



KENTUCKY

General News



May 2013

Kentucky Homeowners Receive \$61 Million in Relief Under National Mortgage Settlement

More than 1,700 Kentucky homeowners have received \$61.1 million as part of the historic national mortgage foreclosure settlement. The fourth post-settlement report released May 21, 2013 by the independent settlement monitor finds that 1,757 Kentucky homeowners received more than \$61.1 million in settlement-related relief from the five participating servicers, Ally/GMAC, Bank of America, Citi, Chase and Wells Fargo through March 31, 2013.

“I am pleased that struggling Kentucky homeowners continue to receive assistance as a result of this landmark settlement,” General Conway said. “However, there have been complaints from consumers that servicers are not meeting their obligations under the settlement. We are aware of the concerns and are collaborating with other Attorneys General about the best way to resolve these complaints to ensure that consumers receive the relief entitled to them.”



According to the report, borrowers received an average of \$34,806 in assistance. This includes 170 completed first lien modifications, 547 completed second lien terminations, 424 short sales and 296 completed refinances. As of March 31, 2013, mortgage servicers were processing additional relief claims for Kentucky borrowers totaling more than \$2.1 million.

Nationally, the report found that more than 621,000 borrowers received some type of consumer relief during the same period totaling \$50.63 billion. On average, each borrower received \$81,437 in relief. These figures include first lien trial modifications, as well as completed relief.

General Conway was among 49 Attorneys General who reached the historic \$25 billion settlement with five of the nation’s largest banks in February of 2012.

To learn more about the mortgage foreclosure settlement, visit ag.ky.gov/mortgagesettlement.

To learn more about the lawsuit Attorney General Conway filed against the Mortgage Electronic Registration Systems, Inc. (MERS), see our press release: <http://goo.gl/j7jN8>.

Kentucky Borrowers to Receive Mortgage Servicing Abuse Payments

Kentucky borrowers who submitted valid claims will soon receive mortgage servicing abuse payments. Checks totaling more than \$11 million will be distributed to 7,801 eligible borrowers across the Commonwealth from June 10- June 17, 2013.

The checks come from a \$1.5 billion payment pool negotiated and set aside as part of the National Mortgage Settlement to help compensate borrowers for the mortgage servicing abuse that they likely endured.

“These payments are about holding the banks accountable, through the National Mortgage Settlement, for creating a crisis that harmed families across Kentucky and the nation,” General Conway said. “In addition to compensating borrowers for the servicing abuse that happened in the past, we’re working to prevent similar practices in the future through the settlement’s tough new mortgage servicing standards.”

Nationally, the settlement administrator will mail valid claim payments to 962,278 loan records from June 10 through June 17.

Borrowers with questions about their National Mortgage Settlement payment should call the settlement administrator at 1-866-430-8358.

More information — <http://goo.gl/YCLlp>

General Conway and Colleagues Urge Urban Outfitters to Stop Selling Products that Promote Drug Abuse



Attorney General Conway, backed by 23 of his colleagues, is calling on Urban Outfitters to stop selling pint glasses, shot glasses and flasks made to look like prescription pill bottles. The Attorneys General sent a letter on May 22, 2013 to Urban Outfitters CEO & Chairman Richard Hayne requesting that the national retailer cease sales of its “Prescription Line” of glasses, coasters, mugs, drink holders and related products that mimic prescription pill bottles and prescription pads.

“These products are in no way fun or humorous and make light of an epidemic that kills more than 1,000 Kentuckians each year,” said General Conway, who co-chairs the Substance Abuse Committee of the National Association of Attorneys General (NAAG). “Prescription drug abuse continues to shatter families across Kentucky and the nation. Urban Outfitters should pull its “Prescription Line” of products from store shelves and join with us to fight prescription drug abuse.”

Attorney General Conway and Ohio Attorney General Mike DeWine led efforts to contact Urban Outfitters to urge the retailer, popular with teens, to stop selling its “Prescription Line” of products.

