

LOBBY WATCH



★ TEXANS FOR PUBLIC JUSTICE 609 W. 18TH ST., SUITE E, AUSTIN, TX 78701 PH: (512)472-9770 FAX: (512)472-9830

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Medicaid Raid!

Following the Money Trail Behind the EDS Mess

- Several EDS Staff Lobbyists Sit on the Hot Seat

With prosecutors alleging that Texas' Medicaid contractor negotiated a sweetheart 1998 deal that allowed it to bilk \$10 million from taxpayers, *Lobby Watch* launched a probe into how much clout that contractor wields.

EDS subsidiary National Heritage Insurance Co. (NHIC) has handled Texas' Medicaid billings since 1977. State Rep. Rob Junell claimed last week that a new contract negotiated in January 1998 was tailored to NHIC—the only company to bid on it. That contract eliminated a cap on the amount of administrative costs that the contractor could bill the state. Prosecutors allege that some NHIC executives then schemed to fraudulently double those charges.

NHIC signed the disputed contract with the Texas Health Department, which has helped out big donors before. In 1999, for example, its political leaders killed a staff proposal to crack down on ephedrine-based diet products linked to eight Texas deaths. The ephedrine industry and its lobbyists—who leaned heavily on Health Department leaders—were big contributors to then-Governor George W. Bush.

EDS contributions

Did EDS lean on Texas *políticos*? In the 1998 election cycle, the EDS PAC doled out \$45,750 to state politicians, led by the \$12,500 it gave to Gov. Bush. For his two gubernatorial campaigns, Bush took \$39,700 from EDS' PAC and executives.

Top Recipients of EDS PAC Money, 1998

Candidate	EDS PAC \$	Office
George Bush	\$12,500	Governor
John Sharp	\$8,500	Lt. Governor
Rick Perry	\$7,500	Lt. Governor
Royce West	\$2,500	Senate
Carole Rylander	\$2,500	Comptroller
Pete Laney	\$2,000	House
Brian McCall	\$1,500	House
John Carona	\$1,500	Senate
Bill Ratilff	\$1,000	Senate
Ken Armbrister	\$1,000	Senate
Garnet Coleman	\$1,000	House

The EDS lobby force

In late 1997—just before the new contract—36 lobbyists reported EDS income of between \$1.3 million and \$2.1 million. EDS had 14 staff lobbyists registered at that time, led by Lisa A. Sano Blocker.

EDS employees Nancy Beard, Allen Miller, John Chrysler and Sally Ward have registered to lobby in more recent years. The compensation records of these EDS employees (and six others) were targeted in the search warrant that Travis County prosecutors obtained last week. The warrant suggests that NHIC Chief Operating Officer Nancy Beard is suspected of participating in the alleged fraud with fellow employees Kim McMann and Ray Carter.

More...

'97 EDS Staff Lobbyists	Max. Value
Lisa A. Sano Blocker	\$100,000
Mark D. Barner	\$10,000
*Drew R. Beckley	\$10,000
Glen M. Curry	\$10,000
Allyson L. Davidson	\$10,000
William G. Gamel	\$10,000
Louis G. Matrone	\$10,000
Sally Mattei	\$10,000
Carol D. Meisel	\$10,000
Donna M. Migoni	\$10,000
*Jean C. St. Clair	\$10,000
Robert G. Stauffer	\$10,000
Glenda 'Popp' Stepchinski	\$10,000
*Dennis W. Vaughan	\$10,000

* Named in search warrant.

Hughes & Luce lobbyists

EDS used plenty of hired guns in 1997. The top guns among these were eight Hughes & Luce lobbyists, who reported EDS incomes of up to \$200,000 apiece.

Hughes & Luce's '97 EDS Team	Max. Value
John 'Jack' M. Erskine, Jr.	\$200,000
Alexander J. Gonzales	\$200,000
Deana D. Hendrix	\$200,000
Myra Leo	\$200,000
Larry McGinnis	\$200,000
Cynthia M. Ohlenforst	\$200,000
Marc T. Shivers	\$200,000
Mack Wallace	\$200,000

Akin Gump lobbyists

Nine Akin Gump lobbyists also reported EDS lobby incomes of up to \$130,000 in 1997. Demetrius McDaniel led this group with up to \$50,000.

Akin Gump's '97 EDS Team	Max. Value
Demetrius McDaniel	\$50,000
Cindy Ashby	\$10,000
Diana L. Granger	\$10,000
Karen S. Hausman	\$10,000
José 'Joe' A. Jimenez	\$10,000
Barbara Martin	\$10,000
John R. Pitts	\$10,000
Jody Richardson	\$10,000
Lisa Snyder	\$10,000

Strategic Partnerships lobbyists

Ex-Texas Railroad Commissioner and Employment Commissioner Mary Scott Nabers reported up to \$100,000 from EDS in 1997. Her employee at Strategic Partnerships, Sherri E. Brudner, reported up to \$10,000 more.

Tonn & Associates lobbyists

Three Tonn & Associates lobbyists reported 1997 EDS incomes of up to \$10,000 each. Two of these lobbyists once worked for the Department of Human Services (DHS), which handled Texas' Medicaid contract until the early 1990s. Marlin Johnston is an ex-commissioner of that agency. Larry Tonn is a former DHS deputy commissioner.

Tonn & Assoc. EDS Team	Max. Value
Gary A. Fuchs	\$10,000
Marlin W. Johnston	\$10,000
Larry Tonn	\$10,000

Thanks to these political expenditures, EDS wielded the kind of clout that can land sweetheart contracts. Whether or not the company obtained—or abused—such a contract is a question for state officials and the Travis County District Attorney. •