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**ATTORNEY GENERAL**

**STATE OF NORTH CAROLINA**  
**DEPARTMENT OF JUSTICE**

**SETH DEARMIN**  
**CHIEF OF STAFF**

September 1, 2023

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North Carolina General Assembly  
Raleigh, North Carolina 27601-1096

RE: G.S. §114-2.5A; Report on Activities of Medicaid Fraud Control Unit

Dear Members:

G.S. §114-2.5A requires the Attorney General to report by September 1 on the activities of the Medicaid Fraud Control Unit of the Department of Justice, which is the Medicaid Investigations Division, during the previous fiscal year to the Chairs of the Appropriations Subcommittees on Justice and Public Safety and Health and Human Services of the Senate and House of Representatives and the Fiscal Research Division of the Legislative Services Office. Pursuant to that statute, I have enclosed the Medicaid Investigations Division's Activities Report for July 1, 2022, through June 30, 2023.

September 1, 2023  
Page 2

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 'Seth Dearmin', with a long horizontal stroke extending to the right.

Seth Dearmin  
Chief of Staff

SD:ng

cc: Sean Hamel, NCGA Fiscal Research Division  
Mark White, NCGA Fiscal Research Division  
Morgan Weiss, NCGA Fiscal Research Division

REPORT TO THE  
NORTH CAROLINA GENERAL ASSEMBLY

BY THE  
MEDICAID INVESTIGATIONS DIVISION  
OF THE  
NORTH CAROLINA DEPARTMENT OF JUSTICE

State Fiscal Year July 1, 2022, through June 30, 2023

TABLE OF CONTENTS

I.	INTRODUCTION .....	1
II.	OVERVIEW .....	1
III.	INFORMATION REQUIRED ON MID-ACTIVITIES .....	3
	1. The number of matters referred to the MID .....	3
	2. The number of cases investigated. ....	4
	3. The number of criminal convictions and civil settlements. ....	4
	a. Criminal Convictions .....	4
	b. Civil Settlements .....	5
	4. The total amount of funds recovered in each case; Allocations .....	6
	Table A Funds Recovered .....	7
IV.	CRIMINAL CONVICTIONS .....	8
V.	CIVIL RECOVERIES .....	10
VI.	PROSPECTUS .....	18

## **I. INTRODUCTION**

Pursuant to N.C.G.S. § 114-2.5A “each year the Medicaid Fraud Control Unit of the Department of Justice,” which is the Medicaid Investigations Division (MID), “shall file a written report about its annual activities” with the General Assembly. This report covers the activities of the MID for the State Fiscal Year 2022-2023 (FY 22/23), covering the period of July 1, 2022, through June 30, 2023.

G.S. § 114-2.5A requires the report on the MID’s activities during the previous state fiscal year to include specific information as follows:

- (1) The number of matters reported to the MID.
- (2) The number of cases investigated.
- (3) The number of criminal convictions and civil settlements.
- (4) The total amount of funds recovered in each case.
- (5) The allocation of recovered funds in each case to (i) the federal government; (ii) the State Medical Assistance Program; (iii) the Civil Penalty and Forfeiture Fund; (iv) the N.C. Department of Justice; and (v) other victims.

Because the MID receives 75% of its funds from a Federal source, the MID is required by its Federal funding source to maintain statistics and report its activities based on the Federal fiscal year, which is October 1 through September 30. The General Assembly requires that this report present statistics based on the state fiscal year of July 1 through June 30. Pursuant to G.S. § 1-617, the General Assembly also requires a report on *qui tam* cases for the calendar year of January 1 through December 31. While these three reports overlap, the statistics presented in these three reports will vary because they each cover different time periods.

## **II. OVERVIEW**

The MID has worked hard to combat Medicaid provider fraud, the physical abuse of patients in Medicaid-funded facilities, the misappropriation of patient funds, and fraud in the administration of the Medicaid program during its 44-year history. In that time, 677 providers have been convicted of crimes relating to Medicaid provider fraud, the physical abuse of patients in Medicaid-funded facilities, the misappropriation of patient personal funds, and fraud in the administration of the Medicaid program, and the MID has recovered over \$1 billion in fines, restitution, interest, penalties, and costs.

The MID continues to maintain strong relationships with the North Carolina Department of Health and Human Services (NC DHHS), the state agency that administers the North Carolina Medicaid Program, and with other law enforcement and prosecutorial agencies. Throughout FY 22/23, the MID continued joint investigations of fraud and patient abuse cases with a number of law enforcement and investigatory agencies, including the United States Department of Health and Human Services Office of Inspector General (HHS-OIG), Office of Investigations District Office in Greensboro, N.C.; the Federal Bureau of Investigation (FBI); the Internal Revenue Service; the

United States Department of Justice; N.C. State Bureau of Investigation; and local law enforcement agencies, along with integrity Special Investigations Units (SIUs) within private insurance companies and managed care companies. These relationships serve as a valuable resource for future case referrals.

Medicaid Fraud Control Units from other states seek advice and guidance in the areas of administration, investigation, and prosecution from the MID. The MID strives to maintain and build on this reputation and to assist other units directly and through participation with the National Association of Medicaid Fraud Control Units (NAMFCU). During FY 22/23, MID Director Eddie Kirby served as an instructor at the NAMFCU *Managing a MFCU* training program and served as attorney advisor to the NAMFCU Data Mining Working Group. MID Civil Chief Steve McCallister served on the NAMFCU Global Case Committee, Qui Tam Subcommittee, Training Committee, and several NAMFCU working groups. Special Deputy Attorney General Lareena Phillips served on both the Global Case Committee and the NAMFCU Training Committee, and as a co-chair of the NAMFCU Qui Tam Subcommittee. MID Nurse Investigator Laura Schlabach served on the NAMFCU Nurse Subcommittee and has recently been named co-chair of that Subcommittee. MID Investigative Auditor III Jennifer Brock served on the NAMFCU Data Analysts Subcommittee. The MID continues to be actively involved in national global cases being coordinated through NAMFCU with the United States Department of Justice and other federal and state agencies. Civil Chief Steve McCallister, Special Deputy Attorneys General Michael Berger, Lareena Phillips, Matt Petracca, Assistant Attorney General Madeline Lea, and Investigative Auditor III Jennifer Brock and Financial Investigator Lisa Jones served on NAMFCU global teams appointed by NAMFCU's Global Case Committee. MID also is a national leader with respect to data mining and has assisted other MFCUs in developing their data mining capabilities.

