“Evolving Challenges in the American Healthcare Marketplace”

NAAG Mission Statement

To help attorneys general fulfill the responsibilities of their office and to assist in the delivery of high-quality legal services to the states and territorial jurisdictions.

*Fiscal Year July 1, 2016 – June 30, 2017
We’ve also tackled other critical priorities including the opioid epidemic and consumer fraud. Additionally, we made substantial progress in increasing NAGTRI’s funding to train our lawyers to best represent our states and our citizens – a goal of my presidential year.

The benefit of NAAG membership translates to better information, greater understanding and access to resources to help address the problems presented in your states and territories. Thank you for your presence and involvement in NAAG. It is making a difference, as the following pages of accomplishments will attest.

Sincerely,

George Jepsen
2016-2017 NAAG President &
Connecticut Attorney General
Our intent with every annual report is to provide you a snapshot of the accomplishments NAAG membership and staff have achieved in supporting the work of attorneys general across the country. You will find this report to be succinct, easy to read, and informative. Most of all, you will be impressed with the tremendous work NAAG staff does every day in support of the attorney general community.

Our guiding light every year is the Presidential Initiative which this year was particularly important for an election year when partisan politics typically takes center stage. “Evolving Challenges in the American Healthcare Marketplace” took on added significance for through his initiative, NAAG President and Connecticut Attorney General George Jepsen and his outstanding staff brought together the entire attorney general community to explore and address the myriad of vitally important topics encompassing health care.

In addition to the Presidential Initiative, President Jepsen worked tirelessly this year to formalize a NAGTRI funding source for years to come. His efforts persuaded his colleagues to unanimously adopt the creation of the NAGTRI Endowment thereby ensuring funding for this unique and vitally important training and research platform. Please turn to the NAGTRI section and review the tremendous growth under the leadership of the Training Committee of Attorneys General Peter Kilmartin, Chris Carr, Douglas Chin, Peter Michael, and Lawrence Wasden.

The strength of NAAG is found in both the engagement and leadership provided by the attorneys general and the hard work and dedication of the professional staff. Governance by the attorney general community ensures NAAG staff is providing timely, relevant, and critical support to the attorneys general offices. The success you see and read about in this annual report would not have been possible without the NAAG staff. They are the true heroes of this year!

Very Respectfully,

Jim McPherson
Executive Director
Healthcare is critically important, touching each and every American, and is vital to life and to livelihood. The American healthcare marketplace is rapidly changing, and attorneys general must interact frequently with that marketplace, as regulators, as consumer advocates, and as law enforcers. To help attorneys general understand the complex and critical issues confronting the country’s healthcare markets, NAAG President and Connecticut Attorney General George Jepsen chose to focus his 2016-2017 Presidential Initiative on “Evolving Challenges in the Healthcare Marketplace.” It was organized to be bipartisan and inclusive.

Attorney General Jepsen said, “When I selected this topic in spring 2016, I had no idea just how timely this initiative would actually be, but the changes in our country’s leadership have propelled these issues to the forefront, and the stakes could not be higher.”

The goal of this year’s initiative was to help attorneys general understand the complicated aspects of healthcare and offer ideas and resources to each other so that AG offices are prepared to deal with the changes and challenges in their many and varied forms.

Attorney General Jepsen consulted with a wide range of stakeholders to develop a diverse mix of topics, either directly related to the work of attorneys general or providing context on healthcare policies and trends. Based on those discussions, there were a number of sessions at NAAG annual meetings to help attorneys general address healthcare issues in their states, including:

- Healthcare provider consolidation and antitrust enforcement
- Increasing competition and reducing costs in the pharmaceutical market
- Fraud, waste, and abuse in health care
- Rural health care issues, including shortages of providers and provider consolidation in rural markets

There were also keynote speeches at NAAG’s Fall and Winter Meetings respectively from Mike Leavitt, former Utah governor and former secretary, U.S. Department of Health and Human Services and Mark McClellan, MD, PhD, former administrator of the Centers for Medicare and Medicaid Services and former Food and Drug Administration commissioner. The initiative was capped by Summer Meeting keynote speaker Suzanne Delbanco of the nonprofit Catalyst for Payment as well as a panel discussion on rural healthcare’s unique challenges.
This year’s Presidential Initiative Summit convened in New York City, April 24-26, with 19 state attorneys general and 140 other attendees. Topics covered included perspectives on drug costs from market participants and state policymakers; innovations in the use of data and technology in health care, including telemedicine and electronic health records; the future of healthcare reform efforts, including the Affordable Care Act and Medicaid, as well as state-based initiatives; state laws that may help or hinder competition in health care markets; and drivers of consolidation among providers, hospitals and insurers.

