

Department of Justice

U.S. Attorney's Office

District of Connecticut

FOR IMMEDIATE RELEASE

Tuesday, April 20, 2021

Connecticut Nursing Home Operator Sentenced to Prison for Embezzlement and Tax Offenses

Leonard C Boyle, Acting United States Attorney for the District of Connecticut, announced that CHAIM STERN, 72, of Flushing, New York, was sentenced today by U.S. District Judge Janet C. Hall in New Haven to 30 months of imprisonment, followed by three years of supervised release, for embezzlement and tax offenses related to his operation of nursing homes in Bridgeport and Waterbury.

According to court documents and statements made in court, Stern was the principal operator of the Bridgeport Health Care Center ("BHCC"), Bridgeport Manor, and the Rosegarden Health and Rehabilitation Center LLC ("Rosegarden") in Waterbury, which were privately owned nursing and rehabilitation facilities. Between approximately 2011 and 2018, Stern stole approximately \$4.1 million from the BHCC Pension Plan, over which he was the trustee, principally by diverting the money to a purported charity, called Em Kol Chai, which Stern controlled, as well as to himself and other entities. Also, in approximately February 2015, Stern misapplied \$305,608.06 from BHCC Health Plan by diverting the money from a stop-loss insurance plan that was intended to pay for an employee health claim, and instead used it for other purposes, including Em Kol Chai, the operation of the BHCC, and for Stern's personal use.

Stern also failed to pay millions of dollars in other health insurance claims that he was obliged to pay on behalf of his employees, resulting in many cases in debt collection action against employees by the health care providers.

In addition, from at least January 2017 through March 2018, Stern failed to, and caused BHCC and Rosegarden to fail to, pay over employment taxes it collected from BHCC and Rosegarden employees. Also, from January 2017 through June 2018, Stern failed to, and caused BHCC and Rosegarden to fail to, pay BHCC and Rosegarden's share of employment taxes. The total tax loss resulting from Stern's conduct is \$4,356,409.85.

On January 15, 2020, Stern pleaded guilty to one count of theft or embezzlement from an employee benefit plan, one count of theft or embezzlement in connection with healthcare, and one count of willful failure to pay tax.

Stern has already made approximately \$4.1 million in criminal restitution to Pension Plan, along with some lost interest as agreed upon in a related civil case. Judge Hall ordered Stern to pay restitution to participants in the Health Plan with unpaid claims, to the extent that the \$2.5 million already paid by Stern and his insurance company in the related civil action do not cover all of those claims. A third-party claims administrator is currently attempting to settle all of those outstanding health claims.

Finally, Stern also has agreed to pay approximately \$2.4 million in restitution to the IRS, representing the tax withholdings Stern took from employees but did not pay over to the IRS.

Stern, who is released on a \$500,000 bond, is required to report to prison on May 26, 2021.

This matter was investigated by the U.S. Department of Labor – Office of Inspector General, U.S. Department of Labor – Employee Benefits Security Administration, Boston Regional Office, and Internal Revenue Service – Criminal Investigation Division. The case was prosecuted by Assistant U.S. Attorneys David E. Novick and Neeraj N. Patel.

Topic(s):
Financial Fraud
Tax

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