Link to letter: <http://goo.gl/XT03e>

Contact info for Urban Outfitters

Kentuckians who share General Conway’s concern about these products can email Urban Outfitters CEO and Chairman Richard A. Hayne at richard.hayne@urbanout.com. Letters of concern may also be sent to:

Urban Outfitters, Inc.
5000 South Broad St
Philadelphia, PA 19112-1495

Attorneys General Urge FDA to Place Black Box Warning on Opioids

Attorney General Conway, along with 42 of his colleagues, have sent a letter to the Food and Drug Administration (FDA) urging the agency to place a black box warning on opioid analgesics to indicate the risk of Neonatal Abstinence Syndrome (NAS). NAS is caused when infants, who have been exposed to opioids through their mother’s pre-natal use, suddenly lose their opioid drug supply at birth. The withdrawal of the opioids can cause a variety of symptoms in the newborns including tremors, vomiting, high-pitch crying, hyperactivity, weight loss and failure to gain weight.

“Babies who are born dependent on powerful painkillers can face a lifetime of challenges, both physically and mentally,” said General Conway, who co-chairs the National Association of Attorneys General (NAAG) Substance Abuse Committee with Florida Attorney General Pam Bondi. “These are the youngest victims of an epidemic that is shattering families across Kentucky and the nation. We must do everything in our power to educate patients and practitioners about NAS so that we can stop this alarming trend.”

In Kentucky alone, the instances of NAS have risen 2500 percent over the past decade from 29 incidents in 2001 to 730 in 2011. It’s estimated that in 2009 there were 13,539 newborns nationwide with NAS. That calculates to approximately one infant born every hour in this country with NAS, which means they have a significantly greater chance of having respiratory issues, low birth weight, feeding difficulties and seizures.

In addition to the human toll, the financial costs associated with NAS are staggering. In a 2012 Journal of American Medical Association article, a group of physicians determined that treating a single newborn with NAS in 2009 cost approximately \$53,400. That same year, nationwide, the healthcare costs associated with NAS infants was an estimated \$720 million, and Medicaid paid for the majority of these treatment costs.

In Kentucky in 2011, the estimated cost of treating newborns with NAS totaled nearly \$40 million, most of which would be Medicaid costs, or costs hospitals would have to incur without reimbursement.



Link to Letter — <http://goo.gl/KvO5C>

More information — <http://goo.gl/V26BE>

Recovery Kentucky Task Force Ceremony



Attorney General Jack Conway was among the speakers at a Recovery Kentucky Task Force ceremony at the Capitol on May 29 to announce grants from the Walmart Foundation for two Recovery Kentucky centers: Trilogix Inc. in Hopkinsville, Ky. and Cumberland Hope in Evarts, Ky.

Recovery Kentucky is a program that helps Kentuckians recover from chronic substance abuse and addiction by providing a support system and a stable place to live. Kentucky currently has 10 Recovery Kentucky Centers located throughout the state.

General Conway has made combatting prescription drug abuse a priority, creating Kentucky's first and only statewide Prescription Drug Diversion Task Force and traveling the state through his Keep Kentucky Kids Safe program to warn middle and high school students about the dangers of abusing prescription medications. Since its launch in 2010, General Conway and his partners have alerted more than 20,000 students, teachers and parents to the deadly consequence of prescription drug abuse.

General Conway drew applause from the crowd as he talked about the lawsuit his office has filed against Purdue Pharma, the makers of OxyContin, for allegedly misleading the public about the addictive nature of the drug, creating the pain pill epidemic. If successful, General Conway plans to use money from the lawsuit to expand treatment opportunities in Kentucky.

Joining the Attorney General at the ceremony were First Lady Jane Beshear, Senate President Robert Stivers, State Representative John Tilley and Operation UNITE President/CEO Dan Smoot, among other state and law enforcement representatives.

Attorney General's Office and BBB Host Free Shred Day in Lexington

The Office of the Attorney General, the Better Business Bureau (BBB) of Central and Eastern Kentucky joined with CINTAS Corporation and Lowes to offer a free "Shred Day" for Lexington residents on Saturday, May 18.

Residents were able to drop off documents containing personal information to be shredded on-site by Cintas. The free events are designed to help consumers protect themselves against identity theft.

"Approximately 15 million Americans have their identities used fraudulently each year with financial losses exceeding \$50 billion," General Conway said. "By shredding any documents that contain bank account numbers, credit card information, Social Security numbers, birth dates, pin numbers or even old tax returns, you can prevent this information from falling into the hands of criminals."



For more information on how to protect yourself against identity theft, please visit <http://ag.ky.gov/idtheft> or the BBB's website at <http://bluegrass.bbb.org>.