The keynote speaker was David Cordani, president and CEO of Cigna Corporation, a nationally-recognized leader in various payment and delivery innovations.

Speaker materials and video of the sessions are available on the NAAG website under “Meetings and Trainings” - Video and Other AV Archive.

“The stakeholders and policymakers who have contributed to this initiative all understand and agree that states and attorneys general have a significant role to play in the future of healthcare. Our efforts may not solve all of the problems in our healthcare marketplace, but I am confident that we attorneys general will move the national discussion forward on policy issues that affect all of our states and residents,” said Attorney General Jepsen.
The National Attorneys General Training and Research Institute (NAGTRI), a NAAG branch, had an extremely productive year, providing 115 trainings through a mixture of webinars, mobile trainings, and national trainings, reaching approximately 6,000 AG staff and federal and local attorneys. High on the achievements list was the development and implementation of a three-year NAGTRI strategic plan. The NAGTRI Advisory Board meeting in San Diego, Calif., began the process with a one and a half day discussion of the board members’ vision for NAGTRI’s future development. Later in the fall, a smaller group of board members came together in NAAG’s D.C. office to finalize the strategic plan. It was then approved in November 2016 by unanimous vote of the NAAG membership during the NAAG Fall Meeting in Ft. Lauderdale, Fla.

Another of NAGTRI’s significant accomplishments this year was the launch of “Promoting Attorney General Expertise,” known as PAGE, in February 2017. PAGE is a wiki resource tool developed exclusively for information and research on topics of interest to attorneys working in an attorney general’s office. PAGE now has content covering 20 topics of interest with numerous subsets under each topic, and approximately 300 staff members in attorneys general offices (AGOs) have registered to use PAGE. New topics and additional content are continually being added by both AGO staff and NAGTRI staff.

NAGTRI was proud to launch in August 2016 the Center for Ethics and Public Integrity (CEPI), directed by Amie Ely, with an anti-corruption academy with an anti-corruption academy in Colorado Springs, Colo. The training featured lectures by renowned speakers, including then U.S. Attorney for the Southern District of New York Preet Bharara; Ron Goldstock, commissioner, Waterfront Commission of New York Harbor and former director of the New York State Organized Crime Task Force; and Jack Blakey, federal district judge for the Northern District of Illinois. That training was followed by CEPI’s co-hosting with the U.S. Department of Justice a financial investigations course in March. This year also saw the kickoff of mobile ethics trainings.

NAGTRI established the Center for Consumer Protection (CCP) in spring 2017, with Abby Stempson named CCP director and Blake Bee as consumer protection counsel. Center staff have begun developing dynamic substantive trainings for AGO staff dealing with consumer issues. The CCP’s mission is to assist and enable state and territorial attorneys general in protecting the public in the areas of consumer protection and charitable asset and entity oversight by providing information, technical assistance, and support; facilitating cooperation among attorney general staff through open dialogue and advanced communication systems; planning, organizing, and conducting training and seminars for the exchange of ideas and information on relevant matters; and promoting the development of effective programs and education for the protection of the public.
NAGTRI’s Center for Leadership Development, directed by NAAG Chief of Staff Al Lama, completed 19 national and mobile training courses. The curriculum highlights included the development and delivery of the third and final core curriculum course, Core Competencies for Senior and Executive Level Leaders, in December 2016. The course objectives focused on concepts in strategic planning and high-level decision making. The Center also developed a second-tier training course, Mobile Management Processes and Practices, which was offered to the Oregon Attorney General’s Office. This course included concepts involving hiring and retention, work planning and time management, and performance management. In addition to providing standardized mobile and national trainings, the Center also provides customized trainings and resources and expertise to AGOs who are engaged in addressing particular state agency challenges. An example is the Center’s supporting efforts in Connecticut and Nebraska to revise their performance management system; the goal is to create a model system that will be an “off the shelf” reference for use by other AGOs.

A number of both national and mobile trainings were conducted on the opioid abuse crisis and a national summit was held in partnership with the Association of State and Territorial Health Officials (ASTHO) titled “Bridging the Gaps: Reducing Prescription Drug and Opioid Abuse and Misuse.” The Summit featured experts from both the law enforcement and public health communities sharing innovative techniques and information on how various stakeholders can work collaboratively in tackling problems the opioid epidemic has created. NAGTRI also joined with the National Black Prosecutors Association and hosted a July 2016 training in St. Louis to aid prosecutors and government attorneys on building trust with diverse and vulnerable communities. Approximately 150 attorneys attended, discussing fraudulent scams, reducing recidivism among those with mental health and substance abuse problems, maintaining public relations, and protecting investigations and prosecutions from civil unrest as well as improving relationships between attorneys general and local prosecutor offices.