The United States Attorney's Offices for the Eastern, Middle, and Western Districts have appointed a number of MID attorneys as Special Assistant United States Attorneys (SAUSAs) to pursue criminal and civil Medicaid fraud matters. MID attorneys receive many benefits from this appointment. MID attorneys are collaborating with attorneys in the United States Attorney's Offices for the Western, Middle, and Eastern Districts of North Carolina on substantial criminal and civil fraud cases against a variety of Medicaid providers.

The MID has a strong relationship with the North Carolina Department of Health and Human Services, particularly with its Office of Compliance and Program Integrity (OCPI) and the NCDHHS Information Technology Division. The MID also has a strong relationship with the North Carolina Division of Health Service Regulation (NC DHSR), the primary agency designated to receive patient physical abuse complaints from or involving long-term care providers in North Carolina.

During FY 22/23, the MID continued to provide an extensive training program for its staff through NAMFCU courses. Classes range from multi-level fraud investigation techniques to technical skills training. Also, during FY 22/23, MID continued to provide in-house training for its staff members.

The North Carolina General Assembly enacted the North Carolina False Claims Act, G.S. §§ 1-605 through 1-618, effective January 1, 2010. This act established a state *qui tam* law that has improved the MID's ability to prosecute and investigate Medicaid provider fraud and abuse. Since the North Carolina False Claims Act became effective, the MID has received information from and filings by whistleblowers alleging approximately 906 cases of Medicaid fraud and abuse.

In summary, the MID's activities over the past year in both the criminal and non-criminal areas have proven productive. Our successful investigation and prosecution of a variety of Medicaid providers during FY 22/23 enhanced our reputation as an effective and professional Medicaid Fraud Control Unit that vigorously, but fairly, pursues and prosecutes fraud and abuse.

### **III. INFORMATION REQUIRED ON MID ACTIVITIES**

#### **1. The number of matters referred to the MID.**

There were 384 referrals made to the MID during the State FY 22/23: an increase from FY 21/22. The referrals came from varied sources. Referral sources include private citizens, *qui tam* relators, the Office of Compliance and Program Integrity (OCPI) of the Division of Health Benefits, Managed Care Organizations (MCO) in connection with behavioral health services, the Division of Health Service Regulation, local departments of Social Services, former employees, State Survey and Certification agencies, Licensing Boards, the National Association of Medicaid Fraud Control Units, United States Attorney's Offices, and other law enforcement agencies such as Office of Inspector General. The distribution of MID's referrals in State FY 22/23 were as follows: Anonymous (2), HHS-OIG (17), Local Prosecutor (3), Medicaid Agency Other (3), Medicaid Agency SURS or Program Integrity Unit (102), Other (13), Other Law Enforcement (6), Private Citizens (190), Provider (1), Provider Health Insurer (1), State Agency Other (44), and State Survey and Certification (2).

Of those 384 new referrals, the MID opened new case files on 90 matters. The remaining 294 were referred to another agency for review, rolled into existing MID investigations, or declined for various reasons. In many instances, it is appropriate to refer a matter to the North Carolina Division of Health Benefits for further review or administrative action. DHB can compare the allegation to its history of the provider and conduct billing analysis and reviews to determine whether further investigation is appropriate. DHB may then refer the matter back to the MID with the additional data and analysis. In that case, the MID can reconsider whether to open an investigation. Alternatively, DHB may decide to apply one of the administrative remedies or sanctions it has at its disposal. It is also possible that the matter could be referred to another appropriate investigatory agency for action.

A number of referrals were declined on the grounds that the referrals did not sufficiently allege Medicaid provider fraud, were not substantiated by a preliminary review, or the potential for successful criminal prosecution was low. Some of the allegations pertained to Medicaid

recipient fraud, but the MID's federal grant does not allow the MID to use the funding to investigate Medicaid recipient fraud. Therefore, the MID refers recipient fraud allegations to the Division of Health Benefits and the county Departments of Social Services. Please note that allegations of Medicaid recipient fraud should be referred to the Recipient Services Section of the Division of Health Benefits, 919-527-7749, or the Fraud Section of the local county Department of Social Services.

Medicaid fraud investigations are complex and labor-intensive. The consequences of a fraud conviction on a provider can be severe. Therefore, the MID takes great care to ensure that allegations are substantiated before proceeding with criminal charges or civil actions.

## **2. The number of cases investigated.**

During FY 22/23, the MID staff investigated 444 cases. Due to the length of time required to properly investigate a case, a number of these cases were referred and/or opened prior to FY 22/23. The subjects of investigations included adult day cares, ambulance transportation providers, anesthesiologists, assisted living facilities, billing services, cardiologists, clinical social workers, dentists, development disability facilities, dialysis, durable medical equipment providers, family practices, home health agencies, hospitals, inpatient psychiatric services, internal medicine, clinical, radiology and physiology labs, Medicaid program administrations, medical device manufacturers, mental health licensed therapists, non-emergency transportation, non-residential mental health facilities, nurse practitioner, nurse's aides, nursing facilities, obstetricians and gynecologists, pediatricians, personal care services agencies, personal care services attendants, pharmaceutical manufacturers, pharmacies, pharmacy technicians, physical medicine and rehabilitation, psychiatrists, psychologist, substance abuse treatment centers, and non-mental health therapists. The MID also investigated caregivers accused of patient physical abuse at Medicaid-funded facilities and the misappropriation of patient personal funds.

