at page 67, line 2, to page 85, line 24. Criminal defendants have a right of appeal to the Superior Court of New Jersey, Appellate Division, from final judgments of the Superior Court trial divisions. N.J. Court Rule 2:2-3(a)(1). An appellant's Notice of Appeal must be filed with the Appellate Division within 45 days of the entry of the trial court's final judgment. N.J. Court Rule 2:4-1(a). On or about June 9, 2009, Frederic Feit filed a Notice of Appeal with the Superior Court of New Jersey, Appellate Division. State v. Frederic Feit, App. Div. Docket No. A-004940-08T4. This appeal is pending as of the publication date of this article.

54. N.J.S.A. 17:33A-5, -5a(2), -5a(3).

55. N.J.S.A. 2C:51-5a(1),(2),(3).

56. In the case of a professional licensed or certified by a professional licensing board in the Division of Consumer Affairs in the Department of Law and Public Safety who is guilty of an insurance fraud-related offense, the Insurance Fraud Prosecutor may recommend to the appropriate board a suspension or revocation of the professional license. N.J.S.A. 17:33A-25. In keeping with the plea agreement between OIFP and Feit, OIFP did not make any recommendation to the State Board of Medical Examiners regarding the status of Feit's medical license.


FILED
NEW JERSEY STATE BOARD OF MEDICAL EXAMINERS
IN THE MATTER OF THE SUSPENSION OR REVOCATION OF THE LICENSE OF
FREDERIC FEIT, M.D.
License No. 25MA05617400
TO PRACTICE MEDICINE AND SURGERY IN THE STATE OF NEW JERSEY

The Board is a statutorily-authorized 21-member panel composed of the New Jersey State Commissioner of Health or his designee, three public members, one New Jersey State Executive Department designee, 12 licensed physicians, one podiatrist, one physician assistant, one certified nurse midwife, and one licensed bio-analytical laboratory director.[57] The Medical Practices Act[58] "vests the Board with broad authority to regulate the practice of medicine in New Jersey."[59] This includes the power to promulgate rules and regulations to protect patients and licensees.[60] "The Board's supervision of the medical field is critical to the State's fulfillment of its 'paramount obligation to protect the general health of the public.'"[61]

The Uniform Enforcement Act[62] creates uniform standards for "license revocation, suspension and other disciplinary proceedings" by New Jersey professional and occupational licensing boards.[63] Together with the Medical Practice Act, the Uniform Enforcement Act grants the Board disciplinary powers over licensees, including the right to suspend or revoke the medical license of a physician on proof that the physician committed certain acts of misconduct.[64] Because an occupational license is in the nature of a property right, it is always subject to reasonable regulation in the public interest.[65] In 2009, the Board suspended the licenses of six physicians, accepted the voluntary surrender of a license from two physicians, and reprimanded three physicians involved in insurance fraud-related conduct.[66] The Board may also impose civil penalties, restitution, and costs.[67]

On June 4, 2009, following Frederic Feit's conviction for Theft by Deception, the Attorney General of New Jersey, through the Division of Law, filed an Administrative Complaint and supporting documents with the Board seeking summary judgment to suspend or revoke Feit's license to practice medicine in New Jersey, to assess civil penalties, and to impose costs. The Complaint alleged multiple and interrelated statutory grounds for license revocation or suspension: first, Feit's conduct constituted the use of dishonesty, fraud, deception, misrepresentation, false promise, or false pretense.[68] Second, Feit engaged in professional or occupational misconduct.[69] Third, Feit's criminal conviction for Theft by Deception involved moral turpitude and related adversely to the activity regulated by the Board.[70]

On July 8, 2009, a bifurcated administrative hearing[71] was held before the Board in a public session in the Richard J. Hughes Justice Complex in Trenton, New Jersey. During the liability phase of the hearing, the Board heard oral argument from both parties on the Attorney General's motion for summary judgment. Following argument, the Board entered into a closed session for deliberation and with the advice of the Counsel to the Board.

The Board publicly announced its determination in open session later that same morning. The Board found no genuine issues of material fact to be determined and, therefore, the Attorney General, as the moving party, was entitled to prevail on the summary judgment motion as a matter of law.[72] The Board relied upon three documents in making its decision: the certified Judgment of Conviction; Feit's sworn statements before Judge Reisner as memorialized in Feit's plea transcript; and Feit's admission in his Answer to the Administrative Complaint regarding the Judgment of Conviction and sentence.[73] The Board rejected Feit's attempt to relitigate his criminal guilt during the liability phase of the hearing[74] and found "it is undisputed that [Feit] knowingly entered into a guilty plea and made sworn admissions that he was guilty of theft by deception for a period in excess of six years."[75]

The Board determined that Feit's sworn admissions and the offense to which he pleaded guilty involved a crime of moral turpitude: "but for [Feit's] medical license he could not have committed the conduct he admitted -- billing insurance companies for medical services he did not perform."[76]

Under the statutory authority of N.J.S.A. 45:1-21 ("Refusal to license or renew, grounds") the Board found three grounds to suspend or revoke Feit's license: one, Feit's conduct was directly related and adverse to the practice of medicine (subsection f.); two, deception was an element of the crime of Theft by Deception to which Feit pleaded guilty (subsection b.); three, Feit engaged in professional misconduct by submitting inflated medical bills totaling nearly $600,000 to insurance carriers (subsection e.).[77] The Board additionally found Feit's "pattern of conduct spanning more than six years, culminating in a knowing taking

57. N.J.S.A. 45:9-1.

58. N.J.S.A. 45:9-1 to -27.

59. In re Zahl License Revocation, 186 N.J. 341, 352 (2006).

60. Ibid.

61. Ibid., quoting In re Polk License Revocation, 90 N.J. 550, 565 (1982).

62. N.J.S.A. 45:1-14 to -27.

63. N.J.S.A. 45:1-14.

64. In re Zahl License Revocation, 186 N.J. at 352-53; N.J.S.A. 45:1-21.

65. In re Polk License Revocation, 90 N.J. at 562.

66. See Chart: *2009 Licensing Sanctions Imposed on Licensed Professionals by State Licensing Boards* at page19 of this *Annual Report*.

67. N.J.A.C. 13:45-5.2.

68. N.J.S.A. 45:1-21b.

69. N.J.S.A. 45:1-21e.

70. N.J.S.A. 45:1-21f; see also In re Coruzzi, 98 N.J. 77, 80 (1984) (a criminal conviction conclusively establishes the underlying facts in a subsequent professional disciplinary proceeding).

71. See N.J.A.C. 13:45-4.1 to -4.4.

72. New Jersey Board of Medical Examiner's *Final Order Granting Summary Decision*, *In the Matter of the Suspension or Revocation of Frederic Feit, M.D., License No. 25MA05617400, to Practice Medicine and Surgery in the State of New Jersey* (filed August 6, 2009) at 9, available at *www.njmedicalboard.gov/orders/20090806_25MA05617400.pdf*.

73. Ibid.

74. Id. at 10.

75. Id. at 9.

76. Ibid.

77. Id. at 9-10.

of hundreds of thousands of dollars from the coffers of limited health care funds demonstrates lack of good moral character which is a continuing requirement of licensure under the provisions of N.J.S.A. 45:9-6."[78]

Having determined that sufficient grounds existed for disciplinary action, the Board ordered the parties to proceed immediately to the penalty phase of the hearing, where each side was afforded the opportunity to present testimony and arguments regarding what sanctions, including penalties and fees, if any, should be assessed.

On Feit's behalf, several patients, including Feit's sister-in-law and brother-in-law, testified under oath that Feit gave them beneficial pain management treatment, including injections. Notably, not one of these patients stated that Feit used fluoroscopic guidance in administering these injections.[79]

Feit himself testified under oath at the penalty phase, admitting that he gave paraspinal injections without the benefit of fluoroscopic guidance but claiming that he never submitted fraudulent billing to any insurance company.[80]

The Attorney General asked the Board to take notice of its earlier liability phase determination that Feit admitted under oath in criminal court to defrauding three insurance carriers by billing for costly medical procedures he did not perform.[81] The Attorney General further asked the Board to rely on its expertise that Feit's "conduct involved paraspinal injections and, by deciding not to use fluoroscopy, [Feit] not only engaged in deceptive billing, he undoubtedly increased the risk of harm to his patients."[82]

As to the appropriate penalty, the Attorney General urged the Board to impose a period of license suspension coterminous with Feit's criminal probation to "punish [Feit's] knowing and flagrant self-enriching billing practices"[83] and "deter other practitioners from engaging in similar conduct."[84] The Attorney General argued that full restitution to the insurance carriers must be paid before entrusting Feit with the privilege of licensure and, to this end, recommended that the Board require Feit to demonstrate that he has satisfied all of the financial obligations imposed by the criminal court before considering any application for licensing reinstatement.[85] The Attorney General also requested that the Board award full costs to the State.[86] The Attorney General deferred to the Board's discretion regarding the imposition of civil penalties.[87]

The Board weighed the specific mitigating and aggravating factors presented to it by the parties to determine an appropriate penalty.[88] The Board was acutely aware of the public's reliance upon the Board to review physician conduct and impose discipline where warranted.[89] In assessing the appropriate punishment in the *Feit* matter, the Board was particularly mindful of its vital role in assessing health care fraud. Although many agencies may have concurrent interest in curtailing health care fraud, the Board is uniquely positioned to take action to halt the conduct, penalize and rehabilitate the perpetrator, and deter other licensees from succumbing to the temptation of illegal billing.[90]

The Board suspended Feit's license to practice medicine in New Jersey for five years.[91] The first two years are an active suspension effective August 7, 2009, which gave Feit thirty days from the date of the administrative hearing before the Board to shut down his practice.[92] The Board imposed this two-year period of active suspension because Feit

> demonstrated no remorse and did not even recognize that his billing for a six year period for services he had not performed was not only wrong but illegal. He chose to ignore the fact of the guilty plea and his admissions and denied any wrongdoing to the Board. He cannot, in order to evade licensure action, be permitted to obtain the benefit of the criminal plea and then deny the conduct in the Administrative proceeding.[93]

The remaining three years of Feit's license suspension will be stayed and served as a period of probation.[94]

Before he may resume active medical practice in New Jersey, Feit must satisfy the following conditions imposed by the Board: Feit must appear before a Committee of the Board and demonstrate full attendance at and successful completion of Board-approved ethics and medical coding courses; Feit must make full satisfaction to the State of Board-imposed costs totaling $11,689; and Feit must be timely and up-to-date with his criminal restitution obligations.[95] Feit's failure to

78. Id. at 10; see also N.J.S.A. 45:9-6 ("Every applicant shall present to the secretary of the board, at least 20 days before the commencement of the examination at which he desires to be examined, a written application for admission to the examination on a form provided by the board, together with satisfactory proof that he is more than 21 years of age, of good moral character, and a citizen of the United States or has declared his intention to become such a citizen.").

79. Transcript of proceedings of *In re Frederic Feit, M.D., License No. 25MA05617400* (July 8, 2009) at page 43, line 18, to page 45, line 15; page 48, line 10, to page 50, line 22; page 51, line 10, to page 56, line 1.

80. Id. at page 56, line 11, to page 72, line 8.

81. Id. at page 81, line 17, to page 85, line 10.

82. Id. at page 85, line 20, to page 86, line 1.

83. Id. at page 85, lines 11 to 16.

84. Id. at page 86, lines 1 to 4.

85. Id. at page 86, lines 4 to 14.

86. Id. at page 86, line 15, to page 87, line 4.

87. Id. at page 87, lines 5 to 8.

88. New Jersey Board of Medical Examiner's *Final Order Granting Summary Decision, In the Matter of the Suspension or Revocation of Frederic Feit, M.D., License No. 25MA05617400, to Practice Medicine and Surgery in the State of New Jersey* (filed August 6, 2009) at 11-13, available at *www.njmedicalboard.gov/orders/20090806_25MA05617400.pdf*.

89. Id. at 12.

90. Ibid.

91. Id. at 13.

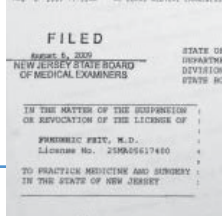
92. Id. at 13.

93. Id. at 12-13.

94. Id. at 13-14.

95. Id. at 14.

96. Id. at 15.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make scheduled restitution payments as required by the criminal court will automatically reactivate his New Jersey medical license suspension.[96] Any practice of medicine in any other state or jurisdiction will not count toward Feit's period of active suspension of license in New Jersey.[97]

Resumption of Feit's active practice of medicine in New Jersey includes limitations on practice setting or billing. Feit must either practice in a setting where he has no responsibility for billing or he must hire a Board-approved billing monitor at his own expense.[98]

As per the Board's directive, on July 8, 2009, Feit's Modern Pain Therapy office in Freehold, New Jersey, could no longer accept new patients.[99] And, on August 9, 2009, Feit's medical license was officially suspended, shutting down his pain management practice in New Jersey.[100]

Revocation of Federal and State Registrations to Prescribe Controlled Substances

Frederic Feit, like many other pain management doctors, prescribed controlled substances to his patients, including the pain-relieving opioids morphine, fentanyl, and oxycodone. The term "controlled substance" means a drug or other substance, or immediate precursor, included in schedule I, II, III, IV, or V of part B of 21 U.S.C. § 812.[101] Classification of a drug as schedule I, II, III, IV, or V depends on its potential for abuse, whether there is a currently accepted medical use in treatment in the United States, whether the drug is safe for use under medical supervision, and whether abuse of the drug may lead to physical or psychological dependence.[102]

Drugs classified under schedule I have a high potential for abuse, have no currently accepted medical uses in treatment in the United States, and lack accepted safety for use of the drug under medical supervision.[103] Drugs classified under schedule V have a low potential for abuse, have a currently accepted medical use in treatment in the United States, and abuse of the substance may lead to limited physical or psychological dependence.[104] All other controlled substances fall somewhere between schedules I and V and are classified under schedules II, III, or IV.[105]

Every person who manufactures, distributes, dispenses, imports, or exports any controlled substance must register with the federal Drug Enforcement Administration (DEA) in the United States Department of Justice.[106] This registration requirement applies to physicians and other practitioners who are authorized to prescribe controlled substances by the jurisdiction in which they are licensed to practice their profession.[107] Because he is no longer licensed to practice medicine in New Jersey, Frederic Feit can no longer legally prescribe controlled substances.[108] Feit voluntarily surrendered his federal DEA registration on August 10, 2009.

New Jersey also requires physicians who prescribe controlled substances to register with the State's Division of Consumer Affairs.[109] State law mandates the automatic suspension or revocation of a physician's registration upon a finding that the registrant has had his federal registration suspended or revoked by a competent federal authority and is no longer authorized by federal law to prescribe controlled substances.[110] Feit's New Jersey State registration to prescribe controlled substances became inactive on October 31, 2009.

Debarment from Federal and New Jersey State Health Care Programs

An insurance fraud-related criminal conviction in New Jersey may also result in the exclusion of a health care provider, including a physician, from participation in health care programs under the federal Social Security Act, such as Medicaid and Medicare,[111] as well as New Jersey State health care programs, including NJ FamilyCare.

Approximately $10 billion is spent annually by the New Jersey Medicaid Program to reimburse health care providers and other ancillary service providers who are licensed to operate and administer services under the Medicaid program and who provide essential health services to Medicaid beneficiaries. In 2006, just under one million New Jerseyans were enrolled in Medicaid.[112] Another $10 million is spent annually by the New Jersey Medicare program. In 2008, more than 1.2 million New Jerseyans were enrolled in Medicare.[113] Of these 1.2 million Medicare beneficiaries, 88 percent were age 65 or older.[114] Thus, debarment from the Medicaid and Medicare programs

97. Ibid.; Licensees have an appeal as of right to the Superior Court of New Jersey, Appellate Division, from the Board's final decision or action. New Jersey Court Rule 2:2-3(a)(2). An appellant's Notice of Appeal must be filed with the Appellate Division within 45 days from the date of service of the Board's final decision or notice of the action taken. New Jersey Court Rule 2:4-1(b); N.J.A.C. 13:45-5.5. On or about July 24, 2009, Frederic Feit filed a Notice of Appeal with the Superior Court of New Jersey, Appellate Division, from the Board's order. In re License Suspension of Frederic Feit, M.D., License No. 25MA05617400, App. Div. Docket No. A-005771-08T3. This appeal is pending as of the publication date of this article.

98. New Jersey Board of Medical Examiner's *Final Order Granting Summary Decision, In the Matter of the Suspension or Revocation of Frederic Feit, M.D., License No. 25MA05617400, to Practice Medicine and Surgery in the State of New Jersey* (filed August 6, 2009) at 15, available at *www.njmedicalboard.gov/orders/20090806_25MA05617400 pdf*.

99. Id. at 14.

100. *www.njconsumeraffairs.gov/bme/* (New Jersey Health Care Profile practitioner search for physician "Frederic Feit").

101. 21 U.S.C. § 802(6).

102. 21 U.S.C. § 812(b)(1) - (5).

103. 21 U.S.C. § 812(b)(1).

104. 21 U.S.C. § 812(b)(5).

105. 21 U.S.C. § 812(b)(2)-(4).

106. 21 C.F.R. 1301.11(a).

107. 21 C.F.R. 1306.03(a).

108. 21 U.S.C. § 824(a)(3); 21 C.F.R. 1301.36(a).

109. N.J.S.A. 24:21-10a; N.J.A.C. 8:65-1.2(c); N.J.A.C. 8:65-1.3.

110. N.J.S.A. 24:21-12a(4).

111. 42 U.S.C. § 1320a-7.

112. *www.statehealthfacts.org/*

not only adversely affects a physician's potential income, it deprives the most vulnerable populations in New Jersey -- the poor, the disabled, the blind, and the elderly -- of vital medical services.

The Office of the Inspector General (OIG) within the United States Department of Health and Human Services has the authority to impose administrative sanctions for instances of fraud or abuse or other activities that pose a risk to federal health care programs, including Medicaid and Medicare, and their beneficiaries.[115] These sanctions include the exclusion of individuals and entities from federal health care programs.[116] During the six-month period between October 1, 2008, through March 31, 2009, OIG excluded 1,415 individuals and entities from participating in Medicare, Medicaid, and other federal health care programs. Most of the exclusions resulted from convictions for crimes relating to Medicare or Medicaid, for patient abuse or neglect, or as a result of license revocation.[117] OIG may also impose administrative monetary penalties and assessments against a person who, among other violations, submits or causes to submit claims to a federal health care program which the person knows or should know are false or fraudulent.[118]

Federal debarment from participation in the delivery of medical care or services under Medicaid and Medicare is mandatory upon a conviction of a program-related crime; a conviction relating to program abuse; a felony conviction relating to health care fraud; or a felony conviction relating to controlled substances.[119] The minimum period of mandatory exclusion is no less than five years for the first offense, no less than ten years for the second offense, and permanent exclusion for the third offense.[120] On November 19, 2009, Frederic Feit was mandatorily excluded from the federal Medicaid program for a period of 15 years following his State health care claims fraud-related conviction.[121]

Federal debarment is permissive upon a conviction relating to non-health care fraud; a conviction relating to the obstruction of an investigation; a misdemeanor conviction relating to controlled substances; a license revocation or suspension by any State licensing authority; exclusion or suspension under any federal or State health care program; submission of claims for excessive charges or unnecessary services and failure to furnish medically necessary services; engaging in fraud, kickbacks, and other prohibited activities; failure to disclose required information; failure to supply requested information on subcontractors and suppliers; failure to supply payment information; failure to grant immediate access; failure to take corrective action; and default on health education loan or scholarship obligations.[122] The minimum period of permissive debarment is directly linked to the nature of the action leading to permissive debarment.[123]

Both federal and New Jersey law require the automatic exclusion from the New Jersey Medicaid Program and any other State health care program following federal debarment.[124] Frederic Feit was debarred by the New Jersey Department of Human Services from the State Medicaid program for a five-year period beginning July 17, 2009, and ending July 17, 2014.[125]

Feit's reinstatement to the federal health care programs at the end his 15-year exclusion period is neither automatic nor guaranteed. Feit, along with all providers debarred under the federal Social Security Act, must apply to the Secretary of the United States Department of Health and Human Services for termination of the exclusion.[126] Exclusion will be terminated if the Secretary determines, based on the conduct of the applicant which occurred after the date of the notice of exclusion, that there is no basis for a continuation of the exclusion and there are reasonable assurances that the types of actions which formed the basis for the original exclusion have not recurred and will not recur.[127]

Similarly, providers who have been debarred, disqualified, or suspended from participating in the New Jersey health care programs must petition the Director of the Division of Medical Assistance and Health Services within the New Jersey Department of Human Services in writing for reinstatement.[128] A three-member Provider Reinstatement Committee and the Director consider all reinstatement requests.[129] The Committee cannot grant reinstatement unless, considering specific criteria, it is "reasonably certain" that the causes which led to the debarment, disqualification, or suspension will not be repeated.[130]

113. Ibid.

114. Ibid.

115. *Semiannual Report to Congress, Office of the Inspector General, Department of Health and Human Services, 2009* at *www.oig.hhs.gov/publications/docs/semiannual/2009/semiannual_spring2009.pdf* at 32.

116. Ibid.

117. Ibid.

118. Id. at 34.

119. 42 U.S.C. § 1320a-7(a)(1)-(4).

120. 42 U.S.C. § 1320a-7(c)(3)(B), (G).

121. *www.exclusions.oig.hhs.gov/search.aspx* (List of excluded individuals/entities search for "Feit").

122. 42 U.S.C. § 1320a-7(b)(1)-(15).

123. 42 U.S.C. § 1320a-7(c)(3)(C)-(F).

124. 42 U.S.C. § 1320a-7(d)(1); N.J.S.A. 30:4D-17.1; N.J.A.C. 10:49-11.1(d)26. Other events, including violations of certain criminal and civil statutes and failure to provide and maintain quality services to Medicaid and NJ FamilyCare beneficiaries, trigger automatic exclusion from the New Jersey Medicaid and NJ FamilyCare programs by the New Jersey Department of Human Services, Division of Medical Assistance and Health Services. N.J.S.A. 30:4D-17.1; N.J.A.C. 10:49-11.1(d)1-25.

125. *www.state.nj.us./cgi-bin/treasury/debar/debarsearch.pl*

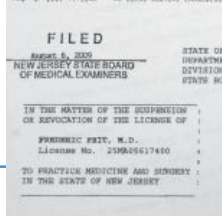
126. 42 U.S.C. § 1320a-7(g)(1).

127. 42 U.S.C. § 1320a-7(g)(2)(A), (B).

128. N.J.A.C. 10:49-12.2.

129. N.J.A.C. 10:49-12.5.

130. N.J.A.C. 10:49-12.6(a).


FILED
NEW JERSEY STATE BOARD OF MEDICAL EXAMINERS
IN THE MATTER OF THE SUSPENSION OR REVOCATION OF THE LICENSE OF
TO PRACTICE MEDICINE AND SURGERY IN THE STATE OF NEW JERSEY

Mandatory federal debarment from the Medicaid and Medicare programs (and, in turn, the New Jersey State programs) is often a condition of the plea agreement offered by OIFP to medical practitioners charged with insurance fraud-related offenses. Since 2000, approximately 50 health care practitioners prosecuted by OIFP, including physicians, pharmacists, and nursing home operators, have consented to exclusion from all State and/or federally funded health care programs as part of their respective plea agreements. These periods of exclusion range from three to twelve years.

Conclusion

Shutting down a fraudulent doctor's medical practice is an important component of meaningful health care reform. The illegal proceeds from health care claims-related fraud may seem tempting to a dishonest physician, but the court-imposed and administrative consequences of a successful investigation and prosecution by OIFP are devastating to his practice of medicine. A convicted physician faces incarceration or probation, hefty criminal and civil fines, restitution, forfeiture of fraud-related assets, revocation of his professional license, loss of his DEA registration, and exclusion from federal and State health care programs. Together, OIFP and federal and state licensing and regulatory agencies deliver the one-two punch driving fraudsters out of business and ending their opportunity to perpetuate health care claims fraud.

Lisa Sarnoff Gochman
Deputy Attorney General
OIFP's Case Screening, Litigation, and Analytical Support Section.

2009 Case Notes

The Office of the Insurance Fraud Prosecutor (OIFP) has the legislative mandate, the authority, and the responsibility to investigate and prosecute all types of insurance fraud. N.J.S.A. 17:33A-16 et seq. Under this statutory authority, OIFP conducts or coordinates all criminal, civil, and administrative investigations and prosecutions of insurance and Medicaid fraud in New Jersey.

Criminal prosecutions remain the most effective way to address the problem of insurance fraud in New Jersey. Diverse penalties are available in a criminal prosecution from the imposition of prison terms and county jail sentences to probation and diversionary programs like the Pretrial Intervention (PTI) Program.[1] Most criminal dispositions also include criminal fines and restitution. Medicaid providers are also subject to debarment from the Medicaid program. This section of the *Annual Report* includes summaries of significant criminal prosecutions undertaken by OIFP in 2009.

This year has been especially successful for OIFP in the area of asset forfeiture seizures and recoveries, which divests criminals of their ill-gotten gains and provides another effective level of deterrence for would-be insurance cheats. New to this year's *Annual Report* is a case note section highlighting OIFP's asset forfeiture seizures and recoveries during 2009.

The Insurance Fraud Prevention Act (IFPA), N.J.S.A. 17:33A-1 et seq., specifically gives OIFP authority to impose civil fines on insurance cheats. The fines may be imposed as part of, or as an alternative to, criminal prosecutions. Summaries of cases that led to a banner year in settlements, judgments, and court rulings against violators of the IFPA are included in this section. These summaries describe cases in which OIFP entered into Consent Orders with subjects for the voluntary payment of fines, and cases in which OIFP's civil attorneys successfully sued violators through civil litigation.

In addition, actions taken by the appropriate licensing board against licensed professionals who committed insurance fraud are included in this section. The summaries set forth the range of actions that may be taken in such cases, from suspension or revocation of licenses to voluntary surrender of licenses.

Since its creation eleven years ago, OIFP's award winning fraud fighting bureau has charged 2,075 defendants with insurance fraud-related crimes and sent 830 of them to jail for a total of 1,089 years. In addition, OIFP has imposed 16,677 civil sanctions for violations of the IFPA, a feat that has earned OIFP world renown acclaim for leading the nation in fighting insurance fraud. OIFP has also obtained court orders for over $314 million in civil and criminal fines, penalties, and restitution.

In 2009 alone, OIFP arrested 136 individuals, charged 122 defendants by Indictment or Accusation[2], won 103 criminal convictions, and had 84 defendants sentenced to terms of incarceration for insurance fraud-related crimes totaling 69 years. Further, OIFP imposed over $2 million in civil insurance fraud sanctions and more than $55 million in criminal fines, penalties, and restitution, which reflects a 59% increase over last year. OIFP recouped a record $52.2 million for the New Jersey Medicaid Program, both State and Federal, from its participation in seven federal False Claims Act settlements. OIFP's Asset Forfeiture Program seized an additional $7.42 million in cash and financial accounts, real property, and vehicles and recovered more than $1 million to be disbursed to insurance fraud victims.

In 2009, over 4,559 cases were referred to OIFP, 2,764 of which were opened for investigation. The number of Administrative Consent Orders issued totaled 469, a 39% increase from 2008. Of these, 297 Consent Orders were executed, an increase of 11% from 2008. Over 820 insurance fraud sanctions were imposed, up 6% from last year, including nearly $2.8 million in civil consent orders issued. In addition, OIFP's civil attorneys filed 52 lawsuits against 59 Fraud Act violators in 2009.

County Prosecutors' Offices Insurance Fraud Units contribute greatly to OIFP's overall success in its enforcement efforts. In 2009, these county units charged a total of 211 defendants and obtained 164 convictions by guilty plea or trial. These convictions resulted in aggregate jail terms of more than 65 years and the imposition of $52,800 in criminal fines and over $630,000 in restitution. In addition, during 2009, OIFP opened 306 civil investigations as a result of County Prosecutors' Offices referrals. Some of the most notable criminal cases handled by the County Prosecutors' Offices are summarized in this section.

1. Pretrial Intervention (PTI) is a diversionary program created by statute and court rule. The Legislature established that it is the public policy of the State to divert certain defendants from the criminal justice system when, among other factors, diversion will serve to remove cases from the criminal court in order to focus resources on more serious matters or more dangerous defendants, or PTI supervision will suffice to deter that particular defendant from future criminality. N.J.S.A. 2C:43-12a. A defendant is admitted into PTI upon the recommendation of the PTI Program director and the consent of the prosecutor. The program director and the prosecutor are required to consider and base their decisions on the defendant's amenability to correction, responsiveness to rehabilitation, and the nature of the offense. N.J.S.A. 2C:43-12b, e; Rule 3:28, Guideline 3. When a defendant is admitted into PTI, the criminal prosecution is suspended while the defendant undergoes the supervision or rehabilitation required by the PTI Program staff. The judge may order restitution as part of the PTI Program. If the defendant successfully completes the program, the criminal charge is dismissed. If the defendant fails to complete the program, the criminal prosecution resumes. N.J.S.A. 2C:43-13; Rule 3:28.

2. An Indictment, Accusation, or criminal complaint is merely an accusation by the State of criminal wrongdoing. All defendants and subjects are presumed innocent of any criminal charges unless and until proven guilty beyond a reasonable doubt.

Case Index

OIFP CRIMINAL CASE NOTES

AUTO INSURANCE FRAUD

Auto Trafficking Networks

Operation Jellystone

On June 19, 2009, the court sentenced Jose Torres to seven years in State prison with five years' parole ineligibility. On May 12, 2009, Torres pled guilty to Leader of Auto Theft Trafficking Network, Receiving Stolen Property, and Possession of a Weapon by a Convicted Person. In pleading guilty, Torres admitted that between November 2006 and December 2006, he acted as an organizer, supervisor, financier, and manager of a network engaged in buying and selling stolen automobiles. Torres admitted he knowingly took possession of eight stolen vehicles: a 2002 BMW 540i, a 2002 Chevrolet TrailBlazer, a 2006 Toyota Camry, a 2005 Toyota Sequoia, a 2006 Toyota Corolla LE, a 2004 Toyota Corolla CE, a 2006 Toyota Highlander, and a 2004 Toyota Sienna. Several of the cars were stolen from Crestmont Toyota in Pompton Plains, New Jersey.

Torres further admitted he unlawfully possessed or controlled an Iver Johnson .38 Special and a Davis Industries Model P380 .38-caliber handgun, knowing he was a convicted felon and therefore prohibited from possessing any firearm in the State of New Jersey. The guns were recovered when he sold the weapons to an undercover detective from the Division of Criminal Justice.

Previously, a Morris County Grand Jury returned an Indictment charging Torres with Leader of Auto Theft Trafficking Network, Receiving Stolen Property, Fencing, Conspiracy, Possession of a Handgun for Unlawful Purposes, Unlawful Possession of a Handgun, Unlawful Disposition of a Weapon, Possession of Hollow Nose Bullets, and Possession of a Weapon by a Convicted Person.

On March 20, 2009, the court sentenced Jose Suarez to 364 days in county jail as a condition of three years' probation and ordered him to pay a $1,000 criminal fine. On February 6, 2009, Suarez pled guilty to an Accusation charging him with Receiving Stolen Property. Suarez admitted he was in possession of a 2004 BMW X5, knowing it had been stolen.

Operation Dre

During the course of its investigation into a stolen car ring targeting expensive, late model cars in northern New Jersey, including the ports, OIFP recovered approximately 25 reported stolen vehicles valued in excess of $1.5 million. The majority of the recovered vehicles had been stolen from the New Jersey Port Authority's new car holding lots, other new car holding lots, and a long-term parking lot adjacent to Newark Liberty International Airport.