NAGTRI continues to utilize webinars and podcasts to address “hot button” legal issues. This fiscal year, for instance, a webinar was developed and delivered on the legal landscape surrounding drones. New podcasts dealing with topics of interest for paralegals were recorded and placed on the website.

In addition to publishing its monthly and bi-monthly newsletters, NAGTRI published four issues of the NAGTRI Journal, which included the launch of an “ethics corner” column in each issue; the Journal covered topics from bankruptcy to discovery to introducing social media evidence into trial as well as the always-popular series on legal opinions regarding the powers and duties of attorneys general.
The NAAG Mission Foundation, Inc., a 501(c) 3 organization, was formed with proceeds from the 1998 Tobacco Master Settlement Agreement (MSA). Its board consists of seven attorneys general, including the four current NAAG executive officers. The Foundation’s purpose is to help NAAG’s mission by engaging in education, research, and training courses, supporting the MSA enforcement, and funding other NAAG programs and initiatives.

The Mission Foundation has been active in advancing NAAG programs and meetings this fiscal year by providing $2.4 million for three NAAG Annual Meetings, the NAAG Presidential Initiative Summit, NAAG regional meetings, and a majority of NAGTRI training courses. It also supported management reviews of three attorneys general offices, as well as funded Supreme Court fellowships and moot courts, and publications.

Oregon AG Ellen F. Rosenblum presents the Internet of Things panel at the 2017 Summer Meeting
NAAG Financials

The Association’s core budget is funded principally from member dues, federal government grants, meeting registrations, and other sources. The NAAG dues structure is modeled after the National Governors Association, with categories and amounts assessed based on the most recent census. NAAG membership is comprised of the 56 state and territorial attorneys general and their office staff.

Funding Sources

- **NAAG Member Dues** – funds NAAG core programs and general and administrative expenses
- **Registration Income** – contributes to fund some meeting expenses
- **Settlement Funds** – usually restricted to fund certain prescribed programs or expenses. In this fiscal year, NAAG received $20 million from the Volkswagen settlement and $4.375 million from a Moody's settlement.
- **Interest and investment income on Tobacco portfolio** – funds a portion of the Tobacco Center’s program expenses and tobacco grants
- **Interest and investment income on Mission Foundation portfolio** – funds NAAG annual meetings, NAGTRI legal trainings, and other meetings
- **Rental Income on Mission Foundation** – funds general and administrative expenses related to the owned office space

**NOTES**

- NAAG is the official organization of the chief legal officers of the states, commonwealth, and territories of the United States which is reflected in NAAG’s status, for federal tax purposes, as an “instrumentality of the states.” As such, NAAG is exempt from federal income tax in the same way a state government body is tax-exempt. NAAG’s Mission Foundation is a 501 (c) 3 organization.
- In accordance with a policy established by the NAAG Executive Committee, NAAG does not solicit or accept funding from corporations, industry/trade associations, advocacy groups, or law firms.
- The National Association of Medicaid Fraud Control Units’ (NAMFCU) financials are separate from NAAG and are not reflected in this report.

**FY 2017 FUNDING SOURCES**

![Pie chart showing funding sources for FY 2017]
### Consolidated Statements of Financial Position

As of June 30, 2016 and June 30, 2017

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<th>(In Thousands)</th>
<th>6/30/2016</th>
<th>6/30/2017</th>
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<tr>
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<td>NAAG</td>
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<td><strong>ASSETS</strong></td>
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<td>Cash &amp; Investments</td>
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<td>Cash &amp; Cash Equivalents</td>
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<td>Prepaid Expenses</td>
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<td>Due to Other Funds</td>
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<td>Other Liabilities</td>
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<td><strong>TOTAL LIABILITIES</strong></td>
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<td>Board Designated Net Assets</td>
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<td>Temporarily Restricted Net Assets</td>
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<td><strong>TOTAL NET ASSETS</strong></td>
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<td><strong>TOTAL LIABILITIES AND NET ASSETS</strong></td>
<td>86,623</td>
<td>73,255</td>
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## Consolidated Statements of Activity

