



State of North Carolina

Department of Justice
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August 22, 2008

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 with ValueOptions, Inc.

Dear Members:

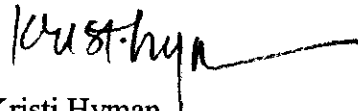
G.S. §114-2.5 requires the Attorney General to report to the Joint Legislative Commission on Governmental Operations and the Chairs of the Appropriations Subcommittees on Justice and Public Safety all settlements which result in more than \$75,000.00 being paid to the State. Pursuant to that statute, I am writing to report the payment by ValueOptions, Inc. ("ValueOptions") of \$275,000 to the Division of Medical Assistance ("DMA") in the North Carolina Department of Health and Human Services.

ValueOptions has a contract with DMA to provide utilization management services with respect to developmental disability services for individuals entitled to such benefits under the North Carolina Medicaid Program. The contract was signed in 2005. DMA's Contract Monitoring Office began an audit of ValueOptions' invoices in May of 2007. On January 28, 2008, Value Options agreed to pay DMA the sum of \$275,000 to settle all claims regarding ValueOptions' invoices for all developmental disability utilization reviews performed by ValueOptions through June 30, 2007. This cash payment was in addition to credits totaling \$5,210,000 that ValueOptions had already posted to DMA's account. ValueOptions' check was deposited to an account captioned "Miscellaneous Contractual Services" on January 30, 2008.

This is the same account from which the funds had been drawn to pay for ValueOptions' services. Because one-half of the sums paid to ValueOptions had been paid with federal funds, one-half of the \$275,000 refund was remitted to the U.S. Department of Health and Human Services.

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", with a long horizontal flourish extending to the right.

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