On April 9, 2009, the court sentenced Saladine Grant (also known as Nu) to nine years in State prison, with three years of parole ineligibility, and ordered him to pay a $3,000 auto theft fine. Grant's driver's license was also suspended for a period of ten years. On January 20, 2009, Grant pled guilty to Leader of Auto Theft Trafficking Network, Theft by Unlawful Taking, and Receiving Stolen Property. Grant admitted to organizing a ring to steal and sell automobiles from various locations in northern New Jersey. Grant knowingly possessed seven stolen high-end, late model vehicles: a 2007 BMW Alpina, a 2007 Audi S4, a 2007 Audi RS4, and four 2007 Audi Q4s. Grant also stole another eight Audis. The value of these 15 vehicles ranged from $50,000 to $124,000.

A Union County Grand Jury previously returned an Indictment charging Grant with Leader of Auto Theft Trafficking Network, Theft by Unlawful Taking, Receiving Stolen Property, Fencing, and Conspiracy. A second defendant, Birrel T. Smith, was charged with Theft by Unlawful Taking, Receiving Stolen Property, and Conspiracy. A third defendant, Michelle Laboy, was charged with Theft by Unlawful Taking, Receiving Stolen Property, and Hindering Apprehension or Prosecution of Another Person.

According to the Indictment, Grant, as the leader of an auto theft trafficking network, engaged in the theft of 25 luxury automobiles, such as BMWs, Infinitis, and Audis. Smith and Laboy allegedly assisted Grant in the theft of many of the cars, including eight Audis. It was also charged that Laboy hindered the apprehension of Smith, who was living with her during the time the alleged criminal activity took place, by making false statements to a law enforcement officer.

Operation Big Stash

On January 30, 2009, Edward Obszanski (also known as Eddie Obszanski) failed to appear at his sentencing hearing. A bench warrant was issued for his arrest. Previously, Obszanski pled guilty to Conspiracy to Commit Racketeering, Conspiracy to Commit Insurance Fraud, and Removal or Alteration of Motor Vehicle Identification Number or Mark.

A State Grand Jury returned two Indictments against Obszanski. The first Indictment charged him with Conspiracy to Commit Racketeering, Racketeering, Fencing, and Removal or Alteration of Motor Vehicle Identification Number or Mark. The second Indictment charged him with Conspiracy, Insurance Fraud, and Theft by Deception.

According to the first Indictment, Obszanski, Dariusz Grabowski, Krzysztof Grabowski, Patrick Gutorski, Waldemar Kondzielewski, and Artur Czubek conspired to operate a Racketeering Influenced and Corrupt Organization (RICO) criminal enterprise. The Indictment alleged the criminal enterprise was engaged in the business of stealing motor

Technical Assistant Diana Petrecca, OIFP-Criminal.

vehicles throughout New Jersey, New York, and Pennsylvania. It was further alleged the motor vehicles stolen would be re-tagged and then either used by Obszanski or some of the other racketeers or sold. The Indictment listed six stolen vehicles: a 2005 Dodge Stratus, a 2003 Cadillac Escalade, a 2002 Chevrolet TrailBlazer, a 2003 Ford Mustang, a 2004 Jeep Liberty, and a 2003 Jeep Liberty. Some of the vehicles were sold on Internet sites such as eBay. It was alleged that, in order to steal the cars, persons assisting Obszanski posed as licensed locksmiths to obtain information to make keys from companies that provide the codes necessary to reproduce keys to unlock and start automobiles. Cars were stolen from dealerships in New Jersey and New York.

The second Indictment alleged that between September 2005 and February 2006, Obszanski conspired with Krzysztof Funkiendorf to commit insurance fraud. It was alleged that Obszanski sold Funkiendorf's 2004 BMW while Funkiendorf fraudulently reported his BMW had been stolen. It was further alleged that Funkiendorf reported the car stolen to his insurance company when, in fact, it was "given up" by Funkiendorf to Obszanski to be sold.

On January 30, 2009, the court sentenced Radomir Pawel Drozdzil (also known as Paul Drozdzil), the owner and operator of Polan Auto Body, to three years' probation and ordered him to pay a $7,500 criminal fine and to perform 200 hours of community service. Drozdzil previously pled guilty to Removal or Alteration of Motor Vehicle Identification Number or Mark as charged in a previously returned Union County Indictment. This Indictment charged Drozdzil and Obszanski with Conspiracy, Receiving Stolen Property, Fencing, and Removal or Alteration of Motor Vehicle Identification Number or Mark. According to the Indictment, between February 2005 and November 2005, Drozdzil and Obszanski conspired to take possession of three stolen vehicles, bring them into New Jersey, alter the vehicle identification numbers (VIN) and sell and/or use them. The vehicles included a 2006 Chevrolet TrailBlazer valued at approximately $35,705, which was stolen from DeFelice Chevrolet in Point Pleasant, New Jersey; a 2005 Dodge Caravan valued at approximately $28,650, which was stolen from Ephraim Dodge in Mt. Ephraim, New Jersey; and a 2005 Cadillac Escalade valued at approximately $57,281, which was stolen from a private owner in Lavale, Canada.

Operation Ninja II

On December 18, 2009, the court sentenced to two years' probation. On September 14, 2009, pled guilty to an Accusation charging him with Tampering with Public Records. admitted to listing a fictitious insurance company on a motor vehicle registration application.

On October 2, 2009, the court sentenced Ian Boyington to two years' probation. On June 22, 2009, Boyington pled guilty to Conspiracy to Receive Stolen Property. Boyington admitted he conspired to purchase a stolen 2003 Suzuki GSXR 600 motorcycle stamped with an altered vehicle identification number (VIN) and fraudulently registered the vehicle with the New Jersey Motor Vehicle Commission (MVC). Previously, an Indictment charged Boyington with Receiving Stolen Property, Motor Vehicle Title Offenses, and Removal or Alteration of Motor Vehicle Identification Number or Mark.

On June 26, 2009, the court sentenced Gabriel Evans to four years' probation. On April 27, 2009, Evans pled guilty to an Accusation charging him with Removal or Alteration of Motor Vehicle Identification Number or Mark. Evans admitted that between March 27, 2005, and May 4, 2005, he possessed a stolen 2003 Honda TRX 400 all-terrain vehicle with an altered VIN for the unlawful purpose of concealing the theft of the vehicle.

On June 19, 2009, the court sentenced Jeffrey Morgan to four years' probation. On April 13, 2009, Morgan pled guilty to an Accusation charging him with Removal or Alteration of Motor Vehicle Identification Number or Mark. Morgan admitted that between March 2004 and May 2005, he possessed a stolen 2001 Suzuki GSXR 600 motorcycle with an altered VIN in order to conceal the theft of the motorcycle.

On May 1, 2009, two Burlington County men were sentenced for their roles in the stolen motorcycle ring. Tyrone Sapp was sentenced to five years' probation and Wilson Lopez was sentenced to four years' probation. Each defendant was ordered to pay $7,100 in restitution.

On March 16, 2009, Sapp pled guilty to Theft by Unlawful Taking. On January 20, 2009, Lopez pled guilty to Conspiracy. In pleading guilty, Sapp and Lopez admitted that on December 13, 2003, they conspired to steal a 2001 Honda CBR 900RR motorcycle.

On May 1, 2009, the court admitted Angel Carrion, III, into the PTI Program conditioned upon payment of $7,100 in restitution.

Previously, a Burlington County Grand Jury returned an Indictment charging Lopez, Sapp, and Carrion with Conspiracy, Theft by Unlawful Taking, and Receiving Stolen Property. Lopez was also charged with Fencing. The Indictment alleged that between December 2003 and June 2004, Lopez, Sapp, and Carrion conspired to steal six motorcycles and two vans, including a 2003 Honda CBR 600RR motorcycle, a 2001 Honda CBR 900RR motorcycle, a 2003 Suzuki GXR motorcycle, a 2002 Suzuki GXR motorcycle, a 2003 Yamaha R6 motorcycle, a 2002 Honda CBR 600RR motorcycle, a 1997 Dodge cargo van, and a 1998 Ford Econoline van. The two vans were allegedly stolen to load and transport the stolen motorcycles. According to the Indictment, Lopez organized the trafficking and fencing of the stolen vehicles.

State v. Ibn Traynham, et al.

On November 10, 2009, OIFP detectives and Essex County Sheriff's officers arrested six individuals in Newark believed to be involved in an automobile theft trafficking ring. During the course of the arrests, while attempting to flee the scene, three of the defendants struck vehicles driven by Essex County Sheriff's officers, injuring one of the officers.

Tito Moses was charged with Assault on a Police Officer, Leader of Auto Theft Trafficking Network, Fencing, Conspiracy, Receipt of Stolen Property, Possession of a Weapon for an Unlawful Purpose, Criminal Mischief, and Prohibited Weapons and Devices.

Demond Conley was charged with Assault on a Police Officer, Leader of Auto Theft Trafficking Network, Fencing, Conspiracy, Receipt of Stolen Property, Possession of a Weapon for an Unlawful Purpose, and Unlawful Possession of a Weapon.

Terrence Simonson was charged with Assault on a Police Officer, Conspiracy, and Possession of a Weapon for an Unlawful Purpose.

Abdullah Drake was charged with Fencing, Conspiracy, and Receipt of Stolen Property.

Demetrius Ross was charged with Conspiracy to Fence and Conspiracy to Receive Stolen Property.

Romele Dobbs was charged with Conspiracy to Fence and Conspiracy to Receive Stolen Property.

Auto "Give Up" Schemes

State v. Victor Shulov

On February 23, 2009, the court admitted Victor Shulov into the PTI Program conditioned upon payment of a $1,500 criminal fine. Shulov was charged in an Accusation with Insurance Fraud. According to the Accusation, on September 12, 2004, Shulov falsely reported his car had been stolen in New York City, knowing it had not been stolen, and subsequently filed a false stolen vehicle insurance claim with Allstate Insurance Company.

State v. John Jackson

On April 24, 2009, the court sentenced John Jackson to 180 days in county jail as a condition of two years' probation and ordered him to pay $1,100 in restitution. Jackson previously pled guilty to Insurance Fraud. Jackson admitted that between January 2006 and March 2006, he knowingly submitted a fraudulent stolen vehicle claim, valued at $32,000, with Consumer First Insurance Company alleging his 2006 Hummer had been stolen in Philadelphia, Pennsylvania, in order to avoid making monthly payments on the Hummer. The Hummer was recovered by Philadelphia police shortly after it was reported stolen.

Previously, a Salem County Grand Jury returned an Indictment charging Jackson with Insurance Fraud, Attempted Theft by Deception, and Falsifying Records.

State v. Matthew J. Kreiger

On June 26, 2009, the court admitted Matthew J. Kreiger into the PTI Program conditioned upon payment of a $5,000 civil insurance fraud fine. Previously, Kreiger was charged in an Accusation with Insurance Fraud. According to the Accusation, between April 23, 2008, and May 16, 2008, Kreiger falsely reported his 2006 Toyota Sequoia had been stolen when he knew it had not been stolen.

State v. Juan Benevides Martinez

On April 28, 2009, an Essex County Grand Jury returned an Indictment charging Juan Benevides Martinez with Insurance Fraud. According to the Indictment, between July 9, 2008, and August 4, 2008, Benevides Martinez knowingly submitted a phony auto theft claim to the Hanover Insurance Company, falsely alleging his car had been stolen.

State v. Cheryl Wynder

On June 19, 2009, the court sentenced Cheryl Wynder to five years' probation and ordered her to pay $8,532 in restitution and a $5,000 civil insurance fraud fine. On May 11, 2009, Wynder pled guilty to an Accusation charging her with Insurance Fraud. Wynder admitted that on August 4, 2008, she knowingly submitted a fraudulent stolen vehicle claim with Travelers Insurance Company, falsely claiming her 2002 Ford Explorer had been stolen. Wynder offered her nephew money to take the vehicle and destroy it because Wynder was several months behind in her payments and did not want the vehicle to be repossessed.

The charges against Wynder's nephew are still pending investigation into his involvement in the scheme.

State v. Natividad Lopez

On November 24, 2009, the court admitted Natividad Lopez into the PTI Program conditioned upon payment of $11,806 in restitution and a $5,000 civil insurance fraud fine.

On September 23, 2009, a State Grand Jury returned an Indictment charging Lopez with Insurance Fraud, Theft by Deception, Tampering with Public Records, and Falsifying Records. According to the Indictment, between August 23, 2006, and November 20, 2006, Lopez falsely reported to the Passaic, New Jersey, Police Department that her 2000 Jaguar S had been stolen. The Indictment further alleged Lopez submitted a fraudulent Affidavit of Vehicle Theft to the IFA Insurance Company claiming her vehicle had been stolen. The Indictment alleged IFA Insurance paid the lienholder of the Jaguar $16,400 for the car.

State v. Carolina Carmona, et al.

On August 19, 2009, a Union County Grand Jury returned an Indictment charging Edgar Daniel Franco with Conspiracy to Commit Insurance Fraud, Insurance Fraud, and Attempted Theft by Deception. According to the Indictment, between February 25, 2006, and May 25, 2006, Franco conspired with Carolina Carmona to take her 2002 Honda Accord from her residence in order to make it appear it had been stolen so that a fraudulent insurance claim could be submitted. The Indictment alleged Carmona "gave up" the vehicle to Franco and subsequently filed a false Affidavit of Vehicle Theft with First Trenton Insurance Company, knowing the vehicle had not actually been stolen. The Indictment also alleged Franco and Carmona attempted to obtain approximately $15,000 from First Trenton by submitting the fraudulent claim.

On July 15, 2009, the court admitted Carolina Carmona into the PTI Program conditioned upon performance of 60 hours of community service. Previously, Carmona was charged in an Accusation with Insurance Fraud. According to the Accusation, between March 2006 and May 2006, Carmona knowingly submitted a fraudulent vehicle theft claim with First Trenton Insurance Company, falsely claiming her 2002 Honda Accord had been stolen.

Deputy Attorney General Geraldine D. Zidow, OIFP-Criminal Health, Life, and Disability Section.

State v. Augustin R. Vazquez

On October 23, 2009, the court sentenced Augustin R. Vazquez to one year' probation. Vazquez paid $25,761 in restitution at sentencing. On September 8, 2009, Vazquez pled guilty to Conspiracy, admitting he gave his 2007 Toyota Sequoia to an undercover OIFP detective and subsequently reported the vehicle stolen to the Hempstead, New York, Police Department. Vazquez also falsely reported the purported theft of the Toyota to the Metropolitan Property and Casualty Insurance Company (MetLife), which paid him approximately $45,830 for the purported loss.

State v. Nicholas Shkreli

On September 18, 2009, the court sentenced Nicholas Shkreli to three years' probation and ordered him to pay $13,940 in restitution. On August 10, 2009, Shkreli pled guilty to Insurance Fraud, admitting that between July 2007 and September 2007, he knowingly submitted a fraudulent automobile theft claim with Hartford Accident and Indemnity Company, falsely claiming his 2004 Honda Accord had been stolen. Shkreli received approximately $18,908 from Hartford as payment for the claim even though Shkreli knew the car had not been stolen and he was not entitled to receive the claims money. On June 19, 2009, a Union County Grand Jury returned an Indictment charging Shkreli with Insurance Fraud and Theft by Deception.

State v. Daniel Roach

On November 30, 2009, Daniel Roach pled guilty to Theft by Deception. Roach is scheduled for sentencing in 2010.

On June 30, 2009, an Ocean County Grand Jury returned an Indictment charging Roach with Insurance Fraud, Theft by Deception, and Falsifying Records. According to the Indictment, between October 28, 2005, and May 9, 2006, Roach knowingly reported to the New York City Police Department that his 1994 Mercedes-Benz had been stolen. It was also alleged Roach reported the purported theft to a New Jersey Skylands Insurance claims representative and executed an Affidavit of Vehicle Theft stating he last observed the vehicle on October 28, 2005, in Staten Island, New York, knowing the information was false and the car had not been stolen.

The Indictment also alleged Roach fraudulently obtained $14,100 from New Jersey Skylands for the purported theft, even though the car had not been stolen and Roach was not entitled to the claims money.

State v. Gale Davis

On November 30, 2009, the court sentenced Gale Davis to three years' probation and ordered him to pay $16,934 in restitution and a $2,500 civil insurance fraud fine. On September 14, 2009, Davis pled guilty to an Accusation charging him with Insurance Fraud. Davis admitted that in November 2007, he submitted a fraudulent stolen vehicle claim to New Jersey Manufacturers Insurance Company (NJM), falsely claiming his 1999 Mercedes-Benz had been stolen. NJM paid $20,445 for the purported loss of the Mercedes.

State v. Uchechi Isaac

On November 6, 2009, the court sentenced Uchechi Isaac to three years' probation and ordered her to pay $8,207 in restitution and a $5,000 civil insurance fraud fine. On August 10, 2009, Isaac pled guilty to an Accusation charging her with Insurance Fraud. On October 18, 2007, Isaac falsely reported to Progressive Insurance Company that her 2006 Toyota Corolla had been stolen in order to fraudulently obtain reimbursement under her automobile insurance policy. As a result of Isaac's fraud, Progressive paid out $8,207 on the claim.

State v. Gladys Ramos

On November 24, 2009, Gladys Ramos (also known as Aurelio Ramos) pled guilty to Theft by Deception. Ramos is scheduled to be sentenced in 2010.

On September 23, 2009, a State Grand Jury returned an Indictment charging Ramos with Insurance Fraud, Theft by Deception, and Tampering with Public Records or Information. According to the Indictment, on October 5, 2006, Ramos falsely reported to the Paterson, New Jersey, Police Department that her 2006 Chevrolet Equinox had been stolen when, in fact, it had been sold to OIFP undercover detectives on September 29, 2006. It was further alleged Ramos submitted a fraudulent vehicle theft claim to Allstate Insurance Company and received $19,600 from Allstate, even though she knew the claim was false and the car had not been stolen.

State v. Mark P. McCaffrey

On November 24, 2009, Mark P. McCaffrey pled guilty to Theft by Deception. McCaffrey is scheduled to be sentenced in 2010.

On September 23, 2009, a State Grand Jury returned an Indictment charging McCaffrey with Insurance Fraud, Theft by Deception, Tampering with Public Records or Information, and Falsifying Records. The Indictment alleged that on September 9, 2006, McCaffrey falsely reported to the Roxbury, New Jersey, Police Department that his 1999 Lincoln Navigator had been stolen when, in fact, the vehicle had been sold to OIFP undercover detectives on September 5, 2006. The Indictment also alleged McCaffrey submitted a fraudulent Affidavit of Vehicle Theft claim to GEICO. McCaffrey received $13,000 from GEICO, even though he knew the claim was false and the car had not been stolen.

State v. Caseem Gresham

On November 24, 2009, Caseem Gresham (also known as Sofrona Gresham) pled guilty to Insurance Fraud. Gresham is scheduled to be sentenced in 2010.

On September 23, 2009, a State Grand Jury returned an Indictment charging Gresham with Insurance Fraud, Theft by Deception, Tampering with Public Records or Information, and Falsifying Records. According to the Indictment, on October 30, 2006, Gresham falsely reported to the Garfield, New Jersey, Police Department that his 2005 Honda Accord had been stolen when, in fact, the vehicle had been sold to OIFP undercover detectives on October 26, 2006. The Indictment also alleged Gresham submitted a fraudulent Affidavit of Vehicle Theft claim to First Trenton Companies/Travelers Insurance Company. Gresham received $11,400 from Travelers, even though he knew the claim was false and the car had not been stolen.

State v. Jose Pujols

On September 23, 2009, a State Grand Jury returned an Indictment charging Jose Pujols with Insurance Fraud, Theft by Deception, Tampering with Public Records or Information, and Falsifying Records. According to the Indictment, on September 30, 2006, Pujols reported to the Paterson, New Jersey, Police Department that his 2000 Honda Accord had been stolen from in front of his house in Paterson and that he had last seen it the previous day when, in fact, the vehicle had been purchased during an OIFP undercover law enforcement operation two days earlier in Dover, New Jersey.

The Indictment also alleged that on September 30, 2006, Pujols made a telephonic vehicle theft claim to GEICO. It was further alleged that on October 17, 2006, Pujols submitted to GEICO a false Affidavit of Theft, claiming the purported theft of his vehicle and of personal items and baseball equipment inside the car. Pujols received $8,265 for the purported theft of the Honda and $200 for the purported theft of the personal items in the car.

State v. Michael Selvin, et al.

On November 4, 2009, the court admitted Michael Selvin and Carolyn Selvin into the PTI Program conditioned upon payment of $4,914 in restitution and a $2,000 civil insurance fraud fine. On the same day, the Selvins were charged by way of separate Accusations with Insurance Fraud. According to the Accusations, on December 3, 2007, the Selvins falsely reported to Allstate Insurance Company that their 2000 Nissan Maxima had been stolen.

Receiving Stolen Property

State v. Michael Giron

On February 27, 2009, the court admitted Michael Giron into the PTI Program conditioned upon payment of $16,044 in restitution to the insurance carrier and $25,000 in restitution to the victim to whom he sold the stolen vehicle. Previously, Giron was charged in an Accusation with Receiving Stolen Property and Theft by Deception. According to the Accusation, Giron was in possession of a stolen 2005 Cadillac Escalade, knowing it had been stolen, and sold the Escalade to another person, knowing the vehicle had a fraudulent title.

State v. Rakeem Kelly, et al.

On June 26, 2009, the court sentenced Rakeem Kelly to five years' probation and imposed a $500 Auto Theft fine. On January 20, 2009, Kelly pled guilty to Receiving Stolen Property and Tampering with Public Records or Information.

On January 23, 2009, the court ordered Latifa Snead to pay a $350 criminal fine. Snead previously pled guilty to a disorderly persons charge of Tampering with Public Records.

A Union County Grand Jury returned an Indictment charging Kelly and Snead with Receiving Stolen Property, Removal or Alteration of Motor Vehicle Identification Number or Mark, Tampering with Public Records or Information, and Conspiracy. According to the Indictment, between July 2005 and October 2007, Kelly and Snead conspired to falsely transfer the New Jersey title of a stolen 2006 BMW 750Li. The Indictment alleged Kelly was in possession of the BMW, as well as a stolen 2002 Cadillac Escalade. The VINs for both vehicles had been altered in order to conceal the true origin and identity of the vehicles.

State v. Louis R. Perez

On December 22, 2009, Louis R. Perez pled guilty to Receiving Stolen Property. Perez is scheduled to be sentenced in 2010.

On June 8, 2009, a Passaic County Grand Jury returned an Indictment charging Perez with Receiving Stolen Property, Possession of a Motor Vehicle with an Altered Vehicle Identification Number, and Tampering with Public Records or Information. According to the Indictment, on September 21, 2006, Perez was in possession of a stolen 2006 Land Rover Range Rover valued at over $80,000, knowing it had been stolen. The Indictment also alleged the Range Rover's VIN had been altered and Perez presented false documents to the New Jersey Motor Vehicle Commission (MVC) when attempting to register the vehicle.

State v. Dennis Caraballo, et al.

On July 7, 2009, the State dismissed the charges against Dennis Caraballo with prejudice.

On May 15, 2009, the court sentenced Craig T. Likanchuk to 138 days in county jail with credit for time served. On March 31, 2009, Likanchuk pled guilty to Conspiracy to Commit Insurance Fraud, admitting he agreed to participate in a staged carjacking by driving away a 2005 Toyota Scion so that co-defendant Caraballo could allegedly report the vehicle stolen, file a false claim with State Farm Insurance Company, and collect $18,810 in insurance proceeds.

On April 16, 2009, the court dismissed the charges against Kristen Smith.

Previously, a Cumberland County Grand Jury returned an Indictment charging Caraballo, Likanchuk, and Smith variously with Conspiracy, Insurance Fraud, Attempted Theft by Deception, False Swearing, and Falsifying Records. According to the Indictment, between October 3, 2005, and March 31, 2006, Caraballo, Likanchuk, and Smith agreed to stage a carjacking in order to file a phony automobile theft insurance claim. The Indictment alleged Caraballo, Smith, and Likanchuk agreed Caraballo and Smith would contact the Vineland, New Jersey, Police Department and report a carjacking occurred in the parking lot of a convenience store and, as a result, a car had been stolen. The Indictment further alleged Caraballo and Smith submitted or caused to be submitted a claim to State Farm Insurance Company falsely alleging the car, a 2005 Toyota Scion valued at approximately $18,810, had been stolen or carjacked. The Indictment also alleged Caraballo gave a false written statement under oath, which was submitted to State Farm Insurance Company, fraudulently claiming Smith was inside Caraballo's Toyota Scion when it was purportedly carjacked.

Fraudulent Personal Injury Protection (PIP) Insurance Claims by Non-Health Care Providers

State v. David Scott, et al.

On March 27, 2009, the court sentenced Charles Gladney to two years' probation. On February 17, 2009, Gladney pled guilty to Conspiracy.

Auditor Cleair S. Budhu, C.F.E., Medicaid Fraud Control Unit.

A State Grand Jury previously returned an Indictment charging David Scott with Conspiracy to Commit Health Care Claims Fraud, Health Care Claims Fraud, Theft by Deception, and Falsification of Records. Nicole Barker and Charles Gladney were each charged in the same Indictment with Conspiracy to Commit Health Care Claims Fraud. According to the Indictment, Barker was involved in an automobile accident in Philadelphia, Pennsylvania, between March 17, 2002, and May 1, 2002. Barker then allegedly conspired with Scott and Gladney to make it appear to the police and the insurance company that both Barker and Scott were passengers in the car. Gladney was a tow truck driver who allegedly corroborated the false claim Barker and Scott made about being injured in the automobile accident.

Previously, Scott pled guilty to Conspiracy and Health Care Claims Fraud, and was sentenced to 364 days in county jail as a condition of three years' probation. Barker was sentenced to three years' probation following her guilty plea to Conspiracy to Commit Health Care Claims Fraud.

State v. Vito Manzella

On May 8, 2009, the court sentenced Vito Manzella to two years' probation and ordered him to pay $3,241 in restitution. On February 23, 2009, Manzella pled guilty to Insurance Fraud. Manzella admitted that between March 28, 2005, and May 2, 2005, he fraudulently submitted claims for $68,819 in PIP benefits to New Jersey Indemnity Insurance Company. Manzella admitted that following an automobile accident in Berlin, New Jersey, he falsified an affidavit by stating he lived in Mullica Hill at the time of the accident with a family member who had automobile insurance. Manzella admitted he did not live at the address provided on the affidavit, but resided in Camden County, New Jersey, at the time of the accident with a family member who did not have automobile insurance and was not entitled to receive PIP benefits.

Previously, a Gloucester County Grand Jury returned an Indictment charging Manzella with Insurance Fraud, Attempted Theft by Deception, False Swearing, and Falsifying Records.

State v. Alexis Figueroa

On June 12, 2009, the court sentenced Alexis Figueroa to two years' probation and ordered him to pay $619 in restitution. On April 28, 2009, Figueroa pled guilty to Theft by Deception as charged in a previously-returned Hudson County Grand Jury Indictment. Figueroa admitted he obtained medical services from Jersey City Medical Center, valued in excess of $500, by falsely claiming to be injured in an automobile accident in which a taxicab was allegedly struck by another vehicle. Figueroa was not in the taxicab when it was struck and did not suffer injuries. The alleged motive for Figueroa's seeking treatment from the Jersey City Medical Center was to submit a false PIP claim to Amica Mutual Insurance Company in an effort to obtain insurance claim money.

State v. Cathy Thomas

On October 6, 2009, the court admitted Cathy Thomas into the PTI Program. On August 19, 2009, Thomas was charged in a Complaint with Insurance Fraud. According to the Complaint, on January 31, 2005, Thomas knowingly filed a fraudulent bodily injury claim with State Farm Insurance, falsely claiming she was injured when she was struck by a car when, in fact, she was not struck by a car.

State v. Tarsha Jenkins

On October 9, 2009, an Essex County Grand Jury returned an Indictment charging Tarsha Jenkins with Insurance Fraud and False Swearing. According to the Indictment, between December 2, 2005, and August 16, 2006, Jenkins falsely claimed under oath she was a passenger on a bus involved in a minor accident and was thrown about, struck her body, and suffered injuries when, in fact, none of the statements were true and she did not suffer any injuries. Jenkins allegedly submitted a claim for reimbursement of medical expenses from Sedgewick Claims Management Services, Inc., even though she was not injured in the accident. The Indictment also alleged Jenkins claimed to witness packages and persons thrown about the bus during the course of the accident, knowing none of this was true.

Criminal Use of Runners

State v. Irwin B. Seligsohn, et al.

Racketeering and Conspiracy charges were filed against two Essex County attorneys, Irwin B. Seligsohn

law firm of Goldberger, Seligsohn & Shinrod, P.A., in West Orange, New Jersey, and 47 other individuals as part of an ongoing insurance fraud investigation involving health care claims fraud and the illegal use of "runners." The law makes it a crime for attorneys or health care professionals to pay persons to procure clients or patients to file insurance claims and personal injury lawsuits. The Racketeering and Conspiracy charges represent the first time DCJ-OIFP invoked New Jersey's RICO statute to prosecute an attorney and a law firm for Health Care Claims Fraud, Criminal Use of Runners, and related insurance fraud crimes. To date, more than 35 defendants, including attorneys and law firm, have entered guilty pleas in connection with this illegal scheme, including the following defendants who were also sentenced during 2009:

On July 27, 2009, the court sentenced Edward Campbell, Jr., to six years in State prison. On April 14, 2009, during a lengthy trial, Edward Campbell, Jr., pled guilty to all charges against him contained in four Indictments obtained by OIFP, including Conspiracy to Commit Racketeering, Conspiracy to Commit Health Care Claims Fraud, Criminal Use of Runners, Theft by Deception, Tax Fraud, Health Care Claims Fraud, Racketeering, Theft by Deception, and Failure to Pay Taxes. Edward Campbell, Jr., admitted he recruited persons to be in staged automobile accidents and assisted in setting up the fake accidents so phony insurance claims could be submitted by Seligsohn and other attorneys in Goldberger, Seligsohn & Shinrod, P.A.

On April 14, 2009, Bobbie Campbell and Ralph Campbell, who were on trial with their brother Edward, each pled guilty to Conspiracy to Commit Racketeering. Ralph Campbell and Bobbie Campbell each admitted he was involved in several fake accidents and the submission of fraudulent claims. On August 5, 2009, the court sentenced Ralph Campbell to five years' probation, conditioned upon his serving 364 days in county jail. The State has filed an appeal to the Superior Court of New Jersey, Appellate Division, on the ground that the imposition of probation following a conviction for a second-degree crime is an illegal sentence. The appeal is expected to be heard in 2010.

On July 27, 2009, the court sentenced Bobbie Campbell to three years in State prison.

On May 29, 2009, the court sentenced Richard Williams to 364 days in county jail as a condition of two years' probation. On February 10, 2009, while on trial, Williams pled guilty to Conspiracy, Health Care Claims Fraud, Criminal Use of Runners, and Theft by Deception.

On May 29, 2009, the court sentenced Louis Campbell to three months in county jail with credit for time served. On February 2, 2009, Campbell, who was also on trial, pled guilty to Conspiracy to Commit Racketeering,

Criminal Use of Runners, Health Care Claims Fraud, and Theft by Deception.

On May 15, 2009, the court sentenced Kasim Nash to 364 days in county jail. Previously, Nash pled guilty to Conspiracy and Health Care Claims Fraud.

On May 1, 2009, the court sentenced Damon Brown to six years in State prison to run concurrently with a sentence he is presently serving in Federal prison. Previously, Brown pled guilty to Conspiracy to Commit Racketeering and Health Care Claims Fraud.