As of June 30, 2016 and June 30, 2017

<table>
<thead>
<tr>
<th>(In Thousands)</th>
<th>6/30/2016</th>
<th>6/30/2017</th>
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<tbody>
<tr>
<td><strong>Total</strong></td>
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<tr>
<td><strong>REVENUES</strong></td>
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<tr>
<td>Dues</td>
<td>$2,627</td>
<td>$2,645</td>
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<td>Registration fees</td>
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<td>Settlement Income</td>
<td>366</td>
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<td>Grant Reimbursement - Federal</td>
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<td>504</td>
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<tr>
<td>Other</td>
<td>631</td>
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<tr>
<td><strong>TOTAL REVENUES</strong></td>
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<td>29,739</td>
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<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
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<tr>
<td>Program Expenses</td>
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<td>Core Programs</td>
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<td>3,357</td>
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<tr>
<td>NAGTRI Trainings</td>
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<td>1,935</td>
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<td>Other Meetings</td>
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<td>1,531</td>
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<tr>
<td>Grants</td>
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<td>574</td>
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<tr>
<td>Settlement Funds</td>
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<td>2,549</td>
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<tr>
<td>Center for Tobacco &amp; Public Health</td>
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<td>2,460</td>
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<td>Total Program Expenses</td>
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<td>12,406</td>
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<td>General and Administrative</td>
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<td>198</td>
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<tr>
<td><strong>TOTAL EXPENSES</strong></td>
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<td>12,605</td>
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<td><strong>NET CHANGE PROGRAMS</strong></td>
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<td><strong>17,134</strong></td>
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<td>Net Income from Investments</td>
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<td>Net Income from Building Operations</td>
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<td>(389)</td>
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<td><strong>NET CHANGE OTHER</strong></td>
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<td>Beginning</td>
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<td>$154,641</td>
</tr>
<tr>
<td>Ending</td>
<td>$154,641</td>
<td>$188,827</td>
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Association Policy Action

Sign on letters are policy-oriented documents sent to members of Congress, congressional committees, federal agencies or private companies, expressing the viewpoint of the signatories. If a document reaches 36 attorneys general signatures, it becomes NAAG policy. During this fiscal year, NAAG had two sign on letters reach the 36 signature threshold and both were released in May. One called on the federal government to return prescription drug settlement money to the states. The other urged the federal government to change its policy so state attorneys general could use federal funds to investigate and prosecute a wider range of Medicaid abuse and neglect cases. Both are available on the NAAG website under the Policy tab—Sign on Archive.

Administration & Association Services

MANAGEMENT REVIEWS

This past year NAAG conducted three management reviews for AG offices. Knowledgeable and experienced staff from 11 jurisdictions and the Conference of Western Attorneys General (CWAG) volunteered their time to serve as participants on the review teams. The scope of each review varied depending on the request of the attorney general. Topics included analyses of organizational structure and function, IT infrastructure, case management and litigation support services, office communication, morale and office culture, to name a few. Recommendations and follow up training/strategic planning services through the NAGTRI Center for Leadership Development were offered to the offices as follow up steps in the development and implementation of management review recommendations.

BUILDING MOVE

NAAG temporarily relocated its office in June 2016 from 2030 M Street, N.W., in Washington, D.C., to 1850 M Street, N.W. The new NAAG office has five conference rooms with brand new AV and visitor office space for those NAAG members and staff traveling to D.C. The temporary space will serve NAAG and its members well while a new building at 2050 M Street, N.W., is being constructed over the next two to three years.

MEMBER SERVICES - MEMBERSUITE

During this fiscal year, NAAG Association Services began implementing a new association management software (AMS) called MemberSuite. It is NAAG’s contact database and event registration software. MemberSuite is a powerful and flexible tool that will grow as the needs of the membership change over time.
The NAAG Center for Supreme Court Advocacy conducted 12 moot courts for state attorneys arguing in the U.S. Supreme Court this term. The cases involved a wide range of issues, from the voting rights to free speech to the Takings Clause on the civil side; and from habeas corpus to ineffective-assistance-of-counsel claims to the death penalty on the criminal side.

Center Director and Chief Counsel Dan Schweitzer edited about 35 briefs filed by state attorney general offices in the U.S. Supreme Court, including merits briefs, cert petitions and oppositions, and amicus briefs.

The following state attorneys served three months at NAAG as Supreme Court Fellows: Alastair Agcaoili of California, Matthew Cochenour of Montana, Denise Harle of Florida, Laura Howell of Alabama, Patrick Hughes of Maryland, and John Nielsen of Utah.

