



State of North Carolina

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ROY COOPER
ATTORNEY GENERAL

July 19, 2011

North Carolina Senate President Pro Tempore Phil Berger
North Carolina House of Representatives Speaker Thom Tillis
Co-Chairs, Joint Legislative Commission on Governmental Operations

Senator Harry Brown
Senator Thom Goolsby
Representative W. David Guice
Representative Shirley B. Randleman
Representative N. Leo Daughtry
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 Ameritox, Ltd. and
Ameritox Testing Management, Inc.

Dear Members:

Section 114-2.5 of the North Carolina General Statutes 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 C.F.R. § 433.320) recoveries in these cases are shared on a pro rata basis by the state and federal governments.

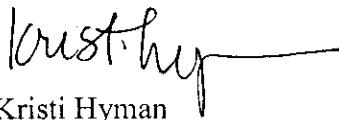
A Settlement Agreement has been executed between Ameritox, Ltd. and Ameritox Testing Management, Inc. (collectively "Ameritox") and the State of North Carolina. Ameritox, Ltd. is a limited partnership headquartered in Baltimore, Maryland and is engaged in the business of urine testing for the presence of certain medications and drugs. Ameritox, Ltd.'s principal laboratory facility is located in Midland, Texas. Ameritox Testing Management, Inc. is a Texas corporation and the general partner of Ameritox, Ltd. The settlement resolves allegations that

from January 2003 through June 2010, Ameritox submitted false information to the Centers for Medicare and Medicaid Services (CMS) for the over-utilization of testing services and for testing services for which providers received improper remuneration and kickbacks.

Under the terms of North Carolina's settlement, the State of North Carolina recovered \$250,067.89. Of that amount, the federal government received \$157,964.03 to satisfy North Carolina's obligation to return the federal portion of Medicaid recoveries to the federal government. The North Carolina Medicaid Program received \$26,203.52 as restitution and interest. 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 \$61,997.73 will be paid to the Civil Penalty Forfeiture Fund for the support of North Carolina public schools. Pursuant to G.S. § 115C-457.2 and G.S. § 108A-70.12(b)(3), the North Carolina Department of Justice will receive \$3,902.61 for investigative and collection costs.

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 horizontal line extending to the right.

Kristi Hyman
Chief of Staff

KH:lb

cc: Rick Shreve, NCGA Fiscal Research Division
Kristine Leggett, NCGA Fiscal Research Division
Nels Roseland, NCDOJ, Deputy Chief of Staff