Superseding State Grand Jury Indictment

A superseding State Grand Jury Indictment charged Irwin B. Seligsohn; Essex County law firm, Goldberger, Seligsohn & Shinrod, P.A., in West Orange, New Jersey; five "runners"; and 23 phony accident claimants variously with Criminal Racketeering, Conspiracy to Commit Racketeering, auto insurance-related Health Care Claims Fraud, Criminal Use of Runners, Theft by Deception, and Tax Fraud. Seligsohn were also charged with Conspiracy and Filing or Preparing a False or Fraudulent New Jersey Tax Return. The superseding State Grand Jury Indictment alleged that between October 1993 and September 2005, Seligsohn, law firm conspired with others to pay "runners" to solicit other individuals to participate in staged automobile accidents so that PIP and other insurance claims could be submitted to insurance companies. Additionally, the superseding Indictment alleged the defendants improperly accounted for the payments made to the "runners" and, as a result, Seligsohn, and the law firm were charged with violating various New Jersey tax statutes.

The superseding Indictment further charged the "runners" with illegally receiving payments for soliciting clients, violating State income tax laws, and assisting in the submission of phony insurance claims knowing the accidents were staged and no one was injured. The other defendants named in the State Grand Jury Indictment were alleged to be the purported insurance claimants. They were charged with Health Care Claims Fraud for assisting in the submission of the phony insurance claims.

Essex County Indictments

An Essex County Grand Jury previously returned four Indictments charging Seligsohn; the law firm of Goldberger, Seligsohn & Shinrod, P.A.; and 22 other defendants with Conspiracy to Commit Health Care Claims Fraud and Health Care Claims Fraud.

First Essex County Indictment

The first Essex County Indictment alleged that between July 1998 and June 2003, Seligsohn, his law firm, Edward Campbell, Jr., Louis Campbell, Richard Williams, Dannie Campbell, Sr., Damon Brown, Andre Johnson, and Edward Davis conspired to submit insurance claims for a fake auto accident. The accident purported to have occurred at the intersection of Leslie and Shaw Streets in Newark. The State alleged bodily injury insurance claims totaling approximately $18,000 were obtained as a result of the phony accident. In addition, approximately $14,593 in PIP payments were made to health care providers for treatments rendered to some of the conspirators in the purported accident. All of these claims were submitted to Allstate Insurance Company.

An Essex County Grand Jury returned a related Indictment charging Louis Campbell with Tampering with a Witness or Informant. This Indictment alleged that while Louis Campbell's previous Indictment was pending in court, Campbell attempted to induce or cause a witness, Sharon Blanding, to testify and inform falsely or withhold testimony, information, or cooperation from the State with respect to the State's prosecution of Louis Campbell on the previously returned Indictment.

Second Essex County Indictment

The second Essex County Indictment charged Edward Campbell, Jr., Sophia Green, Eugene Jackson, and Tish Lee with Conspiracy to Commit Health Care Claims Fraud and Health Care Claims Fraud. The State alleged that between August 2000 and January 2003, the defendants conspired to submit insurance claims for a fake auto accident. The accident purported to have occurred when Campbell alleged his 1999 Lincoln Navigator was rear-ended on Cordier Street in Irvington. The State alleged PIP payments were made in the amount of $20,000 to health care providers on behalf of treatments rendered to some of the conspirators. The claims were submitted to Clarendon Insurance Company.

Third Essex County Indictment

The third Essex County Indictment alleged that between August 30, 2000, and January 6, 2003, Edward Campbell, Jr., Felicia Crute, Trojah Irby, Aaron Green, and Katuwan Thomason conspired to submit insurance claims for a fake auto accident which purportedly occurred when a 1987 Acura Legend was rear-ended while making a turn onto 18th Avenue from Irvine Turner Boulevard in Newark. The State alleged PIP-related chiropractic treatments totaling approximately $11,000 were rendered on behalf of some of the conspirators, and bodily injury claims in the amount of $5,000 were obtained. The claims submitted to State Farm Insurance Company were settled for $5,000.

Fourth Essex County Indictment

The fourth Essex County Indictment alleged that between December 1998 and Janu-

(l to r) Deputy Chief Counsel Stephen J. Cirillo and First Deputy Chief Counsel Norma R. Evans confer on a pending trial.

ary 2003, Edward Campbell, Jr., Anthony Dortch, Tahesha Boss (also known as Tanisha Boss), Rabya Boss, Nathaniel Mitchell, Anton Mitchell, Michael Ashford, Deneen Woodard, and Robert Woodard conspired to submit insurance claims for a fake auto accident. The accident was purported to have occurred at the intersection of Ferry and Jefferson Streets in Newark and involved a 1990 Dodge van in which the co-defendants were allegedly riding. The State alleged lawsuits were filed and more than $30,000 in bodily injury settlements were paid. In addition, more than $25,000 in PIP payments were made to health care providers for treatments rendered to some of the conspirators. The claims were submitted to Eagle Insurance Company and Rutgers Casualty Insurance Company.

Auto Body Repair Facility and "Chop Shop" Fraud

State v. Robert Christopher Collision, et al.

On February 3, 2009, the court admitted Hector Henriquez into the PTI Program.

Previously, a State Grand Jury returned an Indictment charging Robert Christopher Collision, an auto body repair shop on Kuser Road in Hamilton Township, Mercer County, New Jersey; its owner Robert Buckingham; and Buckingham's employee Paul Failla with Conspiracy, Insurance Fraud, and Theft by Deception. Two additional employees, Henriquez and John Yeachshein, were charged with Conspiracy to Commit Insurance Fraud, Insurance Fraud, and Theft by Deception.

According to the Indictment, between April 2005 and July 2006, Buckingham, Failla, Henriquez, and Yeachshein conspired together and submitted false automobile insurance repair claims to insurance companies. The Indictment alleged the defendants billed for auto repair work they failed to complete; billed insurance companies for new auto repair parts when, in fact, they utilized old parts; billed insurance companies to replace auto parts when, in fact, they merely repaired the damaged auto parts; and, in some cases, enhanced damage to cars brought to the repair facility in order to increase the amount of auto insurance repair claims.

Among the insurance companies to which allegedly false claims were submitted were New Jersey Manufacturers Insurance Company, MetLife Auto, Travelers Auto Insurance Company (formerly known as First Trenton Indemnity), Selective Insurance Company, and Mercury Insurance Company.

Auto Claims Fraud

State v. Cleopatre Leger, et al.

On January 9, 2009, the court sentenced Cleopatre Leger and her son Christopher Leger each to three years' probation and ordered them to pay $5,475 in restitution and a $2,500 civil insurance fraud fine. Cleopatre Leger previously pled guilty to an Accusation charging her with Insurance Fraud. Christopher Leger pled guilty to a separate Accusation charging him with Insurance Fraud. Cleopatre and Christopher Leger submitted a phony damage claim to Palisades/Twin Lights Insurance Company for collision damage to their 2005 GMC Envoy SLE during an accident which purportedly occurred in Jersey City, New Jersey, on July 4, 2007, when, in fact, the accident did not take place on that date.

State v. Ramsey Naylor, et al.

On January 22, 2009, the court sentenced Ramsey Naylor to three years' probation and ordered him to pay a $2,500 civil insurance fraud fine. Naylor previously pled guilty to Insurance Fraud, admitting that between September 2003 and January 2004, he submitted a fraudulent insurance claim to Rider Insurance Company for the theft of a 2003 Yamaha motorcycle. Naylor reported the motorcycle had been stolen after an insurance policy had been purchased for the motorcycle when, in fact, the motorcycle was stolen before it was covered by the insurance policy. Naylor submitted a falsified Trenton, New Jersey, Police Department theft report concerning the date of the theft of the motorcycle to support the phony insurance claim.

Previously, a Mercer County Grand Jury returned an Indictment charging Naylor and Carrie Martin with Insurance Fraud and Attempted Theft by Deception. Naylor was also charged with Tampering with Public Records or Information and Uttering a Forged Document.

State v. Genine Jones

On February 4, 2009, the court admitted Genine Jones into the PTI Program conditioned upon payment of a $3,500 civil insurance fraud fine. Previously, an Essex County Grand Jury returned an Indictment charging Jones with Conspiracy, Insurance Fraud, Attempted Theft by Deception, and Tampering with Public Records. According to the Indictment, on March 13, 2005, Tina Davis was involved in a minor automobile accident in Newark, New Jersey, which Jones observed. The State alleged Jones lied to the investigating police officer that she was a passenger in Davis's car at the time of the accident and was injured when, in fact, Jones was not in the car at the time of the accident but had "jumped in" the back seat before the police arrived at the scene of the accident. The State further alleged Jones lied to the insurance company by stating she did not reside in a household in which a person owned an automobile when, in fact, she did, in order to claim PIP benefits under Davis's auto insurance policy.

Counterfeit Insurance Identification Cards

State v. Barry Hudson

On January 23, 2009, the court sentenced Barry Hudson to a suspended term of 18 months in State prison. Hudson previously pled guilty to an Accusation charging him with Simulating a Motor Vehicle Insurance Identification Card, admitting that on April 4, 2007, he presented a counterfeit Clarendon Insurance Company insurance identification card to an inspector at the Newark, New Jersey, Motor Vehicle Commission (MVC) inspection station.

State v. Abdullah Muslim

On July 17, 2009, the court sentenced Abdullah Muslim to one year' probation and ordered him to pay a $1,000 criminal fine. On May 18, 2009, Muslim pled guilty to Simulating a Motor Vehicle Insurance Identification Card. Muslim admitted that on July 9, 2007, he presented a counterfeit GEICO insurance identification card to a New Jersey MVC inspector.

On February 27, 2009, an Essex County Grand Jury returned an Indictment charging Muslim with Simulating a Motor Vehicle Insurance Identification Card and Falsifying Records. According to the Indictment, Muslim allegedly falsified an application for a motor vehicle registration, knowing it contained a false insurance policy number.

State v. Will T. Jordon

On October 26, 2009, the court sentenced Will T. Jordon to 18 months in State prison, 16 months suspended, with 61 days' jail credit. On August 5, 2009, Jordon pled guilty to Simulating a Motor Vehicle Insurance Identification Card, admitting that on June 15, 2005, he presented a counterfeit Liberty Mutual Insurance Company motor vehicle insurance identification card to a Newark, New Jersey, MVC inspector during a routine motor vehicle inspection. On May 14, 2009, an Essex County Grand Jury returned an Indictment charging Jordan with Simulating a Motor Vehicle Insurance Identification Card.

State v. Donald Allen

On March 27, 2009, the court ordered Donald Allen to pay a $250 criminal fine. On February 9, 2009, Allen pled guilty to Simulating a Motor Vehicle Insurance Identification Card, admitting he presented a counterfeit motor vehicle insurance identification card to an inspector at a New Jersey MVC inspection station. Previously, an Essex County Grand Jury returned an Indictment charging Allen with Simulating a Motor Vehicle Insurance Identification Card.

State v. Natasha White

On March 24, 2009, the court sentenced Natasha White to 45 days in State prison to run concurrent with her 40-year State prison sentence following her conviction for an unrelated murder. On March 16, 2009, White pled guilty to Simulating a Motor Vehicle Insurance Identification Card. White admitted that on May 5, 2005, following an automobile accident, she presented a counterfeit Clarendon Insurance Company insurance identification card to a West Orange, New Jersey, police officer. Previously, an Essex County Grand Jury returned an Indictment charging White with Simulating a Motor Vehicle Insurance Identification Card.

State v. Johnnie Thompson

On May 18, 2009, the court sentenced Johnnie Thompson to three years' probation. On April 7, 2009, Thompson pled guilty to an Accusation charging him with Simulating a Motor Vehicle Insurance Identification Card. Thompson admitted that on April 27, 2007, he was in possession of a counterfeit automobile insurance identification card.

State v. Warren Freeland

On March 23, 2009, the court admitted Warren Freeland into the PTI Program conditioned upon performance of 50 hours of community service. Previously, an Essex County Grand Jury returned an Indictment charging Freeland with Simulating a Motor Vehicle Insurance Identification Card and Unsworn Falsification. According to the Indictment, on July 9, 2008, Freeland presented a counterfeit motor vehicle insurance identification card to an inspector at a New Jersey MVC inspection station. The Indictment also alleged that on November 2, 2004, Freeland provided false information on a New Jersey vehicle registration application.

State v. Shante Boykin

On April 21, 2009, an Essex County Grand Jury returned an Indictment charging Shante Boykin with Simulating a Motor Vehicle Insurance Identification Card. According to the Indictment, on September 28, 2007, Boykin presented a counterfeit State Farm Insurance Company motor vehicle insurance identification card to a Newark MVC inspector.

State v. Emmanuel Olla

On August 5, 2009, the court admitted Emmanuel Olla into the PTI Program conditioned upon performance of 50 hours of community service. On May 14, 2009, an Essex County Grand Jury returned an Indictment charging Olla with Simulating a Motor Vehicle Insurance Identification Card. According to the Indictment, on August 29, 2006, Olla presented a counterfeit auto insurance identification card on two separate occasions: to a Newark MVC inspector while having his vehicle inspected and at the scene of an accident.

State v. Riscardo Cruz

On March 9, 2009, the court admitted Riscardo Cruz into the PTI Program conditioned upon performance of 50 hours of community service. Previously, an Essex County Grand Jury returned an Indictment charging Cruz with Simulating a Motor Vehicle Insurance Identification Card. According to the Indictment, on October 11, 2005, Cruz presented a counterfeit motor vehicle insurance identification card to an inspector at a New Jersey MVC inspection station.

Senior Management Assistant Mitzi Toft Gross, Medicaid Fraud Control Unit.

State v. Lawrence Greene

On June 15, 2009, the court admitted Lawrence Greene into the PTI Program conditioned upon performance of 50 hours of community service. Previously, an Essex County Grand Jury returned an Indictment charging Greene with Simulating a Motor Vehicle Insurance Identification Card. According to the Indictment, on November 10, 2005, Greene presented a counterfeit motor vehicle insurance identification card to an inspector at a New Jersey MVC inspection station.

Fraudulent Motor Vehicle Documents

State v. Adewale Adedimeji

On December 9, 2009, Adewale Adedimeji pled guilty to an Accusation charging him with Falsifying Records. Adedimeji is scheduled to be sentenced in 2010.

According to the Accusation, between July 6, 2007, and October 10, 2007, Adedimeji falsified four MVC registration applications for a 1995 Dodge, a 1994 Oldsmobile, a 1993 Ford, and a 2000 Ford, claiming each of the vehicles had appropriate insurance coverage. The Accusation alleged Adedimeji knew the information on the registration applications was false and the vehicles were not insured.

State v. Ivette M. Encarnacion

On January 16, 2009, the court sentenced Ivette M. Encarnacion to five years' probation. Previously, Encarnacion pled guilty to Tampering with Public Records or Information. Encarnacion admitted that between June 13, 2006, and April 30, 2007, she falsely registered four automobiles at three different New Jersey MVC agencies. Encarnacion falsely claimed the automobiles were insured by Allstate Insurance Company. Encarnacion further admitted she planned to sell the four vehicles after they were registered.

Previously, a Monmouth County Grand Jury returned an Indictment charging Encarnacion with Conspiracy and Tampering with Public Records or Information. According to the Indictment, between June 2006 and April 2007, Encarnacion agreed with other persons not identified in the Indictment to falsely register 32 automobiles with the New Jersey MVC, claiming the automobiles were insured by Allstate when, in fact, none of the automobiles were properly insured by any insurance carrier. Encarnacion allegedly registered the cars for undocumented persons.

State v. Steven Hyde

On December 11, 2009, Steven Hyde pled guilty to an Accusation charging him with Tampering with Public Records. Hyde is scheduled for sentencing in 2010.

According to the Accusation, between May 9, 2005, and March 12, 2009, Hyde altered manufacturers' Certificates of Origin for off-road vehicles, including motorcycles, so they could be registered with the New Jersey MVC and used on public streets, roads, or highways. OIFP's investigation revealed these off-road vehicles were not equipped with safety features, such as turn signals, rearview mirrors, and horns, which are required in street-legal vehicles.

Identity Theft

State v. Nazareth Shahinian

On June 12, 2009, the court sentenced Nazareth Shahinian to three years' probation. On April 17, 2009, Shahinian pled guilty to an Accusation charging him with Unauthorized Practice of Law. Between December 26, 2006, and January 23, 2007, Shahinian knowingly engaged in the unauthorized practice of law by submitting to New Jersey Manufacturers Insurance Group (NJM) documents indicating he was the lawyer for certain claimants on their property and personal injury claims arising from a November 2006 automobile accident.

State v. Alif James, et al.

On July 10, 2009, the court sentenced Alif James to three years' probation and ordered him to perform 50 hours of community service. On May 26, 2009, James pled guilty to Theft of Identity.

A Hudson County Grand Jury previously returned an Indictment charging James and Michelle Chappell with Conspiracy, Theft of Identity, and Theft by Deception. The State alleged that between June 25, 2001, and September 27, 2002, James and Chappell conspired to commit identity theft and theft of a car. James obtained a 1998 Honda Accord from the Bob Ciasulli Auto Group utilizing the identity of another person which James wrongfully obtained. The State further alleged Chappell co-signed certain records in connection with the purchase of the Honda, knowing James was using a fictitious identity.

Previously, the court admitted Michelle Chappell into the PTI Program conditioned upon her performance of 50 hours of community service.

State v. Jeremy Sager

In July 2009, the Indictment against Jeremy Sager was dismissed due to the defendant's death. On June 22, 2009, Sager pled guilty to Insurance Fraud. Previously, a Burlington County Grand Jury returned an Indictment charging Sager with Theft of Identity, Theft by Deception, Insurance Fraud, and Falsifying Records. According to the Indictment, between April 2003 and February 2006, Sager, impersonating another man, reported he had been involved in an automobile accident on April 14, 2003; prepared a letter describing the accident; signed an Answer to a civil lawsuit arising out of the auto accident; and signed a Power of Attorney. Sager then submitted all of these documents to NJCURE as part of the auto accident claim. The Indictment alleged that Sager attempted to steal more than $75,000 by falsely impersonating another man in the auto accident claim.

Fraudulent Auto Insurance Applications

State v. Eduardo Garcia

On April 3, 2009, the court sentenced Eduardo Garcia to two years' probation and ordered him to pay $56,000 in restitution. Garcia previously pled guilty to an Accusation charging him with Insurance Fraud. Garcia failed to disclose on his Liberty Mutual automobile insurance application required information that two other persons, Garcia's girlfriend and Garcia's son, resided with him. This requisite information was uncovered when his son and his girlfriend were involved in a fatal automobile accident.

State v. Darryl Miller, et al.

On March 6, 2009, the court sentenced Darryl Miller, a Camden City police officer, to one year' probation, ordered him to forfeit his public employment, and permanently barred him from public employment in New Jersey. Also on March 6, 2009, charges against Miller's co-defendant, Fred Jefferson, were dismissed.

On January 30, 2009, Miller pled guilty to Insurance Fraud. Miller was the co-owner and operator of MJ Transportation Company, LLC, a non-emergency medical transportation business which transported patients from their homes to doctors' offices and other health care sites for diagnostic testing and medical treatments. The Camden County Board of Social Services hired MJ Transportation to transport patients to and from medical treatments.

Between December 1, 2002, and July 31, 2005, Miller defrauded three automobile insurance companies -- New Jersey Manufacturers, Liberty Mutual, and AAA Mid-Atlantic -- by falsely representing in insurance applications,

renewals, and motor vehicle registration documents submitted to the carriers that the 11 vehicles used in the transportation business were for personal use only. By falsely claiming the vehicles were not being used in a commercial enterprise, Miller fraudulently avoided substantially higher premium payments totaling over $125,000.

Previously, a State Grand Jury returned an Indictment charging Miller and Jefferson with Conspiracy, Official Misconduct, Insurance Fraud, and Tampering with Public Records.

Theft by Deception

Operation 745i

On September 18, 2009, the court sentenced Luis Marte to two concurrent terms of 333 days in county jail as a condition of five years' probation. On April 24, 2009, Marte pled guilty to an Accusation charging him with Trafficking in Personal Identifying Information of Another and Theft of Identity. Between August 12, 2008, and October 24, 2008, Marte possessed at least five credit cards which had been digitally altered so that they did not match the account numbers embossed on the face of the cards. The altered magnetic strips contained personal identifying information stolen from five individuals. Marte admitted he possessed these cards with the intent to make purchases which would be billed to the accounts of the cardholders without their knowledge or authorization. Marte was arrested on August 12, 2008, after using one of the unauthorized credit cards to purchase over $600 worth of gasoline.

On June 19, 2009, the court sentenced Carlos DeJesus to five years' probation. On April 27, 2009, DeJesus pled guilty to an Accusation charging him with Trafficking in Personal Identifying Information of Another. On August 12, 2008, DeJesus possessed six credit cards which had been digitally altered so that they did not match the account numbers embossed on the face of the cards. The altered magnetic strips contained personal identifying information stolen from five individuals. DeJesus admitted he possessed these cards with the intent to make purchases which would be billed to the accounts of the cardholders without their knowledge or authorization.

On February 25, 2009, Jose Vazquez was charged in an Accusation with Credit Card Fraud. Also on February 25, 2009, Geury Perez-Brito was charged in an Accusation with Receiving Stolen Property. That same day the court admitted Vazquez and Perez-Brito into the PTI Program conditioned upon each of their performance of 60 hours of community service.

State v. Stacy Perkins

On April 3, 2009, the court sentenced Stacy Perkins to three years' probation and ordered her to pay $17,858 in restitution. On February 10, 2009, Perkins pled guilty to Attempted Theft by Deception. Perkins admitted that between January 9, 2004, and August 10, 2004, Perkins either issued or electronically authorized ten checks totaling $19,435 to Allstate Insurance Company, drawn on several different banks, knowing the accounts were closed. Perkins was attempting to purchase automobile insurance from Allstate valued at approximately $4,500.

Previously, a Gloucester County Grand Jury returned an Indictment charging Perkins with Insurance Fraud, Theft by Deception, Attempted Theft by Deception, and Bad Checks. The Indictment alleged Perkins obtained over $20,000 in services from Public Service Electric & Gas (PSE&G), knowing the checks issued to cover the services would not be honored.

Finally, the Indictment alleged Perkins also obtained over $1,200 in services from Comcast Cable and $950 from Wells Fargo, knowing the checks issued would not be honored.

State v. Frank Vignera

On July 6, 2009, the court admitted Frank Vignera into the PTI Program. On April 13, 2009, a Monmouth County Grand Jury returned an Indictment charging Vignera with Insurance Fraud and Attempted Theft by Deception. According to the Indictment, between November 3, 2007, and November 29, 2007, Vignera filed a fraudulent claim for approximately $60,000 from Wegmans Food Markets, a self-insured entity, by creating the false impression he sustained a personal injury in a Wegmans store. The Indictment alleged Vignera did not sustain a personal injury in Wegmans and, therefore, was not entitled to receive any claims money.

PROPERTY AND CASUALTY INSURANCE FRAUD

Arson

State v. Jeffrey Nemes, et al.

As part of a continuing investigation into a series of arson fires in Mercer County and elsewhere in New Jersey, a State Grand Jury previously returned three separate Indictments against Jeffrey Nemes, a former sergeant in the Hamilton Township, Mercer County, New Jersey, Police Department and the deputy chief of the volunteer White Horse Fire Company.

The first Indictment charged Nemes with Bribery in Official and Political Matters and Conspiracy to Commit Bribery in Official and Political Matters. Following an 11-week jury trial, Nemes was convicted of offering bribes to two Hamilton Township volunteer fire chiefs by offering them money in exchange for them to slow their response time to building fires in order to increase structural damage to homes and commercial buildings. Nemes

Technical Assistant Bonnie L. Griggs, CLASS.

hoped to obtain through his sideline construction and home repair business, Nemes Enterprises, Inc., fraudulently increased property owners' insurance proceeds. The trial court sentenced Nemes to eight years in State prison and ordered him to forfeit all public offices. On October 19, 2009, the Superior Court of New Jersey, Appellate Division, dismissed with prejudice Nemes's appeal from his bribery convictions after Nemes agreed to withdraw his appeal as part of a plea bargain with the State in his other criminal matters.

The second Indictment charged Nemes with Theft by Unlawful Taking stemming from Nemes's theft of insurance claims proceeds through Nemes Enterprises. Nemes obtained the insurance proceeds for the purpose of making repairs to four property owners' commercial and residential buildings, but failed to complete the repairs and restoration work on homes and businesses which were covered by insurance. On March 5, 2009, Nemes pled guilty to Theft by Failure to Make Proper Disposition of Property Received. On September 16, 2009, the court sentenced Nemes to five years' probation and ordered him to pay $74,472 in restitution to the defrauded property owners. Previously, Nemes had been found guilty of Theft by Failure to Make Proper Disposition of Property Received following a jury trial, but the Superior Court of New Jersey, Appellate Division, reversed Nemes's conviction and remanded the case to the trial court for a new trial.

The third Indictment charged Nemes with offering a bribe to John Fiore, the Executive Vice President of the East Windsor, New Jersey, Police Athletic League (PAL). Nemes built an $8,000 deck at Fiore's Washington Township, Mercer County, New Jersey, home at no cost to Fiore. In exchange, Fiore steered a lucrative construction contract to Nemes to build the PAL concession stand and administration building in East Windsor. Nemes overcharged the East Windsor PAL $60,000 for the construction work he did. On March 3, 2009, Nemes pled guilty to Conspiracy and Bribery. On September 15, 2009, the court sentenced Nemes to five years' probation and ordered Nemes to pay $8,000 in restitution to the East Windsor PAL.

On October 13, 2009, the court sentenced Fiore, a retired East Windsor police officer, to three years in State prison and ordered him to pay $8,000 in restitution to the East Windsor PAL. The court also permanently barred Fiore from public employment and barred him from public contract work for five years. The State is appealing Fiore's sentence, because it is illegal for the court to impose a sentence of less than five years in State prison following a conviction for a second-degree offense. The sentencing range for a second-degree offense is from five to ten years in State prison.

On July 30, 2009, Fiore was convicted following an 11-week trial of Conspiracy, Bribery, and Official Misconduct. The jury found that Fiore abused his position as a former officer on the Board of Directors of the East Windsor PAL to award the building contract to Nemes. In return, Nemes built the $8,000 deck, free of charge, at Fiore's home. The State's investigation revealed a conspiracy among Fiore, Nemes, and Marc Rossi to arrange for Nemes Enterprises, Inc., to win the contract and overcharge the East Windsor PAL for the project. Rossi received $5,000 for his role in arranging the deal between Fiore, the East Windsor PAL, and Nemes.

Fraudulent Commercial Property Insurance Claims

State v. John Getchius

On June 11, 2009, John Getchius pled guilty to Insurance Fraud. Previously, a Bergen County Grand Jury returned an Indictment charging Getchius with Insurance Fraud. According to the Indictment, between February 25, 2004, and December 27, 2007, Getchius, a lawyer who was disbarred in 1988 for unrelated reasons, used a variety of aliases and assumed identities to commit insurance fraud involving marine insurance policies. Getchius submitted $64,000 worth of fictitious insurance claims alleging five dinghies, five outboard motors, a life raft, and a marine tender were lost at sea on various dates. As a result of the fraud, Getchius received $25,600 to which he was not entitled. The fraudulent claims were submitted to several insurance companies, including New Hampshire Insurance Company, North American Assurance Company of America, Quadrant Indemnity Insurance Company, Vigilant (Chubb) Insurance Company, and Zurich/Northern Insurance Company of New York.

Fraudulent Certificates of Insurance

State v. Branko Rovcanin

On May 21, 2009, the court sentenced Branko Rovcanin to two years' probation and ordered him to pay $3,500 in restitution. The court also ordered him to perform 75 hours of community service. Rovcanin previously pled guilty to Forgery, admitting that between March 11, 2007, and April 4, 2007, Rovcanin, the owner of Gama-Eta Construction Company, provided a phony Liberty Mutual Agency Markets/Ohio Casualty Group Certificate of Insurance to Ohayon & DeSarno Associates, LLC, with whom Rovcanin contracted for the removal of roofing materials containing asbestos. A Passaic County Grand Jury previously returned an Indictment charging Rovcanin with Forgery.

State v. Claudio Mazzarella

On January 23, 2009, the court admitted Claudio Mazzarella into the PTI Program. Previously, a Bergen County Grand Jury returned an Indictment charging Mazzarella with Forgery. According to the Indictment, on January 30, 2006, Mazzarella presented a phony Selective Insurance Company Certificate of Insurance to Mike's General Contracting for which Mazzarella had contracted to do work.

State v. Gerardo Rodriguez

On April 29, 2009, the court sentenced Gerardo Rodriguez to three years' probation and ordered him to perform 150 hours of community service. On January 23, 2009, Rodriguez pled guilty to an Accusation charging him with Forgery. Rodriguez admitted he presented a phony United National Insurance Company Certificate of Insurance to the City of Newark in support of an application to win a towing contract with the city.

State v. Sherilyn Deininger

On February 17, 2009, Sherilyn Deininger pled guilty to an Accusation charging her with Forgery. According to the Accusation, Deininger presented a phony Cumberland Insurance Company Certificate of Insurance to Daystar Construction, a potential employer.

State v. Richard Reeves

On April 17, 2009, the court sentenced Richard Reeves to 18 months' probation and ordered him to pay a $250 criminal fine. On March 9, 2009, Reeves pled guilty to an Accusation charging him with Forgery. Reeves, a licensed insurance producer, admitted he presented a fraudulently altered Certificate of Insurance to V. Paulius & Associates in connection with a fencing job Reeves's company, R.C.R. Fence Co., was hired to perform. An investigation determined R.C.R. Fence was not insured for the dates listed on the fake certificate.

State v. Erin Calkin

On June 19, 2009, the court admitted Erin Calkin into the PTI Program conditioned

upon her performance of 50 hours of community service. Previously, Calkin was charged in an Accusation with Forgery. According to the Accusation, on September 9, 2008, Calkin presented a phony Travelers Insurance Company Certificate of Insurance on behalf of Cutting Edge Tree & Landscaping.

State v. Tyrone Moore

On September 11, 2009, the court sentenced Tyrone Moore to three years' probation and ordered him to pay a $1,000 civil insurance fraud fine. On July 27, 2009, Moore pled guilty to Forgery, admitting that on July 6, 2007, he presented an altered Selective Insurance Certificate of Insurance to Capital Contractors, Inc. On May 20, 2009, a Gloucester County Grand Jury returned an Indictment charging Moore with Forgery.

State v. Joseph Fleres

On July 31, 2009, the court sentenced Joseph Fleres to one year' probation. On June 11, 2009, Fleres pled guilty to Forgery, admitting he provided a forged Scottsdale Insurance Company Certificate of Insurance to a business with which Fleres's construction company was contracted to do work. A Bergen County Grand Jury previously returned an Indictment charging Fleres with Forgery.

State v. John Von Rhine

On October 23, 2009, the court admitted John Von Rhine into the PTI Program. Previously, Von Rhine was charged in an Accusation with Forgery. According to the Accusation, on December 5, 2007, Von Rhine, the owner of a landscaping business, presented a phony Certificate of Liability Insurance to MLG Realty in order to secure snow removal work.

State v. Joseph Hoffman

On February 26, 2009, the court admitted Joseph Hoffman into the PTI Program. Previously, a Camden County Grand Jury returned an Indictment charging Hoffman with Falsifying Records and Forgery. According to the Indictment, Hoffman provided an altered Cumberland Mutual Fire Insurance Company Certificate of Liability Insurance to Barton's Carpets.