The Center also organized two conferences. The NAAG Supreme Court Advocacy Seminar, held Nov. 30 - Dec. 1, 2016, in Washington, D.C., taught its 50 attendees how to effectively practice in the U.S. Supreme Court. The NAAG State Solicitors General and Appellate Chiefs Conference, held June 22-23 in Big Sky, Mont., provided a forum in which 60 state solicitors general and appellate chiefs exchanged ideas and information about managing an appellate practice and heard from outside speakers on important legal issues.
NAAG held its annual three-and-a-half day bankruptcy law seminar for governmental practitioners in Santa Fe, N.M. in fall 2016. The seminar used a hypothetical based closely on an actual case involving a Ponzi scheme and taxes paid to the states that had been in litigation for the last several years. The seminar had attendees from approximately 40 states and the District of Columbia, as well as from numerous cities and counties and from the federal government.

Karen Cordry, NAAG bankruptcy counsel, spoke as part of a panel presented by the American Bar Association’s (ABA) Business Law Section on “Hot Button Issues for State Attorneys General in Chapter 11 Cases” at the October 2016 National Conference of Bankruptcy Judges.

In a case where NAAG counsel worked closely with Illinois in 2016 to draft an amicus brief supporting certiorari, the U.S. Supreme Court did grant certiorari and eventually issued an opinion on an important, recurring topic in bankruptcy law that was fully consistent with the position taken by the states. The Court held that a bankruptcy court did not have broad authority to approve settlements that violated the priorities in the Bankruptcy Code – many of which specifically protect taxes and other debts owed to the government. Bankruptcy counsel also worked with NAAG Supreme Court counsel in helping Florida draft a brief that successfully opposed the granting of certiorari over the state’s decision to terminate payments to a nursing home facility during bankruptcy. Counsel also assisted in the preparation of an amicus brief filed by New Hampshire and 17 other states in support of Florida’s request for certiorari in a case involving collection of child support payments during bankruptcy. That request was denied.

Bankruptcy counsel also started updating NAAG’s “Bankruptcy Law and the Governmental Regulatory Process” manual, first issued in 1995. It is a compendium of bankruptcy law issues that focuses closely on matters of particular relevance to governmental practitioners. At press time, the target date to release the manual was mid- to late-2018.

Bankruptcy counsel is also currently serving as a member of an advisory committee to a Commission on Consumer Bankruptcy Issues convened by the American Bankruptcy Institute to examine the current state of the law and propose changes as needed.

Finally, NAAG counsel worked with the states to provide advice and representation in many pending bankruptcy cases. Two recent examples are the ITT Educational Services, Inc. bankruptcy (a company operating for-profit higher educational facilities that was being investigated and/or sued by many states for fraudulent treatment of their students) and TK Holdings, Inc. (maker of the exploding Takata air bags that is also being investigated and/or sued by many states for fraud for covering up its knowledge that the airbags were defective). Both cases raise numerous issues related to the scope of attorneys’ general ability to continue enforcing their laws during a bankruptcy case and the extent to which bankruptcy can be used to avoid compliance with existing state laws. These are perennial issues under the Code.
The NAAG Center for Tobacco and Public Health (Tobacco Center) provided significant support to the Settling States in connection with a variety of matters. In particular, Tobacco Center counsel worked with the Settling States throughout the year in communicating with PricewaterhouseCoopers LLP, the Master Settlement Agreement’s (MSA) independent auditor, to ensure proper calculation and disbursement of MSA funds.

In addition, following up on a 2014 letter signed by 29 attorneys general on the Food and Drug Administration’s (FDA) proposed rule deeming certain tobacco products to be subject to the Federal Food, Drug, and Cosmetic Act—as amended by the Family Smoking Prevention and Tobacco Control Act—Tobacco Center counsel monitored developments on the implementation of the Final Deeming Rule that became effective in August 2016.

On Sept. 20, 2016, the Tobacco Center convened the sixth Triennial Conference under Section VIII(a)(2) of the MSA in Portland, Maine. The Triennial Conference was hosted by NAAG Tobacco Committee Co-Chair and Maine Attorney General Janet Mills. Pursuant to the MSA, the Triennial Conference is to be held every three years "to evaluate the success of [the MSA] and coordinate efforts by the attorneys general and the participating manufacturers to continue to reduce youth smoking.” Presenters at the event included Mitch Zeller, director of the FDA Center for Tobacco Products, representatives from the Truth Initiative, a representative from the Office on Smoking and Health at the U.S. Centers for Disease Control and Prevention, as well as other experts on tobacco and nicotine-related matters. Attendees included state attorneys general and AGO staff, representatives of the Truth Initiative and the participating manufacturers, representatives of federal and state government agencies, and individuals from the public health community.

The Tobacco Center assisted Washington Attorney General Bob Ferguson with hosting the Tobacco Policy and Responsible Retailing Conference in November 2016 in Seattle, Wash. The conference focused on topics such as Tobacco Assurances of Voluntary Compliance between states and retailers, tobacco marketing, the FDA’s Final Deeming Rule, youth tobacco enforcement challenges, and other issues regarding tobacco at the point of sale. Attendees included staff from AGOs, state and local officials, representatives from public health organizations, and representatives from tobacco retailers and related organizations.

