

LOBBY WATCH



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Crooked Grins:

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Medicaid Dental Fraud: Who Built *That*, Texas?

Possible Scammers Include Rotten Dentists,
Gov. Perry, His Contractor & the Revolving Door

Governor Rick Perry denounced Obamacare's insurance exchanges and Medicaid expansions this summer. Calling Medicaid "a failed program," he compared expanding it to "adding a thousand people to the Titanic."¹ Now it seems as though Perry may have known more about Medicaid failure—and steering that particular Titanic—than he revealed at the time.

Texas is No. 1 in apparent defraudings of the U.S. Medicaid dental program, according to recent reports in the *Wall Street Journal*. Congressional sleuths discovered that from 2006 to 2011 Texas Medicaid payments to dentists and orthodontists quadrupled to \$1.4 billion. Texas Medicaid spent more on braces in 2010 than did the other 49 states *combined*.

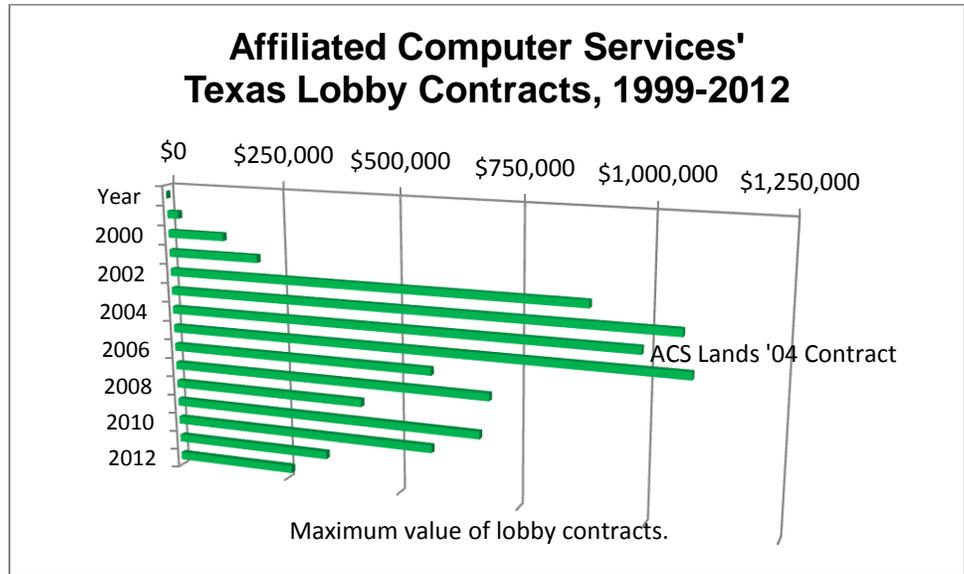
The orthodontist that the state finally hired to audit the program last year found that 90 percent of reimbursement requests involved procedures not covered by Medicaid (which does not fund cosmetic dentistry). "The fraud is statewide and has reached the hundreds of millions of dollars," the auditor told the *Journal*.²

The enormity of Texas' Medicaid fraud raises a trendy political question: Who built that? As usual, everyone involved points at somebody else. Much of the fraud crackdown to date has focused on the dentists and orthodontists. They point out that every Texas Medicaid penny that they receive is approved by Perry's Health and Human Services Commission. Since 2004 that agency has jobbed out this crucial task to Dallas-based contractor Affiliated Computer Services, Inc. (ACS). Xerox Corp. acquired ACS and its Texas Medicaid contract in 2010.³

As the dental-fraud stink spread, state health bureaucrats and Attorney General Gregg Abbott have focused on the contractor's key role in the theft. This is as it should be—provided that the Perry administration and its revolving-door lobby also receive proper credit. After all, Xerox administers Medicaid programs in 36 states yet Texas alone claims the gold medal for Medicaid dental fraud. This achievement requires some combination of: Dazzling administrative incompetence; or Unusual coziness with an inept contractor.

In the period surrounding the Perry administration's award of the 2004 dental Medicaid contract, ACS went on a lobby hiring spree in Austin.⁴

ACS paid one or two Texas lobbyists annual totals of no more than \$200,000 prior to 2002. From 2003 through 2004, ACS paid 16 or more lobbyists up to \$1 million annually.⁵



Top ACS lobbyists were easy to confuse with the Perry administration. In September 2004 Perry pal Mike Toomey finished a two-year stint as

Governor Perry's chief of staff and returned to his lobbyist life. Toomey lobbied for ACS *before* and *after* he ran the governor's office. He also parked ACS and other clients with his partners, Bill Messer and Lara Laneri Keel while he ran the governor's office.

