



State of North Carolina

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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 Ellie Kinnaird
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 Michael A. DeRose, DDS
and Letitia Ballance, DDS, d/b/a Medicaid Dental Center

Dear Members:

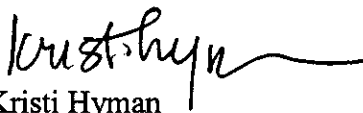
G.S. §114-2.5 requires the Attorney General to report to the Joint Legislative Commission on Governmental Operations and the Chairs of the Appropriations Subcommittees on Justice and Public Safety regarding all settlements and court orders which result in more than \$75,000.00 being paid to the State. 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.

Michael A. DeRose, DDS and Letitia Ballance, DDS, d/b/a Medicaid Dental Center ("MDC") operated a chain of four dental clinics in North Carolina that provided services primarily to Medicaid eligible patients. MDC entered into a settlement agreement with the United States Department of Justice and the North Carolina Attorney General's Office to resolve allegations that from July 1, 2001 to June 30, 2003, MDC submitted claims for reimbursement for performing pulpotomies and placing stainless steel crowns that were not medically necessary or were performed in a manner that did not meet professionally recognized standards of care, and, in some cases, failed to obtain informed consent for medical procedures and services.

Under the terms of the Settlement Agreement, MDC agreed to pay a total of \$10,050,000.00. Of that amount, the North Carolina Medicaid Program was paid \$1,825,969.74 as restitution for the State share of the monies recovered. Pursuant to Article IX, Section 7 of the North Carolina Constitution and G.S. §115C-457.1, the Civil Penalty Forfeiture Fund for the support of the public schools was paid \$1,790,180.73. Pursuant to G.S. §115C-457.2, the North Carolina Department of Justice received \$35,789.00 for costs of collection. The balance went to the federal government to reimburse its share of Medicaid costs.

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

Very truly yours,


Kristi Hyman
Chief of Staff

KH:efp

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