Tobacco Center counsel also undertook efforts to obtain information from participating manufacturers about advertising, promotion or marketing that they are conducting via the Internet, digital social media, or other direct
and attorney fees. To date, approximately $6.5 million has been earned in interest, and the escrow deficit has been reduced to $1.1 million. Accounts for 31 states have been fully funded, and the balance of 11 states should be completed with the May 2018 payments. At that point, the interest payments will begin to be made directly to the states; if they are insufficient to complete all amounts owed for penalties and taxes by the date releases can be made from the escrow accounts starting in 2029, those releases will also be paid to the states.

Tobacco Center counsel also continue to litigate with Native Wholesale Supply Company (NWS), over enforcement of its reorganization plan. Under that plan, it must pay more than $6 million a year towards the amounts owed to the states and the United States. It was also ordered not to make any unnecessary or unreasonable expenses and not to pay off the secured debt owed to its supplier, Grand River Enterprises (GRE), another entity which has been embroiled in litigation with the states over the years. The states successfully challenged the use of NWS funds to help pay for multi-million dollar “galas” in Las Vegas for its customers, both as unreasonable expenses, and as matters that should have been covered by a flat-fee marketing agreement with GRE. The states are now litigating with NWS over steps it has taken to relieve GRE from some of its obligations under that marketing agreement as a covert way to reduce GRE’s debt. At press time, that litigation was still in the discovery phase.

Bankruptcy and Tobacco

Tobacco Center counsel continued to monitor payments under a settlement with Carolina Tobacco Corp., a non-participating manufacturer that twice defaulted on its escrow deposit obligations and incurred substantial penalties. The interest earnings on the escrow account are being used to complete the escrow deposits and then will be allocated to paying $12.25 million (plus interest) in taxes, penalties, and attorneys’ fees. To date, approximately $6.5 million has been earned in interest, and the escrow deficit has been reduced to $1.1 million. Accounts for 31 states have been fully funded, and the balance of 11 states should be completed with the May 2018 payments. At that point, the interest payments will begin to be made directly to the states; if they are insufficient to complete all amounts owed for penalties and taxes by the date releases can be made from the escrow accounts starting in 2029, those releases will also be paid to the states.

Tobacco Center counsel also continue to litigate with Native Wholesale Supply Company (NWS), over enforcement of its reorganization plan. Under that plan, it must pay more than $6 million a year towards the amounts owed to the states and the United States. It was also ordered not to make any unnecessary or unreasonable expenses and not to pay off the secured debt owed to its supplier, Grand River Enterprises (GRE), another entity which has been embroiled in litigation with the states over the years. The states successfully challenged the use of NWS funds to help pay for multi-million dollar “galas” in Las Vegas for its customers, both as unreasonable expenses, and as matters that should have been covered by a flat-fee marketing agreement with GRE. The states are now litigating with NWS over steps it has taken to relieve GRE from some of its obligations under that marketing agreement as a covert way to reduce GRE’s debt. At press time, that litigation was still in the discovery phase.

Center counsel have also continued to defend Oklahoma’s $47 million judgment against NWS. The bankruptcy court refused to “reconsider” the amount; that decision was appealed to district court and several rounds of briefs have been submitted.
The most noteworthy accomplishments of the National Association of Medicaid Fraud Control Units (NAMFCU) continue to be resolving global cases and providing professional training to Medicaid Fraud Control Unit (MFCU) staff. This fiscal year, 14 global cases were resolved with an estimated $96.63 million recovered for the Medicaid program.

NAMFCU held three 101 Medicaid Fraud Training programs this fiscal year; one in Baltimore, Md., in July 2016; one in San Diego, Calf., in October 2016; and one in Montgomery, Ala., in February 2017. Two 102 Medicaid Fraud Training Programs were held this fiscal year; one in New Orleans, La., in November 2016 and one in Columbus, Ohio in May 2017. One 103 Medicaid Fraud Training Program was held this fiscal year in Pittsburgh, Pa. in June 2017. NAMFCU holds an Annual Training Program for all MFCU staff. This fiscal year it was held in Omaha, Neb., in September 2016. Approximately 500 MFCU staff have been trained at these programs.

