Bush Cronies Plan To Loot Health Care

by Scott Thompson

Over the next few weeks, the Democratic-controlled Senate will be taking up competing versions of the Patients' Bill of Rights. President George W. Bush is already on record, saying that he will veto the Bipartisan Patients Protection Act, sponsored by Sens. John McCain (R-Ariz.), John Edwards (D-N.C.), Edward Kennedy (D-Mass.), and Rep. Charles Norwood (R-Ga.), that would permit victims of health maintenance organizations (HMOs) to sue them in state courts for the maximum extent, if injury or death ensued from the HMO's withholding of the best necessary medical care. Instead, President Bush supports a phony version of the Patients Bill of Rights, sponsored by Sens. John Breaux (D-La.) and Bill Frist (R-Tenn.), which would put caps on damages, and which only allows lawsuits to be heard in Federal courts.

As we will show, President Bush is planning to permit his crony contributors from the health-care "industry" to make a killing off U.S. citizens, in the same way that he has already done for his contributors, such as Enron and Reliant, in the energy industry.

As Senator Edwards put it on June 10, during the Democratic reply to the President's weekly radio address: "I hope the President will work with Senator McCain and me and help pass our bipartisan legislation that would rein in HMOs once and for all. The President, instead, has lent his support to a version that the HMOs like a lot better. . . . The bill the President likes is not a patient protection bill. It's what a Congressman I know called an HMO protection bill."

Richard Rainwater: Looter

One of the chief beneficiaries of President Bush's genocidal version of health-care "reforms" would be Richard Rainwater, the financier who helped make President Bush a multi-millionaire when he was Governor of Texas, and who now manages President Bush's portfolio in a blind trust.

Among his many schemes, Rainwater has created the largest for-profit hospital network in the United States, Columbia/HCA, as *EIR* has documented (see "How Wall Street 'Shareholder Value' Destroyed America's Hospital System," *EIR,* April 7, 2000). It was Rainwater who created the largest network of psychiatric hospitals, Charter Behavioral, which he looted into a dry husk. Ironically, in building Columbia/HCA, a 340-hospital chain, the largest acquisition ($7.6 billion) was Columbia's Feb. 10, 1994 merger with the Hospital Corporation of America, owned by the family of Senator Frist.

In December 2000, hundreds of agents from the Federal Bureau of Investigation and other law enforcement agencies in a multi-agency task force, raided and seized the records of Columbia/HCA hospitals across the United States. Columbia/HCA later reached a tentative settlement with the U.S. Department of Justice (DOJ) in the biggest medical fraud case in history. The $840 million deal, which included criminal pleadings by several Columbia/HCA subsidiaries, was thought by some to end the company's troubles with the law. But, on March 15, 2001, the DOJ filed civil papers in Washington, D.C., joining eight whistleblower suits against HCA, and charging another far-reaching pattern of Medicare fraud and kickbacks to doctors who steer their more affluent patients to HCA-owned hopitals.

However, President Bush has come to the rescue of Rainwater et al., through the people whom he chose to oversee these cases. On March 13, two days before the DOJ jumped back into the HCA litigation, Bush nominated Michael Chertoff to head the DOJ Criminal Division, which post would handle settlement of the criminal actions against Columbia/HCA. The *Wall Street Journal* gloated on March 19: "Attorney Michael Chertoff [had been] HCA's lead outside counsel, who spearheaded the company's defense in the face of the largest Medicare fraud investigation ever launched."

Bush next nominated Thomas Scully, a former employee of Columbia/HCA and chief lobbyist of the For Profit Hospital Association (in which Columbia/HCA plays a major role), to run the Health Care Financing Administration (HCFA), which oversees the Medicare and Medicaid programs. After he was confirmed, in a speech on June 4 to the Chamber of Commerce and a press conference which followed, Scully said that one of his main goals would be to see that the number of elderly and disabled who were part of the "Medicare Plus Choice" (where one chooses to be covered by an HMO), increases from 15% currently, to 30% by 2003. As medical experts have told *EIR,* HMOs often lure people to join "Medicare Plus Choice" with enticements that are then never fulfilled—in typical HMO "shareholder value" fashion, which puts profits over citizens' lives.

As a DOJ spokesman told *EIR* on June 14, these appointments seem to be having an effect. He said that there is now no action being taken on the March 15 civil case against Columbia/HCA, and he indicated that the criminal aspects of the first case might be downgraded.

