Operators of New Jersey Nursing Home Accused of Medicaid Fraud



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On December 12, 2024, the New Jersey Office of the State Comptroller (OSC) issued a report detailing the OSC's five year investigation of for-profit nursing home South Jersey Extended Care (SJEC). The investigators uncovered an alleged scheme where the operators and owner of SJEC siphoned Medicaid funds from SJEC into their personal businesses, leaving SJEC without adequate staffing and resources.

Michael Koning, an individual barred from operating nursing homes in Connecticut and Massachusetts, and his brother-in-law Steven Krausman, ran the home. The official owner of SJEC, Mark Weisz, was simply a straw owner of SJEC and surrendered control to Koning and Krausman. During the investigation period, OSC discovered that SJEC received $35.6 million in Medicaid funds but paid $38.9 million to businesses owned and controlled by Koning and Krausman. To prevent fraud, federal and state laws require nursing homes to disclose transactions with vendors that have common ownership or control with the nursing home and place a cap on costs paid to such related parties. However, with Weisz as the straw owner, Koning and Krausman evaded exposure of their scheme by acting as independent parties. Koning, Krausman, Weisz, SJEC and their related entities and parties have been suspended from New Jersey Medicaid.

In light of the investigation, the OSC also made recommendations to other regulatory agencies in its report to prevent and detect fraud, waste, and abuse within the Medicaid Program. Recommendations include (i) the Department of Health (DOH) adopting regulations to minimize the risk associated with complex corporate structures used by for-profit nursing homes, (ii) prohibiting nursing home owners/operators from withdrawing equity from nursing homes without approval of DOH and the Department of Human Services (DHS), and (iii) DOH and DHS approving all leases, transfers of ownership, and mortgages involving nursing

home properties.

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