



State of North Carolina

ROY COOPER
ATTORNEY GENERAL

Department of Justice
9001 Mail Service Center
RALEIGH, NORTH CAROLINA
27699-9001

Phone: (919) 716-6400
Fax: (919) 716-6750

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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 L. Bordsen
Representative Jimmy L. 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 James R. Pierce and
Pierce Pharmaceuticals, 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 CFR 433.320) recoveries in these cases are shared on a pro-rata basis by the State and Federal governments.

On April 27, 2007, a Settlement Agreement was executed between James R. Pierce/Pierce Pharmaceuticals, Inc. and the United States of America, the North Carolina Department of Justice, and federal relators, Michelle Renne Daley and Erik Bennett Freeman. The settlement covered the time period of December, 1999 through August, 2002. James Pierce was a licensed pharmacist. His company, Pierce Pharmaceuticals, Inc., provided prescription drugs to patients residing in long term care facilities. The government and relators alleged that Pierce and his company submitted claims to the Medicaid Program and was reimbursed for refilling prescription drugs for patients in long term care facilities when, in fact, the refills had

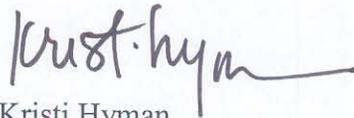
not been requested and were not provided.

Pursuant to the Settlement Agreement, James Pierce and Pierce Pharmaceuticals, Inc. agreed to pay \$3,139,028.80. Of this amount, the United States received \$1,270,416.05 for the federal share of Medicaid monies recovered. The North Carolina Medicaid Program received \$784,220.44 for the state share of Medicaid monies recovered. A portion of the state share will be returned to the affected counties based upon their financial participation in the Medicaid Program. The United States received \$582,135.47 in federal penalties. The relators received \$502,256.84. Pierce Pharmaceuticals will also pay attorney's fees and costs of the relators in the amount of \$39,500.00.

Earlier, on December 13, 2004, James R. Pierce pled guilty to one count of health care fraud in the United States District Court for the Eastern District of N.C., and on April 26, 2005, he was sentenced to 33 months in prison.

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

Very truly yours,

A handwritten signature in black ink that reads "Kristi Hyman" with a long horizontal flourish extending to the right.

Kristi Hyman
Chief of Staff

KH:kds

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