How Rainwater Made Bush a Fortune

Rainwater, who had no inherited wealth, received an MBA from Stanford University in 1968, and went to work for the Bass family of Texas, at the request of his classmate, Sid Bass, who had made $50 million in the oil business. Initially, the Bass family gave him $20 million to invest, and Rainwater quickly lost $3 million. However, instead of firing Rainwater, the Bass family told him to find out how Michael Milken, among others, had made their "money grow." This was the start of a long business relationship and friendship between

Rainwater and Milken, who would soon be jailed for "insider trading."

After making several million from his personal investments with the Bass family, Rainwater struck out on his own in the mergers and acquisitions business. One of his chief vehicles was Crescent Real Estate Equities, of which he is chairman.

Before looking at how Rainwater made his fortune, it is important to establish his ties with President Bush, whose fortune he helped to make.

Before his first run for Governor, Bush received advice from family and friends that he needed to establish himself as a "Texas good ol' boy," rather than just another "carpetbagger." The ideal vehicle came when the Texas Rangers baseball team was up for sale, and baseball commissioner Peter Ueberroth introduced him to Rainwater, who agreed to put up $14.2 million; Bush put up $600,000, which gave him a 2% interest in the 70-member team partnership. However, when Bush convinced Arlington, Texas Mayor Greene to co-finance a new luxury stadium for the Rangers, with city funds, Bush's partners greatly increased his share in the team "for services rendered." Thus, when the partners sold the team and stadium, Bush's share was $14.9 million—more than 18 times what he had invested.

As soon as Bush became Texas Governor in 1995, he began a payback to Rainwater which continues to this day. Bush vetoed a Patient Protection Act that he claimed would "unfairly impact some health care providers, while exempting others." When Bush later asked his state Insurance Commissioner to implement some of the bill's provisions, he made sure that there was nothing that would adversely affect Rainwater's Columbia/HCA operations. Also, in 1997, Bush

Dr. Ivan Walks in Rainwater's Shadow

Dr. Ivan Walks, head of the Washington D.C. Department of Health implementing the murderous shutdown of D.C. General Hospital, had been in the employ of President George W. Bush's financial angel Richard Rainwater for five years, at the time he was confirmed to head the District of Columbia health system in 1999.

According to his official biography, Walks worked from 1994-96 as Medical Director of Education and Outreach Programs for Charter Behavioral Health Systems, the for-profit mental hospital chain that Rainwater's Crescent Real Estate took over and looted into the ground (thereby wiping out a good portion of the nation's managed mental health programs). While Rainwater's Crescent did not complete its takeover of Charter until 1997, Rainwater and his wife Darla Moore had initially, in 1995, bought up 12.3% ownership in Magellan Health Services, which owned Charter.

On March 3, 2000, *EIR* exposed the criminal role of Rainwater and Crescent Real Estate Investment Trust in the asset-stripping of Charter Behavioral, a looting operation which ultimately drove the managed behavioral care company into bankruptcy. The *modus operandi* employed by Rainwater's Crescent, in looting the income stream of the Charter hospitals, was identical to that alleged in several civil lawsuits against Doctors Community Healthcare Corp., the firm that Walks has now put in charge of D.C.'s "privatized" health-care system.

Dr. Walks left Charter in 1996, becoming vice-president and Associate National Medical Director of ValueOptions. Up until 1998, ValueOptions was known as Value Behavioral Health (VBH), a wholly owned subsidiary of Value Health, Inc.—which was, in turn, owned by Rainwater's Columbia/HCA Healthcare Corp. Rainwater asset-stripped VBH by selling off most of its subsidiary hospitals and then, in February 1998, sold what remained to Options Health Care, which changed the company name to ValueOptions.

A Hitman's Salary

Dr. Walks' appointment as head of the District Department of Health generated a firestorm of protest, when it was revealed that Mayor Anthony Williams was paying him $227,000 a year in salary and benefits—this, despite the fact that Walks' career was in neuropsychiatry, and he had no prior experience running a city public health system.

The *Washington Times* editorialized against the Walks contract, in a Sept. 3, 1999 column by Jonetta Rose Barras, who wrote, "Mr. Williams—aided by Control Board chairman Alice Rivlin, a complacent Congress, and shamefully compliant media—has yet to detail exactly what is expected of the nearly half-dozen administrators he has hired at top salary, including Dr. Walks."

Given the role that Walks has played to date in the drive to shut down D.C. General—and thereby dismantle the health service system for the nation's capital's most vulnerable citizens—it is clear that he, and Mayor Williams, and Control Board head Rivlin, knew what the administration expected of him.