## **3. The number of Criminal Convictions and Civil Settlements.**

### **a. Criminal Convictions**

During FY 22/23, the MID successfully convicted 4 providers. These criminal convictions resulted in more than 251 months of incarceration and in the recovery of \$11,395,492.64 in restitution, fines, and fees. Details of these convictions are set forth in Section IV of this report.

The MID's prosecutors may prosecute in State court when they are invited to serve as special prosecutors by the elected district attorney. As the MID prosecutors and investigators have specialized training and experience investigating and prosecuting health care fraud, they are often able to provide valuable assistance to local authorities. The MID is grateful for its productive working relationships with district attorneys' offices and law enforcement agencies across the State.

One example of a case in which the MID collaborated effectively with local law enforcement was the Brunswick County case, State v. Sayre. The Brunswick County Department of Social Services discovered that Terry Sayre and, his co-conspirator, Julie Ridgill, conspired to submit fraudulent transportation invoices to the Brunswick County DSS falsely representing that transportation was being provided to medical appointments. Medicaid reimburses local DSS for this type of transportation for eligible recipients who need assistance with transportation. As a result of the fraud, Brunswick County paid the defendants \$31,882.50 of Medicaid funds for transportation services that were not provided.

Upon discovering the fraud, Brunswick County DSS contacted the Brunswick County Sheriff's Office which reached out to the MID. The MID collaborated with the Brunswick County DSS and Sheriff's Office during their investigation. The investigation involved a voluminous amount of financial and transportation records. Upon completion of the investigation, the MID consulted with District Attorney Jon David, who invited the MID prosecutors to serve as special prosecutors in this matter. Working with D.A. David's office, the MID was able to secure convictions in this case.

On December 9, 2022, Terry Lee Sayre pled guilty to the felony of obtaining property by false pretenses in Brunswick County Superior Court. Judge Jason C. Disbrow sentenced Sayre to 60 months of supervised probation. Sayre also was ordered to pay \$ 31,882.50 in restitution to the North Carolina Medicaid Program. Previously, in February 2022, Sayre's co-defendant, Ridgill, had pled guilty and was sentenced to supervised probation and was jointly and severally liable for the restitution.

After Sayre was sentenced, Attorney General Josh Stein stated, "When people cheat the Medicaid program, they're cheating North Carolina's taxpayers. My office will not allow it. I commend District Attorney Jon David and my team for their hard work and partnership on this case."

The MID looks forward to continuing to work with its partners across the State to investigate and prosecute Medicaid provider fraud, patient abuse, and misappropriation of patient funds.

#### **b. Civil Settlements**

During FY 22/23, the MID successfully obtained 15 civil settlements/judgments and recovered \$26,307,370.06 in damages, interest, civil penalties, and costs.

Of significance was a civil settlement with Radeas, LLC. Radeas is a South Carolina limited liability company with its headquarters in Wake Forest, North Carolina. Radeas operates a clinical laboratory and offers clinical laboratory services in and around the state of North Carolina. This matter was referred to the MID by MID's Data Mining team.

It was alleged that from January 1, 2016, through September 30, 2021, Radeas billed for definitive urine drug testing that was not medically necessary. Radeas performed both presumptive and definitive urine drug testing on the same urine samples at or near the same time. A presumptive drug test is used to detect the presence or absence of a drug class, but does not indicate the concentrations of the drugs that are present in the sample. A definitive drug test identifies the presence of specific drugs and their concentrations. Radeas performed both presumptive and definitive urine drug tests on the same sample at or near the same time, for the same or similar substances, often providing overlapping information for presumptive and definitive urine drug tests. Radeas then reported both the presumptive and definitive test results back to the ordering health care providers at the same time. Absent health care provider-designated reflex orders in certain situations or clear orders from health care providers, the definitive testing was not medically necessary or reasonable under North Carolina Medicaid policy.

On September 1, 2022, a settlement agreement was executed between Radeas and the State of North Carolina in settlement of these allegations. Under the terms of North Carolina's settlement, the State of North Carolina recovered \$3,653,858.72. Of that amount, the federal government received \$2,084,526.40 to satisfy North Carolina's obligation to return the federal portion of Medicaid recoveries to the federal government. The North Carolina State share of the settlement was \$1,569,332.32. Of this amount, \$735,781.46 was paid to the North Carolina Medicaid Program as restitution, \$758,301.38 was paid to the Civil Penalty Forfeiture Fund for the support of public schools, and \$75,249.48 was paid to the North Carolina Department of Justice for costs of collection and investigation.

**4. The total amount of funds recovered in each case; Allocations.**

Together, these 4 criminal convictions and 15 civil recoveries represent a total of \$37,702,862.70 recovered for the State of North Carolina. Consistent with federal reporting instructions, recoveries are amounts individual and organizational defendants are ordered to pay in criminal cases and must pay in civil judgments and settlements and may not reflect actual collections. A case by case breakdown of the amounts recovered in each case and allocation of recovered funds is shown below in Table A.

