

# Alleged Racketeers In D.C. General Takeover

by Anton Chaitkin and Edward Spannaus

The stench of corruption cannot be hidden, in the attempt to shut down the top-flight District of Columbia General Hospital. By the evidence given in lawsuits filed by hospitals and other of its victims, the group trying to take over and shut down the capital's only public hospital, has amassed a fortune stolen from health-care institutions through classic gangster methods of embezzlement and fraud, under cover of money-lending.

And while one corrupt nest of financiers will make money by taking over the hospital, another group of real estate and financial interests is also planning to turn this part of Southeast Washington into a multi-faceted park and recreational area, which will enhance the value of real estate in the area, drive out existing residents, most of whom are poor, and spur new commercial development and expensive housing nearby.

Behind the D.C. General takeover and shutdown is the National Century Financial Enterprises (NCFE), which is part owner, financier, and operations partner of the hospital-management company, Doctors Community Healthcare Corporation (DCHC). DCHC bought Washington, D.C.'s Greater Southeast Hospital in a bankruptcy sale, and Washington's Hadley Memorial Hospital, and is now preparing to take over and shut down D.C. General Hospital.

Meanwhile, lawsuits filed in Massachusetts, North Carolina, and Kentucky, charge NCFE with systematic racketeering and fraud in the looting of hospitals and health-care organizations. In the Boston case, DCHC chief executive Paul R. Tuft, and NCFE's Lance Poulsen are both named defendants in the racketeering suit.

In the North Carolina civil suit, NCFE and Poulsen are also charged with racketeering. In Kentucky, NCFE is being sued for fraud and looting of a health-care company, and the United States Attorney there is investigating NCFE for racketeering. Additionally, NCFE is being sued in Tennessee for breach of contract and wrongfully diverting funds. At least two other such suits are reported to be under way, in other locations.

DCHC's Paul Tuft, named in the Boston racketeering suit, made his only campaign contribution of 2000, to D.C.'s Congressional Delegate, Eleanor Holmes Norton: one of only four contributions she received from outside the greater Washington area.



EIR investigator Anton Chaitkin briefs reporters on March 8, on the financial scandals which are part of the move to shut down D.C. General Hospital.

## How Hospitals Are Looted

The suit filed in Federal bankruptcy court in Boston against NCFE provides evidence of what could be a textbook case in modern gangsterism. Boston Regional Medical Center was taken over by DCHC and NCFE in 1997, and was driven into bankruptcy.

The hospital has told the court:

DCHC first offered to buy the financially ailing hospital for \$50 million, causing Boston Regional to cancel bids in the \$37 million range, and take the hospital off the market. Then DCHC backed down and negotiated for 18 months, finally offering only \$25 million, with the condition that NCFE "finance" the buyout and the hospital operations.

NCFE's standard deal is to buy the accounts receivable from a hospital—the right to collect what is owed the hospital by insurance companies and patients—paying 97¢ per dollar of face value for these accounts. Thus, a very liberal 3% loan . . . or so it appears.

But NCFE tacked on various fees, and required the hospital to make deposits in various "reserve" funds. The hospital was told it could earn back a large portion of these extra charges by performing certain financial duties. But meanwhile, DCHC and NCFE took over complete control of the hospital's finances, taking all income, making all payments, including to themselves, and keeping all the records.

The resulting nightmare cost Boston Regional the following actual interest rates on NCFE's financing: 1995, at least 34%; 1996, at least 21%; 1997, at least 48%; 1999, at least 30%—each a violation of Massachusetts usury laws. When the hospital desperately tried to change finance companies, NCFE demanded insupportable penalties, keeping the hospital in bondage.

Boston Regional was forced into bankruptcy in 1999. They determined that the DCHC/NCFE team had stolen at least \$12-13 million from the hospital. But the combine had never actually bought the hospital or provided the promised

long-term financing.

Yet, NCFE shamelessly now offered to buy Boston Regional out of bankruptcy for \$12.5 million—corresponding to the amount of money it had stolen from that very hospital.

