



State of North Carolina

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North Carolina Senate President Pro Tempore Marc Basnight
North Carolina House of Representatives Speaker James Black
North Carolina House of Representatives Speaker Richard T. Morgan
Co-Chairs, Joint Legislative Commission on Governmental Affairs

Senator Scott Thomas
Representative R. Phillip Haire
Representative Joe L. Kiser
Co-Chairs, Appropriations Subcommittees on Justice and Public Safety

North Carolina General Assembly
Raleigh, North Carolina 27601-1096

RE: G.S. §114-2.5; Report on Settlement Agreements in Eckerd Corporation, Craven Pathology Associates, Inc., and Pfizer, Inc.

Gentlemen:

G.S. §114-2.5 requires the Attorney General to report to the Joint Committee on Governmental Operations and the Chairs of the Appropriations Subcommittees on Justice and Public Safety regarding all settlements and court orders which result in more than \$75,000.00 being paid to the State. Pursuant to that statute, I am writing regarding the settlement of claims for Medicaid reimbursement to the State and Federal governments in the above-referenced matters. Pursuant to federal law (42 CRS 433.320) recoveries in these cases are shared on a pro-rata basis by the state and federal governments.

On June 3, 2002 a Settlement Agreement was executed between Eckerd Corporation and the North Carolina Department of Justice. The State and Federal governments alleged that Eckerd billed federal and state health care programs for quantities of medication that exceeded the amounts that were actually provided when Eckerd dispensed partial or "short" prescriptions but billed the government health care program for the full amount of the medication prescribed. The settlement covers the time period from January 1, 1986 to May 1, 2000. The United States received restitution and penalties in the amount of \$305,401.89. The North Carolina Medicaid Program received restitution and interest of \$87,654.45. A portion of the state share will be returned to the affected counties based upon their financial participation in the Medicaid Program.



In addition, pursuant to Article IX, Section 7 of the North Carolina Constitution and G.S. § 115C-457.1, the penalty portion of the settlement amount of \$64,045.09 will be paid to the Civil Penalty Forfeiture Fund for the support of public schools.

On December 30, 2002 a Settlement Agreement was executed between Craven Pathology Associates, Inc. and the North Carolina Department of Justice. The State alleged that Craven Pathology Associates, Inc. submitted improper claims for pathology services to inpatients that were paid by the Medicaid Program between May 1994 and May 1997. As a result of the Settlement Agreement, based upon pro-rata financial participation in the North Carolina Medicaid Program, the United States received \$575,010.00 and the State of North Carolina received \$324,990.00. The North Carolina Fund for Medical Assistance (Medicaid Program) will receive the full amount of the State share of the settlement proceeds. A portion of this amount will be returned to the affected counties based upon their financial participation in the Medicaid Program.

On January 14, 2003 a Settlement Agreement was executed between Pfizer, Inc. and the North Carolina Department of Justice. The State and Federal governments alleged that Warner-Lambert, a subsidiary later acquired by Pfizer, violated the federal Medicaid drug rebate statute by failing to accurately report "best price" information for Lipitor, an anti-cholesterol medication. The settlement covers the time period from January 1, 1999 to December 31, 1999. The United States received restitution and penalties in the amount of \$1,181,381.15. The North Carolina Medicaid Program received restitution and interest of \$292,953.38. A portion of the state share will be returned to the affected counties based upon their financial participation in the Medicaid Program. In addition, pursuant to Article IX, Section 7 of the North Carolina Constitution and G.S. § 115C-457.1, the penalty portion of the settlement amount of \$398,792.40 will be paid to the Civil Penalty Forfeiture Fund for the support of the public schools.

We will be happy to respond to any questions you may have regarding this report.

Very truly yours,



Julia White
Chief of Staff

JW:lab

cc: Jim Johnson, Director of Fiscal Research
Chloe Gossage, Fiscal Research Division
Nels Roseland, DOJ Chief Fiscal Officer