Table A Funds Recovered 07/01/2022 - 06/30/2023						
Name	Federal Government	NC Medicaid	Civil Penalty & Forfeiture Fund	NC DOJ Costs	Other	Total
Antonio Deon Fozad/Group Services, Inc.	2,797,203.37	1,445,590.63			200.00	4,242,994.00 *
Glenn Pair/United Youth Care Services, Inc.	2,624,743.83	1,294,539.17			1,159,561.00	5,078,844.00 *
Richard Graves	1,392,659.34	648,644.80			200.00	2,041,504.14
Terry Sayre	21,356.17	10,526.33			268.00	32,150.50
<b>Total Criminal Recoveries</b>	<b>\$ 6,835,962.71</b>	<b>\$ 3,399,300.93</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,160,229.00</b>	<b>\$ 11,395,492.64</b>
Doe v. Mallinckrodt Pharmaceuticals (Acthar Gel)	7,793,051.93	4,629,947.42		298,594.53	1,255,316.64	13,976,910.52
Bawduniak v. Biogen IDEC, Inc. (Avonex, Tysabri)	2,706,752.69	814,920.44	413,332.72	68,470.16	545,998.47	4,549,474.48
Radeas Labs	2,084,526.40	735,781.46	758,301.38	75,249.48		3,653,858.72
Hill v. Healthkeeperz, Inc.	1,196,580.00	344,576.05	351,249.70	37,430.04	171,649.80	2,101,485.59
Joint Active Systems, Inc.	282,400.00	101,827.43	105,344.60	10,427.97		500,000.00
Turnbull v. Triangle Women's Center	220,874.50	80,110.74	47,498.25	6,973.92	29,542.59	385,000.00
Zellner v. Medline Industries, Inc.	123,587.72	40,950.38	42,203.74	4,188.06	30,687.80	241,617.70
Respiratory Care, LLC v. Respironics, Inc.	123,495.49	32,352.57	39,502.75	3,495.21	17,576.98	216,423.00
Kukoyi v. SavaSeniorCare, LLC, et al	104,244.06	65,661.68		4,306.78	17,832.66	192,045.18
New Hope Urgent Care/Arjumand Bano Syed	97,410.00	34,033.82	35,075.49	3,480.69		170,000.00
Nyberg v. Advance Bionics Corporation, et al	78,111.76	24,145.75	24,222.54	2,403.70	9,905.81	138,789.56
Iredell Physician Network, LLC	136,619.90	1,870.44		124.11		138,614.45
Shalom Pediatric Clinic, PLLC/Rita Nnaemeka-Okoyeh, MD	19,961.93	7,447.37	7,018.04	747.86		35,175.20
Respironics, Inc. (Meyers v. Respironics)	4,424.71	1,599.07	1,648.01	163.54		7,835.33
Carroll v. BSN Medical, Inc., et al	79.42	22.85	23.54	2.34	12.18	140.33
<b>Total Civil Recoveries</b>	<b>\$ 14,972,120.51</b>	<b>\$ 6,915,247.47</b>	<b>\$ 1,825,420.76</b>	<b>\$ 516,058.39</b>	<b>\$ 2,078,522.93</b>	<b>\$ 26,307,370.06</b>
<b>Total Recoveries</b>	<b>\$ 21,808,083.22</b>	<b>\$ 10,314,548.40</b>	<b>\$ 1,825,420.76</b>	<b>\$ 516,058.39</b>	<b>\$ 3,238,751.93</b>	<b>\$ 37,702,862.70</b>

\* Criminal cases identified as joint and several during this reporting period.

#### **IV. CRIMINAL CONVICTIONS**

The MID reports all criminal convictions to the United States Department of Health and Human Services Exclusion Program, which, in turn, will take administrative action to exclude these providers from future participation as providers in Medicaid and any other federally funded health care program for a period of years.

##### **US v. Antonio Fozard**

During the investigation into allegations that Group Services, Inc. billed the Medicaid program for services not rendered, Antonio Fozard was identified as the owner of the business. This case originated from a referral from the North Carolina Department of Health & Human Services – Division of Health Benefits.

The investigation revealed that between 2012 and 2016, Antonio Fozard conspired with Sharita Richards, the Chief Operating Officer of Group Services, and others to submit fraudulent claims for behavioral health services not rendered. Group Services employed Reginald Van Reese, Jr., and Ruben Samuel Matos to canvas low-income neighborhoods to identify eligible Medicaid recipients and collect their personal identifying information. This information was then incorporated into false and fraudulent claims that Group Services submitted to Medicaid for reimbursements.

On November 15, 2022, Antonio Fozard pled guilty to one count of Conspiracy to Commit Health Care Fraud and one count of Health Care Fraud and Aiding and Abetting. Fozard was sentenced to 120 months in prison for Count 1 and a term of 31 months on Count 2, to be served consecutively, producing a total term of 151 months, followed by 3 years of supervised release. Fozard was ordered to pay a \$200.00 assessment fee and restitution in the amount of \$4,242,784.00 to the North Carolina Medicaid program. Fozard and co-defendants are held jointly and severally liable for the restitution.

##### **US v. Glenn Pair**

During the course of another MID investigation, it was determined that Glenn Pair was billing for medically unnecessary urine drug testing. Glenn Pair was a resident of Charlotte and Greensboro, North Carolina and was a partner in Everlasting Vitality, LLC and Do It 4 The Hood Corporation, and the owner of Motivation Enterprises, LLC.

The investigation revealed that Pair and his co-conspirator Markuetric Stringfellow, owned and operated an after-school and youth mentoring program known as Do It 4 The Hood Corporation. From January 2016 through November 2018, Pair and Stringfellow paid individuals to recruit at-risk youths, in particular children who were Medicaid eligible in North Carolina, for their Do It 4 The Hood program. Once enrolled, children were required to submit urine specimens

for drug testing. Pair and Stringfellow conspired with certain laboratories to perform the drug testing of the enrolled children's urine specimens and received kickbacks once the laboratories were reimbursed by the North Carolina Medicaid program.

On July 27, 2022, Pair pled guilty to three counts of Conspiracy to Commit Health Care Fraud and two counts of Money Laundering Conspiracy. Pair was sentenced to sixty months imprisonment for each count of Conspiracy to Commit Health Care Fraud and to be served concurrently for ten months for Money Laundering Conspiracy, to be served consecutively for a total term of seventy months imprisonment followed by two years of supervised release for each count to be served concurrently. Pair was ordered to pay a \$400 assessment and \$5,079,444.00 in restitution, jointly and severally with Markuetric Stringfellow.