Top Affiliated Computer Services Lobbyists (2002 Through 2012)

Max. Value of Contracts	No. of Contracts	Lobbyist
\$1,600,000	12	Gordon Arnold Jr.
\$910,000	9	Stan Schlueter
\$600,000	8	Bill Messer
\$500,000	7	Michael Toomey
\$450,000	6	Don A. Gilbert
\$400,000	4	Eddie Cavazos
\$400,000	4	Dan Shelley
\$300,000	3	Kent A. Caperton
\$300,000	4	Darryl B. Carter
\$270,000	5	Jenn. Shelley Rodriguez
\$260,000	4	Ellen Williams
\$220,000	3	Willis Johnson
\$150,000	2	Machree Garrett Gibson
\$150,000	3	Deborah C. Kastin
\$120,000	3	Randy Schlueter
\$110,000	2	J. Kyle Frazier
\$110,000	3	Lara Laneri Keel
\$100,000	1	Janis L. Carter

Just as Toomey left Perry's office to return to the lobby in September 2004, Perry hired ACS lobbyist Dan Shelley. Shelley served as Perry's legislative director for one year, before returning to ACS and his other clients. While working for the governor, Shelley parked his clients with his daughter, Jennifer Shelley Rodriguez, who lobbied for ACS while dad directed Perry's legislative agenda.

When ACS signed its Medicaid dental contract in 2004, a mighty fine line separated ACS's lobby from Governor Perry.⁶

ACS, its PAC and its executives contributed \$234,042 to Texas state candidates and committees since the 2004 election cycle. Governor Perry received 64 percent of that money (\$150,000).

Top ACS Contributors, 2003 to July 2012

Amount	Contributor	ACS Tie
\$125,000	Darwin Deason	Founder
\$98,700	ACS/ACS PACs	Corporation/PAC
\$9,792	Jeffrey Rich	Ex-CEO (left in 2005)

Attorney General Abbott recently demanded Xerox records related to the Medicaid dental program. Abbott knows something about computer contractors run amok. In 2006 IBM landed a disastrous, \$863 million contract to consolidate data processing for 28 Texas state agencies. One way that IBM cut costs was by not backing up state data. When its servers crashed, the Attorney General's Medicaid fraud investigators lost eight months of data.

Rearranged Titanic deck chairs this year, Texas hired new contractors to take over the IBM contract. The top new contractor—in line for

Top Recipients of ACS Money

Amount	Recipient
\$150,000	Gov. Rick Perry
\$50,000	Yes on 12 (Perry's MedMal Caps)
\$10,000	Comptroller Susan Combs
\$4,600	Attorney General Greg Abbott
\$4,000	Rep. Rafael M. Anchia
\$3,000	Sen. Royce West
\$2,500	Lt. Governor David Dewhurst
\$2,500	TX Legislative Black Caucus
\$2,292	Would-be Gov. Kay B. Hutchison
\$2,000	Sen. Leticia Van De Putte

Note: Contributions by ACS, its PACs and executives.

\$1.1 billion in taxpayer dollars—is none other than ACS's successor: Xerox.⁷

Stay tuned to see how the Attorney General's Medicaid-fraud data will fare in the hands of a company that rubber stamped the only Medicaid dental fraud that is as big as Texas. •

NOTES

¹ "Rick Perry: Medicaid Is Like Adding People to the Titanic," *Politico*, July 9, 2012.

² "Texas Drills Down on Medicaid Dental Fraud," *Wall Street Journal*, August 20, 2012.

³ "Xerox Eyed in Texas Medicaid Probe," *Wall Street Journal*, September 4, 2012.

⁴ Privatization prophet and then ACS-executive [Stephen Goldsmith](#) was an elite fundraiser for both of George W. Bush's presidential campaigns.

⁵ Under this governor ACS spent from \$4 million to \$7.7 million on 121 annual lobby contracts. Texas lobbyists report income ranges rather than exact amounts.

⁶ ACS also retained Perry pal David Sibley in the two years preceding the Medicaid contract signing. When Lieutenant Governor Perry moved to the Governor's Office in late 2000, he unsuccessfully tried to anoint this senator as his successor. ACS also paid up to \$450,000 to Don Gilbert from 2007 through 2011. Gilbert was executive commissioner of Texas Health & Human Services under Bush and then Perry before hitting the revolving door in 2003.

⁷ "Texas, IBM Data Center Contract to End," *Austin American-Statesman*, March 12, 2012.