State v. Daliton Marcal

On October 15, 2009, the court sentenced Daliton Marcal to 70 days in county jail with credit for time served. On August 20, 2009, Marcal pled guilty to Forgery. Previously, a Hudson County Grand Jury returned an Indictment charging Marcal with Forgery. Marcal, who was doing business as First March Construction, submitted a phony Certificate of Liability Insurance in connection with construction work being done on Bergenline Avenue in Union City.

Insurance Agent Fraud

State v. Kenneth Choseed

On April 2, 2009, OIFP detectives arrested Kenneth Choseed and charged him with Witness Tampering. Choseed, a public adjuster licensed in the State of New Jersey and the owner of Public Adjusters of New Jersey, Inc., allegedly advised his clients and others not to speak with OIFP detectives regarding an ongoing OIFP insurance fraud investigation into property damage claims. Choseed allegedly sought to interfere with this investigation by repeatedly advising his clients and others not to cooperate with OIFP. Choseed's New Jersey public adjuster license enables him to handle property damage claims on behalf of property owners.

Deputy Chief Counsel Erik Daab, Medicaid Fraud Control Unit.

Insurance Carrier Employee Fraud

State v. Melita Bilali, et al.

On March 27, 2009, the court sentenced Wilson Ruiz to 18 months' probation and ordered him to pay $1,852 in restitution and a $1,500 civil insurance fraud fine. Ruiz previously pled guilty to Theft by Deception, admitting he falsely obtained and negotiated a check for $6,488 from Prudential Insurance Company.

Previously, a State Grand Jury returned an Indictment charging Melita Bilali, Greicy Rodriguez, Ruiz, and Guillermo Rosario with Theft by Deception and Conspiracy. Bilali was also charged with Uttering a Forged Document.

According to the Indictment, between March 18, 2002, and May 1, 2002, Bilali, a customer service representative in Prudential's Disability Management Services Division, diverted funds to herself and the three other defendants. It was charged Bilali accessed Prudential's computer system and diverted five fraudulent claim checks totaling $13,634 to Ruiz, Rodriguez, and Rosario. Ruiz was involved in cashing one of the checks for $6,488.

The court previously sentenced Rosario to two years' probation, and ordered him to pay $3,572 in restitution and a $2,500 civil insurance fraud fine following his guilty plea to Theft by Deception. The case as to the remaining defendants is pending trial.

Insurance Sales Fraud

State v. Kevin McCoy

On March 25, 2009, a Morris County Grand Jury returned a superseding Indictment charging Kevin McCoy with Forgery, Transacting Insurance Business Without a License, and Falsifying Records. Previously, a Morris County Grand Jury returned an Indictment charging McCoy with Forgery and Transacting Insurance Business Without a License. According to both Indictments,

McCoy, whose New Jersey insurance agent's license had expired, applied for employment at the Weichert Insurance Agency, Inc. It was alleged that in support of his application of employment, McCoy presented a forged letter, purportedly from the Department of Banking and Insurance (DOBI), allegedly permitting McCoy to apply for reinstatement of his insurance agent's license. It was further alleged that while employed at Weichert, McCoy sold insurance policies and transacted insurance business in New Jersey without a valid insurance agent's license.

Weapons Offenses

State v. Wilfredo Santiago

On September 23, 2009, a State Grand Jury returned an Indictment charging Wilfredo Santiago with Conspiracy, Unlawful Possession of a Handgun, Unlawful Disposition of a Weapon, Possession of Hollow Point Bullets, and Possession of a Weapon by a Convicted Felon. According to the Indictment, between November 27, 2006, and December 6, 2006, Santiago offered to acquire, possess, and sell handguns to an OIFP undercover detective. The State alleged Santiago sold an Iver Johnson .38 caliber handgun and a Davis Industries P-380 .38 caliber handgun to the undercover detective.

The Indictment alleged Santiago did not have a permit to possess or carry either of the handguns nor was he licensed or registered to sell the handguns. It was also alleged Santiago possessed illegal hollow point bullets.

Finally, according to the Indictment, Santiago had previously been convicted of the crime of Endangering the Welfare of a Child and, as a convicted felon, it was illegal for Santiago to be in possession of any weapons.

HEALTH, LIFE, AND DISABILITY INSURANCE FRAUD

Fraudulent Health Insurance Claims by Health Care Providers

Fraudulent Billing by Dentists

State v. Louisa Correa-Hunter, et al.

On April 24, 2009, the court sentenced Louisa Correa-Hunter to one year' probation and ordered her to pay a $350 criminal fine. Prior to sentencing, Correa-Hunter paid $200,000 in restitution to Delta Dental and also paid a $65,000 civil insurance fraud fine.

On February 24, 2009, Correa-Hunter, a dentist licensed in the State of New Jersey, pled guilty to an Accusation charging her with Theft by Deception. Correa-Hunter admitted that between January 1, 2005, and December 31, 2007, she allowed Adrianna Manzano, an employee at Correa-Hunter's dental practice, to perform teeth cleanings on patients even though Manzano was not licensed to perform them as required by law. Correa-Hunter also admitted she billed Delta Dental for reimbursement for these services, even though they were not reimbursable because they were not performed by a licensed person.

On March 9, 2009, the court admitted Adriana Manzano into the PTI Program. Manzano was previously charged in an Accusation with Theft by Deception.

Fraudulent Billing by Chiropractors

State v. Sean Nisivoccia

On May 12, 2009, an Essex County Grand Jury returned an Indictment charging Sean Nisivoccia with Attempted Theft by Deception, Theft by Deception, and Health Care Claims Fraud. According to the Indictment, between April 2000 and June 2004, Nisivoccia, whose chiropractic license in New Jersey was suspended in 2008, fraudulently billed several insurance companies more than $230,000 by creating the false impression he personally performed nerve conduction studies or nerve conduction velocity (NCV) tests on his patients and was qualified to perform such tests, when, in fact, he did not personally perform these tests, nor was he qualified to perform them. The Indictment alleged Nisivoccia fraudulently received $125,000 from the insurance companies for the NCV tests.

Nisivoccia allegedly submitted the fraudulent claims to New Jersey Manufacturers Insurance Company and its affiliate New Jersey Re-Insurance Company, as well as Liberty Mutual Insurance Company, Ohio Casualty Group, First Trenton Insurance Company, National Continental Insurance Company, Metropolitan Insurance Company, and Allstate New Jersey Insurance Company.

Fraudulent Billing by Other Providers

State v. George Gendy

On January 9, 2009, the court sentenced George Gendy to one year' probation and ordered him to pay a $10,000 civil insurance fraud fine. Gendy previously pled guilty to an Accusation charging him with Theft by Deception. Gendy, a physical therapist licensed in the State of New Jersey, admitted that between August 2005 and March 2006 he fraudulently billed AAA Mid-Atlantic Insurance Company for physical therapy treatments which were not rendered. Gendy admitted he received $1,103 from AAA Mid-Atlantic as a result of the false billings.

State v. Marie G. Scodari

On June 19, 2009, Marie G. Scodari, a social worker licensed in the State of New Jersey, was charged in an Accusation with Theft by Deception. According to the Accusation, between December 13, 2002, and August 5, 2004, Scodari fraudulently collected $6,546 from Magellan Health Services by creating the false impression that claims submitted to Magellan for psychotherapy treatment and services were eligible for reimbursement to Scodari, when, in fact, Scodari knew the psychotherapy treatment and services were performed by another person who did not hold a license to engage in these activities and, therefore, were not eligible for reimbursement.

State v. Princeton Smith

On May 15, 2009, the court sentenced Princeton Smith to two years' probation and ordered him to perform 100 hours of com-

munity service. On March 18, 2009, Smith pled guilty to Attempted Theft by Deception. Smith admitted he falsely claimed that on January 11, 2005, he was a passenger on a bus and was injured when the bus collided with a car. The bus-car accident did occur at the corner of Seventh Street and South Orange Street in Newark, New Jersey, but Smith admitted he was not a passenger on the bus at the time of the accident. The bus was owned and operated by Independent Bus Company (IBC) and the claim was administered by Sedgwick CMS, an insurance claims administrator for IBC. Previously, an Essex County Grand Jury returned an Indictment charging Smith with Health Care Claims Fraud, Theft by Deception, Perjury, and Falsifying or Tampering with Records.

Smith filed a civil lawsuit seeking damages from IBC as a result of the purported accident. It was alleged $4,160 was paid to various medical service providers when Smith sought care from them as a result of the injuries purportedly sustained in the accident.

State v. Andrew Rader, et al.

On November 20, 2009, Andrew Rader pled guilty to an Accusation charging him with Theft by Deception. Rader is scheduled to be sentenced in 2010. According to the Accusation, between October 1, 2007, and February 1, 2008, Rader, the owner of Copcutt & Rader and its successor, Summit CPA Group, fraudulently obtained $23,183 from Horizon Blue Cross Blue Shield of New Jersey by enrolling Rader's sister, Ellen Rader Brick, and others into a small employer health benefits policy through Summit CPA Group. According to the Accusation, Brick and the others were not employees of Summit and, therefore, were not entitled to receive health care benefits.

On November 19, 2009, Rader's sister, Ellen Rader Brick, pled guilty to an Accusation charging her with Theft by Deception. Brick is scheduled to be sentenced in 2010. According to the Accusation, Brick fraudulently obtained $7,194 from Horizon Blue Cross Blue Shield by reinforcing the false impression she was employed at Summit and entitled to receive health care benefits.

On November 19, 2009, an Accusation was filed charging Rader's business partner, Edward Lombard, with Falsifying or Tampering with Records. According to the Accusation, between March 2008 and August 2009, Lombard provided false time sheet records of another person identified as "V.L." in the Accusation, for the purpose of deceiving Horizon Blue Cross Blue Shield into believing "V.L." was an employee of Summit.

State v. James O'Connor, et al.

On June 19, 2009, the court sentenced James O'Connor and his wife Debbie O'Connor to one year' probation and ordered them to pay $49,055 in restitution. On April 27, 2009, James and Debbie O'Connor pled guilty to separate Accusations charging them each with Theft by Deception. The O'Connors admitted that between April 25, 2001, and January 24, 2007, when they were divorced, James O'Connor obtained coverage and filed false health care claims for Debbie O'Connor by representing to James O'Connor's employer, the Board of Education of Hoboken, that they were married when, in fact, they were no longer married.

The O'Connors admitted they caused Oxford Insurance Company, the New Jersey State Health Benefits Program which is administered by Horizon Blue Cross Blue Shield, the Board of Education of Hoboken, Delta Dental Insurance Company, Bollinger Insurance, and Maxor Pharmaceutical Services to pay a total of $49,055 for the medical services rendered to Debbie O'Connor for which she was not entitled. The O'Connors have since remarried.

State v. Trisha Ameno

On July 17, 2009, the court admitted Trisha Ameno into the PTI Program conditioned upon payment of $1,845 in restitution. Previously, Ameno was charged in an Accusation with Theft by Deception. According to the Accusation, between January 27, 2004, and July 9, 2004, Ameno submitted eight fraudulent claims to CIGNA Health Care in the amount of $1,845, by giving the false impression that she and her husband had received medical treatment and services they had not received.

State v. Roberta Wells

On October 22, 2009, a Complaint was filed against Roberta Wells charging her with Health Care Claims Fraud, Theft by Deception, and Forgery for having telephoned in approximately 161 fraudulent prescriptions for controlled dangerous substances which were paid for through a third-party insurer.

Fraudulent Health Care Claims/Identity Theft

State v. Catherine Gassler

On March 13, 2009, the court sentenced Catherine Gassler to five years' probation and ordered her to pay $13,460 in restitution and a $2,500 civil insurance fraud fine. Gassler previously pled guilty to an Accusation charging her with Theft by Deception and Falsifying or Tampering with Records. Gassler admitted that between December 2006 and August 2008, she fraudulently received health insurance benefits from Oxford Health Plans, her ex-husband's health insurance provider, even though she was divorced and no longer entitled to receive the benefits. Gassler provided false information on a Coordination of Benefits form and received approximately $13,460 in health benefits to which she was not entitled.

Deputy Attorney General Cheryl A. Maccaroni, OIFP-Criminal Health, Life, and Disability Section.

State v. David Van Dunk

On September 14, 2009, the court sentenced David Van Dunk to probation conditioned upon his completion of a long-term in-patient drug rehabilitation program and ordered him to pay $12,140 in restitution. On July 20, 2009, Van Dunk pled guilty to Theft by Deception. Between January 24, 2006, and November 8, 2006, Van Dunk falsely used his father's prescription plan to wrongfully obtain prescription medications, including oxycodone, Percocet, morphine sulfate, and Endocet, to which he was not entitled. Connecticut General Life Insurance Company paid various pharmacies a total of $12,140 for the prescription medications. Previously, a Passaic County Grand Jury returned an Indictment charging Van Dunk with Health Care Claims Fraud and Theft by Deception.

Fraudulent Prescription Claims and Drug Diversion

State v. Jeffrey Skuraton

On March 27, 2009, the court sentenced Jeffrey Skuraton to 30 days in county jail as a condition of three years' probation and ordered him to pay $11,579 in restitution and a $15,000 civil insurance fraud fine. On February 20, 2009, Skuraton pled guilty to an Accusation charging him with Theft by Deception. Between August 6, 2005, and November 12, 2005, Skuraton, a pharmacist licensed in the State of New Jersey and employed by Eckerd Pharmacy, fraudulently obtained $11,579 from Eckerd and various insurance carriers by creating approximately 80 phony prescriptions for various medications for himself, members of his family, and friends. Skuraton admitted that the 80 purported prescriptions were invalid because they were not issued by medical doctors and, therefore, the insurance carriers were not responsible to pay for the prescriptions.

State v. Kari Smith

On December 14, 2009, the court admitted Kari Smith into the PTI Program. On March 3, 2009, a Hudson County Grand Jury returned an Indictment charging Smith with Insurance Fraud and Forgery. According to the Indictment, between May 18, 2005, and September 12, 2005, Smith submitted claims to Caremark, Rx, Inc., for invalid prescriptions for Percocet. The Indictment also alleged on six occasions Smith forged prescriptions for Percocet purportedly provided by Dr. Ghassan Khani to two Rite Aid Pharmacies, as well as to Glen Ridge Pharmacy.

State v. Alison Kinlaw

On May 7, 2009, the court sentenced Alison Kinlaw to six months' probation and ordered her to continue drug addiction treatment. Kinlaw paid both $1,500 in restitution and a $2,500 civil insurance fraud fine prior to sentencing. On March 19, 2009, Kinlaw pled guilty to an Accusation charging her with Theft by Deception. Kinlaw, who worked as a physician's assistant at various locations throughout New Jersey, admitted that between January 1, 2005, and July 31, 2007, she falsely represented to Aetna Insurance Company that various doctors had prescribed medications for her. In her position as a physician assistant, Kinlaw telephoned prescriptions into local pharmacies, purportedly on behalf of the physicians by whom she was employed. Kinlaw admitted the physicians had not authorized the prescriptions.

State v. Richard Simone

On October 30, 2009, the court sentenced Richard Simone to one year' probation and ordered him to pay $898 in restitution. On September 17, 2009, Simone pled guilty to Falsifying Records. Simone, a retired State of New Jersey employee, submitted altered invoices to Allstate Insurance Company following an automobile accident falsely reflecting he had paid full price for prescription medication when, in fact, he had paid the less costly out-of-pocket co-pays. Simone's prescription drug coverage was with Horizon Blue Cross Blue Shield of New Jersey, Merck Medco, and Caremark over the past approximately 13 years. These insurance carriers paid for prescription medication, except for out-of-pocket co-pays, for Simone pursuant to his State retirement benefits. Simone sought reimbursement of the full price of the prescription medication from Allstate, instead of the less costly co-pay, even though Merck and Caremark had paid the full price for the prescription medication. Fraudulent claims in the approximate amount of $19,510 were submitted to Allstate.

Previously, a Burlington County Grand Jury returned an Indictment charging Simone with Health Care Claims Fraud, Theft by Deception, Attempted Theft by Deception, Forgery, and Falsifying Records.

State v. Jennifer Dunn

On December 21, 2009, Jennifer Dunn pled guilty to an Accusation charging her with Theft by Deception. According to the Accusation, between July 18, 2003, and February 17, 2008, Dunn attempted to obtain approximately $3,500 in prescription benefits from the plan administered by IBEW Local 164 by submitting 68 fraudulent prescriptions for Tussionex which were not medically authorized.

Insurance Agent Fraud

State v. Justin M. Sciarra, et al.

In the dual matters of *State v. Sciarra, et al.*, State Grand Juries indicted over ten separate professional employer organizations, several corporate officials, one insurance agency, and other individuals with multiple counts of Conspiracy, Racketeering, Insurance Fraud, Theft by Deception, Workers' Compensation Insurance Fraud, Theft by Failure to Make Required Disposition, Money Laundering, and Misconduct by Corporate Officials. The Indictments charged the primary defendants with operating criminal enterprises designed to obtain workers' compensation insurance at below market value through material misrepresentations and omissions. The Indictments also charged the defendants collected insurance premiums from client companies, but failed to procure insurance and issued fraudulent certificates of insurance.

On December 21, 2009, Paul Brown pled guilty to Insurance Fraud. He is scheduled to be sentenced in 2010.

On January 6, 2009, a State Grand Jury returned an Indictment variously charging Justin M. Sciarra, Brown, Paul W. Hopkins, Jr., Hopkins' wife Adrienne Hopkins, Michael Magen, , and William Griffith with Conspiracy, Racketeering, Theft by Failure to Make Required Disposition of Property Received, Theft of Services, Insurance Fraud, Misconduct by a Corporate Official, Money Laundering, Failure to Carry Workers' Compensation Insurance, and Workers' Compensation Insurance Fraud.

Q-Town and TJAX in Audubon, New Jersey, were owned by Sciarra and operated by Brown. Sciarra, Magen, and were the owners and operators of Bay Enterprises, located in Marlton, New Jersey.

Brown, and Griffith are all currently licensed insurance brokers. All the defendants except Griffith owned and/or were involved in the operation of professional employer organizations (PEOs). PEOs are business organizations primarily engaged in providing human resources and personnel functions to client companies.

The Indictment alleged that between June 2003 and September 2007, Sciarra, a former licensed insurance producer, and his co-defendants fraudulently avoided premium payments for workers' compensation insurance they obtained for clients. The defendants allegedly submitted falsified applications for workers' compensation insurance by misrepresenting and omitting information in the applications. These misrepresentations included understating the number of employees leased, the kind of work those employees did, and the number of past injury claims involving the employers, all factors which are relevant to determining the cost of workers' compensation insurance.

The defendants were further charged with failing to turn over money which was provided by clients of the PEOs to pay for insurance premiums. The Indictment alleged that, as a result of the misrepresentations, the defendants committed insurance fraud by avoiding payment of $304,244 in workers' compensation insurance premiums. The defendants are also charged with misappropriating as much as $745,207 from clients of the PEOs by failing to remit the money to the insurance companies.

A second State Grand Jury Indictment, returned on June 20, 2007, was unsealed on January 6, 2009. The Indictment charged Sciarra, Brown, and Paul Hopkins with Conspiracy to Commit Racketeering, Racketeering, Conspiracy, Theft by Failure to Make Required Disposition of Property Received, Theft of Services, Misconduct by a Corporate Official, and Money Laundering. Sciarra and Brown were additionally charged with Workers' Compensation Insurance Fraud, and Sciarra alone was charged with Failure to Carry Workers' Compensation Insurance. Adrienne Hopkins was charged with Conspiracy to Commit Racketeering, Racketeering, Conspiracy, Misconduct by a Corporate Official, and Money Laundering.

Eight corporations were charged in the second Indictment: Sciarra Insurance Agency; AJAX Enterprises (also known as AJAX Leasing, Inc.); AJEX Enterprises, Inc.; UJEX Enterprises, Inc.; Q-Town, Inc.; Homestead Assurance Brokerage; America's PEO, Inc. (also known as America's PEO Holdings, Inc.; also known as Staff America); and PTD Financial, Ltd.

The unsealed Indictment alleged Sciarra, Brown, and the Hopkinses fraudulently obtained workers' compensation insurance through AJAX, AJEX, and the other PEOs between 1996 and 2002. The unsealed Indictment alleged that the named defendants falsified workers' compensation insurance applications, evaded payment of premiums, and failed to remit to the insurers money which had been provided by clients to pay for insurance premiums.

The Indictment also charged Sciarra and AJEX with failing to provide workers' compensation insurance for the employees of clients. Sciarra and AJEX allegedly issued falsified certificates of insurance to their clients to conceal the fact no insurance had been obtained. The defendants also allegedly falsified and withheld material information from auditors to evade full payment of premiums. It was charged the defendants submitted workers' compensation claims with false or misleading information in an effort to get insurance carriers to pay benefits. The defendants allegedly engaged in money laundering to conceal as much as $500,000 of the proceeds obtained from those alleged criminal activities.

State v. Privilege Care Marketing Group, Inc.

On May 29, 2009, the court ordered Privilege Care Marketing Group, Inc., to pay $5,445 in restitution to five health care insurance customers. On April 13, 2009, Privilege Care pled guilty to an Accusation charging it with Theft by Failure to Make Required Disposition. Between November 21, 2003, and May 6, 2004, Privilege Care failed to remit health care insurance premiums received from purchasing customers to the health care insurance companies. As a result, five individuals lost their insurance coverage and were forced to pay out-of-pocket for health care treatments.

Insurance Carrier Employee Fraud

State v. LaShondrea Tucker, et al.

On December 16, 2009, the court sentenced LaShondrea Tucker to five years' probation conditioned upon her serving 364 days in county jail. Tucker was also ordered to pay $59,231 in restitution and to perform 250 hours of community service.

On August 11, 2009, Tucker pled guilty to Insurance Fraud. Tucker admitted to abusing her position as a disability claims manager for Prudential Insurance Company to create fraudulent disability claims using the names and identifiers of persons enrolled in a teachers' disability plan. Between September 2003 and March 2004, Tucker diverted 21 checks and two electronic funds transfers totaling more than $94,100. The diverted checks, which totaled $66,700, were issued in the names of insured individuals.

On December 16, 2009, the court sentenced Louise Fedrick to two years' probation and ordered her to perform 400 hours of community service. On April 8, 2009, Louise Fedrick pled guilty to Forgery.

On July 31, 2009, the court admitted Deborah Ruffin into the PTI Program conditioned upon payment of $9,300 in restitution.

On June 18, 2009, the court admitted Angie Fedrick into the PTI Program conditioned upon payment of a $4,000 civil insurance fraud fine.

On April 8, 2009, Erick Streeter pled guilty to Theft by Deception.

Previously, a State Grand Jury returned an Indictment charging the following:

Tucker was charged with Conspiracy, Insurance Fraud, Theft by Deception, Computer Theft, and Falsifying Records;

Streeter was charged with Conspiracy, Insurance Fraud, and Theft by Deception;

Ruffin was charged with Conspiracy, Theft by Deception, and Uttering a Forged Instrument;

Angie Fedrick was charged with Conspiracy, Theft by Deception, and Uttering a Forged Instrument; and

Louise Fedrick was charged with Conspiracy, Theft by Deception, and Forgery.

According to the Indictment, between September 2003 and March 2004, Tucker, while employed as a disability claims manager for Prudential Insurance Company in Newark, New Jersey, created fraudulent disability claims using names and other identifiers of actual persons enrolled in a teachers' disability plan. Tucker submitted false disability insurance employees' statements and false physicians' statements on these Prudential policyholders, although none had been ill, injured, hospitalized, or otherwise had medical services provided to them.

The State further alleged Tucker diverted 21 checks and two electronic funds transfers totaling over $94,000 to Erick Streeter, who in turn cashed the checks with the assistance of Deborah Ruffin, Louise Fedrick, and Angie Fedrick. It was also alleged Tucker opened an internet bank account with Net Bank and made two electronic funds transfers in the approximate amount of $27,000 which were

subsequently deposited into the Net Bank account representing fraudulent sick pay from Prudential Insurance Company.

State v. Luigi Sacco, et al.

On December 9, 2009, Vincent Scaturro pled guilty to an Accusation charging him with Insurance Fraud. He is scheduled to be sentenced in 2010.

The Accusation charged Scaturro, a Monumental Life Insurance Company employee, with submitting false disbursement request forms purportedly representing the requests of certain life insurance policyholders to claim insurance proceeds from Monumental Life Insurance Company, knowing these requests were false. It is charged that Scaturro retained the insurance policy proceeds for himself.

Fraudulent Workers' Compensation Insurance Claims

State v. Idarberto Ortega

On July 10, 2009, the court admitted Idarberto Ortega into the PTI Program. Previously, Ortega was charged in an Accusation with Theft by Deception. According to the Accusation, between February 23, 2005, and April 1, 2005, Ortega fraudulently collected $2,268 in workers' compensation benefits from New Jersey Manufacturers Insurance Group, claiming he had a work-related back injury when, in fact, Ortega was fit to work and was not entitled to workers' compensation benefits.

Fraudulent Unemployment Insurance Claims

State v. Paul Hadnagy

On January 15, 2009, the court admitted Paul Hadnagy into the PTI Program conditioned upon payment of $3,906 in restitution and performance of 25 hours of community service. Previously, Hadnagy was charged in an Accusation with Theft by Deception. The Accusation alleged that between December 1, 2003, and February 1, 2004, Hadnagy fraudulently collected approximately $3,906 in unemployment insurance benefits when, in fact, he was employed during that time.

Failure to Provide Workers' Compensation Insurance Coverage

State v. David C. Rutler

On July 14, 2009, the court admitted David C. Rutler into the PTI Program conditioned upon his maintaining workers' compensation coverage for his employees. On the same day, Rutler was charged by way of a Complaint with Failure to Provide Workers' Compensation Coverage. The State alleged that beginning on June 28, 2006, Rutler, the owner of Ridgewood Taxi, Inc., and Dispatch Management, LLC, failed to provide workers' compensation insurance for his employees at Ridgewood Taxi and Dispatch Management.

Fraudulent Disability Insurance Claims

State v. Da'Lynn White

On December 11, 2009, Da'Lynn White failed to appear for sentencing and the court issued a bench warrant for her arrest. On August 17, 2009, White pled guilty to Insurance Fraud.

White admitted that between March 15, 2005, and June 19, 2005, she submitted false disability claim forms totaling $4,357 to the New Jersey Department of Labor. White gave the false impression that she and her co-worker were under the care of two doctors who represented that White and the co-worker were disabled. White falsified and forged the two doctors' names on the claim forms in support of the false disability claims. White admitted she reported to the labor department that she was pregnant when, in fact, she was not. White also admitted she falsely claimed her co-worker was injured in an accident on his way to work.

On May 13, 2009, an Atlantic County Grand Jury returned an Indictment charging White with Insurance Fraud, Theft by Deception, Falsifying Records, and Forgery.

The Atlantic County Prosecutor's Office brought a separate Indictment charging White with Theft of Identity. White pled guilty to Theft of Identity on August 17, 2009, admitting she unlawfully obtained bank information of at least seven victims, and used the information to fraudulently obtain duplicate ATM and other bank cards. White admitted she used the fraudulent cards to obtain cash and other items from various retail stores within Atlantic County.

State v. Michael T. Chen

On June 24, 2009, the court admitted Michael T. Chen into the PTI Program conditioned upon payment of a $175,000 civil insurance fraud fine. On April 14, 2009, Chen was charged in an Accusation with Falsifying or Tampering with Records. According to the Accusation, on December 23, 2004, Chen, a physician licensed in the State of New Jersey, falsified an Attending Physician's Report to obtain disability benefits for Michael F. Monica from Jefferson Pilot Financial Insurance Company, knowing the report contained false information. Monica previously pled guilty to Theft by Deception and was sentenced to three years in State prison.

State v. Sarbjit Singh

On September 23, 2009, the court admitted Sarbjit Singh into the PTI Program. Previously, Singh was charged in an Accusation with Attempted Theft by Deception. According to the Accusation, between June 2, 2003, and September 14, 2004, Singh submitted a fraudulent disability claim to the New Jersey Manufacturers Insurance Group by creating the false impression he was not working due to an injury and was therefore entitled to $62,775 in disability payments.

Fraudulent "Slip and Fall" Claims

State v. Elsie Johnson

On April 15, 2009, an Atlantic County Grand Jury returned an Indictment charging Elsie Johnson with Insurance Fraud and Attempted Theft by Deception. According to the Indictment, between May 28, 2005, and July 28, 2007, Johnson submitted a fraudulent personal injury claim with Zurich American Insurance Company, alleging she was injured in Bally's Park Place Casino in Atlantic City when, in fact, no personal injury occurred.

Fraudulent Life Insurance Claims

State v. Ellen Maffei, et al.

On January 2, 2009, the court admitted Ellen Maffei into the PTI Program conditioned upon payment of a $2,500 civil insurance fraud fine. On the same day, the court sentenced Carol Heller to 18 months' probation. Maffei and Heller pled guilty to separate Accusations charging each with Forgery. According to the Accusations, Maffei and Heller forged a death benefits claim to Prudential Insurance Company against their father's life insurance policy. The Accusation also alleged Maffei and Heller forged an Administrative Renunciation and Disclaimer of Interest to the Bergen County Surrogate in reference to their father's estate.

State v. Anthony Myers, Sr.

On January 16, 2009, the court sentenced Anthony Myers, Sr., to three years' probation. Myers previously pled guilty to Insurance Fraud. Between March 21, 2006, and May 10, 2006, Myers attempted to fraudulently obtain a $25,000 life insurance payout from State Farm Insurance Company by claiming his

son had died when, in fact, his son was alive and living in North Carolina. In order to substantiate his fraudulent claim, Myers falsified a Claimant Statement that he submitted to State Farm Insurance Company. Previously, a Morris County Grand Jury returned an Indictment charging Myers with Insurance Fraud, Attempted Theft by Deception, and Falsifying or Tampering with Public Records.

State v. Scott Feeney

On March 27, 2009, a Middlesex County Grand Jury returned an Indictment charging Scott Feeney with Insurance Fraud, Theft by Deception, and Impersonation. According to the Indictment, between September 13, 2007, and October 10, 2007, Feeney misrepresented to Thrivent Financial for Lutherans on three separate occasions that he was his own father in order to obtain approximately $9,000 from the cash value of a life insurance policy issued to his father. The Indictment alleged that on each occasion, Feeney contacted Thrivent and falsely identified himself as his father. It was further alleged that on two of the occasions, Feeney fraudulently arranged for the transfer of funds from his father's account to a PNC Bank account to which Feeney had access.

Fraudulent Health Insurance Applications

State v. Dimitri Matthews

On April 6, 2009, the court admitted Dimitri Matthews into the PTI Program conditioned upon his performance of 40 hours of community service. On the same day, Matthews was charged in an Accusation with Insurance Fraud. The Accusation alleged that between April 1, 2006, and April 1, 2007, Matthews made fraudulent statements on a health insurance application to Horizon Blue Cross Blue Shield.

State v. Donna Del Vecchio

On July 14, 2009, the court admitted Donna Del Vecchio into the PTI Program conditioned upon payment of a $2,500 civil insurance fraud fine. Previously, Del Vecchio was charged in an Accusation with Theft by Deception. According to the Accusation, between January 23, 2003, and May 25, 2004, Del Vecchio, an employee of L.S. Mechanical Corp., submitted a fraudulent enrollment application for Carol Schaefer to Oxford Health Plans claiming Schaefer was also an employee of L.S. Mechanical, when, in fact, Schaefer was not employed. Fraudulent claims totaling $8,522 were submitted to Oxford on Schaefer's behalf.