### **US v. Richard Graves**

Richard Graves was an employee of United Diagnostic Laboratories, a urine toxicology testing laboratory, and United Youth Care Services, a company that provided mental health and substance abuse treatment services. This matter was opened from a referral from the Medicaid Investigations Division's Data Mining Team.

The investigation revealed that Graves and his co-conspirators located recruiters to recruit at-risk youths and other Medicaid-eligible beneficiaries for after-school, youth mentoring, housing, or other programs and services. Once enrolled, the beneficiaries were required to submit urine specimens for drug testing, which were provided to United Diagnostic Laboratories and United Youth Care Services for medically unnecessary urine drug testing. Graves and his co-conspirators paid the recruiters a kickback from United Youth Care Services NC Medicaid reimbursement on the drug testing.

On February 9, 2023, Graves pled guilty to one count of Conspiracy to Defraud the United States and one count of Money Laundering Conspiracy. Graves was sentenced to 30 months' imprisonment to each count, to be served concurrent to each other, followed by 2 years of supervised release. Graves was ordered to pay \$2,041,304.14 in restitution to the Medicaid program and a \$300.00 assessment. The court gave notice that this case may involve other defendants who may be held jointly and severally liable for all or part of the restitution in the future.

### **NC v. Terry Sayre**

Terry Sayre was designated as a non-financially responsible self-driver for his fiancée Julie Ridgill. This case originated from the Brunswick County Sheriff's Department.

The investigation revealed that on February 24, 2014, Julie Ridgill as approved as a self-driver to receive reimbursement for transportation services. Ridgill designated her fiancé Terry

Sayre as a non-financially responsible self-driver. Ridgill and Sayre submitted fraudulent Transportation invoices from October 26, 2015 through October 14, 2019.

On December 9, 2022, Sayre pled guilty to the felony of obtaining property by false pretenses in. Sayre was sentenced to 11-23 months in jail, which was suspended, and was placed on 60 months of supervised probation and ordered to pay \$31,882.50 in restitution to the Medicaid program and \$268.00 in court costs. Sayre and his co-defendant, Julie Ridgill, are held jointly and severally liable for the restitution.

## **V. CIVIL RECOVERIES**

### **MALLINCKRODT PHARMACEUTICALS**

Mallinckrodt Pharmaceuticals plc is an Irish public limited company. Mallinckrodt ARD, LLC (f/k/a Questcor Pharmaceuticals, Inc., a subsidiary of Mallinckrodt plc, is a California LLC with its principal place of business in Bedminster, New Jersey. At all relevant times, Mallinckrodt distributed, marketed, and sold pharmaceutical products in the United States, including North Carolina. This matter was referred to the MID by a *qui tam* plaintiff.

It was alleged that from January 1, 2013, through June 30, 2020, Mallinckrodt improperly avoided paying rebates to the Medicaid program for H.P. Acthar Gel.

On March 3, 2022, in conjunction with a national settlement, a settlement agreement was executed between Mallinckrodt and the State of North Carolina in settlement of these allegations. Under the terms of North Carolina's settlement, the State of North Carolina recovered \$13,976,910.52. Of that amount, the federal government received \$7,793,051.93 to satisfy North Carolina's obligation to return the federal portion of Medicaid recoveries to the federal government. The North Carolina State share of the settlement was \$6,183,858.59. Of this amount, \$4,629,947.42 was paid to the North Carolina Medicaid Program as restitution and interest, \$1,198,212.40 was paid to the *qui tam* plaintiff, \$57,104.24 was paid as NC's share of a States Bankruptcy Counsel fee, and \$298,594.53 was paid to the North Carolina Department of Justice for costs of investigation.

### **BIOGEN IDEC, INC.**

Biogen IDEC, Inc. is a Delaware corporation headquartered in Cambridge, Massachusetts. At all relevant times, Biogen marketed pharmaceutical products in the United States, including North Carolina. This matter was referred to the MID by a *qui tam* plaintiff.

It was alleged that from January 1, 2009, through March 18, 2014, Biogen paid kickbacks to health care providers to induce them to prescribe Avonex, Tysabri, and Tecfidera.

Under the terms of North Carolina's settlement, the State of North Carolina recovered \$4,549,474.48. Of that amount, the federal government received \$2,706,752.69 to satisfy North Carolina's obligation to return the federal portion of Medicaid recoveries to the federal government. The North Carolina State share of the settlement was \$1,842,721.79. Of this amount, \$814,268.51 was paid to the North Carolina Medicaid Program as restitution, \$413,332.72 was paid to the Civil Penalty Forfeiture Fund for the support of public schools \$545,998.47 was paid to the *qui tam* plaintiff, \$651.93 was paid to the National Association of Medicaid Fraud Control units for fees associated with the settlement, and \$68,470.16 was paid to the North Carolina Department of Justice for costs of investigation.

### **RADEAS, LLC**

Radeas, LLC is a South Carolina limited liability company with its headquarters in Wake Forest, North Carolina. Radeas operates a clinical laboratory and offers clinical laboratory services in and around the state of North Carolina. This matter was referred to the MID by MID's Data Mining team.

It was alleged that from January 1, 2016, through September 30, 2021, Radeas billed for definitive urine drug testing that were not medically necessary.

On September 1, 2022, a settlement agreement was executed between Radeas and the State of North Carolina in settlement of these allegations. Under the terms of North Carolina's settlement, the State of North Carolina recovered \$3,653,858.72. Of that amount, the federal government received \$2,084,526.40 to satisfy North Carolina's obligation to return the federal portion of Medicaid recoveries to the federal government. The North Carolina State share of the settlement was \$1,569,332.32. Of this amount, \$735,781.46 was paid to the North Carolina Medicaid Program as restitution, \$758,301.38 was paid to the Civil Penalty Forfeiture Fund for the support of public schools, and \$75,249.48 was paid to the North Carolina Department of Justice for costs of collection and investigation.