And if he needed to make the point more sharply, Walks did just that, at a 1998 conference of the American Psychological Association, where he delivered a major speech calling for cost cuts in the behavioral health field, particularly in areas with predominantly ethnic-minority populations.—*Jeffrey Steinberg* proposed in his biannual budget that the State of Texas ought to privatize the state's mental hospitals, just as Rainwater was in the midst of building his Charter Behavioral network.

As *EIR* has documented, Rainwater's handling of the for-profit Columbia/HCA and Charter Behavioral was based on boosting "shareholder value," rather than fulfilling the intent of the Hill-Burton Act for medical care that had been passed in 1946 to protect the General Welfare.

Rainwater looted Charter Behavioral, which at its height had 90 psychiatric hospitals, out of 590 in the United States. After firing staff, slashing care, and otherwise asset-stripping Charter Behavioral, through Crescent Real Estate, in which Rainwater had a majority investment, Rainwater began to shut down the facilities. Some 4-5,000 seriously ill mental patients were dumped on the streets, and when their families could not cope with their problems, many of these patients joined the ranks of the homeless. According to one report from reliable sources, Bush watched his $100,000 investment in Crescent Real Estate grow to $1 million.

Rainwater took the same asset-stripping approach with his Columbia/HCA. Rainwater's guiding principle for looting Columbia/HCA was "earnings before depreciation, interest, taxes, and amortization," known as EBDITA.

What this meant in practice, was that Rainwater, his partner Rick Scott, and his wife Darla Moore (a former Citibank employee whom Rainwater put on the board of Columbia/HCA) took such measures as: firing the best doctors in exchange for inexperienced, new graduates; firing registered nurses, replacing them with less-skilled less costly practical nurses; buying shoddy supplies at a 20-30% discount; refusing (against the law) to give medical treatment to those without health insurance; and giving kickbacks to doctors to refer well-heeled clients.

And, as in Washington, D.C., where the only public hospital, D.C. General, is being shut down, leaving hundreds of thousands of residents and visitors to Washington without adequate health care, Rainwater's gang would buy hospitals and close them, so that his asset-stripped facilities were all that was available in an area.

Rainwater et al. demanded that the EBDITA must increase by 5-20% each year, which led to a process called "upcoding" patients, where Medicare was bilked for more costly procedures than were actually performed—e.g., a patient suffering from pneumonia would be billed to Medicare as suffering from a "complex respiratory infection." Because of these practices, one health-care worker likened Columbia/HCA to Attila the Hun.

This is what President Bush has in store for American citizens, through his threat to veto the McCain-Edwards-Kennedy Bipartisan Patients Protection Act, in favor of the "HMO Protection Act." Until he accepts the General Welfare principle in the U.S. Constitution, he will be responsible for genocide against American citizens in the health-care industry, letting his crony contributors loot it in the same way that other cronies have been looting in the energy sector.

Interview: Catherine L. Barrett

Ohio Budget Crisis: Services Cut, While Protest Grows

Ohio State Rep. Catherine L. Barrett (D-District 31), whose district includes Cincinnati, is on the Education, Finance, and Appropriations and Retirement and Aging committees in the Ohio Legislature. In May, she spoke at a rally in Washington, D.C., in support of keeping D.C. General Hospital open as a full-service, fully funded public hospital. In this June 11 interview with Marianna Wertz, Representative Barrett reflects on that fight, and on the battle brewing in Ohio over the large social service cuts in the biennial budget signed on May 6 by Gov. Bob Taft (R).

EIR: First, do you have anything you'd like to say about why you went to Washington, D.C. last month, to speak out about the fight to save D.C. General Hospital?

Barrett: I really can sympathize with D.C. General. That fight is one that we've fought here, in Cincinnati, Ohio, with the closing of our University Hospital a couple of years ago. What happens is, when you privatize public hospitals, there is less care for the indigent. We had just had a county tax levy, to increase the amount for the indigent, to be able to go to public hospitals. Just as we passed that in November, come January, the hospital was privatized. The money still went to the facility, but fewer of the indigent people were being serviced.

What's happening at D.C. General, which I explained when I got there, is diversion. It's my understanding that, when they go to D.C. General, they don't have emergency care. They have to divert them to hospitals as far away as Maryland, which is a long way away. If you've got a serious patient in the ambulance, that patient could die, or get worse.

EIR: There have been nine deaths already attributed to the absence of emergency care.

Barrett: That went up since I was there. That is a horrible crisis there. What they did, is downsize D.C. General. It started with lab work and other work, instead of doing the emergency care that is needed in that district. There are too many people concentrated in that area not to have a public hospital.

EIR: Let's go on to Ohio. I want to discuss the budget crisis, which I understand is caused basically by two things: the