MEDICAID FRAUD

Drug Diversion and Fraudulent Prescription Claims

Operation MedScam

On October 19 and 20, 2009, 13 people, including doctors and pharmacists, were arrested in the takedown of a major Hudson County criminal narcotics network responsible for the illegal black market distribution of thousands of prescription pain pills, such as OxyContin and Percocet. Both OxyContin and Percocet are classified as Schedule II narcotics. The arrests were the result of a year-long joint investigation by OIFP's Medicaid Fraud Control Unit (MFCU) and the Jersey City Police Department's Special Investigation Unit. The ongoing investigation uncovered a criminal network which obtained fraudulent narcotics prescriptions from doctors and filled them at various pharmacies. Medicaid and private insurers were fraudulently billed for phony prescriptions and unnecessary doctor visits.

The rings allegedly distributed the prescription pain pills throughout Hudson, Bergen, Ocean, Morris, and Monmouth Counties in New Jersey. A single 30 milligram OxyContin pill, known as a "blue," typically sells for $10 to $20 on the street, and a 10 milligram Percocet pill sells for $5 to $8 on the street.

The arrests included the three alleged ringleaders:

Robert Silverman was charged with Distribution of a Controlled Dangerous Substance (CDS) Within 500 Feet of Certain Public Property and Distribution of CDS;

Louis Lisi was charged with Distribution of CDS Within 500 Feet of Certain Public Property, Distribution of CDS, and Endangering the Welfare of a Child; and

Brian Kelly was charged with Distribution of CDS Within 500 Feet of Certain Public Property, Distribution of CDS, and Distribution of CDS Near or On School Property.

Silverman allegedly ran his own drug distribution ring, while Lisi and Kelly allegedly worked together. The rings allegedly used the same pharmacists to obtain narcotics and at least one of the same doctors to write prescriptions. Silverman, Lisi, and Kelly sometimes supplied each other with pills. During the arrests, more than 1,000 pills were recovered from the individuals and locations searched.

OIFP detectives and Jersey City police officers executed search warrants at the homes of Silverman and Lisi. Bank accounts containing more than $1 million were seized as alleged proceeds of the accuseds' criminal activities. In addition, approximately $7,000 in cash was seized from Lisi's person and his house, along with several falsely labeled prescription bottles, a quantity of OxyContin pills, and several fraudulent prescriptions for narcotics. Another $8,000 was seized from a safe deposit box in Lisi's name. Approximately $20,000 was seized at Silverman's house, along with crack cocaine, a quantity of OxyContin pills, and several falsely labeled prescription bottles.

Silverman, Lisi, and Kelly allegedly paid Medicaid beneficiaries to obtain fake prescriptions for painkillers and other drugs from two doctors who were both arrested:

whose medical practice is at 550 Newark Avenue, Jersey City, New Jersey, was charged with Distribution of CDS, Health Care Claims Fraud, and Medicaid Fraud; and

Magdy Elamir, whose medical practice is at 550 Summit Avenue, Jersey City, was charged with Distribution of CDS, Health Care Claims Fraud, and Medicaid Fraud.

and Elamir allegedly wrote prescriptions for Medicaid beneficiaries in exchange for cash or the ability to bill Medicaid, without establishing medical need or requiring a medical examination. demanded $75 per visit, while Elamir allegedly demanded $50 per visit. In other instances, the doctors allegedly wrote prescriptions for narcotics based only on names provided to them by the ringleaders.

The Medicaid beneficiaries would request prescriptions for narcotics, as well as non-narcotic medications, including high-priced maintenance drugs, such as asthma or allergy medications. The doctors allegedly wrote both the narcotic and non-narcotic prescriptions. The Medicaid beneficiaries took the prescriptions to the pharmacies to obtain the narcotics, or in some instances, Silverman or other ring members obtained the narcotics themselves.

Two pharmacists were also arrested:

the pharmacist-in-charge at Tucker Drugs, located at 1000 Washington Street, Hoboken, New Jersey, was charged with Health Care Claims Fraud and Medicaid Fraud; and

Amir Tadros, the pharmacist-in-charge at Five Corners Pharmacy, located at 591 Summit Avenue, Jersey City, was charged with Health Care Claims Fraud and Medicaid Fraud.

and Tadros allegedly filled fraudulent narcotics prescriptions for the criminal network. They allegedly demanded cash for the narcotics to avoid closely-monitored billing by Medicaid or private insurers. The pharmacists allegedly provided the painkillers at a discount or at no charge when they were given additional prescriptions for non-narcotic medicines, such as the high-priced asthma medication Advair. The pharmacists allegedly billed Medicaid and private insurers for the non-narcotic prescriptions without ever dispensing these medications.

Six other individuals were arrested as alleged street-level distributors for the narcotics rings:

On November 9, 2009, Kenneth Maglione pled guilty to an Accusation charging him with Distribution of CDS Near or On School Property, Distribution of CDS, and Distribution of CDS Within 500 Feet of Certain Public Property. Maglione is scheduled to be sentenced in 2010. According to the Accusation, on August 6, 2009, Maglione distributed Percocet within 1,000 feet of St. Paul of the Cross School in Jersey City. The Accusation also charged that Maglione distributed Percocet while within 500 feet of River View-Fisk Park, a Jersey City public park.

Joseph Burkhardt was charged with Distribution of CDS Within 500 Feet of Certain Public Property, Distribution of CDS, and Distribution of CDS Near or On School Property;

Michele J. Oliver was charged with Conspiracy to Distribute CDS;

John Bussanich was charged with Possession of CDS with Intent to Distribute;

Danny Reed was charged with Conspiracy to Distribute CDS;

Marty Taraboccia was charged with Possession of CDS with Intent to Distribute; and

Jack Kennedy was charged with Distribution of CDS Within 500 Feet of Certain Public Property, Distribution of CDS, and Distribution of CDS Near or On School Property.

State v. Bipin Parikh

On November 9, 2009, Bipin Parikh, a physician licensed in the State of New Jersey, pled guilty to an Accusation charging him with Health Care Claims Fraud and Distribution of a Controlled Dangerous Substance. Parikh is scheduled to be sentenced in 2010.

According to the Accusation, between January 1, 2004, and March 1, 2008, Parikh sold medically-unnecessary prescriptions for controlled dangerous substances to Medicaid recipients. These prescriptions were fraudulently billed to the Medicaid program. The Accusation also charged that Parikh sold prescriptions for Percocet, a Schedule II narcotic, to undercover police officers.

State v. John Meo, et al.

On May 27, 2009, the court sentenced John Meo, a pharmacist licensed in the State of New Jersey, to three years' probation and ordered him to pay $500,000 in restitution. Meo pled guilty to an Accusation charging him with Medicaid Fraud, admitting that he falsely submitted pharmacy claims to the Medicaid program for medications he had not actually dispensed to pharmacy customers.

Previously, the court admitted Joan Arce into the PTI Program conditioned upon performance of 50 hours of community service. A separate Accusation was filed charging Arce with Medicaid Fraud. According to the Accusation, Arce, an employee of Meo's, submitted claims for payment to the Medicaid program for dispensing medication at the pharmacy when, in fact, no medication was dispensed.

State v. Victory Pharmacy, et al.

On March 30, 2009, the court sentenced Twumasi Ampofo, a pharmacist licensed in the State of New Jersey and owner of Victory Pharmacy, Inc., in Irvington, New Jersey, to five years' probation and ordered him to pay $10,387 in restitution and a $25,000 criminal fine. Ampofo pled guilty to Health Care Claims Fraud.

Previously, a State Grand Jury returned an Indictment charging Ampofo; Charles O. Manu, an employee of Victory Pharmacy; and Victory Pharmacy, Inc., incorporated as Premier Health Services, Inc., with Health Care Claims Fraud and Medicaid Fraud. According to the Indictment, between July 19, 2007, and October 24, 2007, Victory Pharmacy, Ampofo, and Manu paid cash to Medicaid beneficiaries in return for prescriptions, and then billed the Medicaid program approximately $11,323 for the prescriptions which were never filled.

Operation PharmScam

OIFP's Medicaid Fraud Control Unit continued its investigation of several pharmacies, pharmacists, pharmacy employees, and other persons allegedly submitting false prescription claims to the Medicaid program. OIFP's investigation uncovered a scheme in which prescriptions were obtained from physicians by various Medicaid beneficiaries who would bring the prescriptions to certain pharmacies where a pharmacist or

pharmacy employee would "buy back" the prescriptions from the Medicaid recipients for nominal amounts, rather than dispense the prescribed medications. The pharmacist would then bill the Medicaid program as if the prescriptions had been filled and the prescribed medications had been provided to the Medicaid patients. Prescriptions bought for nominal amounts were billed to Medicaid for thousands of dollars and the total fraud is estimated to exceed $2 million.

On October 26, 2009, a State Grand Jury returned an Indictment charging ten individuals or corporate entities, including four pharmacists, three pharmacy technicians, and three pharmacies, with Conspiracy, Health Care Claims Fraud, and Medicaid Fraud. One of the pharmacists, Calvin Osei, was also charged in the same Indictment with Filing False State Income Tax Returns.

State v. Ampere Pharmacy

State v. MLK Pharmacy

State v. Orange Drugs

State v. Pharmacy of America

State v. Samaritan Medical

State v. Victory Pharmacy

The three pharmacies indicted were:

Pricus, Inc., doing business as Campus Pharmacy, located at 20 Hoyt Street in Newark, New Jersey;

Orange Drugs, located at 261 Orange Street in Newark; and

Ajari, Inc., doing business as Harrison Pharmacy, located at 634 Martin Luther King Boulevard in Newark.

The four pharmacists indicted were:

Nadeem Akhtar, a pharmacist at Orange Drugs and husband of the owner;

Omar Mohammed, a pharmacist at Orange Drugs and son of the owner;

Calvin Osei, pharmacist-in-charge at Campus Pharmacy; and

, the owner of Harrison Pharmacy.

The three pharmacy technicians indicted were:

Jannah Rasheedah Amatul Muid, a pharmacy technician at Pharmacy of America in East Orange, New Jersey;

Shivonne Forde, a pharmacy technician at Pharmacy of America in East Orange; and

Alicia Stephens, a pharmacy technician at Pharmacy of America in East Orange.

The tenth defendant, Samina Nadeem, who is the owner of Orange Drugs, was also named in the Indictment and charged with Witness Tampering for allegedly confronting a witness in the case and telling her to change her statements and lie to investigators. Samina Nadeem is not named in any of the other charges.

Other developments during 2009 in *Operation PharmScam* include the following:

On November 9, 2009, the court sentenced Shahid Mahmood to three years in State prison and ordered him to pay $300,000 in fines and restitution. On June 11, 2009, Mahmood pled guilty to an Accusation charging him with Health Care Claims Fraud. Mahmood admitted that MLK and Ampere Pharmacies in East Orange fraudulently billed Medicaid for hundreds of thousands of dollars between January 2005 and October 2007 by submitting fictitious bills to the Medicaid program claiming MLK Pharmacy dispensed HIV/AIDS medicines and other prescription drugs to customers, when in reality the drugs were never dispensed.

On September 23, 2009, Herbert Brandt, a pharmacist licensed in the State of New Jersey, and his son Douglas Brandt each pled guilty to Accusations charging each with Health Care Claims Fraud and Witness Tampering. Both father and son are scheduled to be sentenced in 2010. According to the Accusation, Herbert Brandt and Douglas Brandt, through Pharmacy of America, submitted approximately 2,986 fraudulent claims totaling $741,842 to the Medicaid program and various private insurance carriers. The submitted claims falsely represented that the prescription medicines had been dispensed to Medicaid recipients. Douglas Brandt was also charged with attempting to coerce a witness, John Meo, to withhold testimony.

On July 1, 2009, the court sentenced Jeffrey Brandt to 270 days in county jail as a condition of three years' probation. Brandt, an employee of Pharmacy of America, previously pled guilty to an Accusation charging him with Possession of a Controlled Dangerous Substance (CDS). Brandt admitted that between June 15, 2007, and July 13, 2007, he was in possession of methadone, a Schedule II CDS, without a valid prescription.

On June 17, 2009, the court sentenced John Borges to three years in State prison and ordered him to pay fines, restitution, and forfeiture in the total amount of $762,000. Previously, Borges, a co-owner of MLK and Ampere Pharmacies, pled guilty to an Accusation charging him with Health Care Claims Fraud and Filing a False or Fraudulent State Income Tax Return. Borges admitted that between January 2005 and October 2007, he fraudulently submitted bills to Medicaid for HIV/AIDS drugs that were never dispensed. Borges purchased prescriptions from Medicaid participants for a small fraction of the cost of the drug prescribed and, in turn, billed Medicaid thousands of dollars without dispensing the drugs. Additionally, Borges caused fraudulent personal income tax returns to be submitted to the New Jersey Division of Taxation for tax years ending in 2004 through 2006.

On May 29, 2009, the court admitted Jovy Carino into the PTI Program conditioned upon performance of 50 hours of community service. On April 14, 2009, Carino was charged in a Complaint with Health Care Claims Fraud and Medicaid Fraud. According to the Complaint, between October 1, 2007, and January 24, 2008, Carino, a pharmacy technician at Orange Drugs in Newark, billed the Medicaid program and various private insurance carriers for prescription drugs purportedly dispensed to Medicaid beneficiaries when, in fact, the prescription drugs were not dispensed.

Earlier developments in *Operation PharmScam* include:

Bryan X. Chandler (also known as Dr. X) previously pled guilty to Health Care Claims Fraud and is scheduled to be sentenced in 2010. The State alleged that Chandler, the owner of Samaritan Medical Clinic, recruited beneficiaries to come to his clinic so that multiple prescriptions could be written in each beneficiary's name and sold to pharmacies, including Pharmacy of America and Orange Drugs. Those pharmacies allegedly billed Medicaid for the medicines without dispensing them to the named beneficiaries.

Abdul Bari, a co-owner of MLK and Ampere Pharmacies, was previously sentenced to three years in State prison and ordered to pay approximately $500,000 in fines. Bari pled guilty to an Accusation charging him with Health Care Claims Fraud and Filing a False or Fraudulent State Income Tax Return. Bari admitted that between January 2005 and October 2007, he fraudulently submitted bills to Medicaid for HIV/AIDS drugs that were

never dispensed. Bari purchased prescriptions from Medicaid participants for a small fraction of the cost of the drugs prescribed and, in turn, billed Medicaid thousands of dollars without dispensing the drugs. Additionally, Bari caused fraudulent personal income tax returns to be submitted to the New Jersey Division of Taxation for tax years ending in 2004 through 2006.

Edward Kinder was previously sentenced to 91 days in county jail. Kinder pled guilty to an Accusation charging him with Conspiracy to Commit Medicaid Fraud and admitted to selling his prescription forms to agents of Pharmacy of America.

Linda Whiteside was previously sentenced to 12 months' probation. Whiteside pled guilty to an Accusation charging her with Conspiracy to Commit Medicaid Fraud, admitting that she sold her prescription forms to agents of Pharmacy of America.

Steven Collazo was previously sentenced to three years' probation. Collazo pled guilty to an Accusation charging him with Conspiracy to Commit Medicaid Fraud and admitted to selling his prescription forms to agents of Pharmacy of America.

Ingrid Thomas was previously sentenced to three years' probation. Thomas pled guilty to an Accusation charging her with Conspiracy to Commit Medicaid Fraud. Thomas admitted to selling her prescription forms to agents of Pharmacy of America.

Clifton Daniels was previously sentenced to three years' probation with credit for 67 days served in county jail. Daniels pled guilty to an Accusation charging him with Conspiracy to Commit Medicaid Fraud. Daniels admitted to selling his prescription forms to agents of Pharmacy of America.

Bonita Clark was previously sentenced to two years' probation. Clark pled guilty to an Accusation charging her with Conspiracy to Commit Medicaid Fraud. Clark admitted to selling her prescription forms to agents of Pharmacy of America.

State v. Paola D'Ottavio, et al.

On August 7, 2009, the court sentenced Paola D'Ottavio to eight years in State prison and ordered her to pay $19,534 in restitution to the Medicaid program and $4,290 in restitution to Caremark/Advance PCS.

On May 19, 2009, following a ten-day jury trial, D'Ottavio, a pharmacist licensed in the State of New Jersey, was found guilty of Health Care Claims Fraud, Distribution of a Controlled Dangerous Substance (CDS), and Medicaid Fraud. The jury found that between January 2004 and June 2005, D'Ottavio created phony telephone prescriptions for hydrocodone tablets at the pharmacy where she worked and wrote the prescriptions in the names of actual pharmacy customers with prescription benefits through Medicaid or private health insurance plans. D'Ottavio submitted false claims for the drugs to Caremark/Advance PCS and Medicaid, as well as to private pay prescription insurance companies and pharmacy benefit managers, although the drugs had not been legitimately prescribed by physicians for the people named on the prescriptions.

D'Ottavio provided the fraudulently prescribed hydrocodone tablets to at least two of her friends, Terry Gatto and Vicki Guld, whom D'Ottavio knew were not legitimate customers of the pharmacy. Gatto and Guld sold the drugs on the street and split the profits with D'Ottavio.

On June 5, 2009, the court sentenced Terry Gatto to one year' probation. Gatto previously pled guilty to an Accusation charging her with Theft by Deception. Gatto admitted that between November 2002 and November 2004, she used her prescription drug plan, Advance PCS, to fill prescriptions at D'Ottavio's pharmacy for two addictive narcotics, OxyContin and hydrocodone, which were not prescribed by doctors or were for patients who did not exist. After D'Ottavio filled the prescriptions, Gatto picked up the prescriptions at D'Ottavio's pharmacy using her Advance PCS prescription insurance. Gatto then resold the narcotics for $350 per vial. Gatto split the proceeds of the illegal sales with D'Ottavio who received between $1,400 and $1,500 for eight vials of narcotics.

On May 29, 2009, the court sentenced Vicki Guld to three years' probation. Guld previously pled guilty to an Accusation charging her with Possession of CDS. Guld admitted that she picked up hydrocodone from D'Ottavio without a valid prescription.

State v. Charles Jyamfi, et al.

On October 30, 2009, Pedro Diaz pled guilty to Fencing and Conspiracy. Diaz is scheduled to be sentenced in 2010. The State alleged that Diaz and Aiad Saman supplied stolen prescription drugs to Charles Jyamfi, a licensed pharmacist in the State of New Jersey, in exchange for cash payments. Diaz knew that Jyamfi was selling and dispensing these prescription drugs to the public. Diaz profited from the illegal transactions.

Previously, a State Grand Jury returned an Indictment variously charging Diaz, Saman, and Jyamfi with Money Laundering, Conspiracy, Racketeering, Receiving Stolen Property, and Fencing. Saman was also charged with Perjury.

Jyamfi operated the now defunct Ojah Pharmacy in East Orange, New Jersey. According to the Indictment, Jyamfi, assisted by Saman, Diaz, and others, operated Ojah Pharmacy as a RICO criminal enterprise. The Indictment alleged that Jyamfi routinely purchased stolen prescription medication and loose pills from Saman and Diaz, and improperly packaged and labeled the stolen drugs. The Indictment further alleged that Jyamfi was aided in purchasing stolen medication by former employees of Ojah Pharmacy. Verona Boodram and Alpha Bangoura, the two former employees, were previously convicted at trial.

The State also alleged that Jyamfi stocked his pharmacy with the stolen drugs and medications and then improperly sold them to the general public, including persons covered for health insurance benefits under the Medicaid program. Improperly packaged and labeled medication creates two substantial risks to the purchaser: one, the medication may be beyond its expiration date, and, two, the medication may be dispensed in the incorrect dosage. The State alleged the stolen medication was valued in excess of $2 million.

Saman, a pharmacist licensed in the State of New Jersey, was previously sentenced to five years in State prison. Saman pled guilty to Perjury, Conspiracy to Commit Fencing, and Conspiracy to Receive Stolen Property.

Fraudulent Billing by Health Care Providers

Fraudulent Billing by Physicians

State v. Frederic Feit

On April 2, 2009, the court sentenced Frederic Feit, a physician licensed in the State of New Jersey, to five years' probation and ordered him to pay $578,978 in restitution and a $15,000 criminal fine. Feit, who owned and operated Modern Pain Therapy, located in Freehold, New Jersey, previously pled guilty to Theft by Deception, admitting that between January 1,1996, and December 31, 2004, he knowingly submitted thousands of false claims totaling just under $590,000 to the New Jersey Medicare Program, Aetna

Insurance Company, and Horizon Blue Cross Blue Shield by routinely billing for expensive paraspinal nerve block injections requiring fluoroscopic guidance when, in fact, Feit administered far less costly and far less invasive intramuscular injections without the benefit of fluoroscopic guidance, a practice sometimes referred to as "upcoding." A State Grand Jury earlier returned an Indictment charging Feit with Health Care Claims Fraud and Theft by Deception.

State v. Khashayar Salartash, et al.

On July 13, 2009, a State Grand Jury returned an Indictment variously charging Khashayar Salartash, a physician licensed in the State of New Jersey, his office manager Farah Iranipour Houtan, and the treatment center owned by Salartash, The Center for Lymphatic Disorders, LLC, with Conspiracy, Health Care Claims Fraud, and Medicaid Fraud. Salartash and Houtan were also charged with Misconduct by a Corporate Official. Salartash operated The Center for Lymphatic Disorders in Egg Harbor Township, New Jersey, and four other offices in southern New Jersey. The centers treated patients with lymphedema, which is blockage of the lymph vessels causing accumulation of fluid and swelling of the arms or legs, and occasionally other parts of the body.

According to the Indictment, between August 2002 and June 2007, Salartash and Houtan billed Medicare, Medicaid, and private insurers for services that were not provided as claimed. As a result of alleged fraudulent billing, The Center for Lymphatic Disorders was overpaid by more than $8.56 million, including $593,363 by Medicaid, $4,703,935 by Medicare, and $3,267,324 by private carriers.

The defendants allegedly submitted claims as though Salartash had either personally provided services or directly supervised licensed personnel who rendered services. In fact, services were performed by a physical therapist, a licensed practical nurse, or a massage therapist, with essentially no medical supervision.

In addition, Salartash and Houtan allegedly billed for surgery when only physical therapy services were rendered. Salartash allegedly represented in some claims that services were performed in an outpatient hospital facility, when the procedures were performed in a doctor's office.

In order to support the claims, Salartash allegedly certified that the services provided were medically necessary, even though the services were provided for a time period far in excess of what is normal and customary for lymphedema therapy. A normal course of treatment for lymphedema is four weeks, or in very complex cases, eight to 12 weeks. An auditor for the Medicaid program determined, however, that most patients of The Center for Lymphatic Disorders were treated for between 18 months and three years.

Salartash and Houtan allegedly added inappropriate modifiers to billing codes to bill for multiple procedures within a short amount of time, and made written and verbal misrepresentations to Medicare, Medicaid, and private insurance carriers in order to support claims for payment.

Fraudulent Billing by Dentists

State v. New Jersey Mobile Dental Practice, P.A.

On March 10, 2009, OIFP's Medicaid Fraud Control Unit (MFCU) executed a search warrant at the office of New Jersey Mobile Dental Practice, P.A., located at 24 Merchants Way in Colts Neck, New Jersey, and charged ten dentists with Medicaid Fraud, Falsification of Records, and Health Care Claims Fraud. New Jersey Mobile Dental contracts with individual dentists to provide "mobile" dental services in various nursing homes and assisted living facilities throughout New Jersey. The Medicaid program allegedly paid New Jersey Mobile Dental more than $1.3 million to which it was not entitled as the result of fraudulent billing.

This investigation began through the observations of an MFCU auditor who noticed a high number of transportation claims for dental care while reviewing claims for nursing home residents. Further review revealed a pattern of billing codes for dental care by the dentists of New Jersey Mobile Dental Practice, P.A., including a significant number of dental procedures which would be very difficult to accomplish in a single day.

Based upon extensive undercover operations at several nursing homes, interviews of beneficiaries, and review of Medicaid claims, OIFP found significant evidence that dentists employed by New Jersey Mobile Dental Practice were padding their claims and billing for services not rendered. Dentists were observed arriving at nursing homes and providing minimal dental care, which often consisted of no more than wiping the teeth with a rubber gloved finger, and allegedly billing for extensive dental treatment. In some instances, dentists allegedly billed for root planing and scaling, an invasive and time-consuming procedure, even though they did not see the patient. In other instances, dentists allegedly billed for dental treatments and additional behavioral management fees, although they spent as little as a minute with each patient and did not use or carry any dental instruments. In one instance, a dentist allegedly spent only seven seconds with a patient.

On December 14, 2009, Anna Padva-German, a dentist licensed in the State of New Jersey, pled guilty to an Accusation charging her with Medicaid Fraud. Padva-German is scheduled to be sentenced in 2010. According to the Accusation, between January 1, 2003, and March 6, 2003, Padva-German willfully received medical assistance payments as a Medicaid provider in an amount greater than that to which she was entitled. As a result of the fraudulent billing, Medicaid paid New Jersey Mobile Dental, which had used Padva-German's Medicaid provider number, over $200,000 to which it was not entitled.

On August 25, 2009, Marc Wertheim, an employee of New Jersey Mobile Dental, pled guilty to an Accusation charging him with Medicaid Fraud. According to the Accusation, between January 1, 2003, and March 6, 2009, Wertheim, a Medicaid provider, willfully received medical assistance payments in an amount greater than that to which he was entitled. The investigation revealed that as a result of the allegedly fraudulent billing, Medicaid paid New Jersey Mobile Dental, which had used Wertheim's Medicaid provider number, almost $750,000 to which it was not entitled.

On July 30, 2009, Christopher Thomas Lillo, a dentist licensed in the State of New Jersey, pled guilty to an Accusation charging him with Medicaid Fraud. According to the Accusation, between January 1, 2003, and March 6, 2009, Lillo, a Medicaid provider, willfully received medical assistance payments in an amount greater than that to which he was entitled. The investigation revealed that as a result of the fraudulent billing, Medicaid allegedly paid New Jersey Mobile Dental, which had used Lillo's Medicaid provider number, over $300,000 to which it was not entitled.

On July 17, 2009, Joshua Prensky, a dentist licensed in the State of New Jersey, pled guilty to an Accusation charging him with Conspir-

acy to Commit Medicaid Fraud. According to the Accusation, between January 1, 2007, and March 6, 2009, Prensky, an employee of New Jersey Mobile Dental, and others not named in the Accusation completed consult forms and submitted bills to the Medicaid program falsely claiming that various dental procedures and services were provided to Medicaid patients which, in fact, were not provided. The investigation determined that as a result of the fraudulent billing, Medicaid allegedly paid New Jersey Mobile Dental nearly $100,000 to which it was not entitled.

State v. Marc Weber, et al.

On June 11, 2009, a State Grand Jury returned an Indictment variously charging Marc Weber, a dentist licensed in the State of New Jersey, his office manager Jennifer Barbers, and Weber's dental practice Whitehouse Dental Office, P.A., with Conspiracy, Health Care Claims Fraud, Medicaid Fraud, Theft by Deception, Theft by Unlawful Taking, and Theft of Identity. According to the Indictment, between January 1, 2004, and June 30, 2008, Weber and Barbers regularly instructed another employee who handled the billing at the dental practice to submit to the Medicaid program claims for pre-approved work prior to the completion of the pre-approved work. It is also alleged that Barbers instructed the same employee to submit claims to the Medicaid program for a patient's entire treatment plan on the patient's first office visit, even if the patient did not return to the office to complete the treatment. The Indictment also alleged that Barbers instructed an employee to bill the Medicaid program for crowns and dentures on the patient's initial visit rather than when the work was completed.

The Indictment also alleged that Barbers convinced patients to take out loans from specific loan providers even if the procedures were covered by insurance, processed the loans without the patients' authorization, and collected payments from the loan providers even if the patients decided not to have the dental work performed, leaving the patients responsible for paying back the loans. According to the Indictment, Barbers obtained the identifying information of three patients from the loan applications and assumed the identity of those patients in order to obtain the proceeds of the loans. It is alleged that Weber, Barbers, and the dental practice fraudulently collected almost $30,000 from the proceeds of these loans.

Fraudulent Billing by Medical Transport Providers

State v. K&T Medical Transportation

On November 16, 2009, the court sentenced Antoinette Weems to five years' probation and ordered her to pay $4,500 in restitution and perform 250 hours of community service.

On October 30, 2009, the court sentenced Rodney Smith to five years' probation and ordered him to perform 125 hours of community service.

On September 25, 2009, Weems and Smith each pled guilty to separate Accusations charging them each with Medicaid Fraud. The Medicaid program provides transportation services to and from doctors' offices, hospitals, and other medical providers. Between August 1, 2005, and July 11, 2006, Weems, the owner of K&T Medical Transportation (K&T), knowingly inflated mileage for transportation services provided by K&T to Medicaid beneficiaries in the amount of $235,583. Under Weems's direction, Smith, a driver for K&T, provided false mileage information on his Transportation Certifications and submitted them to his employer.

State v. Dwayne Smith

On November 9, 2009, the Superior Court of New Jersey, Appellate Division, upheld Dwayne Smith's conviction for Health Care Claims Fraud and sentence to two years' probation. In 2007, Smith was found guilty following a five-day jury trial of Health Care Claims Fraud. Smith and his corporation, Smith & Williams Transportation Corp., fraudulently billed the Medicaid program for transportation of Medicaid patients. The Appellate Court remanded the matter to the trial court for the sole purpose of determining the exact dollar amount of fraud.

Fraudulent Billing by Counseling Services

State v. Anthony Younger

On January 23, 2009, the court admitted Anthony Younger into the PTI Program conditioned upon payment of $3,432 in restitution. Younger previously pled guilty to an Accusation charging him with Medicaid Fraud. According to the Accusation, Younger, an employee of Maxim Healthcare Services, submitted falsified time sheets to his employer, claiming that he provided behavioral health care services to Medicaid beneficiaries when, in fact, the services were not provided.

State v. Laquinna Bethel

On February 23, 2009, the court admitted Laquinna Bethel into the PTI Program conditioned upon payment of $478 in restitution and performance of 50 hours of community service. Bethel pled guilty to an Accusation charging her with Medicaid Fraud. According to the Accusation, Bethel, a behavioral counselor at Innovative Solutions Inspirational Services, submitted four falsified time sheets to her employer reflecting that she had performed hourly behavioral services for Medicaid beneficiaries that she had not actually provided.

State v. Mark Darby

On September 16, 2009, Mark Darby pled guilty to Medicaid Fraud. Darby is scheduled to be sentenced in 2010. On January 27, 2009, a State Grand Jury returned an Indictment charging Darby with Health Care Claims Fraud and Medicaid Fraud. According to the Indictment, between January 12, 2007, and August 6, 2007, Darby, who was employed at a behavioral clinic, submitted falsified time sheets to his employer claiming that he provided hourly behavioral services to Medicaid recipients when, in fact, he had not provided those services.

State v. Vincent Robinson

On March 25, 2009, the court admitted Vincent Robinson into the PTI Program conditioned upon payment of $6,178 in restitution and performance of 60 hours of community service. The court also barred Robinson from participating in the Medicaid program for a period of five years. On February 11, 2009, Robinson pled guilty to an Accusation charging him with Medicaid Fraud. According to the Accusation, between January 1, 2007, and May 26, 2007, Robinson, who was employed at a behavioral clinic, submitted falsified time sheets to his employer claiming that he provided hourly behavioral services to Medicaid recipients when, in fact, he had not provided those services.

State v. Anthony Lang

On October 19, 2009, the court admitted Anthony Lang into the PTI Program conditioned upon payment of $1,989 in restitution and a $585 civil penalty. On April 27, 2009, a State Grand Jury returned an Indictment charging Lang with Health Care Claims Fraud

and Medicaid Fraud. According to the Indictment, between January 6, 2007, and October 27, 2007, Lang, an employee of a behavioral clinic, fraudulently billed the Medicaid program for behavioral counseling of three patients. The Indictment alleged that the counseling was not performed.