### **HEALTHKEEPERS, INC.**

Healthkeeperz, Inc. is a North Carolina corporation with its main office in Pembroke, North Carolina. At all relevant times, Healthkeeperz provided case management services for North Carolina Medicaid beneficiaries. This matter was referred to the MID by a *qui tam* plaintiff.

It was alleged that from January 1, 2016, through October 31, 2019, Healthkeeperz submitted claims to the Medicaid program for case management services that were not reimbursable because they were not covered services under North Carolina Medicaid.

On May 17, 2022, a settlement agreement was executed between Healthkeeperz and the State of North Carolina in settlement of these allegations. Under the terms of North Carolina's settlement, the State of North Carolina recovered \$2,101,485.59. Of that amount, the federal government received \$1,196,580.00 to satisfy North Carolina's obligation to return the federal portion of Medicaid recoveries to the federal government. The North Carolina State share of the settlement was \$904,905.59. Of this amount, \$344,576.05 was paid to the North Carolina Medicaid Program as restitution and interest, \$351,249.70 was paid to the Civil Penalty Forfeiture Fund for the support of public schools, \$171,649.80 was paid to the *qui tam* plaintiff, and \$37,430.04 was paid to the North Carolina Department of Justice for costs of collection and investigation.

### **JOINT ACTIVE SYSTEMS**

Joint Active Systems is a Medicaid provider that manufactures range-of-motion therapy devices. It's principal place of business is located in Effingham, Illinois. This matter was referred to the MID by the United States Attorney's Office in Massachusetts.

It was alleged that from January 6, 2012, through January 29, 2021, Joint Active Solutions caused improper claims to be submitted for payment to the North Carolina Medicaid program for durable medical equipment and/or orthotic devices, which it caused to be improperly claimed as custom fabricated orthotics, with Joint Active Solutions paying local North Carolina orthotic and prosthetic providers to make improper claims to North Carolina Medicaid on their behalf.

On January 28, 2023, a settlement agreement was executed between Joint Active Systems and the State of North Carolina in settlement of these allegations. Under the terms of North Carolina's settlement, the State of North Carolina recovered \$500,000.00. Of that amount, the federal government received \$282,400.00 to satisfy North Carolina's obligation to return the federal portion of Medicaid recoveries to the federal government. The North Carolina State share of the settlement was \$217,600.00. Of this amount, \$101,827.43 was paid to the North Carolina Medicaid Program as restitution, \$105,344.60 was paid to the Civil Penalty Forfeiture Fund for the support of public schools, and \$10,427.97 was paid to the North Carolina Department of Justice for costs of collections and investigation.

## **TRIANGLE WOMEN'S CENTER**

Triangle Women's Center is a North Carolina company with three locations in Wake County, North Carolina. At all relevant times, Triangle Women's Center provided obstetrical/gynecological services for North Carolina Medicaid beneficiaries. This matter was referred to the MID by a *qui tam* plaintiff.

It was alleged that from January 1, 2018, through December 31, 2021, Triangle Women's Center submitted claims for evaluation and management for established patients in an office or outpatient location which were not supported by medical records and were not medically necessary.

On October 26, 2022, a settlement agreement was executed between Triangle Women's Center and the State of North Carolina in settlement of these allegations. Under the terms of North Carolina's settlement, the State of North Carolina recovered \$385,000.00. Of that amount, the federal government received \$220,874.50 to satisfy North Carolina's obligation to return the federal portion of Medicaid recoveries to the federal government. The North Carolina State share of the settlement was \$164,125.50. Of this amount, \$80,100.74 was paid to the North Carolina Medicaid Program as restitution, \$47,498.25 was paid to the Civil Penalty Forfeiture Fund for the support of public schools, \$29,542.59 was paid to the *qui tam* plaintiff, and \$6,973.92 was paid to the North Carolina Department of Justice for costs of collection and investigation.

## **MEDLINE INDUSTRIES, INC.**

Medline is an Illinois corporation headquartered in Northfield, Illinois. At all relevant times, Medline manufactured and sold medical and surgical supplies throughout the United States, including North Carolina. This matter was referred to the MID by a *qui tam* plaintiff.

It was alleged that from January 1, 2011, through December 31, 2017, Medline submitted false claims to the Medicaid program by providing kickbacks to providers and clinicians to induce them to arrange for or recommend, or reward them for arranging or recommending, the purchase, lease or order of goods, items or supplies from Medline

Under the terms of North Carolina's settlement, the State of North Carolina recovered \$241,617.70. Of that amount, the federal government received \$123,587.72 to satisfy North Carolina's obligation to return the federal portion of Medicaid recoveries to the federal government. The North Carolina State share of the settlement was \$118,029.98. Of this amount, \$40,950.38 was paid to the North Carolina Medicaid Program as restitution, \$42,203.74 was paid to the Civil Penalty Forfeiture Fund for the support of public schools, \$30,687.80 was paid to the

*qui tam* plaintiff, and \$4,188.06 was paid to the North Carolina Department of Justice for costs of collection and investigation.

### **RESPIRONICS, INC.**

Respironics, Inc. is headquartered in Murrysville, Pennsylvania. At all relevant times, Respironics developed, manufactured, and marketed a broad range of prescription CPAP equipment and supplies in the United States, including North Carolina. This matter was referred to the MID by a *qui tam* plaintiff.

It was alleged that from November 1, 2014, through April 30, 2020, Respironics submitted false claims to the Medicaid program by providing kickbacks, in the form of “HMS data” that their durable medical equipment customers used to improve their marketing to physicians.