MEDICAID FRAUD & ABUSE

Former Pain Clinic Owner Pleads Guilty to Defrauding Medicaid

The former owner of an Eastern Kentucky pain clinic pled guilty to defrauding the Medicaid program. Dr. Lee Balaklaw entered an Alford Plea in Lawrence Circuit Court and pled guilty to 10 misdemeanor counts of theft by deception under \$300. Circuit Judge David Preston sentenced Balaklaw to 12 months in jail on each count to run concurrently. The sentence was suspended for two years providing that the defendant pays restitution in the amount of \$140,105, which includes more than \$135,000 in restitution to the Kentucky Medicaid program.

Additionally, Dr. Balaklaw, an anesthesiologist from Louisa, Ky., is excluded from participation in all federally funded health programs, including Medicaid and Medicare, for a period of at least five years pursuant to federal regulations.

The investigation and resulting prosecution was conducted by General Conway's Office of Medicaid Fraud and Abuse Control.

Settlement Reached With Ranbaxy Laboratories Ltd. Over False Statements to FDA

Attorney General Conway announced on May 15, 2013 that Kentucky had joined the federal government and other states in reaching a \$500 million settlement of a lawsuit against Ranbaxy Laboratories Limited and a number of its U.S. corporate subsidiaries for submitting false statements to the United States Food and Drug Administration (FDA). Ranbaxy is a generic pharmaceutical manufacturer headquartered in Gurgaon, India.



In order to obtain approval to market its drugs in the United States, Ranbaxy submitted false statements to the FDA relating to drug stability, drug manufacturing processes and drug product specifications. Ranbaxy also failed to comply with the Good Manufacturing Practices established by the FDA at its factories in India. Specifically, Ranbaxy employed inadequate and untrained staff, failed to ensure that the drugs were manufactured in sterile conditions, and failed to implement effective quality control procedures for the documentation of drug testing and laboratory procedures to insure that the strength, purity and quality of the drugs met FDA requirements.

“By providing the FDA with false information about nearly 30 of its drugs, Ranbaxy violated the public's trust and jeopardized patient care by placing profits before safety,” General Conway said.

As part of the settlement, Ranbaxy will plead guilty to seven felonies for violations of the Federal Food, Drug, and Cosmetic Act and will pay \$150 million dollars in criminal fines and forfeitures. To provide future safeguards, the United States Department of Justice obtained a permanent injunction against Ranbaxy, ordering the company to comply with the FDA guidelines or face sanctions.

The Kentucky Medicaid program will receive more than \$8.9 million from the settlement, of which it will retain more than \$2.5 million for the state's share of the settlement proceeds.

Medicaid Fraud Recoveries

Since Attorney General Conway took office in January 2008, his Office of Medicaid Fraud and Abuse Control has recovered or been awarded approximately \$300 million dollars for the state and federal Medicaid programs. These cases range from lawsuits and settlements against pharmaceutical companies to cases against individual providers.

In 2012, General Conway's Medicaid Fraud Unit was named one of the most aggressive in the country by the nonprofit watchdog group Public Citizen.

The Attorney General's Tip Line for reporting allegations of Medicaid fraud is 1-877-228-7384.

Attorney General Conway Sues Johnson & Johnson Over Risperdal Marketing

A lawsuit filed by Attorney General Conway and his Office of Consumer Protection accuses Johnson & Johnson (J&J) of violating Kentucky's Consumer Protection Act by unfair, false, misleading, or deceptive labeling and promotion of its antipsychotic drug Risperdal.

The lawsuit, filed in Jefferson County Circuit Court, alleges that J&J hid the risks of Risperdal from Kentucky patients and doctors. Risperdal is part of a class of "second-generation" or "atypical" antipsychotic drugs. It was initially approved by the FDA for the treatment of schizophrenia, a condition affecting less than 1% of the population, and promoted by J&J more widely for other conditions.

The Attorney General's lawsuit alleges that J&J knew, yet concealed from consumers, that Risperdal carried an increased risk of dangerous side effects- including clinically significant weight gain, diabetes, hyperglycemia (high blood sugar), hyperprolactinemia (high blood levels of prolactin), gynecomastia (male breast development), and cerebrovascular adverse events including stroke and increased risk of death in the elderly with dementia.