State v. Shoshana Kaufman

On July 15, 2009, the court admitted Shoshana Kaufman into the PTI Program conditioned upon payment of $5,073 in restitution and performance of 60 hours of community service. The State alleged that between November 9, 2007, and March 6, 2008, Kaufman, who was employed as a behavioral counselor, submitted falsified time sheets to her employer claiming that she provided hourly behavioral services to Medicaid recipients when, in fact, she had not provided those services.

Fraudulent Billing by Health Care Agencies

State v. Touch of Life Home Health Care Agency, et al.

On February 23, 2009, Willie T. Cureton (also known as William T. Curaton and Willie Curation) was sentenced to three years in State prison. On that same date, the court sentenced Kimberly D. Hall (also known as Kim Hall and Kim Turner) to house arrest for 364 days as a condition of three years' probation and ordered her to perform 50 hours of community service. The court also ordered Cureton and Hall to jointly pay $450,000 in restitution.

On February 6, 2009, the court sentenced Ollie Sabrina Kimble (also known as Sabrina Kimble) to three years' probation with 50 hours of community service as a condition of probation.

Previously, Hall and Kimble pled guilty to Medicaid Fraud and Cureton pled guilty to Health Care Claims Fraud.

A State Grand Jury previously returned an Indictment variously charging Hall, Cureton, Kimble, and Touch of Life Home Health Care Agency of Newark, New Jersey, with Conspiracy, Health Care Claims Fraud, and Medicaid Fraud. According to the Indictment, between March 2003 and May 2004, the individual defendants, who owned and operated or were employed by Touch of Life Home Health Care Agency, committed theft and fraud from the Medicaid program.

Touch of Life was a home health care agency providing medical assistance to patients, including services provided by Personal Care Assistants (PCA) and Homemaker-Home Health Aides (HHA). PCAs and HHAs render day-to-day assistance to patients who are otherwise unable to care for themselves by assisting with dressing and feeding patients, taking care of their homes, dispensing medications, and performing related responsibilities.

Hall billed the Medicaid program for services purportedly rendered by her as a PCA when, in fact, in November 2003, Hall's PCA license had been revoked. Hall lied on her application to become a Medicaid provider.

Touch of Life billed Medicaid for PCA services rendered at Class C boarding homes and residential health care facilities. Class C boarding homes include facilities which house patients who are able to provide basic services for themselves. Medicaid regulations do not permit billing for PCA and HHA services in Class C boarding home and residential health care facilities.

Touch of Life also billed the Medicaid program for PCA and related services in excess of the number of hours that the PCAs actually provided services. In total, the defendants billed the Medicaid program almost $1 million.

Patient Protection

State v. Ben Imbayi Akengo, et al.

On January 15, 2009, following a seven-day jury trial, Ben Imbayi Akengo and Sam Njoroge were acquitted of all charges.

Previously, a Somerset County Grand Jury returned an Indictment charging Akengo, Dennis Waweru, and Njoroge with Neglect of Elderly or Disabled Person. According to the Indictment, on October 19, 2006, Akengo, Waweru, and Njoroge, all formerly employed as residential counselors at a Devereaux Group Home located on Mountain View Road in Hillsborough, New Jersey, and who had a legal duty to care for a disabled adult who resided at the Devereaux Group Home, unreasonably neglected and failed to provide medical attention necessary for the care of the disabled adult resident.

The court admitted Waweru into the PTI Program conditioned upon performance of 50 hours of community service.

State v. Susie A. Hayes

On June 15, 2009, the court admitted Susie A. Hayes into the PTI Program. Hayes was charged in an Accusation with Fraudulent Use of Credit Cards. According to the Accusation, on March 11, 2008, Hayes fraudulently obtained credit card information from an elderly nursing home patient in her care and used the information to purchase merchandise from Amazon.com.

State v. Cathy Conklin

On May 8, 2009, the court sentenced Cathy Conklin to one year' probation. On March 9, 2009, Conklin pled guilty to an Accusation charging her with Uttering a Forged Instrument. Conklin admitted that on February 5, 2008, she presented a forged Nurse's Aide certificate to Whiting Health Care Center, knowing that the certificate had not been issued by any government agency in the State of New Jersey. The phony certificate had an effective date of January 15, 2007, and an expiration date of January 15, 2009.

State v. Ann Selk

On March 30, 2009, the court admitted Ann Selk into the PTI Program conditioned upon payment of $6,373 in restitution. Previously, an Ocean County Grand Jury returned an Indictment charging Selk with Theft by Failure to Make Required Disposition of Property Received. According to the Indictment, between August 2006 and March 2008, Selk failed to remit payments on her elderly mother's behalf to the long-term care facility where her mother resided. A statement of understanding executed by Selk to the Ocean County Board of Social Services required Selk, as a condition of Medicaid eligibility, to turn over her mother's monthly Social Security and pension checks to the residential long-term care facility as partial payment for her care. The Indictment alleged that Selk failed to turn over $6,376 of her mother's available income to the facility on behalf of her mother.

State v. Daria L. Watford

On October 16, 2009, the court admitted Daria L. Watford into the PTI Program conditioned upon payment of $6,571 in restitution. On August 12, 2009, a Cumberland County Grand Jury returned an Indictment charging Watford with Theft. According to the Indictment, between August 1, 2007, and February 28, 2008, Watford exercised unlawful control of $7,237 belonging to her mother by failing to remit the money to the long-term care facility in which her mother resided.

State v. Laura Lembo

On November 17, 2009, an Ocean County Grand Jury returned an Indictment charging Laura Lembo with Theft by Unlawful Taking or Disposition. According to the Indictment, between May 2006 and October 2008, Lembo exercised unlawful control of the property of her 80-year-old mother, a Medicaid recipient. OIFP's investigation revealed that Lembo, who exercised Power of Attorney over her mother's income, allegedly failed to remit all of her mother's income to the nursing care facility in which her mother resided. As a condition of continued Medicaid eligibility, this income, minus a small personal needs allowance, must be paid to the facility to partially cover the cost of the mother's ongoing care. The investigation revealed that during the time in question, Lembo's mother's income was $40,052 but, of this amount, Lembo allegedly paid the facility only $21,233 and kept the remainder for her own use.

State v. Joseph Esposito

On November 19, 2009, Joseph Esposito pled guilty to an Accusation charging him with Criminal Sexual Conduct. Esposito is scheduled to be sentenced in 2010. According to the Accusation, on May 15, 2009, Esposito used physical force or coercion on a mentally handicapped nursing home resident in order to sexually gratify himself.

In 2009, OIFP's Asset Forfeiture Unit seized over $7.42 million in cash and financial accounts, real property, and vehicles and recovered more than $1 million. The dispositions of cases that were also the subject of criminal and civil enforcement actions by OIFP are reported in the OIFP Criminal and Civil Case Notes sections of this *Annual Report*.

SEIZURES

State v. Assets of Justin Sciarra, et al.

On April 29, 2009, OIFP seized two parcels of real property by restraining the titles when it filed a Verified Complaint seeking forfeiture *in rem* of a vineyard, located at 251 Hartford Road, Medford, New Jersey, and a summer home, located at 1102 Landis Avenue, Sea Isle City, New Jersey. The Complaint alleged that Justin Sciarra and his wife used the proceeds of a massive premium insurance fraud scheme perpetrated by Sciarra, numerous corporations controlled by Sciarra, and other conspirators, to acquire and maintain the properties, thereby subjecting them to civil forfeiture pursuant to N.J.S.A. 2C:64-2 et seq. The action effectively freezes the titles to the real property until the criminal matter is resolved; the owners were not evicted.

Additionally, the Complaint seeks relief under the Money Laundering statute, N.J.S.A. 2C:21-28, in the amount of treble the value of the property acquired through the alleged financial facilitation of crimes.

On September 1, 2009, OIFP seized another parcel in connection with the fraud when it filed an Amended Verified Complaint seeking forfeiture of a residence owned by another alleged conspirator, Paul Brown. The property is located at 325 South Lowell Avenue, Bellmawr, New Jersey. The action effectively freezes the titles to the real property until the criminal matter is resolved; the owner was not evicted.

State v. Assets of Reina Morales Peck, New Jersey Insurance Specialists, Inc., et al.

On February 25, 2009, OIFP seized a parcel of real property and approximately $2,786 in cash, pursuant to a Seizure Order. The property, located at 121 South White Horse Pike, Magnolia, New Jersey, was owned by Reina Morales Peck, a target in a related criminal investigation. The investigation revealed that Peck and a corporation owned by her, New Jersey Insurance Specialists, Inc., engaged in a pattern and practice of defrauding customers by failing to remit automobile insurance premiums, charging illegal fees, and issuing fraudulent motor vehicle identification cards. OIFP alleges that the seized property was derived from and was used in furtherance of the crimes alleged, subjecting it to forfeiture. The Seizure Order effectively freezes the title to the real property until the matter is resolved; the owners were not evicted.

On May 20, 2009, OIFP filed a Verified Complaint seeking forfeiture of the seized assets.

Cash seized by OIFP investigators from a safety deposit box in Operation MedScam.

State v. Assets of Ian Aguilar, et al.

On March 23, 2009, OIFP-Criminal Auto/Property and Casualty Section, together with the Essex/Union Auto Theft Task Force (ATTF), and the Morris County Prosecutor's Office, seized a 2006 Toyota Corolla, registered to Julio Jose Abreu, and arrested Tomas Bladimir Castillo-Abreu and others in connection with a scheme to re-tag stolen automobiles with Vehicle Identification Numbers (VINs) from salvage vehicles to conceal the status of the stolen vehicles. The owner of the vehicle is believed to be a nominee owner for Castillo-Abreu.

On June 17, 2009, OIFP filed a Verified Complaint seeking forfeiture of the seized assets. The case is expected to resolve in 2010.

State v. Assets of Magdy Elamir, M.D., et al.

Between October 20, 2009, and October 30, 2009, OIFP executed ten Seizure Orders in *Operation MedScam*, a Medicaid Fraud Control Unit investigation into a large-scale prescription fraud and drug distribution network involving physicians, pharmacies, narcotics dealers, and Medicaid beneficiaries. The participants were variously charged with illegally obtaining and distributing controlled dangerous substances, including OxyContin and Percocet; perpetrating Medicaid Fraud and private pay insurance fraud; Money Laundering; and other crimes. Assets valued at approximately $5 million were seized, including seven real properties valued at approximately $3.2 million, $1.75 million in cash and financial accounts, and five vehicles valued at approximately $50,000.

The seized real property includes:

- two business parcels titled to Magdy Elamir, M.D., located at 544 Summit Avenue and 546 Summit Avenue, Jersey City, New Jersey;
- one parcel owned by Clifton Howell, M.D., located at 15 Colony Drive West, West Orange, New Jersey;

- one parcel owned by Five Corners Pharmacy, LLP, and pharmacist-in-charge and partner Amir Tadros, located at 6 Alexander Court, Unit 6N, Jersey City, New Jersey;
- three parcels owned by Hani Tadros, partner in Five Corners Pharmacy, LLP, and brother of pharmacist Amir Tadros, located at 64 Lyon Court, Unit 9B1, Jersey City, New Jersey; 50 Reservoir Court, Unit 504, Jersey City, New Jersey; 389 Washington Street, Unit 12G, Jersey City, New Jersey.

The seized vehicles include:

- a 2008 Cadillac DTS, seized from Elamir;
- a 2008 Infiniti G35 and a 2006 Mitsubishi Lancer seized from
- a 2007 Honda Accord seized from pharmacist Amir Tadros;
- a 2006 Toyota Camry seized from Hani Tadros.

The Seizure Orders for real property effectively freeze the titles to the real property until the matter is resolved; the owners were not evicted. OIFP expects to file its Verified Complaint seeking title to all property in January 2010.

RECOVERIES

State v. Assets of Jeffrey Zarrell

On May 12, 2009, the court entered a Final Judgment in an asset forfeiture action in which OIFP sought forfeiture of a parcel of residential real property located at 124 Deer Trail North, Ramsey, New Jersey. OIFP alleged that the property was used by Jeffrey Zarrell in furtherance of a scheme to unlawfully evict the home's former owner and to steal the valuable art collection left by the former owner when he was unlawfully dispossessed. Zarrell also is alleged to have committed insurance fraud when he reported to his insurer the theft of various items of the art collection and other property. The settlement provides for a payment of $13,000 in restitution to the victim and a civil penalty of $12,000.

State v. All Assets and the Proceeds of the Business Entities Abdul and Borges, et al.

In 2007, assets valued at more than $2.2 million were seized by OIFP in *Operation PharmScam* from approximately ten individuals and entities. The seized property included 12 financial accounts containing more than $786,000; four parcels of real property in Cape May, Essex, Hudson, and Middlesex Counties valued at more than $1.3 million; and 7 vehicles, including a 2007 Mercedes Benz and a 2007 Lexus.

In January 2009, OIFP received the Final Judgment entered by the court against the assets of John Borges, his wife, and Abdul & Borges, Inc., a holding company for two pharmacies used by Borges and others to perpetrate a multi-million dollar fraud against the Medicaid program. The Final Judgment required Borges, his wife, and Abdul & Borges, Inc., to give up their interests in the seized assets. The claimants agreed to relinquish the value of virtually all assets seized from them, namely, $762,000. The Judgment provided for the disbursement of the seized assets as restitution to the Medicaid program in the amount of $663,201 and $98,799 in forfeiture.

On June 17, 2009, the court sentenced Borges to three years in State prison and ordered him to pay fines, restitution, and forfeiture in the total amount of $762,000 as required by the Final Judgment.

On February 11, 2009, the court entered a Final Judgment against the assets of Shahid Mahmood and his wife. The Final Judgment provided for Mahmood and his wife to relinquish their interests in the seized assets, namely, $16,220, and to provide a promissory note for $200,000 (the value of the seized residence), secured by a mortgage on the property. The recovery, which includes $16,220 in cash and funds collected pursuant to the promissory note, will be disbursed as restitution to the Medicaid program.

The assets of other claimants were unaffected by this settlement and were the subject of separate judgments.

State v. Assets of John Doe

On July 15, 2009, OIFP detectives executed a search warrant at an auto body shop in Hudson County, New Jersey, operating as a suspected "chop shop" and seized tools valued at approximately $8,500. On October 5, 2009, the tools were forfeited pursuant to a Settlement Agreement executed by the parties.

During 2009, the following Consent Orders were executed in amounts of $5,000 and above. The criminal disposition of cases that were the subject of both criminal and civil enforcement actions by OIFP are reported in the OIFP Criminal Case Notes section of this *Annual Report*.

AUTO INSURANCE FRAUD

Auto "Give Up" Schemes

In the Matter of Dennis Melendez

On January 22, 2009, Dennis Melendez executed a Consent Order for $5,000. Melendez assisted another person in dismantling a vehicle so the insured could report the vehicle as stolen and file a fraudulent claim with his insurance company for the loss. The matter was referred to OIFP by the Union County Prosecutor's Office.

Parallel criminal proceedings were initiated against Melendez by the Union County Prosecutor's Office.

In the Matter of Luis J. Encarnacion

On February 24, 2009, Luis J. Encarnacion executed a Consent Order for $5,000. Encarnacion submitted a fraudulent insurance claim to New Jersey Manufacturers Insurance Company (NJM) alleging his vehicle was stolen when, in fact, he had set his vehicle on fire. This matter was referred to OIFP by NJM.

Parallel criminal proceedings were initiated against Encarnacion by the Essex County Prosecutor's Office.

In the Matter of Felix A. Lettini

On February 24, 2009, Felix A. Lettini executed a Consent Order for $5,000. Lettini knowingly conspired with another individual to dispose of a 1985 Chevrolet Corvette and falsely reported it as stolen to Sentry Insurance Company. This matter was referred to OIFP by Sentry Insurance.

In the Matter of David Puzycki

On April 24, 2009, David Puzycki executed a Consent Order for $5,000. Puzycki submitted a fraudulent automobile theft claim with New Jersey Manufacturers, knowing his vehicle had not been stolen. This matter was referred to OIFP by the Essex County Prosecutor's Office.

Parallel criminal proceedings were initiated against Puzycki by the Essex County Prosecutor's Office.

In the Matter of Mark A. Bailey

On May 20, 2009, Mark A. Bailey executed a Consent Order for $5,000. To avoid lease-end penalties due to excessive mileage on his vehicle, Bailey falsely reported to GEICO that his vehicle was stolen. This matter was referred to OIFP by GEICO.

Parallel criminal proceedings were initiated against Bailey by the Union County Prosecutor's Office.

In the Matter of Raymond Scudieri, Jr.

On May 20, 2009, Raymond Scudieri, Jr., executed a Consent Order for $5,000. Scudieri knowingly filed a fraudulent vehicle loss claim with Allstate New Jersey Insurance Company. This matter was referred to OIFP by Allstate.

Parallel criminal proceedings were initiated against Scudieri by the Essex County Prosecutor's Office.

In the Matter of Christopher D. Boldman

On May 20, 2009, Christopher D. Boldman executed a Consent Order for $5,000. Boldman submitted a fraudulent auto theft insurance claim to State Farm Insurance Company, falsely claiming that his 2002 Cadillac Escalade had been stolen. State Farm Insurance paid Boldman $28,501 on this fraudulent claim. This matter was referred to OIFP by State Farm Insurance.

In the Matter of Angela Martinez

On May 20, 2009, Angela Martinez executed a Consent Order for $5,000. Martinez falsely reported to Skyline Insurance Company that her vehicle had been stolen. This matter was referred to OIFP by Skyline Insurance.

Parallel criminal proceedings were initiated against Martinez by the Bergen County Prosecutor's Office.

In the Matter of Paul Campos

On May 20, 2009, Paul Campos executed a Consent Order for $5,000. Campos falsely reported his vehicle as stolen to the Englewood, New Jersey, Police Department on December 3, 2007, and to Hanover Insurance four days later on December 7, 2007. Campos's vehicle was recovered on fire several days earlier on December 1, 2007. This matter was referred to OIFP by Hanover Insurance.

In the Matter of Luis Delgado

On June 17, 2009, Luis Delgado executed a Consent Order for $5,000. Delgado falsely reported to Encompass Insurance Company that his 2007 Toyota Corolla had been stolen. This matter was referred to OIFP by Encompass.

Parallel criminal proceedings were initiated against Delgado by the Hudson County Prosecutor's Office.

In the Matter of Cheryl Wynder

On June 17, 2009, Cheryl Wynder executed a Consent Order for $5,000. Wynder knowingly "gave up" her automobile, conspired with her nephew to have the vehicle burned, and filed false statements with law enforcement authorities and Travelers Insurance Company in order to fraudulently obtain insurance proceeds. This matter was

(l to r) OIFP-Civil Senior Investigator Dana Basile and Civil Investigator Megan Flanagan, Health and Life Unit.

referred to OIFP by the New Jersey Division of Criminal Justice.

Parallel criminal proceedings were initiated against Wynder by OIFP.

In the Matter of Glen D. Walters

On July 27, 2009, Glen D. Walters executed a Consent Order for $5,000. Walters knowingly submitted a fraudulent automobile theft claim to New Jersey Skylands Insurance Company, falsely reporting that his 2002 Jaguar X-Type was stolen from a secured lot in Newark, New Jersey. Forensic analysis concluded that an OEM transponder key was required to operate the vehicle. This matter was referred to OIFP by New Jersey Skylands and the Essex County Prosecutor's Office.

Parallel criminal proceedings were initiated against Walters by the Essex County Prosecutor's Office.

In the Matter of Douglas Spadaro

On July 22, 2009, Douglas Spadaro executed a Consent Order for $5,000. Spadaro falsely reported to the Dover Township, Ocean County, Police Department and to CURE Insurance Company that his 2006 Chevy Silverado had been stolen. This matter was referred to OIFP by CURE Insurance.

Parallel criminal proceedings were initiated against Spadaro by the Ocean County Prosecutor's Office.

In the Matter of Precious M. Lacosta

On July 22, 2009, Precious M. Lacosta executed a Consent Order for $5,000. Lacosta submitted fraudulent written and oral statements to Allstate New Jersey Insurance Company in support of an auto theft claim. This matter was referred to OIFP by Allstate.

Parallel criminal proceedings were initiated against Lacosta by the Essex County Prosecutor's Office.

In the Matter of Yessenia DeJesus-Seri

On July 22, 2009, Yessenia DeJesus-Seri executed a Consent Order for $5,000. DeJesus-Seri knowingly submitted a fraudulent claim for the theft of her Honda automobile to NJ CURE Insurance Company, knowing the vehicle had not been stolen but was given away for the purpose of disposing of the vehicle. This matter was referred to OIFP by NJ CURE.

Parallel criminal proceedings were initiated against DeJesus-Seri by the Bronx County District Attorney's Auto Theft Unit.

In the Matter of David Johnson

On August 19, 2009, David Johnson executed a Consent Order for $7,500. Johnson knowingly conspired with another person, Vera Zelkina, by submitting false and misleading information on a claim for automobile insurance coverage to Progressive Insurance Company stating that Zelkina's 2007 Toyota Tacoma was destroyed in a flood, when it was actually deliberately submerged to cause total damage after it was involved in a hit-and-run accident. This matter was referred to OIFP by Progressive.

In the Matter of Jose L. Rosario

On August 19, 2009, Jose L. Rosario executed a Consent Order for $5,000. Rosario knowingly presented materially false statements to First Trenton Indemnity Insurance Company by reporting his motor vehicle stolen when, in fact, he knew the vehicle was taken as a result of a vehicle "give up." This matter was referred to OIFP by First Trenton.

Parallel criminal proceedings were initiated against Rosario by OIFP.

In the Matter of Milton Hill

On August 19, 2009, Milton Hill executed a Consent Order for $5,000. Hill reported his vehicle was stolen when he knew it was hidden in a storage facility Hill rented. This matter was referred to OIFP by New Jersey Skylands Insurance Company and the Passaic County Prosecutor's Office.

Parallel criminal proceedings were initiated against Hill by the Passaic County Prosecutor's Office.

In the Matter of Matthew Kreiger

On August 19, 2009, Matthew Kreiger executed a Consent Order for $5,000. Kreiger falsely reported to Allstate Insurance Company that his 2006 Toyota Sequoia was stolen when, in fact, it was not. This matter was referred to OIFP by the Brick Township, New Jersey, Police Department.

Parallel criminal proceedings were initiated against Kreiger by OIFP.

In the Matter of Sharetha T. Parrott

On August 19, 2009, Sharetha T. Parrott executed a Consent Order for $5,000. Parrott knowingly submitted a fraudulent automobile theft insurance claim to Travelers of New Jersey Insurance Company. This matter was referred to OIFP by Travelers.

In the Matter of Derrick Diaz

On September 23, 2009, Derrick Diaz executed a Consent Order for $5,000. Diaz knowingly submitted a fraudulent automobile theft insurance claim to Progressive Insurance Company for his 2008 Nissan 350Z. This matter was referred to OIFP by Progressive.

In the Matter of Marlethia Bryant

On September 23, 2009, Marlethia Bryant executed a Consent Order for $5,000. Bryant knowingly presented false oral and written statements in support of a fraudulent automobile theft insurance claim to New Jersey Manufacturers Insurance Company (NJM) regarding her 2001 Mitsubishi Galant. This matter was referred to OIFP by NJM.

In the Matter of Uchechi F. Isaac

On September 23, 2009, Uchechi F. Isaac executed a Consent Order for $5,000. Isaac knowingly submitted a fraudulent automobile theft insurance claim to Progressive Insurance Company and Toyota Motor Insurance Services. This matter was referred to OIFP by Progressive.

Parallel criminal proceedings were initiated against Isaac by OIFP.

In the Matter of Giacomo Biancamano

On October 21, 2009, Giacomo Biancamano executed a Consent Order for $5,000. Biancamano conspired with Antonio Ventricelli to dispose of and burn Ventricelli's vehicle and falsely report that the vehicle was stolen to Founders Insurance Company. Biancamano was employed as an officer with the Hudson County Sheriff's Department. This matter was referred to OIFP through an anonymous complaint.

Parallel criminal proceedings were initiated against Biancamano by the Bergen County Prosecutor's Office.

In the Matter of Mark McCaffrey

On December 16, 2009, Mark McCaffrey executed a Consent Order for $5,000. McCaffrey knowingly provided false and misleading information to GEICO Insurance by claiming that his vehicle, a 1999 Lincoln Navigator, was stolen when he knew it had not been stolen. This matter was referred to OIFP by GEICO.

Parallel criminal proceedings were initiated against McCaffrey by OIFP.

Staged Accidents

In the Matter of Edward Campbell, Sr.

On July 22, 2009, Edward Campbell, Sr., executed a Consent Order for $5,000. Campbell conspired to commit Health Care Claims Fraud as part of the larger *State v. Irwin B. Seligsohn, et al.,* investigation by setting up a fictitious

motor vehicle accident. This matter was opened based on a New Jersey Division of Criminal Justice/OIFP criminal investigation.

Parallel criminal proceedings were initiated against Campbell by OIFP.

Auto Claims Fraud

In the Matter of James Daniels

On March 27, 2009, James Daniels executed a Consent Order for $5,000. Daniels knowingly conspired with his wife to provide false statements to New Jersey Manufacturers in order to add a vehicle back onto their existing automobile insurance policy, knowing that the vehicle was already on fire. Daniels subsequently submitted a claim for fire damage to the vehicle and provided false information regarding the time the vehicle caught fire. This matter was referred to OIFP by New Jersey Manufacturers.

In the Matter of Dmitriy Kurbanov

On June 17, 2009, Dmitriy Kurbanov executed a Consent Order for $5,000. Kurbanov submitted a false claim to Mercury Insurance Company indicating that his 1990 Cadillac was involved in an automobile accident on August 5, 2005, when, in fact, the accident occurred on September 5, 2005. This matter was referred to OIFP by Mercury.

In the Matter of Joseph Lunelli

On June 17, 2009, Joseph Lunelli executed a Consent Order for $5,000. Lunelli provided false and misleading statements to Allstate Insurance Company by reporting that his 2004 BMW M3 was involved in a motor vehicle accident at 4:30 p.m. on July 31, 2004, when, in fact, Lunelli had been warned by his insurance agent that the accident was not covered under his insurance policy which was obtained two and one-half hours *after* the accident occurred. This matter was referred to OIFP by Allstate.

In the Matter of Ronald Morris

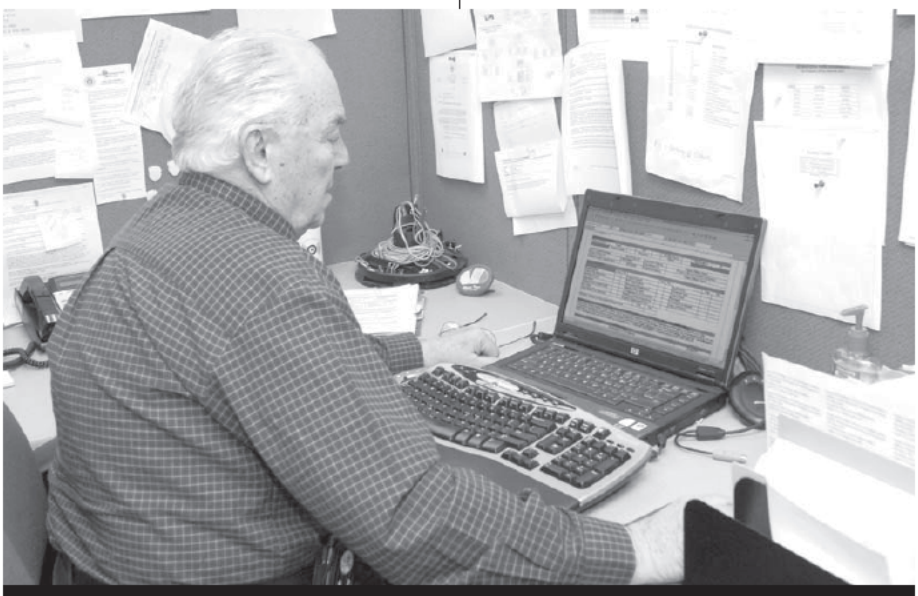
On June 17, 2009, Ronald Morris executed a Consent Order for $5,000. Between October 2005 and May 2007, Morris, owner of Quality Auto Glass, knowingly submitted to State Farm Indemnity Company and High Point Insurance Company invoices for higher quality and costlier automobile windshields than the windshields actually installed on vehicles. This matter was referred to OIFP by State Farm.

In the Matter of Kyshah Hall

On December 16, 2009, Kyshah Hall executed a Consent Order for $5,000. Hall falsely claimed to Progressive Insurance Company that her vehicle was damaged on two separate occasions after her automobile insurance policy was initiated, knowing that the damage had occurred *before* the coverage was bound. This matter was referred to OIFP by Progressive.

In the Matter of Weiran Dobrek

On December 16, 2009, Weiran Dobrek executed a Consent Order for $5,000. Weiran misrepresented facts to Esurance Insurance Company regarding her vehicle loss. Weiran also failed to disclose on her automobile insurance application that Thomas Dobrek was a licensed operator residing at the policy address. This matter was referred to OIFP by Esurance.



OIFP-Civil Principal Investigator James Stavola, Auto/Property and Casualty Unit.

Fraudulent Personal Injury Protection (PIP) Claims by Non-Health Care Providers

In the Matter of Felipe Zapata

On February 24, 2009, Felipe Zapata executed a Consent Order for $5,000. Zapata filed with Palisades Safety and Insurance Company a fraudulent Personal Injury Protection (PIP) claim for injuries sustained in a motor vehicle accident on June 1, 2005, when, in fact, Zapata was not in the vehicle when the accident occurred. This matter was referred to OIFP by Palisades Safety and Insurance.

Parallel criminal proceedings were initiated against Zapata by the Passaic County Prosecutor's Office.

Fraudulent Auto Insurance Applications

In the Matter of Eduardo Garcia

On March 27, 2009, Eduardo Garcia executed a Consent Order for $5,000. Garcia knowingly provided false and misleading information to Liberty Mutual Insurance Company by failing to disclose two licensed household members, Yoni Garcia and Dora Garcia, on his application for auto insurance. This matter was referred to OIFP by Liberty Mutual.

Parallel criminal proceedings were initiated against Garcia by OIFP.

In the Matter of Edwin Goldman

On June 17, 2009, Edwin Goldman executed a Consent Order for $5,000. Goldman's automobile insurance coverage with Progressive Insurance Company lapsed due to non-payment of premiums. Goldman was then involved in an automobile accident. The following day, Goldman signed a statement of "no loss" on his automobile insurance reinstatement application with Progressive and knowingly failed to disclose the motor vehicle accident the previous day in order to obtain insurance proceeds to which he was not entitled. This matter was referred to OIFP by Progressive.

In the Matter of Vera Zelkina

On August 19, 2009, Vera Zelkina executed a Consent Order for $5,000. Zelkina submitted false and misleading statements on her Progressive Insurance Company automobile insurance application by omitting to list David Johnson

as a resident driver. Johnson was later involved in a hit-and-run accident while driving Zelkina's 2007 Toyota Tacoma. Additionally, Zelkina frequently permitted another person to drive Zelkina's Toyota for business purposes, when her vehicle was insured for personal use only. This matter was referred to OIFP by Progressive.

Rate Evasion

In the Matter of Harry L. Wyant, Jr.

On April 24, 2009, Harry L. Wyant, Jr., executed a Consent Order for $5,000. Wyant fraudulently obtained commercial auto insurance through Penn Miller Insurance Company by falsely stating that all of his trucks used in his business were garaged in Bangor, Pennsylvania, when, in fact, they were garaged in Phillipsburg, New Jersey. This matter was referred to OIFP by an anonymous caller through the OIFP Hotline.

PROPERTY AND CASUALTY INSURANCE FRAUD

Fraudulent Rental Insurance Claims

In the Matter of David A. Anderson

On September 23, 2009, David A. Anderson executed a Consent Order for $5,000. Anderson knowingly presented a fraudulent rental agreement to Lincoln General Insurance Company in an attempt to collect a benefit to which he was not entitled. This matter was referred to OIFP by Lincoln General.