NAMFCU continues to implement its three-year Strategic Plan which was first adopted in 2016. The plan is serving as a roadmap for the Association to navigate challenges, to prioritize goals, and to ensure the Association’s sustainability while acting in the best interest of its members.
2016 - 2017 Association Activities & Accomplishments

Highlights of Select NAAG Committees

ANTITRUST

The NAAG Antitrust Committee worked closely with NAAG President and Connecticut Attorney General George Jepsen on convening several meeting panels that addressed the NAAG Presidential Initiative topic, including provider consolidation and pharmaceutical pricing. The committee held a successful antitrust seminar in San Francisco, Calif., attended by more than 65 state antitrust enforcers, featuring panels on hospital mergers, electronic discovery and enforcement teams with federal agencies. A March 2017 webinar, with more than 150 attendees, also provided AGOs with updates on the status of state action immunity for state regulatory boards and commissions.

NAAG antitrust counsel assisted states with an amicus brief in a case in the U.S. Court of Appeals for the Seventh Circuit. NAAG continues to maintain the Multistate Antitrust Litigation Database, with more than 700 antitrust cases brought by state attorneys general, including complaints, settlements and judicial decisions.

CHARITIES

Most attorneys general have inherent parens patriae powers under common law to prevent the misuse of charitable assets and to ensure that trustees of charitable trusts and fiduciaries of charitable corporations fulfill their duties of loyalty and care to the charities they govern. Some attorneys general, pursuant to statute, also oversee and regulate a variety of charitable activities including fundraising, bequests, asset transfers, nonprofit conversions, mergers, and dissolutions. NAAG assists its members in this issue area by staffing the NAAG Charities Committee and assisting with the NAAG/National Association of State Charities Officials (NASCO) annual educational seminar. The NAAG/NASCO conference was held Oct. 17-19, 2016, in Washington D.C., with approximately 180 attendees. During the public portion of the conference, five attorneys general from the Charities Committee took part in a panel titled “NAAG Charities Committee: Meet the Attorneys General.” During the regulator-only portion of the conference, four attorneys general from the Charities Committee participated in a panel, discussing charities enforcement and answering questions from assistant attorneys general. With the spring 2017 launch of the new NAGTRI Center for Consumer Protection which includes charities matters in its purview, the attorney general charities community started receiving assistance with research, information sharing, and enhanced communication, and will have opportunities for mobile, regional, and national trainings focused on charitable asset and entity oversight.
CONSUMER PROTECTION

Attorneys general are a leading consumer protection force in the country. Most have primary responsibility within their states and territories for enforcing consumer protection statutes. NAAG assists its members in this issue area by staffing the NAAG Consumer Protection Committee and organizing its two annual educational seminars. The Fall Consumer Protection Conference was held Oct. 3-5, 2016, in Phoenix, Ariz., with approximately 140 attendees. It covered such issues as Fintech, payday rules, and structured settlements. The Spring Consumer Protection Conference was held May 15-17, 2017, in Washington, D.C., with approximately 190 attendees. Some of the issues covered were disruptive technologies, class actions, *Spokeo v. Robins*, the effectiveness of notices and disclaimers, and social media marketing. With the spring 2017 launch of the new NAGTRI Center for Consumer Protection, the attorney general consumer protection community started receiving assistance with research, information sharing, and enhanced communication, and will have opportunities for mobile, regional, and national trainings focused on consumer protection.

HUMAN TRAFFICKING

The NAAG Human Trafficking Committee held a special breakfast meeting, led by the Utah Attorney General’s Office, during the February NAAG Winter Meeting in Washington, D.C. An overflow audience heard speakers from the Polaris Project on its recent initiative targeting massage parlors and other efforts to combat human trafficking; Shared Hope International on its anti-human trafficking strategies; and from representatives of the U.S. Department of Homeland Security’s Blue Campaign on the importance of the federal-state partnership in countering human trafficking.

INTERNET SAFETY/ CYBER PRIVACY & SECURITY

This NAAG committee presented cybersecurity issues to the membership during two NAAG annual meetings. For the NAAG Winter Meeting in February 2017, a panel presented on data breach notification and for the NAAG Summer Meeting in June 2017, a panel discussed the “Internet of Things.” Video of the presentations and speaker materials are available on the NAAG website under “Meetings and Trainings” – Video and Other AV Archive.
2016 - 2017
NAAG Award Recipients

**KELLEY-WYMAN AWARD**
Connecticut Attorney General George Jepsen

**AG SENIOR STAFF MEMBER OF THE YEAR AWARD**
James E. Cantor
Alaska Department of Law
Brian Kane
Idaho Attorney General's Office

**AG CAREER STAFF OF THE YEAR AWARD**
Kevin Coakley-Welch
Massachusetts Attorney General's Office
Jean Marie Leisher
Indiana Attorney General's Office
Timothy Sylwester
Oregon Department of Justice