Boston Regional hired forensic accountant James M. Cottos, a former Federal fraud investigator, to probe the hospital's downfall. In an affidavit supporting Boston Regional's racketeering charges against NCFE, Tuft, and Poulsen, Cottos described the process by which NCFE had stolen \$9 million, explaining: "Based on my experience in fraud investigations, this pattern of first making small withdrawals, which could be explained as an error if challenged, and then making a larger withdrawal once the first passed, waiting a period to see if it is noticed, and then proceeding to make multiple, large withdrawals once unchallenged, is common to embezzlement and fraud schemes."

### More Racketeering . . .

In North Carolina, a class-action Federal racketeering (RICO) suit was filed by shareholders of the PhyAmerica Physician Group, which manages emergency rooms for about 270 U.S. hospitals. The suit charges NCFE and its CEO Lance Poulsen with "a pattern of racketeering," filing false reports with the Securities and Exchange Commission (SEC), and diverting millions from the health-care company, while conspiring with PhyAmerica's chief executive to bail

him out of failure by letting him steal millions.

The North Carolina suit, *Charles R. Bosco and Michael D. McGee v. Steven M. Scott and NCFE*, alleges:

NCFE obtained total physical control over PhyAmerica's money flows, so that the company could not successfully recoup its portion of NCFE's notorious "extra" fees and reserves. The NCFE team filed seven false quarterly and two false yearly reports to the SEC, and to the PhyAmerica stockholders.

NCFE is officially headquartered in Dublin, Ohio, a suburb of Columbus. The misnamed Doctors Community Healthcare Corporation is based in Scottsdale, Arizona, where NCFE also has offices. Both companies are privately held and make no public reports on their finances.

D.C. City Council member David Catania issued a report in late February, showing that DCHC "is deeply in debt and unprofitable," and that "DCHC has a reputation for its inability to complete deals and for 11th-hour demands in negotiations." Catania documented this with various publicly available news accounts of DCHC's dealings.

Nevertheless, the District of Columbia's Federally appointed Financial Control Board has told the news media that they have "checked out DCHC, and Wall Street gives them an excellent rating." Clearly, what DCHC is "excellent" at, is extracting loot from hospitals and health-care institutions upon which the lives and well-being of thousands of patients and citizens depend.

## Is the Shutdown A Land-Grab?

The official "master plan" for the area of Southeast Washington, in which D.C. General Hospital is located, calls for eliminating the hospital, and turning the area into an area of parks and museums, with adjacent commercial and residential development. Needless to say, poor people need not apply.

These plans have been developed by the National Capital Planning Commission, a Federal agency which is described as "the central planning agency" for Washington, D.C. and the entire National Capital Region. Commission members are appointed both by the President and the Mayor. The current chairman is Richard L. Friedman, a real estate developer from Boston, and a big Democratic Party contributor. Another commission member is a former vice-president of the American Insurance Association.

D.C. General is in the area known as the west bank of

the Anacostia River, just north of the D.C. Jail, and about half a mile south of RFK Stadium. The land on which the hospital sits, is Federally owned.

The NCPC master plan, entitled "Extending the Legacy," calls for a new park on the west bank of the river, which "would replace RFK Stadium and adjacent institutional buildings with gardens, fountains and waterfalls connected to playing fields, marinas and a riverside nature preserve." It adds: "New housing and commercial development would complete the redevelopment of the area."

A specific version of the plan says that the area around RFK Stadium will become a new eastern gateway to the city, "featuring museums, memorials, parks and education centers extending to the waterfront. Larger institutions will be concentrated to the south, near the present jail and hospital, while smaller cultural and commercial buildings will be woven into the existing fabric of the neighborhoods to the north."

Councilman Kevin Chavous was recently quoted in the *Washington Times* as saying: "It's obvious what the Mayor is doing. There is no jail or hospital on the 25-year plan for the city. The only way to connect the dots is to follow the land and the money."—Edward Spannaus