"Our complaint sends a clear message to pharmaceutical drug companies that they will not endanger the lives and health of the citizens of the Commonwealth," General Conway said. "We will not stand idly by as a drug company profits from endangering the very people it is supposed to help."

General Conway's lawsuit seeks injunctive relief and civil penalties of up to \$2,000 per violation and up to \$10,000 per violation directed at consumers over age 60. The injunctive relief sought would seek to prevent J&J from future promotion or marketing of its drugs within the Commonwealth in an unfair, false, misleading or deceptive way.

More information — <http://goo.gl/JNnRw>

Kentuckians Urged to Donate Wisely in Wake of Deadly Oklahoma Storms

In the wake of deadly tornadoes in Oklahoma, Attorney General Conway reminded Kentuckians who may be interested in donating to assist storm victims to give wisely.

"Please make sure that you donate to a reputable relief agency – like the American Red Cross, the Salvation Army or efforts organized through your place of worship," said General Conway. "Many times scammers are lurking in the shadows trying to capitalize on the generosity of others during times of tragedy."

Tips for Wise Giving from General Conway

If you are contributing over the Internet, make sure that the website is secure and will offer protection for your credit card number.

- ▶ Check to see if the charity is registered and filing with the Office of the Attorney General. Registration and filing information can be obtained online in Kentucky by visiting <http://ag.ky.gov/civil/consumerprotection/charity/>.
- ▶ Know your charity. Take the time to verify the address, phone number, contact information, and review the website and written material, when possible
- ▶ Check out websites such as <http://Charitynavigator.org> and <http://www.BBB.org/charity>, where you will find additional information to help you understand a large number of charities.
- ▶ Ask lots of questions. How much of the money goes to the charity and how much to a professional fundraiser?
- ▶ Do not pay by cash pay by credit card or check, and make it out to the charity (use its full name - don't use initials), not the fundraiser.



Morgan County Man Pleads Guilty to Assaulting his Wife

Attorney General Jack Conway and his Office of Special Prosecutions announced the guilty plea of a Morgan County man for beating his wife. Thirty-two-year-old John Roberts pled guilty in Morgan Circuit Court on Wednesday, May 22 to second degree assault charges in connection with the injuries he inflicted upon his wife in April 2011 at their trailer in Ezel, Ky.



Neighbors found Roberts' badly beaten wife lying in the yard outside their home on April 16, 2011 and called 911. In addition to the injuries sustained in the beating, Roberts' wife had suffered extreme hypothermia and was transported to a trauma center in Huntington, W.Va. for treatment.

The charges against Roberts are the result of an investigation by Kentucky State Police. General Conway's Office of Special Prosecution prosecuted the case at the request of former Morgan County Commonwealth's Attorney Gary Conn.

Second degree assault carries a penalty of five to 10 years in prison. Roberts will be sentenced on June 24, 2013.

Attorney General Hosts Victims' Rights Day Ceremony, Marks Anniversary of Carrollton Bus Crash

Attorney General Conway and his Office of Victims Advocacy (OVA) hosted the annual Crime Victims' Rights Day Service and the Kentucky Homicide Memorial dedication of names on May 13. Thirty-three names were added to the memorial at Resthaven Cemetery in Louisville, Ky.

"Today is a time to remember all victims of violent crimes and their families," General Conway said. "My office works every day to ensure that the voices of Kentucky's crime victims are heard and that they and their families are treated with respect and dignity as their cases proceed through what can be a complicated legal process."

General Conway and Victims' Rights Day attendees also remembered the victims of the Carrollton bus crash. May 14 marked the 25th anniversary of the deadliest DUI crash in our nation's history. Twenty seven people, mostly children, died in the crash and 34 were injured after Larry Mahoney drove the wrong way on the interstate and hit the church youth group head on. The group was returning home from a trip to Kings Island.

Assisting crime victims across the Commonwealth

The Attorney General's OVA provided resource referrals to approximately 4,300 victims, victim advocates, service providers and the general public in 2012. OVA also trained more than 300 victim advocates, prosecutors and law enforcement through the Victims Assistance Conference and the Child Interview Approaches training.

Additionally, the Office of Victims Advocacy administers and monitors the Child Sexual Abuse and Exploitation Prevention Board, which funds child sexual abuse prevention programs and oversees the tax check-off and license plate projects for the Child Victims' Trust Fund.