**NAGTRI FACULTY OF THE YEAR AWARD**
Christine Hoffman
New Jersey Attorney General’s Office
Dan Edwards
Colorado Department of Law

**FRANCIS X. BELLOTTI AWARD FROM THE SOCIETY OF ATTORNEYS GENERAL EMERITUS (SAGE)**
Former Rhode Island Attorney General
Patrick Lynch
NAAG Best Brief Awards

These awards are given annually at the NAAG Summer Meeting for excellence in brief writing for the U.S. Supreme Court. This year’s recipients of the NAAG Supreme Court Best Brief Awards were:

**CALIFORNIA**
Brief in opposition in *The Gillette Co. v. California Franchise Tax Board*. Authors were Solicitor General Edward DuMont, Deputy Solicitor General Kathleen Boergers, and Deputy Attorney General Lucy Wang.

**DISTRICT OF COLUMBIA**
Cert petition in *District of Columbia v. Wesby*. Authors were Solicitor General Todd Kim, Deputy Solicitor General Loren AliKhan, and Assistant Attorney General Carl Schifferle.

**FLORIDA**
Brief in opposition in *Seminole Tribe of Florida v. Biegalski*. Authors were Deputy Solicitors General Rachel Nordby, Denise Harle, Jordan Pratt, and Jonathan Williams.

**MICHIGAN**
Cert petition in *Snyder v. Does #1-5*. Authors were Solicitor General Aaron Lindstrom and Assistant Solicitor General Kathryn Dalzell.

**OHIO**
Brief for respondent at certiorari stage in *National Association of Manufacturers v. U.S. Department of Defense*. Author was State Solicitor Eric Murphy.

**TEXAS**
Merits brief for respondent in *Davila v. Davis*. Authors were Solicitor General Scott Keller, Deputy Solicitor General J. Campbell Barker, and Assistant Solicitors General Heather Gebelin Hacker and Jason LaFond.
NAAG Annual Meetings

NEW AG ORIENTATION/FALL MEETING
Attorneys General and AG Staff Only
Nov. 28-30, 2016
Fort Lauderdale, Fla.

WINTER MEETING
Feb. 27-March 1, 2017
Washington, D.C.

PRESIDENTIAL INITIATIVE SUMMIT
“Evolving Challenges in the American Healthcare Marketplace”
April 27-28, 2017
New York, N.Y.

CHIEF DEPUTIES/CHIEFS OF STAFF MEETING
May 17-19, 2017
New Orleans, La.

SUMMER MEETING
June 20-22, 2017
Big Sky, Mont.

Regional Meetings

CONFERENCE OF WESTERN ATTORNEYS GENERAL (CWAG)
July 17-20, 2016
Sun Valley, Idaho

MIDWESTERN REGION
“The Role of the Attorney General in Fighting Opiate Abuse”
Oct. 6-7, 2016
Milwaukee, Wis.

EASTERN REGION
“Establishing Productive Partnerships with Federal, State, Local and Non-Government Entities”
Oct. 27-28, 2016
Newport, R.I.

SOUTHERN REGION
“Technology and the Office of Attorney General”
April 4-5, 2017
Charlottesville, Va.

Vermont AG T.J. Donovan, Alaska AG Jahna Lindemuth and Kentucky AG Andy Beshear
2016 - 2017
NAAG Executive Committee

Attorney General George Jepsen (CT)
   President
Attorney General Derek Schmidt (KS)
   President-Elect
Attorney General Jeff Landry (LA)
   Vice President
Attorney General Marty Jackley (SD)
   Immediate Past President
Attorney General Peter Kilmartin (RI)
   Chair, Eastern Region
Attorney General Brad Schimel (WI)
   Chair, Midwestern Region
Attorney General Mark Herring (VA)
   Chair, Southern Region
Attorney General Douglas S. Chin (HI)
   Chair, Western Region (CWAG)
Attorney General Lawrence Wasden (ID)
   Chair, Mission Foundation
Attorney General Maura Healey (MA)
   Presidential Appointment
Attorney General Tim Fox (MT)
   Presidential Appointment
Attorney General Bob Ferguson (WA)
   Presidential Appointment

2016 - 2017
FINANCE COMMITTEE
Attorney General Tim Fox (MT)
   Co-Chair
Attorney General Peter Kilmartin (RI)
   Co-Chair

2016 - 2017
EX OFFICIO
Attorney General Janet T. Mills (ME)
   NAAG Tobacco Committee Co-Chair
Attorney General Brad Schimel (WI)
   NAAG Tobacco Committee Co-Chair