



# Department of Justice

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## **NORTH CAROLINA DENTAL SERVICES CHAIN PAYS \$10 MILLION TO RESOLVE FALSE CLAIMS ALLEGATIONS**

CHARLOTTE – Medicaid Dental Center (MDC), a privately-owned chain of dental clinics in North Carolina previously known as Smile Starters and Carolina Dental Center, has reached a settlement with the United States and North Carolina to resolve False Claims Act allegations, the Justice Department announced today. Under the agreement, MDC agreed to pay \$10,050,000 to resolve allegations that it caused false or fraudulent claims for payment to be presented to the North Carolina Medicaid program by billing for medically unnecessary dental services performed on indigent children.

The United States and the state of North Carolina alleged that MDC and its ownership, including Michael A. DeRose, DDS, P.A. and Letitia L. Ballance, DDS, were liable under the False Claims Act for submitting claims for reimbursement for performing pulpotomies that were not medically necessary. Pulpotomies are considered medically necessary in pediatric dental cases when an infection in a tooth spreads into the pulp chamber of the tooth, requiring the pulp's removal. This procedure is often referred to as a "baby root canal."

MDC and its ownership also were alleged to have submitted claims for reimbursement for placing stainless steel crowns that were not medically necessary and for failing to obtain informed consent for all medical procedures and services. The settlement is limited to claims submitted to the North Carolina Medicaid program and does not involve any other states. The conduct at issue occurred from 2001-2003 inclusive. During this period, MDC operated dental clinics in Charlotte, Raleigh and Winston-Salem, North Carolina.

As a direct result of the government's investigation of MDC and its dentists, the North Carolina Medicaid program established a limit of six stainless steel crowns per appointment that it would reimburse. It also imposed a maximum reimbursement of six pulpotomy procedures per patient per appointment. These reimbursement limitations went into effect October 1, 2004, and

have been effective in substantially reducing the performance of excessive dental treatment on minors that is billed to the Medicaid program.

As a condition of the settlement, MDC was required to reimburse the government for the amount deemed wrongfully billed to the Medicaid Program, and to pay substantial penalties to the Program. MDC payment to the government represents over twice the amount that MDC allegedly received improperly from the North Carolina Medicaid program. The majority of the funds have been returned to the Medicaid Trust Fund to pay for health care services for indigent North Carolinians and their families. A portion of the settlement amount will, under North Carolina law, go to the North Carolina Education Fund to benefit schoolchildren in public schools statewide.

“These dentists subjected their child patients to invasive and sometimes painful procedures, often for the sake of obtaining money from the North Carolina Medicaid program,” said Jeffrey S. Bucholtz, the acting Assistant Attorney General for the Department’s Civil Division.

Both Dr. DeRose and Dr. Ballance have been disciplined by the North Carolina Board of Dental Examiners. Both entered into consent orders with the Board on December 8, 2005. Under the terms of these consent orders, each of the dentists agreed not to contest allegations that dentists employed and trained by MDC performed excessive treatment on seven of MDC’s pediatric patients by performing pulpotomies and placing stainless steel crowns when they were not warranted or supported by x-rays or appropriate diagnostic documentation. As part of today’s settlement, the Office of Inspector General for the U.S. Department of Health and Human Services has expressly reserved its exclusion authority against MDC and Drs. DeRose and Ballance.

Investigators from the Board of Dental Examiners have performed regular unannounced inspections of each of MDC’s clinics since 2005 to ensure compliance with the Board’s dental standards. The Board’s investigators have found MDC’s clinics to be substantially in compliance with its standards since 2005.

“Health care professionals who abuse their positions and engage in excessive treatment regimens and excessive billing practices will not be tolerated,” said Gretchen C.F. Shappert, U.S. Attorney for the Western District of North Carolina. “The North Carolina Medicaid Program

was not created for self-enrichment. It is a public trust. Individuals who use their professional skills to take advantage of that trust will be investigated and held to account for their actions.”

“This settlement with the Medicaid Dental Center demonstrates the commitment of the Office of Inspector General and our law enforcement partners to protect our Nation’s children,” said Daniel R. Levinson, Inspector General of the U.S. Department of Health and Human Services. “The Medicaid program is intended to assist the most vulnerable Americans and to help ensure that they receive necessary health services, not to unjustly enrich others at the expense of indigent persons.”

The investigation and settlement of the case were conducted by the U.S. Attorney’s Office for the Western District of North Carolina and the Department’s Civil Division, along with the Federal Bureau of Investigation, the U.S. Postal Service’s Office of Postal Inspection, the Department of Health and Human Services Office of Inspector General, and the North Carolina Attorney General’s Medicaid Fraud Investigations Unit.

The Medicaid program was established in 1965 and pays for healthcare services for indigent North Carolinians and their families.

Assistant United States Attorneys Corey F. Ellis and Donald H. Caldwell, Jr. handled the case for the Office of the United States Attorney. Special North Carolina Deputy Attorney General Charles H. Hobgood, Director, NC Medicaid Investigations Unit, handled the case for the state of North Carolina. Attorneys Kelly Bagby, Maame Gyamfi and Ellen Slavin handled the case for HHS’s Office of Inspector General.

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