



State of North Carolina

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September 27, 2007

North Carolina Senate President Pro Tempore Marc Basnight
North Carolina House of Representatives Speaker Joe Hackney
Co-Chairs, Joint Legislative Commission on Governmental Operations

Senator John Snow
Senator Eleanor Kinnaid
Representative Alice Bordsen
Representative Jimmy Love
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 Agreement for Brunswick Cove, Inc.

Dear Members:

G.S. §114-2.5 requires the Attorney General to report to the Joint Legislative Commission 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 matter. 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.

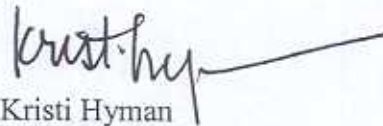
On July 19, 2007, the North Carolina Department of Justice entered into a Settlement Agreement executed between Brunswick Cove, Inc., d/b/a Brunswick Cove Nursing Center, and the North Carolina Department of Justice and United States Department of Justice. The settlement covers the time period from October 1, 1997 to February 18, 2002. The State and Federal governments alleged that Brunswick Cove submitted cost reports to the North Carolina Medicaid Program for the fiscal years 1998 – 2001 that reported as reimbursable certain direct care expenses that were not reimbursable direct care expenses.

Pursuant to the Settlement Agreement, Brunswick Cove agreed to pay \$178,594. Of this amount, the United States received \$112,058.16 for the federal share of monies recovered, penalties, and compliance costs. The North Carolina Medicaid Program received \$33,267.92 for the state share of monies recovered. 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 in the amount of \$32,615.87 will be paid to the Civil Penalty Forfeiture Fund for the support of the public schools. Pursuant to G.S. §115C-457.2, the North Carolina Department of Justice will receive \$652.05 for costs of collection.

The settlement further required Brunswick Cove to enter into a Corporate Integrity Agreement with the Office of the Inspector General of the U.S. Department of Health and Human Services in order to monitor the company's operations and ensure compliance with the law in the future.

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

Very truly yours,

A handwritten signature in black ink, appearing to read "Kristi Hyman", followed by a long horizontal line extending to the right.

Kristi Hyman
Chief of Staff

KH:kds

cc: Jean Sandaire, NCGA Fiscal Research Division
Greg McLeod, NCDOJ, Legislative Counsel
Nels Roseland, NCDOJ, Deputy Chief of Staff