Fraudulent Commercial Property Insurance Claims

In the Matter of Paul Wu

On October 21, 2009, Paul Wu executed a Consent Order for $5,000. Wu knowingly provided false and misleading information to Transportation Insurance Company in reporting a claim for spoiled food in his restaurant as a result of a power outage. Wu submitted a document to the insurance company falsely stating the outage was caused by a motor vehicle accident. This matter was referred to OIFP by Transportation Insurance.

HEALTH, LIFE, AND DISABILITY INSURANCE FRAUD

Fraudulent Health Care Claims by Health Care Providers

Fraudulent Billing by Pharmacists

In the Matter of Jeffrey Skuraton

On February 24, 2009, Jeffrey Skuraton executed a Consent Order for $15,000. Skuraton, a pharmacist licensed in the State of New Jersey, knowingly submitted claims for payment to various insurance carriers for approximately 80 fraudulent prescriptions for various medications for himself, his family, and his friends. None of the prescriptions was issued by a medical doctor. This matter was referred to OIFP by the Enforcement Bureau of the New Jersey Division of Consumer Affairs.

Parallel criminal proceedings were initiated against Skuraton by OIFP.

Fraudulent Billing by Chiropractors

In the Matter of Anthony Carabasi

On May 20, 2009, Anthony Carabasi executed a Consent Order for $5,000. Carabasi, a chiropractor licensed in the State of New Jersey, knowingly submitted fraudulent bills to State Farm Insurance Company for services not rendered to his patients. This matter was referred to OIFP by an anonymous caller.

In the Matter of Wayne Creyaufmiller

On October 21, 2009, Wayne Creyaufmiller executed a Consent Order for $7,500. Creyaufmiller, a chiropractor licensed in the State of New Jersey, knowingly submitted fraudulent claims to New Jersey Manufacturers Insurance Company (NJM) by billing for services not rendered and falsifying medical records. This matter was referred to OIFP by NJM.

Parallel criminal proceedings were initiated against Creyaufmiller by the Camden County Prosecutor's Office.

Fraudulent Billing by Other Health Care Providers

In the Matter of George Gendy/Comprehensive Orthopedic Physical Therapy

On January 22, 2009, George Gendy/Comprehensive Orthopedic Physical Therapy executed a Consent Order for $10,000. Gendy, a physical therapist licensed in the State of New Jersey and the owner and operator of Comprehensive Orthopedic Physical Therapy, submitted bills to AAA Insurance and New Jersey Manufacturers Insurance (NJM) for services not rendered to his patients and fabricated patient progress notes to substantiate the fraudulent claims that had been submitted for dates of service when the patient, in fact, had not received treatment. This matter was referred to OIFP by NJM.

Parallel criminal proceedings were initiated against Gendy by OIFP.

In the Matter of Mira Matchin

On February 17, 2009, Mira Matchin executed a Consent Order for $75,000 to resolve allegations that Matchin owned and operated a medical facility, Northern Medical Center, and performed medical procedures while not holding a license in New Jersey, in violation of the New Jersey Professional Service Corporation Act and the New Jersey Board of Medical Examiners regulations. The facility allegedly submitted numerous claims to insurance carriers for medical services purportedly rendered, thus misrepresenting that it was lawfully entitled to provide medical services and to receive payment for them. It was also alleged that Matchin presented false and misleading statements to insurance carriers in support of insurance claims, including medical reports and claims documents containing forged signatures of medical doctors who did not render the services billed and did not authorize the documents to be submitted.

Parallel criminal proceedings were initiated against Matchin by the United States Attorney's Office in the State of Florida.

In the Matter of Pavonia Diagnostic Imaging

On September 23, 2009, Pavonia Diagnostic Imaging executed a Consent Order for $15,000. Pavonia Diagnostic Imaging performed treatments between July 2005 and September 2006 with the use of a CAT Scanner without first obtaining a license to do so and submitted bills to insurance companies totaling $395,591. This matter was referred to OIFP by American Family Life Assurance Company (AFLAC).

In the Matter of James Dorman

On December 16, 2009, James Dorman executed a Consent Order for $25,000. Dorman, an alcohol and drug counselor licensed by the State of New Jersey, electronically submitted falsified bills to CIGNA Insurance for dates of service which were not documented in his files and for dates of service when no patient was seen. This matter was referred to OIFP by CIGNA.

Parallel criminal proceedings were initiated against Dorman by OIFP.

Fraudulent Health Care Claims by Non-Health Care Providers

In the Matter of Ellen Rader Brick

On December 16, 2009, Ellen Rader Brick executed a Consent Order for $5,000. Brick knowingly created or reinforced the false impression that she was entitled to

receive health care benefits pursuant to a small employer health benefits policy through the Summit CPA Group from Horizon Blue Cross Blue Shield of New Jersey and obtained by deception $7,194 in health benefits from Horizon. This matter was referred to OIFP by Horizon.

Parallel criminal proceedings were initiated against Brick by OIFP.

Fraudulent Disability and Workers' Compensation Claims

In the Matter of Laura M. Mamaligas

On January 22, 2009, Laura M. Mamaligas executed a Consent Order for $7,500. Mamaligas forged several doctors' signatures in support of her New Jersey State disability claim that she was disabled and unable to return to work with the Department of Corrections (DOC). She also submitted false information to American Family Life Assurance Company (AFLAC) for the purpose of collecting additional compensation through that company. This matter was referred to OIFP by the Garden State Correctional Facility.

Parallel criminal proceedings were initiated against Mamaligas by OIFP.

In the Matter of Nazir Ahmad

On March 27, 2009, Nazir Ahmad executed a Consent Order for $5,000. Ahmad made material misrepresentations in support of a workers' compensation claim through Harleysville Insurance Company by exaggerating the extent of his injuries during the time he was collecting income continuation benefits. Video surveillance showed Ahmad performing various tasks without effort or the assistance of any medical equipment. This matter was referred to OIFP by Harleysville Insurance.

In the Matter of Michael Chen

On July 22, 2009, Michael Chen executed a Consent Order for $175,000 to resolve allegations that Chen, a physician licensed in the State of New Jersey, knowingly falsified an Attending Physician's Report to obtain disability benefits for Michael F. Monica from Jefferson Pilot Financial Insurance Company. This matter was referred to OIFP by the Social Security Disability Task Force.

Parallel criminal proceedings were initiated against Chen by OIFP.

In the Matter of Sergio Acosta

On July 22, 2009, Sergio Acosta executed a Consent Order for $5,000. Acosta knowingly provided false or misleading information by misrepresenting the extent of his physical injuries and physical limitations in support of a workers' compensation claim he submitted to Signal Mutual Indemnity seeking total disability for back injuries that he reportedly sustained in May 2006 while employed with A.G. Ship Maintenance Corporation. This matter was referred to OIFP by Signal.

Procedures Analyst Katherine Cartagena, CLASS.

Fraudulent Life Insurance Claims

In the Matter of Veronica Thomas

On May 20, 2009, Veronica Thomas executed a Consent Order for $5,000. Thomas submitted forged claims forms to Mutual of Omaha Insurance Company to obtain $50,000 in death benefits to which she was not entitled. This matter was referred to OIFP by Mutual of Omaha.

Fraudulent Life Insurance Applications

In the Matter of Jose Alvarez

On February 24, 2009, Jose Alvarez executed a Consent Order for $5,000. Alvarez failed to disclose on his life insurance policy application submitted to Northwestern Mutual Insurance that he had been declined life insurance coverage by a previous carrier. Alvarez also failed to disclose on his application his cocaine use. This matter was referred to OIFP by Northwestern Mutual.

Fraudulent Health Insurance Applications

In the Matter of Nancy Truppi

On March 27, 2009, Nancy Truppi executed a Consent Order for $5,000. Truppi provided false and misleading information in her application to Oxford Insurance Company for renewal of a small employer health benefits plan by listing two persons on the application who were not eligible for coverage. This matter was referred to OIFP by Oxford Insurance.

Fraudulent Disability Insurance Applications

In the Matter of Natalie Verrecchio

On August 19, 2009, Natalie Verrecchio executed a Consent Order for $7,500. Verrecchio provided materially false information to the American Family Life Assurance Company (AFLAC) to obtain disability insurance for her day care business by including individuals on the application who were not employed by her in order to obtain a lower rate through a group policy. This matter was referred to OIFP by AFLAC.

MEDICAID CIVIL FALSE CLAIMS ACT SETTLEMENTS

OIFP's Medicaid Fraud Control Unit (MFCU) participates in state and federal global civil settlement cases where the corporate defendants are New Jersey Medicaid providers. Most of these cases begin as *qui tam* "whistleblower" filings under the federal False Claims Act and are generally coordinated

through the National Association of Medicaid Fraud Control Units (NAMFCU). *Qui tam* is short for *"qui tam pro domino rege quam pro se ipso in hac parte sequitur,"* a Latin phrase meaning "he who pursues this action on our Lord the King's behalf as well as his own."[1]

Settlement agreements generally require the corporate defendants to cooperate with federal and state law enforcement. Since the Medicaid program is funded jointly by the state and federal governments, settlement awards generally consist of both a federal and state share, representing the proportionate contribution of each governmental entity. In 2009, MFCU recouped for the New Jersey Medicaid Program, both State and federal, $52.2 million from its participation in seven federal False Claims Act settlements.

Cephalon, Inc.

In January 2009, the New Jersey Medicaid Program reached federal False Claims Act settlements through NAMFCU with pharmaceutical company Cephalon, Inc., to resolve allegations that Cephalon engaged in "off-label" marketing of three of its products by improperly promoting the sale and use of prescription drugs for uses not approved by the federal Food and Drug Administration (FDA).

The FDA approved the painkiller Actiq for use in opioid-tolerant cancer patients for breakthrough pain only, but Cephalon promoted Actiq for non-cancer patients for treating migraines, sickle-cell pain crises, injuries, and in anticipation of changing wound dressing or radiation therapy. Gabitril was FDA-approved for use as an anti-epilepsy drug to treat seizures, but Cephalon promoted its use as a remedy for insomnia, anxiety, and pain. Provigil, approved by the FDA for treatment of daytime sleepiness associated with narcolepsy, was improperly marketed by Cephalon for treating general sleepiness.

The total national settlement with Cephalon was $375 million, plus interest. New Jersey's joint Medicaid share, both federal and State, was over $5.2 million. The State's Medicaid share alone was more than $2.5 million.

Ely Lilly & Co.

In May 2009, the New Jersey Medicaid Program reached a federal False Claims Act settlement through NAMFCU with pharmaceutical company Ely Lilly & Co. to resolve allegations that Ely Lilly engaged in an "off-label" marketing campaign that improperly promoted the use of the anti-psychotic drug Zyprexa as a dementia treatment for elderly patients. The FDA has approved Zyprexa for use only in treating adults suffering from bipolar disorder and schizophrenia.

The total national settlement with Ely Lilly was $1.4 billion. New Jersey's joint Medicaid share, both federal and State, was $18.4 million. The State's Medicaid share alone was over $9 million.

Nichols Institute Diagnostics

In November 2009, the New Jersey Medicaid Program reached a federal False Claims Act settlement through NAMFCU with Nichols Institute Diagnostics, a medical device manufacturer and subsidiary of Quest Diagnostics, Inc., to resolve allegations that Nichols promoted and billed for unnecessary and defective Intact PTH Assay kits for dialysis patients.

The total national settlement with Quest and Nichols was $302 million. New Jersey's joint Medicaid share, both federal and State, was $273,463. The State's Medicaid share alone was $138,171.

Pfizer, Inc.

In November 2009, the New Jersey Medicaid Program reached a federal False Claims Act settlement through NAMFCU with pharmaceutical company Pfizer, Inc., to resolve allegations that Pfizer illegally promoted four of its medications – Bextra, Lyrica, Zyvox, and Geodon – for treatments not approved by the FDA and gave kickbacks to doctors to promote the "off-label" use of those four drugs and nine others.

The total national settlement with Pfizer was $2.3 billion. New Jersey's joint Medicaid share, both federal and State, was over $25.1 million. The State's Medicaid share alone was just under $13 million.

Ortho McNeil Pharmaceutical, Inc.

In November 2009, the New Jersey Medicaid Program reached a federal False Claims Act settlement through NAMFCU with pharmaceutical company Ortho McNeil Pharmaceutical, Inc., to resolve allegations that Ortho McNeil underpaid rebates to the Medicaid program by misrepresenting its anti-inflammatory ointment Dermatop as a non-innovator drug when, in fact, it was an innovator drug. The rebate that must be paid for an innovator drug is higher than the rebate for a non-innovator drug. The Medicaid Prescription Drug Rebate Program was enacted by Congress in 1990 out of concern for the costs Medicaid was paying for outpatient drugs. By agreeing to participate in the Medicaid Rebate Program and signing rebate agreements, Ortho McNeil agreed to pay quarterly rebates to Medicaid based upon the amount of money Medicaid paid for its drugs.

The total national settlement with Ortho McNeil was $3.4 million. New Jersey's joint share, both federal and State, was just under $90,000. The State's Medicaid share alone was over $51,000.

AstraZeneca Pharmaceuticals LP

In November 2009, the New Jersey Medicaid Program reached a federal False Claims Act settlement through NAMFCU with pharmaceutical company AstraZeneca Pharmaceuticals LP to resolve allegations that AstraZeneca underpaid rebates to the Medicaid program by misrepresenting its asthma bronchodilator inhaler Albuterol as a non-innovator drug when, in fact, it was an innovator drug.

The total national settlement with AstraZeneca was $2.6 million. New Jersey's joint share, both federal and State, was $12,537. The State's Medicaid share alone was $7,130.

Mylan Laboratories, Inc.

In November 2009, the New Jersey Medicaid Program reached a federal False Claims Act settlement through NAMFCU with Mylan Laboratories, Inc., to resolve allegations that Mylan underpaid rebates to the Medicaid program by misrepresenting its drugs as non-innovator drugs when, in fact, they were innovator drugs.

The total national settlement with Mylan was $121 million. New Jersey's joint share, both federal and State, was over $3 million. The State's Medicaid share alone was over $1.6 million.

1. Rockwell International Corp. v. United States, 127 S.Ct. 1397,1402 n2 (2007).

PROPERTY AND CASUALTY INSURANCE FRAUD

State v. Steven Rich

On May 14, 2009, a Stipulation and Consent Judgment was filed in Superior Court in which Steven Rich admitted that he conspired with others to present false information to Prudential Property and Casualty Insurance Company in support of claims related to environmental remediation. As part of the settlement, Rich agreed to pay a $25,000 civil penalty to the State of New Jersey.

HEALTH, LIFE, AND DISABILITY INSURANCE FRAUD

Fraudulent Health Care Claims by Health Care Providers

Fraudulent Billing by Physicians

State v. Imitiaz Ahmad, M.D.

On October 26, 2009, a Stipulation of Settlement was filed in Superior Court in which Imitiaz Ahmad, M.D., a physician licensed in the State of New Jersey, agreed to pay $200,000 to the State of New Jersey in settlement of a civil lawsuit brought by the State alleging, among other things, that Ahmad billed for services for which he did not perform and misrepresented patients' symptoms to Horizon Blue Cross Blue Shield.

State v. Enrique Hernandez, M.D.

On June 11, 2009, a Stipulation of Settlement was filed in Superior Court in which Enrique Hernandez, M.D., a physician licensed in the State of New Jersey, agreed to pay a civil penalty of $40,000 to the State of New Jersey in settlement of a civil lawsuit brought by the State alleging, among other things, that Hernandez employed unlicensed assistants to perform physical modalities at Neurology and Pain Treatment Center, P.C.

Fraudulent Billing by Dentists

State v. John J. Hunter, D.D.S., et al.

On January 22, 2009, a Stipulation of Settlement and Consent Judgment was entered in Superior Court in which John J. Hunter, D.D.S., a dentist licensed in the State of New Jersey, admitted that he violated the IFPA by submitting misleading and inaccurate information in his insurance claims to Delta Dental. As part of the settlement, Hunter agreed to pay a $25,000 civil penalty and $10,000 in attorney fees to the State of New Jersey.

Delta Dental v. Joseph Matriss, D.D.S., et al.

The State intervened in this civil action and, on January 9, 2009, the court entered an Order for Summary Judgment against Joseph Matriss, D.D.S., a dentist licensed in the State of New Jersey, and Lev Natovich, finding each liable for two violations of the IFPA and imposing civil fines of $15,000 each and $4,479 in attorney fees. Matriss and Natovich submitted false claims to Delta Dental of New Jersey in connection with the operation of an unlicensed dental facility, United Dental of New Jersey, Inc., in Wallington, New Jersey.

Fraudulent Billing by Chiropractors

State v. Paul Babitz, D.C., et al.

On April 1, 2009, a Stipulation of Settlement and Consent Judgment was filed in Superior Court in which Paul Babitz, D.C., a chiropractor licensed in the State of New Jersey, Prestige Health Group, and Advanced Health Group admitted that they knowingly provided false information to New Jersey Manufacturers Insurance Company concerning Babitz's entitlement to Personal Injury Protection (PIP) insurance benefits in violation of the IFPA. As part of the settlement, Babitz agreed to pay a $25,000 civil penalty and $25,000 in attorney fees to the State of New Jersey.

State v. Delores Ensley, D.C.

On December 16, 2009, a Stipulation of Settlement and Consent Judgment was entered in Superior Court in which Delores Ensley, D.C., a chiropractor licensed in the State of New Jersey, admitted that she knowingly treated patients at Newark Pain Management and Rehabilitation Center after her chiropractic license had expired and caused claims to be submitted to insurance carriers in violation of the IFPA. As part of her settlement, Ensley agreed to pay a $10,000 civil penalty to the State of New Jersey.

Fraudulent Health Care Claims

State v. Rosa Tavares

On February 18, 2009, a Stipulation of Settlement was filed in Superior Court in which Rosa Tavares, an insurance producer licensed in the State of New Jersey, acknowledged that she made false and/or misleading statements to Horizon Blue Cross Blue Shield of New Jersey in her claim for benefits under her health insurance policy in violation of the IFPA. As part of her settlement, Tavares agreed to pay a $5,000 civil penalty and $3,100 in attorney fees to the State of New Jersey.

State v. David B. Pohida

On June 1, 2009, a Stipulation of Settlement and Consent Judgment was filed in Superior Court in which David B. Pohida admitted that he made false statements to insurance companies in support of his MRI reimbursement claims submitted while Elmira Open MRI Center was not licensed to operate an MRI facility. As part of the settlement, Pohida agreed to pay a $15,000 civil penalty and $5,000 in attorney fees to the State of New Jersey.

Pohida had been the subject of a previous action by the Department of Banking and Insurance (DOBI) in which he was fined $793,000 for other insurance fraud-related violations as part owner of revoked insurance producer United Risk Management, Inc.

Fraudulent Disability Claims

State v. Amita Daftari, M.D.

On August 17, 2009, a Stipulation of Settlement was filed in Superior Court in which Amita Daftari, M.D., a physician licensed in the State of New Jersey, admitted that she provided false or misleading information in her disability insurance application to Standard Insurance Company by omitting facts concerning her medical condition, her previous medical treatments, and her workers' compensation matter, in violation of the IFPA. As part of her settlement, Daftari agreed to pay a $6,000 civil penalty and $4,000 in attorney fees to the State of New Jersey.

LEGAL MALPRACTICE APPLICATION FRAUD BY ATTORNEYS

State v. George J. Otlowski, Jr.

On June 29, 2009, a Stipulation of Settlement was filed in Superior Court in which George J. Otlowski, Jr., an attorney licensed in the State of New Jersey, admitted that he made misleading statements on his professional liability insurance application with Certain Underwriters Lloyds of London by failing to disclose certain professional liability claims previously made against him, possible future claims that could be made against him relating to his representation of NJ Affordable Homes, and the extent of his representation of NJ Affordable Homes in violation of the IFPA. As part of his settlement, Otlowski agreed to pay a $5,000 civil penalty and $3,163 in attorney fees to the State of New Jersey.

MEDICAL

In the Matter of Aruna Patel, M.D.

By Board Order filed June 11, 2009, and effective June 10, 2009, the State Board of Medical Examiners suspended the license of Aruna Patel, M.D., for a period of three years, with the first three months active and the remainder stayed to become a period of probation. Patel was also assessed a $1,000 civil penalty. This action followed Patel's guilty plea to Medicaid Fraud for submitting fraudulent claims to the Medicaid program in which Patel falsely stated that certain patients were treated at her office on 165 treatment dates when, in fact, those patients were neither seen nor treated by Patel on those dates.

In the Matter of John Cavalli, D.P.M.

By Board Order filed June 17, 2009, the State Board of Medical Examiners accepted the voluntary surrender of the podiatry license of John Cavalli, D P.M., to be a revocation. Cavalli may not reapply for reinstatement of his license for a minimum of five years. Cavalli was also assessed a civil penalty of $60,000. This action was part of an agreement with the United States Attorney for the District of New Jersey following Cavalli's plea of guilty to Conspiracy to commit health care claims fraud.

In the Matter of Frederic Feit, M.D.

By Board Order filed August 6, 2009, and effective August 7, 2009, the State Board of Medical Examiners suspended the license of Frederic Feit, M.D., for a period of five years, with the first two years active and the remainder stayed to be a period of probation. Feit was also assessed costs totaling $11,689. This action followed Feit's guilty plea to Theft by Deception for fraudulently billing Medicare and private insurers for paraspinal nerve block procedures requiring fluoroscopic guidance, knowing he did not use fluoroscopic guidance for these procedures.

In the Matter of George Godfrey, M.D.

By Board Order filed November 23, 2009, and effective September 11, 2009, the State Board of Medical Examiners suspended the medical license of George Godfrey, M.D., for a period of five years and assessed an aggregate civil penalty of $90,000 and costs of $148,490. This action followed the Medical Board's acceptance of the initial decision by the Administrative Law Judge that Godfrey grossly inflated the medical coding of service levels and billed for services not rendered, regularly billed insurance carriers using inflated reimbursement initial examination CPT codes, and billed all subsequent visits at inflated or otherwise deceptive coding levels. The Board also found that Godfrey regularly billed for treatment services constituting physical therapy which were rendered by persons not licensed to perform those services and also billed for therapy services not rendered.

In the Matter of Bipin J. Parikh, M.D.

By Board Order filed December 18, 2009, the State Board of Medical Examiners accepted the surrender of the license of Bipin J. Parikh, M.D., to be deemed a revocation. This action followed Parikh's plea of guilty to Health Care Claims Fraud and Distribution of a Controlled Dangerous Substance. Parikh is ineligible to apply for or obtain a license to practice medicine and surgery in the State of New Jersey during any period of time that he is serving a custodial sentence, parole, or probation arising from his guilty plea and until the satisfaction of any and all terms of his criminal plea agreement.

In the Matter of Magdy Elamir, M.D.

By Board Order filed December 18, 2009, and effective December 23, 2009, the State Board of Medical Examiners temporarily suspended the license of Magdy Elamir, M.D., following Elamir's arrest in OIFP's *Operation MedScam* on charges of Distribution of a Controlled Dangerous Substance, Health Care Claims Fraud, and Medicaid Fraud.

DENTAL

In the Matter of Ngan Hirai, D.D.S /R.P.

By Board Order filed January 7, 2009, the State Board of Dentistry suspended the license of Ngan Hirai, D.D.S./R.P., for a period of two years, with the suspension stayed to be a period of probation. Hirai is required to take and successfully pass a Board approved ethics course. This action followed the entry of Summary Judgment in the Superior Court of New Jersey against Hirai relating to disability fraud.

In the Matter of Mitra Abdollahi, D.M.D.

By Board Order filed May 8, 2009, and effective June 12, 2009, the State Board of Dentistry suspended the license of Mitra Abdollahi, D.M.D., for a period of five years, with the first two years active and the remainder stayed to become a period of probation. This action followed Abdollahi's guilty plea to Medicaid Fraud for submitting bills to the Medicaid program for dental treatments, including fillings and extractions, which were not performed on Medicaid recipients; for use of an anesthetic when it was either not used or should not have been billed separately; and for performing unnecessary or improper dental procedures.

In the Matter of Michael Monica, D.M.D.

By Board Order filed December 2, 2009, the State Board of Dentistry suspended the license of Michael Monica, D.M.D., for a period of five years. This action followed Monica's guilty plea to Theft by Deception for fraudulently obtaining over $500,000 in disability benefits for 13 years while continuing to operate a dental practice.

PHARMACY

In the Matter of Aiad Saman, R.P.

By Board Order filed May 27, 2009, the State Board of Pharmacy suspended the license of Aiad Saman, R.P., for a minimum of five years or until Saman successfully completes all terms of his criminal sentence, whichever is later. This action followed Saman's guilty plea to Perjury, Conspiracy to Commit Fencing, and Conspiracy to Receive Stolen Property in the knowing trafficking of stolen prescription medication in excess of $75,000 while employed at Ojah Pharmacy.

In the Matter of Paola D'Ottavio, R.P.

By Board Order filed July 8, 2009 and effective July 2, 2009, the State Board of Pharmacy accepted the voluntary surrender of the pharmacy license of Paola D'Ottavio, R.P., to be deemed a revocation. This action followed D'Ottavio's jury trial convictions of Health Care Claims Fraud, Distribution of a Controlled Dangerous Substance, and Medicaid Fraud.

In the Matter of Charles Jyamfi, R.P.

By Board Order filed September 9, 2009, the State Board of Pharmacy suspended the license of Charles Jyamfi, R.P., until further order of the Board. This action followed the filing of an Essex County Grand Jury Indictment charging Jyamfi with Money Laundering, Conspiracy, Racketeering, Receiving Stolen Property, and Fencing in connection with Ojah Pharmacy. This action was also based on Jyamfi's failure to renew his biennial registration.

In the Matter of Ademola Salami, R.P.

By Board Order filed September 9, 2009, the State Board of Pharmacy suspended the license of Ademola Salami, R.P., pending further order of the Board. This action followed Salami's jury trial convictions for Health Care Claims Fraud and Medicaid Fraud. Between January 1, 2004, and April 10, 2004, Salami, through Bethel Pharmacy, submitted claims to the Medicaid program for phony prescriptions totaling approximately $16,851.

In the Matter of Herbert Brandt, R.P.

By Board Order filed November 16, 2009, the State Board of Pharmacy revoked the pharmacy license of Herbert Brandt, R.P. Under the terms of the order, Brandt may not apply for reinstatement of his license for a period of five years or until all terms of his criminal sentence are successfully completed. This action followed Brandt's guilty plea to Health Care Claims Fraud and Witness Tampering. Brandt, the pharmacist-in-charge and part-owner of Pharmacy of America, submitted approximately 2,986 fraudulent claims totaling $741,842 to the Medicaid program and various private insurance carriers. The submitted claims falsely represented that the prescription medicines had been dispensed to Medicaid recipients.

CHIROPRACTIC

In the Matter of Richard Glass, D.C.

By Board Order filed October 27, 2008, but not received by OIFP until calender year 2009, the State Board of Chiropractic Examiners suspended the license of Richard Glass, D.C., for a period of six months, with the suspension stayed to be a period of probation. Glass was also reprimanded following his submission of an insurance claim for payment knowing that the statement on the claim contained materially false information.

In the Matter of Alexander Carapalis, D.C.

By Board Order filed March 13, 2009, and effective March 11, 2009, the State Board of Chiropractic Examiners suspended the license of Alexander Carapalis, D.C., for a period of five years. This action followed Carapalis's violation of the New Jersey Insurance Fraud Prevention Act by providing misleading information to Selective Insurance Company during the investigation of Carapalis's personal injury claim.

NURSING

In the Matter of Roberta Wells, L.P.N.

By Board Order filed April 3, 2009, the State Board of Nursing summarily suspended the license of Roberta Wells, L.P.N. Wells allowed her biennial registration to lapse on May 31, 2003, without renewal and was alleged in a Complaint to have telephoned in approximately 161 fraudulent prescriptions for controlled dangerous substances which were paid for by a third-party insurer.

In the Matter of Ousnars Birotte, C.H.H.A.

By Board Order filed February 18, 2009, the State Board of Nursing indefinitely suspended the home health aide license of Ousnars Birotte until Birotte demonstrates evidence of rehabilitation. This action followed the entry of an Order of Judgment in the Superior Court of New Jersey finding that Birotte knowingly filed false statements with an insurance company claiming she was a passenger in a vehicle involved in a motor vehicle accident when she was not a passenger in that vehicle.

In the Matter of Sharonda Thomas, C.H.H.A.

By Board Order filed October 2, 2008, but not reported to OIFP until 2009, the State Board of Nursing indefinitely suspended the home health aide license of Sharonda Thomas until she seeks reinstatement of her license and establishes fitness to commence practice. The action followed Thomas's guilty plea to Health Care Claims Fraud for filing five fraudulent insurance claims regarding a head injury she falsely claimed to have sustained in a bus accident.

In the Matter of Xin Cui, C.H.H.A.

By Board Order filed February 27, 2009, the State Board of Nursing suspended the license of Xin Cui, a certified home health aide, for a period of two years. This action followed Cui's guilty plea to Medicaid Fraud for knowingly submitting false claims for services provided to an elderly Medicaid recipient which were not rendered.

In the Matter of Muzette Williams, C.H.H.A.

By Board Order filed June 22, 2009, the State Board of Nursing indefinitely suspended Muzette Williams's certification to practice as a home health aide. This action followed the filing of an Accusation charging Williams with Theft by Deception.

In the Matter of Lisa Smith, C.H.H.A.

By Board Order filed December 2, 2009, the State Board of Nursing denied Lisa Smith, a home health aide, the ability to renew her home health care certification following Smith's conviction of Conspiracy.

COSMETOLOGY AND HAIRSTYLING

In the Matter of Ana Carmona, Beautician

By Board Order filed March 10, 2009, the State Board of Cosmetology and Hairstyling reprimanded the license of Ana Carmona, beautician. This action followed Carmona's plea of guilty to Insurance Fraud for providing false information to an insurance carrier while applying for automobile insurance.

In the Matter of Joyce Sarte-Fuller, Beautician

By Board Order filed September 24, 2009, the State Board of Cosmetology and Hairstyling indefinitely suspended the license of Joyce Sarte-Fuller, beautician, until such time that Sarte-Fuller fully satisfies the criminal sanctions imposed on her by the Superior Court of New Jersey and demonstrates evidence of rehabilitation. This action followed Sarte-Fuller's criminal convictions for Conspiracy, Possession of a Controlled Dangerous Substance (morphine) With Intent to Distribute, and Attempted Theft by Deception.

PROFESSIONAL COUNSELORS

In the Matter of Karen Hicks, Ph.D.

By Board Order filed March 9, 2009, the Professional Counselor Examining Committee suspended the license of Karen Hicks, Ph.D., for a period of four years, with the suspension stayed to be a period of probation. The action followed Hicks's submission of a fraudulent receipt for a lost/stolen ring to Chubb Insurance. Hicks coerced her patient into writing the phony receipt.

PSYCHOLOGICAL EXAMINERS

In the Matter of Sally Wright, Psy.D.

By Board Order filed July 13, 2009, the State Board of Psychological Examiners temporarily suspended the license of Sally Wright, Psy.D., pending the completion of the Board of Psychological Examiner's administrative review. This action was based upon allegations contained in an Administrative Complaint filed by the Board of Psychological Examiners on July 8, 2009, alleging Wright aided and abetted the unlicensed practice of psychology.