On December 12, 2022, in conjunction with a national settlement, a settlement agreement was executed between Respironics and the State of North Carolina in settlement of these allegations. Under the terms of North Carolina’s settlement, the State of North Carolina recovered \$216,423.00. Of that amount, the federal government received \$123,495.49 to satisfy North Carolina’s obligation to return the federal portion of Medicaid recoveries to the federal government. The North Carolina State share of the settlement was \$92,927.51. Of this amount, \$32,352.57 was paid to the North Carolina Medicaid Program as restitution and interest, \$39,502.75 was paid to the Civil Penalty Forfeiture Fund for the support of public schools, \$17,576.98 was paid to the *qui tam* plaintiff and \$3,495.21 was paid to the North Carolina Department of Justice for costs of collection and investigation.

### **SAVASENIORCARE, LLC**

SavaSeniorCare, LLC is a Delaware corporation with its principal place of business in Atlanta, Georgia. At all relevant times, SavaSeniorCare provided skilled nursing services and rehabilitation therapy services, including physical, occupational, and speech therapy, to patients at numerous skilled nursing facilities in the United States, including North Carolina. This matter was referred to the MID by a *qui tam* plaintiff.

It was alleged that from January 1, 2008, through December 31, 2018, SavaSeniorCare submitted false claims to the Medicaid program by failing to provide care to certain residents that met federal standards of care and federal statutory and regulatory requirements. SavaSeniorCare also billed for some rehabilitation therapy that was not medically necessary.

On May 9, 2022, in conjunction with a national settlement, a settlement agreement was executed between SavaSeniorCare and the State of North Carolina in settlement of these

allegations. Under the terms of North Carolina's settlement, the State of North Carolina recovered \$192,045.18. Of that amount, the federal government received \$104,244.06 to satisfy North Carolina's obligation to return the federal portion of Medicaid recoveries to the federal government. The North Carolina State share of the settlement was \$87,801.12. Of this amount, \$65,661.68 was paid to the North Carolina Medicaid Program as restitution and interest, \$17,832.66 was paid to the *qui tam* plaintiff, and \$4,306.78 was paid to the North Carolina Department of Justice for costs investigation.

#### **NEW HOPE URGENT CARE, PLLC/ARJUMAND SYED**

New Hope Urgent Care, PLLC/Arjumand Syed, MD is a Medicaid provider that provides internal medicine and substance abuse treatment to Medicaid beneficiaries in and around Durham, North Carolina. This matter was referred to the MID by MID's Data Mining team.

It was alleged that from January 1, 2018, through July 11, 2021, New Hope Urgent Care/Arjumand Syed, MD billed for CPT 99214 – (Evaluation & Management for an established patient in an office or outpatient location), which had no supporting clinical documentation, were not medically necessary, and were performed in violation of Division of Health Benefits Clinical Coverage Policy.

On August 8, 2022, a settlement agreement was executed between New Hope Urgent Care/Arjumand Syed, MD and the State of North Carolina in settlement of these allegations. Under the terms of North Carolina's settlement, the State of North Carolina recovered \$170,000.00. Of that amount, the federal government received \$97,410.00 to satisfy North Carolina's obligation to return the federal portion of Medicaid recoveries to the federal government. The North Carolina State share of the settlement was \$72,590.00. Of this amount, \$34,033.82 was paid to the North Carolina Medicaid Program as restitution, \$35,075.49 was paid to the Civil Penalty Forfeiture Fund for the support of public schools, and \$3,480.69 was paid to the North Carolina Department of Justice for costs of collection and investigation.

#### **ADVANCED BIONICS CORPORATION**

Advanced Bionics Corporation is a California corporation with its principal place of business in Valencia, California. At all relevant times, Advanced Bionics Corporation manufactured cochlear implants in the United States, including North Carolina. This matter was referred to the MID by a *qui tam* plaintiff.

It was alleged that from January 1, 2011, through December 31, 2019, Advanced Bionics Corporation submitted false claims to the Medicaid program by submitting fraudulent tests results to the FDA to obtain regulatory approval for its cochlear implants.

On February 21, 2023, in conjunction with a national settlement, a settlement agreement was executed between Advanced Bionics Corporation and the State of North Carolina in settlement of these allegations. Under the terms of North Carolina's settlement, the State of North Carolina recovered \$138,789.56. Of that amount, the federal government received \$78,111.76 to satisfy North Carolina's obligation to return the federal portion of Medicaid recoveries to the federal government. The North Carolina State share of the settlement was \$60,677.80. Of this amount, \$24,145.75 was paid to the North Carolina Medicaid Program as restitution and interest, \$24,222.54 was paid to the Civil Penalty Forfeiture Fund for the support of public schools, \$9,905.81 was paid to the *qui tam* plaintiff, and \$2,403.70 was paid to the North Carolina Department of Justice for costs of collection and investigation

#### **IREDELL PHYSICIANS NETWORK, LLC**

Iredell Physicians Network, LLC is a North Carolina Limited Liability company with its principal place office located in Statesville, North Carolina. Iredell Physicians Network is a wholly owned subsidiary of Iredell Health Systems, which operates a hospital and multiple medical practices in North Carolina. This matter was referred to the MID by the United States Attorney's Office in the Western District of North Carolina.

It was alleged that from January 1, 2016, through December 31, 2019, Iredell Physicians Network knowingly retained overpayments received from the Medicare and Medicaid programs as a result of its billing for evaluation and management services performed, which were not supported by the medical records.

Under the terms of North Carolina's settlement, the State of North Carolina recovered \$138,614.45. Of that amount, the federal government received \$136,619.90 to satisfy North Carolina's obligation to return the federal portion of Medicare and Medicaid recoveries to the federal government. The North Carolina State share of the settlement was \$1,994.55. Of this amount, \$1,870.44 was paid to the North Carolina Medicaid Program as restitution and interest, and \$124.11 was paid to the North Carolina Department of Justice for costs of investigation.

