



# Department of Justice

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FOR IMMEDIATE RELEASE  
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## **\$151.5 MILLION SETTLEMENT AGREEMENT ANNOUNCED**

***2004 NC State Auditor's Report Leads to Federal Investigation/  
Settlement among U.S. Government, State of North Carolina, and  
Several NC Hospitals***

RALEIGH, NC - A civil Settlement Agreement requiring the repayment of \$151.5 million in excess reimbursements to the federal government was consummated today in Raleigh, North Carolina. According to the three United States Attorneys for North Carolina, this represents one of the largest recoupments in North Carolina history. Today's Settlement Agreement comes at the conclusion of a two-year federal investigation into North Carolina's use of the Disproportionate Share Hospital Program (DSH), commonly known in North Carolina as the Medicaid Reimbursement Initiative.

Under the DSH program the federal government reimburses states for a portion of the funds expended to provide healthcare for lower income and uninsured citizens. Each state is required to create a plan for the administration and disbursement of the federal funds which must be approved by the responsible federal agency.

Today's announcement is made jointly by Gretchen C.F. Shappert, United States Attorney for the Western District of North Carolina, Anna Mills S. Wagoner, United States Attorney for the Middle District of North Carolina, and George E. B. Holding, United States Attorney for the Eastern District of North Carolina; Melody Jackson, Special Agent in Charge, Health and Human Services, Office of Inspector General, Office of Investigations (HHS/OIG), and Nathan Thomas Gray, Special Agent in Charge of Federal Bureau of Investigation operations in North Carolina.

The joint federal investigation, involving agents from the FBI, HHS/OIG, and the Medicaid Investigations Unit of the NC Attorney General's office, began in mid-2004 following the issuance of a Report by the Office of the State Auditor on March 13, 2004 (Report). The Report questioned the way the DSH program had been administered by the NC Department of Health and Human Services Division of Medical Assistance (DMA). The Report also questioned the role of several hospitals and their legal counsel.

Following an in-depth investigation by federal and State agencies, working jointly with attorneys and staff from all three federal judicial districts, the U.S. Attorneys announced that, while substantial overpayments have been made to the State and, in turn, to a large number of hospitals within the state, no evidence of criminal wrongdoing or civil fraud has been uncovered.

Overpayments to the State and the hospitals were determined to be the result of a number of interrelated factors, including the use of an overly-aggressive plan to obtain the maximum amount of federal health care dollars by the State, a number of significant accounting errors, and the failure of State officials to insure timely cost settlements.

Under the agreement announced today, the State will be responsible for repaying the entire sum of \$151.5 million over a period of four years, with interest beginning in 2007. Fifty-one specifically identified hospitals will be obligated to repay the State approximately \$91 million of that amount.

The federal government conducted a two year investigation into all the matters raised in the Report. The final conclusion of that investigation was that the State was overpaid approximately \$151.5 million in connection with this program, but that these overpayments were the results of mistakes made by the State and the hospitals, not fraud. A more detailed description of the results of the investigation is attached to this press release as an exhibit.

The U.S. Attorneys want to express their appreciation for the diligent efforts of the investigators who methodically and carefully sifted through the voluminous evidence during this federal investigation in the effort to achieve a fair and just resolution of this matter. The U.S. Attorneys also express their appreciation for the spirit of cooperation and professionalism exhibited by the hospitals and individuals who were the subject of the Report's criticism, and for allowing this federal investigation to run its course unfettered.

The U.S. Attorneys will have no further comment beyond the details discussed in the accompanying exhibit regarding today's Settlement Agreement. The Settlement Agreement document, however, will be made available upon request.

EXHIBIT ATTACHED

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