Atlantic County Prosecutor's Office

State v. Ouheuane Doungchampa

In November 2009, Ouheuane Doungchampa entered a guilty plea to Insurance Fraud. On August 27, 2009, an Atlantic County Grand Jury returned a superseding Indictment charging Doungchampa with Insurance Fraud. According to the Indictment, Doungchampa fraudulently claimed to police following a bus accident that she was the driver of the bus when, in fact, she was not on the bus at the time of the accident but walked onto the scene immediately following the accident. Doungchampa received medical treatment and filed fraudulent claims with Personal Services Insurance for injuries purportedly sustained in this accident.

State v. Ramon Fuentes

On April 3, 2009, the court admitted Ramon Fuentes into the PTI Program and ordered him to pay GEICO Insurance Company $1,039 in restitution. On February 23, 2009, Fuentes pled guilty to Insurance Fraud. According to the County Prosecutor, Fuentes reported that his vehicle was in an accident in a WalMart parking lot in Mays Landing, New Jersey, but an investigation revealed that the accident was staged.

Burlington County Prosecutor's Office

State v. Crystal Chambliss

On September 4, 2009, the court sentenced Crystal Chambliss to two years' probation and 30 days of community service following her guilty plea to Health Care Claims Fraud.

State v. Rodney Rolle

On January 15, 2009, the court sentenced Rodney Rolle to one year' probation and ordered him to pay $157 in restitution to Aetna Insurance Company following his guilty plea to Obtaining a Controlled Dangerous Substance by Fraud.

State v. Douglas Vanderveer

On February 20, 2009, the court sentenced Douglas Vanderveer to five years' probation conditioned upon 364 days in county jail and ordered restitution of $18,863 to Selective Insurance Company and $16,002 to USAA Insurance Company following Vanderveer's guilty plea to Insurance Fraud.

State v. Debra Tanner

On July 31, 2009, the court sentenced Debra Tanner to 94 days in county jail. On June 22, 2009, Tanner pled guilty to Health Care Claims Fraud.

State v. Tracy Feigan

On February 20, 2009, the court sentenced Tracy Feigan to two years' probation and ordered her to pay a $500 fine following her plea of guilty to Obtaining a Controlled Dangerous Substance by Fraud.

State v. Nicol Gerber

On July 10, 2009, the court sentenced Nicol Gerber to three years' probation and ordered her to pay restitution of $118 to Horizon Blue Cross Insurance. On May 11, 2009, Gerber pled guilty to Health Care Claims Fraud.

State v. Terri Robinson

On December 14, 2009, Terri Robinson entered a plea of guilty to Health Care Claims Fraud.

State v. Adrian Palashensky

On December 22, 2009, a Burlington County Grand Jury returned an Indictment charging Adrian Palashensky with Forgery, Obtaining a Controlled Dangerous Substance by Fraud, Receiving Stolen Property, and Health Care Claims Fraud.

Camden County Prosecutor's Office

State v. Steven Neilson

On March 27, 2009, the court sentenced Steven Neilson to three years' probation and ordered him to undergo a psychiatric evaluation. On February 19, 2009, Neilson pled guilty to Practicing Medicine without a License. Neilson was a doctor who performed procedures he was not licensed to perform and fraudulently billed insurance companies, including Independence Blue Cross, for these procedures.

State v. Wayne Creyaufmiller

On June 25, 2009, the court admitted Wayne Creyaufmiller, a chiropractor licensed in the State of New Jersey, into the PTI Program and ordered him to pay $1,070 in restitution to New Jersey Manufacturers and a fine of $5,350. Creyaufmiller allegedly submitted fraudulent medical bills to New Jersey Manufacturers for physical therapy that was not performed.

State v. Nicola Smith

On January 30, 2009, the court sentenced Nicola Smith to three years' probation conditioned upon serving 180 days in the Camden County Jail and ordered her to pay $3,840 in restitution to Aetna Insurance. On December 17, 2008, Smith pled guilty to Insurance Fraud. Smith, a nurse licensed to practice in the State of New Jersey, fraudulently filled and billed prescriptions to her patients' insurance over a two-year period.

State v. Dwanna Wright

In June 2009, the court admitted Dwanna Wright into the PTI Program. It was alleged that Wright fraudulently used the identity of a co-worker to insure her vehicle.

Cape May County Prosecutor's Office

State v. Thomas Moran, et al.

On October 8, 2009, the court sentenced Thomas Moran to six years in State prison and ordered him to forfeit his residence, over $187,000 in cash, $196,000 in gift cards, and $268,000 in merchandise. Previously, Moran was convicted of Receiving Stolen Property and Criminal Sexual Contact. Moran, his wife Bonita, and their three children were involved in a 30-year identity theft and retail theft scam which branched into several other crimes including scholarship fraud and insurance fraud. Previously, the court admitted Bonita Moran into the PTI Program.

State v. Anne Kelly

On September 22, 2009, Anne Kelly was charged with Theft by Deception for allegedly stealing approximately $56,000 from the home owners' association where she was president and had control of the finances.

Essex County Prosecutor's Office

State v. Kenyatta O'Bryant

On November 13, 2009, the court sentenced Kenyatta O'Bryant to 364 days in the Essex County Jail as a condition of three years' probation. On September 28, 2009, O'Bryant entered a guilty plea to Arson, Conspiracy to Commit Insurance Fraud, and Insurance Fraud.

O'Bryant was a middle school guidance counselor employed by the Newark, New Jersey, Board of Education at an annual salary of $140,000. On April 13, 2006, O'Bryant arranged for the destruction by arson of his 2002 BMW and filed a fraudulent insurance claim alleging that his vehicle had been stolen. Six days later, O'Bryant arranged for the destruction by arson of a 2004 Acura TL owned by his long-time friend, Terrence Wilkins, who was at that time the principal of the Red Bank, New Jersey, Middle School.

State v. Larry Strickland

On December 15, 2009, Larry Strickland entered a guilty plea to Arson. In a secretly recorded conversation with a co-conspirator, Strickland admitted to having burned the co-conspirator's car on August 3, 2008, and agreed to burn another car in return for $1,500. The second car was owned by the Essex County Prosecutor's Office. On March 21, 2009, Strickland was arrested as he attempted to enter the sting vehicle.

State v. Amanda Wright-Stafford

On February 20, 2009, Amanda Wright-Stafford was convicted following a jury trial of Insurance Fraud against New Jersey Manufacturers Insurance Company. Wright-Stafford, the principal of Lincoln Grammar School, an elementary school in Orange, New Jersey, intentionally destroyed by arson her 2000 Honda Passport on October 3, 2006. As a result of her conviction, Wright-Stafford was forever barred from employment in the public school system.

Gloucester County Prosecutor's Office

State v. Marchetta Newman

On October 5, 2009, the court sentenced Marchetta Newman to probation. On March 11, 2009, a Gloucester County Grand Jury returned an Indictment charging Newman with Insurance Fraud and Tampering with Official Records. According to the Indictment, Newman provided a false insurance policy number on a registration renewal form for her vehicle.

State v. Alicia Smith

In 2009, the court admitted Alicia Smith into the PTI Program. On March 11, 2009, a Gloucester County Grand Jury returned an Indictment charging Smith with Insurance Fraud and Tampering with Official Records. According to the Indictment, on two separate occasions Smith registered two different motor vehicles using false insurance information.

State v. James Pritchett

On November 2, 2009, the court sentenced James Pritchett to nine months' probation following his guilty plea. On March 11, 2009, a Gloucester County Grand Jury returned an Indictment charging Pritchett with Insurance Fraud and Tampering with Official Records. Pritchett tried to register his vehicle with a non-existent insurance company. The name of the company he used was "Lizard Insurance," a reference to GEICO Insurance.

State v. Sandra Valley

On March 9, 2009, Sandra Valley reported to the local police that she was a victim of a strong-arm robbery and allegedly implicated several males who had no involvement. Valley also allegedly filed a fraudulent claim to Selective Insurance for property stolen during the purported robbery, including a Fendi purse valued at $450, $850 in cash, and several rings valued at $18,000. Valley was arrested by the Pitman, New Jersey, Police Department and charged with Insurance Fraud and False Report to Law Enforcement. The Insurance Fraud Unit of the Gloucester County Prosecutor's Office is assisting in presenting this case to a Gloucester County Grand Jury.

Hudson County Prosecutor's Office

State v. Highpoint Garage, Inc., et al.

In 2009, Highpoint Garage, Inc., a wrecking and towing company in North Bergen, New Jersey, along with several of its principals and employees, was charged with various offenses, including Insurance Fraud and Arson. The corporation subsequently entered a guilty plea resulting in the dissolution of the corporation. Corporate president Robert Avella admitted as part of the plea that a truck that had been seized by the State as evidence had been stripped of valuable parts, including overhead lights, tires, and wheels, and replaced with inferior parts which reduced the overall value of the vehicle by approximately $25,000. Avella also admitted that his firm continued to bill the owner of the vehicle for storage fees after it had been removed from Highpoint's yard by investigators. As a result of the plea, Highpoint's towing contracts with North Bergen, Secaucus, the New Jersey Turnpike Authority, and several federal agencies were cancelled.

The investigation began when North Bergen, New Jersey, police officers observed Highpoint employee Vincent Garrison running from the scene of an apparent arson on Paterson Plank Road overlooking a steep ravine. Garrison cooperated with the police and admitted that he had been instructed by his employers to push the tractor cab into the ravine so that Highpoint could collect the salvage fees amounting to approximately $18,000. When his efforts to push the cab into the ravine failed, he torched the vehicle to ensure that a competing towing firm did not obtain the salvage job. Garrison later pled guilty to Arson and was sentenced to probation.

State v. Felix Perez

On October 30, 2009, Felix Perez pled guilty to an Accusation based on his involvement with six others in an arson for hire/insurance fraud case involving Perez's 2004 GMC Envoy. A joint investigation by the Jersey City Arson Unit and the Hudson County Prosecutor's Office, Insurance Fraud Unit, disclosed that Perez paid a total of $600 to three individuals to burn the Envoy. Perez was sentenced to probation conditioned on 109 days in county jail and ordered to pay $17,173 in restitution.

State v. Albert Caroselli

In 2009, the court sentenced Albert Caroselli to three years in State prison following his guilty plea to Arson and Insurance Fraud. In March 2008, the Jersey City Fire Department responded to a car fire subsequently classified as arson by the Jersey City Arson Unit. Later that day, Caroselli, the owner of the car, falsely reported the vehicle stolen to the Jersey City Police Department and filed a fraudulent insurance claim with Allstate Insurance Company.

State v. Theresa Fulcinelli

In 2009, Theresa Fulcinelli was sentenced to probation following entry of her guilty plea to Health Care Claims Fraud. Fulcinelli utilized her former sister-in-law's identification and medical benefits card to obtain a clinical examination and a thyroid ultrasound at Hudson Medical Associates in Bayonne, New Jersey. The former sister-in-law noticed the charges on her benefits statement and alerted the Prosecutor's Office. Fulcinelli's ex-husband Vincent Fulcinelli was charged as her accomplice and was admitted into the PTI Program.

Mercer County Prosecutor's Office

State v. Karen Clayton

While awaiting sentence on three prior insurance fraud convictions, Karen Clayton wrote 17 fraudulent prescriptions from various doctors and presented them to various pharmacies over a three-month period. Clayton was charged with Insurance Fraud. On March 17, 2009, a renegotiated plea for all matters permitted Clayton to enter drug court with the following conditions: Clayton must make total restitution of $10,600, she must forfeit her public employment, and she must successfully complete the drug court program.

If Clayton fails to satisfy any of these conditions, she is subject to a prison sentence of eight years with a four-year minimum period of parole ineligibility.

State v. Rhonda Coons-Lidge

On September 18, 2009, Rhonda Coons-Lidge was sentenced to five years in State prison following her conviction for Insurance Fraud. On August 14, 2007, Coons-Lidge was in a car accident in Hamilton Township, Mercer County, while driving her husband's 2004 Chevrolet TrailBlazer. Coons-Lidge falsely gave her daughter's name to the police and stated that a third vehicle had struck her car and fled the scene. The following day, Coons-Lidge filed two separate fraudulent damage claims to two different insurance carriers, GEICO and Liberty Mutual, for the same accident.

State v. Antoine Costello, et al.

In 2009, a Mercer County Grand Jury returned an Indictment charging Antoine Costello and Anthony Govan with Insurance Fraud and Aggravated Arson. According to the Indictment, on April 9, 2008, at approximately 1:00 a.m., Costello called the Hamilton Township, Mercer County, Police Department claiming that he had been carjacked. As the Hamilton Township police were interviewing Costello and Govan, the Ewing Township, New Jersey, Police Department reported that Costello's vehicle was found burning in Ewing Township. Costello allegedly filed a fraudulent claim for damages with GEICO Insurance Company. It was alleged that the car fire was set intentionally, that both Costello and Govan fabricated the carjacking story, and that both men were involved in burning the vehicle.

State v. Kimberly Clayton, et al.

In 2009, the court admitted Kimberly Clayton, Tania Borges, and Jose Borges into the PTI Program conditioned on their payment of approximately $900 in restitution to New Jersey Manufacturers Insurance Company. The court also sentenced Luis Colon to probation. It was alleged that on May 14, 2008, Clayton left her job early to assist Colon, her boyfriend, who had been in an accident in Trenton, New Jersey. While driving Clayton's car, Colon struck an automobile driven by Tania Borges. It was further alleged that Colon's driver's license was suspended at the time of the accident and the defendants agreed that Clayton would say she was driving her car, and not Colon. Clayton subsequently filed an allegedly fraudulent claim for damages with New Jersey Manufacturers.

State v. Lisa Splitt

On March 9, 2009, the court admitted Lisa Splitt into the PTI Program. Splitt also signed a Consent Order in the amount of $80,000 to Medco Health Solutions. It was alleged that between March 2007 and August 2008, Splitt unlawfully used her sister's medical insurance to obtain prescription drugs.

Morris County Prosecutor's Office

State v. Shpendin Ziba

In 2009, the court admitted Shpendin Ziba into the PTI Program and ordered him to pay $40,000 in restitution to One Beacon Insurance. It was alleged that Ziba, the owner of a restaurant, submitted a fraudulent insurance claim to One Beacon after his restaurant was victimized by a burglary. Ziba falsely claimed more than three hundred bottles of expensive wines and liquor were stolen during the burglary.

State v. Javier Castaneda

In 2009, the court admitted Javier Castaneda into the PTI Program. It was alleged that Castaneda submitted a fraudulent claim with Liberty Mutual Insurance after discovering his vehicle on fire. It was further alleged that Castaneda deliberately set fire to his Toyota Tundra because he was unable to make his monthly lease payments.

State v. Michael Doyle

In 2009, a Morris County Grand Jury returned an Indictment charging Michael Doyle, a Road Master for Morristown Erie Railway in Morristown, New Jersey, with Insurance Fraud. According to the Indictment, Doyle submitted a $144,000 claim to New Jersey Manufacturers on behalf of the Morristown Erie Railway. The claim arose when a truck insured by New Jersey Manufacturers caused minor damage to the railway after becoming stuck during inclement weather. The Indictment alleged that Doyle inflated the amount of the damages by almost $100,000.

State v. John Hagen, III

In 2009, the court sentenced John Hagen, III, a former employee of the Boonton Police Department, to three years' probation, conditioned on service of 90 days in the Morris County Jail, performance of 250 hours of community service, and payment of full restitution of $141,000. Prior to reporting for his daily shift, Hagen injured his knee playing basketball at the local YMCA. When he arrived at work, Hagen fraudulently reported that he injured his knee while on duty. Hagen filed a workers' compensation claim and was out of work for approximately 103 days. While out of work, Hagen received full pay and benefits, and underwent a medical procedure to repair his injured knee.

State v. Reema Chaudhary

In 2009, Reema Chaudhary was charged with Insurance Fraud and Conspiracy. It was alleged that Chaudhary fraudulently utilized her sister-in-law's health insurance to pay for surgery and physical therapy for her broken wrist.

State v. Aquiles Novillo

In 2009, a Morris County Grand Jury returned an Indictment charging Aquiles Novillo and his company, All Business Insurance Managers, Inc., of Dover, New Jersey, with numerous counts related to Novillo's conduct in preparing fraudulent insurance liability certificates for taxi companies which he submitted to the Town of Dover. According to the Indictment, Novillo falsely represented in these certificates that the taxi companies had $500,000 in liability coverage, as required by a Dover ordinance, when, in fact, the companies were insured for far less.

Also in 2009, the court admitted into the PTI Program the four taxi companies and their owners: 07 Taxi & Limo, Inc., owned by Danilo Arias and Hipolito Caraballo-Arias; Apple Limo, Inc., owned by Jose Ramirez; Chamo Limo, Inc., owned by Eusebio Hidalgo; and Queens Limo, Inc., owned by Jose Perez. As a condition of PTI, all defendants were required to dissolve their businesses and to cooperate in the prosecution against Novillo.

Ocean County Prosecutor's Office

State v. Amanda Horner, et al.

On December 14, 2009, Amanda Horner entered a guilty plea to Insurance Fraud. In June 2009, an Ocean County Grand Jury returned an Indictment charging Horner with Insurance Fraud, Conspiracy to Commit Insurance Fraud, and False Swearing. According to the Indictment, in February 2008, Horner falsely reported to the Little Egg Harbor, New Jersey, Police Department that her 2007 Cadillac Escalade was stolen. The vehicle was subsequently recovered in Philadelphia, after Horner's former boyfriend informed OIFP that Horner had paid another individual to dispose of her car.

Passaic County Prosecutor's Office

State v. Natasha Thomas

On June 9, 2009, a Passaic County Grand Jury returned an Indictment charging Natasha Thomas, also known as Natasha Patterson, with Insurance Fraud, Fraudulent Use of Credit Cards, and Theft by Deception. According to the Indictment, Thomas used a stolen credit card number to purchase an auto insurance policy via the internet. Thomas then allegedly cancelled the policy, which resulted in a refund to her in the form of a check. It was alleged that Thomas purchased three separate auto insurance policies using two different stolen credit card numbers.

Thomas failed to appear at arraignment and a bench warrant was issued for her arrest. Subsequently, the court received a copy of a death certificate in the name of Natasha Thomas. The Passaic County Prosecutor's Office, Insurance Fraud Unit, determined the death certificate was fraudulent. Thomas was charged with additional crimes of Forgery and Tampering with Public Records.

State v. Paul Rubestello

On December 1, 2009, a Passaic County Grand Jury returned an Indictment charging Paul Rubestello with Insurance Fraud, Conspiracy to Commit Insurance Fraud, and Attempted Theft by Deception. According to the Indictment, Rubestello conspired with another person to dismantle Rubestello's vehicle and sell the parts from Rubestello's vehicle. It was alleged that Rubestello fraudulently reported his vehicle stolen to the Woodland Park, New Jersey, Police Department, unaware that his vehicle was installed with a LoJack stolen vehicle recovery system. Within two hours of Rubestello's stolen vehicle report, the Passaic County Sheriff's Department located and recovered Rubestello's dismantled vehicle.

State v. Fuzayal Chowdhury

On November 17, 2009, a Passaic County Grand Jury returned an Indictment charging Fuzayal Chowdhury with Simulating a Motor Vehicle Insurance Card. According to the Indictment, Chowdhury presented a fraudulent insurance card from State Farm Indemnity Company to a Woodland, New Jersey, police officer during a motor vehicle stop.

State v. Jose V. Lopez

On April 1, 2009, Jose V. Lopez was charged and served with a summons for Sale of a Simulated Motor Vehicle Insurance Identification Card. It was alleged that during an undercover operation, Lopez sold a fraudulent Clarendon Motor Vehicle Insurance card reflecting a valid six-month policy to an undercover detective from the Passaic County Prosecutor's Office.

State v. Kimberly Tiscornia

In 2009, Kimberly Tiscornia was charged with Obtaining Controlled Dangerous Substances by Fraud, Theft by Deception, and Forgery. It was alleged that Tiscornia, a patient of Doctor Marjorie Condon, submitted numerous prescriptions for OxyContin and Oxycodone to Olsson's Pharmacy in Hawthorne, New Jersey. Tiscornia allegedly unlawfully obtained over 100 blank prescription slips from Doctor Condon, forged prescriptions, and submitted these forged prescriptions to Olsson's Pharmacy and other neighboring pharmacies. The fraudulent prescriptions were paid by Tiscornia's health care insurance provider, Medco Health Solutions.

State v. Paul Whitney

On October 29, 2009, the court admitted Paul Whitney into the PTI Program conditioned on his performance of 75 hours of community service and payments of fines. On June 23, 2009, Whitney entered a guilty plea to an Accusation charging him with Insurance Fraud. According to the Accusation, on January 3, 2009, Whitney reported to the West Milford, New Jersey, Police Department that his 2006 Kawasaki ATV had been stolen. Whitney allegedly told the police that he parked his ATV in his driveway the night before and removed the key from the ignition, but the ATV was missing when he went outside the next morning. The Rockaway, New Jersey, Police Department found the ATV behind a reservoir off Route 23. The patrolman on the scene noted there was no damage to the ignition and saw ATV tracks in the area, suggesting the ATV was driven to the reservoir and not dropped off.

Whitney was asked to come to the West Milford Police Department to give a taped statement. During the statement, Whitney allegedly admitted that he and a friend were riding behind the reservoir when his ATV broke through the ice and sank. Whitney allegedly told investigators that he and his friend tried to get the ATV out of the water, but were unsuccessful. Fearing the ATV would be a total loss, Whitney allegedly reported the ATV stolen in order to collect the insurance money.

State v. Veronica Villa

On November 17, 2009, a Passaic County Grand Jury returned an Indictment charging Veronica Villa with Simulating a Motor Vehicle Insurance Card. According to the Indictment, on November 6, 2008, Villa presented an invalid Travelers insurance card to a Clifton, New Jersey, police officer during a motor vehicle stop for an expired registration sticker. It was alleged that when the police officer told Villa the insurance card was fraudulent, Villa admitted she purchased the card at the Tropicana Café in Elizabeth, New Jersey, for about $400 from a male that she only knew as "P."

Salem County Prosecutor's Office

State v. Alline Dale-Walker

In 2009, Alline Dale-Walker was charged with Insurance Fraud and Theft by Deception for failing to list her nephew as the primary driver of a vehicle on her automobile insurance policy. This case is pending presentation to a Grand Jury.

State v. Catina Brown

In 2009, Catina Brown was arrested for Tampering with Public Records and Insurance Fraud. It was alleged that Brown submitted fraudulent registration forms to the New Jersey Motor Vehicle Commission falsely claiming she had valid automobile insurance and that Brown failed to list her daughter as the primary driver of a vehicle on her insurance policy. This case is pending presentation to a Grand Jury.

State v. Creighton Riggs

In 2009, Creighton Riggs was charged with Insurance Fraud and Theft by Deception for falsely declaring Juanita Sulton to be his wife on a health insurance policy enrollment form and fraudulently claiming $6,350 in benefits for medical care provided to her. This case is pending presentation to a Grand Jury.

Somerset County Prosecutor's Office

State v. Lisa M. Guensch

On September 2, 2009, a Somerset County Grand Jury returned an Indictment charging Lisa M. Guensch with Insurance Fraud. According to the Indictment, Guensch was employed as a research nurse at the Cancer Institute of New Jersey (CINJ) at the University of Medicine and Dentistry of New Jersey (UMDNJ) in New Brunswick, New Jersey. CINJ became concerned when a local pharmacist called CINJ to verify a prescription called in by a nurse practitioner for a third refill of the narcotic cough medicine Tussionex

within a one-month period in May 2008. At the time of the attempted refill of the third prescription, the nurse practitioner who supposedly wrote the prescription no longer worked at CINJ, and had, in fact, moved out of state. The pharmacist advised CINJ that the prescription was for Guensch.

An investigation by UMDNJ discovered that Guensch's Pennsylvania nursing license was suspended in February 2008 for drug abuse. Guensch was later terminated from her position at UMDNJ in June of 2008 and her nursing license was suspended.

The Somerset County Prosecutor's Office, Insurance Fraud Unit, discovered that Guensch had phoned in fraudulent prescriptions for herself while working at CINJ by using various doctors' DEA registration numbers. Guensch allegedly phoned in 16 different fraudulent prescriptions between December 2006 and December 2007. Guensch's Horizon Blue Cross Blue Shield insurance records revealed that she used four different DEA registration numbers belonging to four different doctors and nurse practitioners. It was alleged that Guensch filled the prescriptions at three different pharmacies in Somerset County. Guensch allegedly paid for each of the 16 prescriptions using her Horizon Blue Cross Blue Shield insurance benefits for a total value of $1,125.

State v. Kenneth Thorn

On December 4, 2009, the court sentenced Kenneth Thorn to three years' probation, suspended his chiropractic license, and ordered him to pay $7,700 in restitution to the insurance carrier. On October 1, 2009, Thorn entered a guilty plea to an Accusation charging him with Health Care Claims Fraud. Thorn, a licensed chiropractor with an office in Martinsville, New Jersey, fraudulently billed health care insurers from February 2006 through November 2007 by making fraudulent statements of material fact on insurance claims on behalf of five patients for services not rendered to these patients.

Sussex County Prosecutor's Office

State v. Greivin Mena-Mora

On May 18, 2009, the Court admitted Greivin Mena-Mora into the PTI Program following his plea to an Accusation charging him with Simulating a Motor Vehicle Insurance Identification Card.

State v. Desmond Fitzgerald

On November 9, 2009, a Sussex County Grand Jury returned an Indictment charging Desmond Fitzgerald, the owner of Sparta Pharmacy, with Insurance Fraud, Health Care Claims Fraud, Theft by Deception, Falsification of Medical Care Records, and Tampering with Evidence. According to the Indictment, Fitzgerald submitted 23 false prescription claims to United Health Group for payment.

Union County Prosecutor's Office

State v. Victor Fakondo

In 2009, Victor Fakondo was charged with Insurance Fraud and Forgery. It was alleged that Fakondo, while working as a part-time pharmacist in Elizabeth, New Jersey, created false invoices in his name for several different prescription medications, printed the invoices, then deleted them from the pharmacy's computer system, and submitted claims in the amount of $354,027 to Medco Insurance Company over the course of two years. It was further alleged that none of the prescriptions were filled. A search of the pharmacy's computer system showed Fakondo created and deleted 290 different receipts.

State v. David Thomas

In 2009, a Union County Grand Jury returned an Indictment charging David Thomas with Insurance Fraud. According to the Indictment, on December 23, 2008, Thomas filed a fraudulent theft claim for $3,000 on his New Jersey Manufacturers home owner's insurance policy for a new Apple laptop computer he claimed to have purchased at the "We Are Golden" computer store in Union Township, New Jersey. It was alleged that Thomas claimed the computer was stolen from his basement where earlier in the day he hid the laptop from his wife because he planned to surprise her with the computer as a Christmas gift. It was alleged that Thomas had no receipt for the computer and that the "We Are Golden" computer store was out of business on the date Thomas allegedly purchased the laptop.

State v. Takeyer Boone

In 2009, the court admitted Takeyer Boone into the PTI Program. Previously, Boone was charged with Insurance Fraud.

On April 28, 2008, Boone's Hillside, New Jersey, home, which was undergoing interior renovations, was burglarized. When police responded, Boone allegedly stated that cash, jewelry, designer handbags, home electronics, 30 boxes of laminate flooring, crown molding, and various tools totaling in excess of $30,000 were stolen. On a referral from State Farm Insurance, the Union County Prosecutor's Office, Insurance Fraud Unit, and Hillside Police investigated further, obtained statements from the contractor, and identified the burglar. While arresting Boone at her home, detectives saw in plain view several of the items she claimed had been stolen. Search warrants were obtained and executed, and the remainder of the electronics, handbags, and building materials were located within the home and its detached garage.

State v. Jennifer Massimo, et al.

In 2009, Jennifer Massimo, her mother Diane Massimo, and her father Fred Massimo were charged with Insurance Fraud. Jennifer and her mother Diane both entered guilty pleas to Insurance Fraud. In March 2008, the office manager of Advanced Pain Management Specialists reported an employee theft to the Union, New Jersey, Police Department, when it was discovered that monies were missing. A joint investigation between the Union Police Department and the Union County Prosecutor's Office, Insurance Fraud Unit, revealed that Jennifer Massimo, a patient and billing clerk of the medical office, had submitted altered claims on behalf of herself, her mother Diane, and her father Fred. Insurance benefit payments in excess of $75,000 due to the doctor's office were sent directly to the Massimos' home address and deposited directly into the Massimos' bank accounts for their own benefit. Fred Massimo has since passed away.

Warren County Prosecutor's Office

State v. Robert Rauf

On February 19, 2009, Robert Rauf entered a guilty plea to False Report to Law Enforcement Authorities and paid a total of $350 in fines and costs. It was alleged that Rauf falsely reported to AIG Insurance Company that his 2000 GMC pickup truck was stolen when, in fact, Rauf had loaned the truck to a friend who subsequently was involved in a motor vehicle accident.

State v. Michael R. Moran

On September 29, 2009 a Warren County Grand Jury returned an Indictment charging Michael R. Moran, t/a All Weather Remodeling, with Theft by Deception and Unlicensed Contractor. The Indictment alleged that Moran submitted inflated repair estimates to Philadelphia Receivership Insurance Company for work he performed repairing storm damage to a private residence.

State v. Wilson R. Morocho

On May 5, 2009, Wilson R. Morocho pled guilty to Giving False Information to a Law Enforcement Officer and Uninsured Motor Vehicle Operator. The court imposed a total of $483 in fines and costs. The guilty pleas resulted from numerous charges filed against Morocho when he caused a multi-vehicle chain reaction accident while operating a tractor-trailer on Route 80 in Allamuchy Township, New Jersey, in May 2008. At the time of the accident, Morocho presented to a police officer an expired Progressive Insurance Company commercial vehicle insurance identification card.

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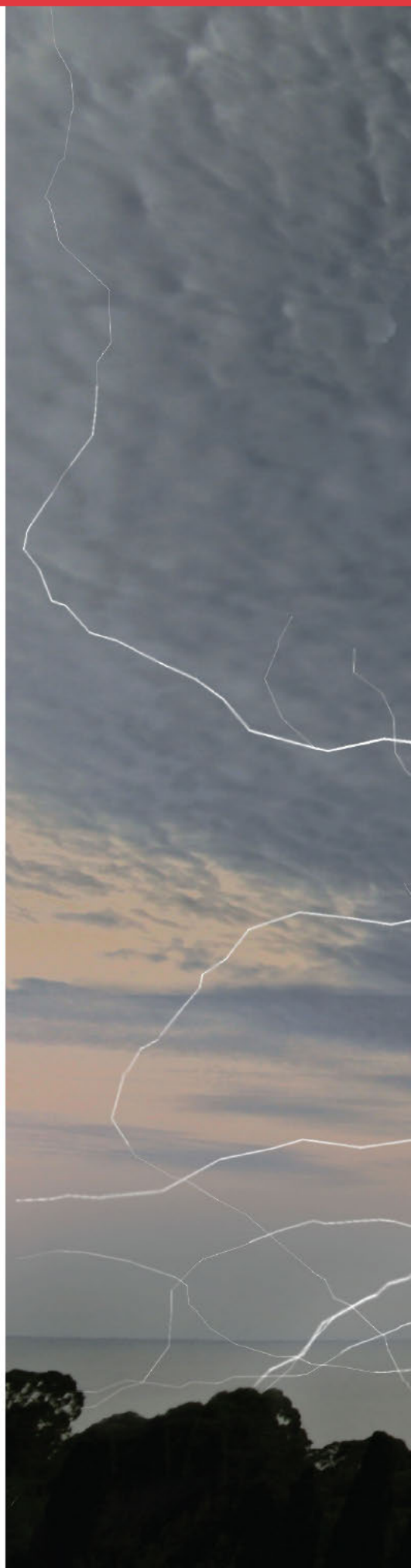

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