#### **SHALOM PEDIATRIC CLINIC/RITA NNAEMEKA-OKOYEH**

Shalom Pediatric Clinic is a professional liability company with its principal office in Greensboro, North Carolina. Rita Nnaemeka-Okoyeh, MD is the owner of Shalom Pediatric Clinic. Shalom Pediatric Clinic is a Medicaid provider that provides medical services to pediatric patients

to Medicaid beneficiaries in North Carolina. This matter was referred to the MID by MID's Data Mining team.

It was alleged that from July 31, 2015, through July 31, 2019, Shalom Pediatric/Rita Nnaemeka-Okoyeh, MD submitted claims to the Medicaid program for medical services that were not supported by medical records.

On June 28, 2022, a settlement agreement was executed between Shalom Pediatric/Rita Nnaemeka-Okoyeh, MD and the State of North Carolina in settlement of these allegations. Under the terms of North Carolina's settlement, the State of North Carolina recovered \$35,175.20. Of that amount, the federal government received \$19,961.93 to satisfy North Carolina's obligation to return the federal portion of Medicaid recoveries to the federal government. The North Carolina State share of the settlement was \$15,213.27. Of this amount, \$7,447.37 was paid to the North Carolina Medicaid Program as restitution and interest, \$7,018.04 was paid to the Civil Penalty Forfeiture Fund for the support of public schools, and \$747.86 was paid to the North Carolina Department of Justice for costs of collection and investigation.

#### **RESPIRONICS, INC.**

At all relevant times, Respironics developed, manufactured, and marketed a broad range of prescription CPAP equipment and supplies in the United States, including North Carolina. This matter was referred to the MID by the National Association of Medicaid Fraud Control Units.

It was alleged that from December 18, 2015, through December 16, 2016, Respironics facilitated loans that DME companies acquired by third party financial institutions to induce those DME companies to recommend and provide Respironics equipment to beneficiaries.

Under the terms of North Carolina's settlement, the State of North Carolina recovered \$7,835.33. Of that amount, the federal government received \$4,424.71 to satisfy North Carolina's obligation to return the federal portion of Medicaid recoveries to the federal government. The North Carolina State share of the settlement was \$3,410.62. Of this amount, \$1,599.07 was paid to the North Carolina Medicaid Program as restitution, \$1,648.01 was paid to the Civil Penalty Forfeiture Fund for the support of public schools, and \$163.54 was paid to the North Carolina Department of Justice for costs of collection and investigation.

#### **BSN MEDICAL, INC.**

BSN Medical, Inc. is a Delaware corporation with its principal place of business in Charlotte, North Carolina. At all relevant times, BSN Medical developed, manufactured, marketed and sold wound care, compression therapy and orthopedic products in the United States, including North Carolina. This matter was referred to the MID by a *qui tam* plaintiff.

It was alleged that from January 1, 2015, through December 31, 2017, BSN Medical marketed and promoted various products for which it had either not obtained Pricing, Data Analysis and Coding (“PDAC”) approval or for which PDAC approval had expired.

Under the terms of North Carolina’s settlement, the State of North Carolina recovered \$140.33. Of that amount, the federal government received \$79.42 to satisfy North Carolina’s obligation to return the federal portion of Medicaid recoveries to the federal government. The North Carolina State share of the settlement was \$60.91. Of this amount, \$22.85 was paid to the North Carolina Medicaid Program as restitution and interest, \$23.54 was paid to the Civil Penalty Forfeiture Fund for the support of public schools, \$12.18 was paid to the *qui tam* plaintiff, and \$2.34 was paid to the North Carolina Department of Justice for costs of collection and investigation.

## **VI. PROSPECTUS**

MID works to achieve a high standard of excellence in our efforts to effectively and efficiently combat fraud and abuse within the Medicaid Program. We continue to be optimistic about the overall progress of our efforts to combat fraud and abuse in the Medicaid Program. Our optimism is based on a number of factors.

- ✓ MID investigators continue to uncover and obtain evidence of complex fraud schemes. MID criminal enforcement attorneys continue to make a significant impact by prosecuting felony cases resulting in active time. MID civil enforcement attorneys continue to be actively involved in numerous state cases and national global/multi-state civil cases which have potential for successful conclusions and the recovery of funds for the state in future fiscal years.
- ✓ MID continues to have a reliable exchange with the North Carolina Medicaid Agency, as well as with other state, local and federal investigative, licensing, law enforcement and prosecutorial agencies. These relationships have played an important role in MID's success and will continue to contribute to our accomplishments in future fiscal years.
- ✓ HHS-OIG has granted MID permission to engage in data mining. MID coordinates with OCPI and others in our data mining efforts. In FY 2020 MID and OCPI met regularly to coordinate on data mining. MID will continue to coordinate with OCPI and to engage in data mining. We have had success in a number of healthcare fraud investigations based upon our data mining efforts. MID’s data mining efforts are productive.
- ✓ MID has continued to meet regularly with OCPI to discuss referrals, initiatives and other matters of significance to both of our organizations.
- ✓ MID also has worked closely with NCDHHS with respect to Medicaid utilization access for our investigators. We are grateful for the NCDHHS’ assistance and cooperation.

MID also continues to face challenges. We see our primary challenge in the coming year to be the ongoing transition of the North Carolina Medicaid Program to a managed care model of care delivery. MID is continuing to coordinate with NCDHHS on this. We are working with OCPI with respect to outreach to the managed care organizations' Special Investigation Units (SIUs). We are developing effective working relationships with the SIUs.

MID's criminal and civil operations continue to recover funds resulting in a positive return on investment for every state dollar invested in MID. Our operations also continue to save state funds by deterring potential fraudulent activity.

In conclusion, we remain optimistic as to the long-term success of MID. We continue to be committed to fighting fraud and abuse in the Medicaid Program as efficiently and effectively as possible, and pledge our best efforts toward the accomplishment of that goal.