

Department of Justice

U.S. Attorney's Office

District of Connecticut

FOR IMMEDIATE RELEASE

Wednesday, January 15, 2020

Nursing Home Operator Pleads Guilty to Embezzlement and Tax Offenses

John H. Durham, United States Attorney for the District of Connecticut, announced that CHAIM STERN, 71, of Flushing, New York, waived his right to be indicted and pleaded guilty today in Bridgeport federal court to 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.

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. And, 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.

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 is scheduled to be sentenced by U.S. District Judge Janet C. Hall in New Haven on April 8, 2020, at which time he faces a maximum term of imprisonment of 20 years.

As part of his plea agreement, Stern has agreed to make restitution to Pension Plan participants in the amount of approximately \$4.1 million; to participants in the Health Plan with unpaid claims; and to the IRS in the total amount of approximately \$2.4 million.

Stern is released on a \$500,000 bond pending sentencing.

This matter is being 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 is being prosecuted by Assistant U.S. Attorneys David E. Novick and Neeraj N. Patel.