

## New Jersey DCs Allege Extortion

SUIT FILED AGAINST DIRECTOR OF DEPT. OF INSURANCE'S FRAUD DIVISION,  
ET AL.

Editorial Staff

The Chiropractic Alliance of New Jersey (CANJ) et al., plaintiffs in a class action suit against Lewis Parisi, director of the Fraud Division of the New Jersey Department of Insurance (DIFD) et al., have accused the DIFD of extorting money from chiropractors and other health care professionals.

The CANJ, headquartered in Vineland, New Jersey, alleges:

- DIFD mass mails form letters to practitioners, wherein the addressee is told a certain claim to a certain insurance company violates a New Jersey statute in some general, unspecified manner.
- letter never specifically states how practitioner has violated any particular law;
- letter asks the doctor to sign a consent agreement and pay a civil penalty (\$2500-5,000) within 15 days, "while neither admitting nor denying the charge." If the doctor does not sign the consent agreement, then the "Commissioner of Insurance reserves the right to seek a judgment of the Superior Court of New Jersey for the full amount of liability."
- letter further states that if consent agreement is signed, DIFD will not pursue civil or criminal proceedings, nor notify the licensing board. Translated in nonlegalese: "Pay up, and will forget the whole thing -- or else." (Editor's note: the DIFD must notify the licensing board when investigating any doctor, it's not discretionary!)

Sometimes the DIFD uses a different alleged tactic:

DIFD notifies "Dr. X" that DIFD is engaged in an "investigation" not targeted at Dr. X. Dr. X is then asked to send confidential patient records and later to appear at an "informal meeting." Dr. X, like a lamb to the slaughter, arrives at the informal meeting without a lawyer and is promptly accused of unspecified misconduct. Immediate settlement is offered by DIFD if Dr. X agrees to pay half of the maximum fine. If DIFD is paid, they agree to testify on Dr. X's behalf.

The suit alleges that DIFD also insists that the doctor agree not to consult an attorney about the settlement.

- In 1992, DIFD admitted to extracting fines from 300 of the state's 1,500 DCs. In 1990, DIFD collected more than four million dollars from 800 practitioners.

The counts against the DIFD include:

- racketeering conspiracy, under the Racketeer Influenced and Corrupt Organization Act

(RICO);

- using interstate mail and wires to perpetrate an extortion scheme;
- violation of the Hobbs Act (interference with commerce by threats or violence);
- violating plaintiff's constitutional rights under the fifth and 14 amendments;

The plaintiffs are seeking:

- permanent injunction prohibiting defendants from engaging in the extortion scheme;
- damages in an amount equal to monies paid by plaintiffs, trebled as provided by law;
- declaratory judgment that DIFD violated plaintiffs' constitutional rights under the fifth and 14 amendments;
- Judgment voiding all settlement and payout agreements;
- costs and attorneys fees;
- further relief as court deems fit.

The attorney for the plaintiffs, Richard Jaffee, a New York lawyer who recently moved to Houston, Texas, specializes in cases involving health care practitioners.

"They shook down 300 chiropractors last year," Mr. Jaffee said. "This is called the Mafia school of government."

Attorney Jaffee doesn't expect many factual disputes in the case, as much of the evidence is in the form of letters from the DIFD. It now becomes a matter of proving the extortion charge.

The plaintiffs are demanding a trial by jury.

"DC" will be following this case with interest.

JUNE 1993