

# Rick Scott criticized for heading company that committed fraud

By [WILLIAM MARCH](#) | The Tampa Tribune

Can the man who ran the company that committed the biggest Medicare fraud in history get elected governor in a state full of retirees?

Rick Scott, a mega-millionaire from Naples, political newcomer and former head of the once-giant HCA hospital chain, intends to find out.

Since entering the race late, in April, Scott has poured some \$8 million into television advertising that vaulted him from political unknown to a significant challenger in the Republican primary for governor.

He's threatening frontrunner Attorney General Bill McCollum, who has the backing of most of the GOP establishment but hasn't generated much excitement. The winner likely will face Democratic leader Alex Sink this fall.

Scott, 57, is the second self-made tycoon to shake up Florida politics this year with a self-funded campaign. Palm Beach billionaire Jeff Greene is challenging Kendrick Meek in the Democratic primary for U.S. Senate.

Like Greene and other "outsider" candidates nationwide, Scott hopes to ride the wave of anti-incumbent, anti-establishment voter anger.

"Florida is heading in the wrong direction. We clearly have to make changes and we can't rely on the same old politics and career politicians to do it," Scott said in an interview, asked why he's starting his political career at the top, running for governor.

"I'm an outsider, I'm a business person, I know how to create private sector jobs, I know how to balance a budget," he said. "I know how to get results by holding people accountable."

Still, he bases his campaign on the same themes Republicans candidates have echoed for decades: less government regulation, less taxation, more freedom in the free market.

Scott, who didn't dispute reports that his net worth is well into nine figures, says he hopes to raise substantial campaign contributions.

"It's no different than if you were going to start a company," he said. "If you're not willing to invest yourself, [you can't] expect others to invest with you."

Scott moved to Florida in 2003, buying an \$11.5 million beachfront home in Naples.

Scott began his foray into politics last year, when he founded Conservatives for Patients' Rights,

which spent about \$10 million, including \$5 million of his own, running ads opposing a public health care program in any national health care reform.

The organization used the same public relations firm that masterminded the widely condemned "Swiftboat Veterans for Truth" campaign attacking John Kerry in 2004, and its ads were similarly criticized as distorted or inaccurate by independent research organizations including Factcheck.org.

Scott denied the ads were inaccurate, and said the firm has also worked for his campaign.

### **Self-made millionaire**

Scott is one of five children of a Kansas City, Mo., truck driver and a mother who took in ironing to help the family make ends meet.

He mowed lawns and delivered TV Guide magazines, making 6-cents-per-copy profit, as a boy,.

He married his high school sweetheart at 19, and today jokes about how their first beds were sleeping bags, and their kitchen table a cooler chest.

With savings from a two and a half year Navy career, Scott started his first business in college, buying two small doughnut shops, which his mother ran.

"We tripled sales the first month," he crows.

He went to Southern Methodist University law school in Dallas, then began a career there helping clients arrange financing to buy businesses, concentrating in oil and gas, real estate, radio and hospitals.

Soon, he decided to do the same for himself, along with Richard Rainwater, an investor and Texas Rangers owner who's also known as a business patron and major financial backer of George W. Bush.

Scott and Rainwater put up \$125,000 each, borrowed \$67 million and bought two El Paso hospitals, forming Columbia Hospital Corp. in 1987.

### **HCA problems**

Columbia bought the Hospital Corporation of America, and Scott became CEO, in 1994. With aggressive mergers and acquisitions, he built the world's largest hospital chain, a \$20 billion-a-year company with more than 340 hospitals, 135 surgery centers, 550 home health locations and 285,000 workers, making it the nation's seventh largest employer.

Today, his tenure at HCA looks like the biggest obstacle in his campaign.

In the early 1990s, the Clinton administration began a crackdown on Medicare and Medicaid

fraud. It included whistleblower lawsuits filed against Scott's company, some dealing with Columbia hospitals before the merger.

By 2003, the company had pleaded guilty to various criminal charges that it purposely overbilled and cheated Medicare, Medicaid and Tricare, the military health care program. It paid \$1.7 billion in fines and settlements, the largest such case in U.S. history.

Investigators said HCA hospitals shifted costs including salaries and administrative expenses from other areas onto Medicaid and Medicare treatments to inflate its billings; paid kickbacks to doctors for patient referrals; billed the government for costs including sports tickets, meals and country club dues, and billed for treatments and drugs that weren't covered.

Scott was forced out as CEO in 1997, but got a \$10 million severance package. He was never charged with a crime or even interviewed in the investigation, and denies the chain committed any criminal acts that he was aware of.

But he acknowledges, "Mistakes were made at the company, and as CEO I have to accept responsibility for those mistakes, and I do."

Scott attributes those mistakes to subordinates, and says he should have had more auditors and closer oversight.

He said he wanted to do things ethically. "You have to remember, I was an Eagle Scout. I went to church pretty much every Sunday growing up. Those things get ingrained in you. You learn you've got to do the right thing every day."

Scott's campaign spokeswoman Jennifer Baker said many hospitals were snared by unclear and outdated government regulations.

"Tons of hospitals settled, because it was cheaper than litigating it," she said. "HCA was the biggest, so it had the biggest case."

Scott wanted to fight the charges, but lost a battle on the board of directors and was pushed out.

"My belief when I was there was that if we did something wrong, then we would live up to any of our mistakes. If we didn't do something wrong, we should not settle things," he said.

McCollum and Sink aren't cutting him any slack.

"If Rick Scott proposes the same accountability measures for Florida Government that he used at Columbia/HCA, we'll have to back up the paddy wagon to the front door of the Capitol," said Sink spokeswoman Kyra Jennings.

A McCollum campaign statement added, "The fact that Rick Scott is running for Governor as a 'reformer' would be funny if it wasn't so outrageous. Rick Scott not only oversaw fraud, Rick Scott is a fraud."

But McCollum, who was in Congress during the investigation, wasn't always so critical.

In 1998, saying the government crackdown was overzealous and affecting "the most innocent of [health care] providers," McCollum sponsored the Health Care Claims Guidance Act which aimed to curtail the investigations.

Critics said it gutted the "whistleblower" laws under which HCA was investigated. The bill didn't pass.

### **Retailing health care**

Joshua Nemzoff, a consultant who specializes in arranging hospital mergers and acquisitions, representing mainly public, non-profit hospitals, defends Scott's business practices, calling him, "an extremely ethical person, a very religious person, and extraordinarily aggressive" in business.

"Was HCA doing anything a lot of other companies weren't doing? No," he said.

"The only difference between Rick and the other for-profits is his company was bigger and better. He was buying hospitals left and right - he was competing with people, scaring them."

He noted that no criminal charges against individuals in HCA were upheld - four executives were charged, two convicted, and those convictions overturned.

Nemzoff said criticism of Scott grows from bitter hostility between for-profit and non-profit health care advocates -- one side focusing on financial success and the other on patient and community well-being.

Maggie Mahar, health care fellow at The Century Foundation think tank, has written extensively about Scott and HCA, saying his zealous cost-cutting in health care endangered patients and put communities at risk.

She said nurses in HCA facilities complained of being "stretched to the limit," forced to oversee too many patients, with inadequate cleanliness and equipment.

"Hospital executives were paid enormous bonuses, not for reducing infections or lowering mortality rates, but for meeting financial targets," Mahar wrote on her web site.

She said Scott was willing to see other hospitals put out of business by his competition; teaching hospitals and children's hospitals are most vulnerable.

That was part of a retailing philosophy widely attributed to Scott, of bringing McDonalds and Walmart-style efficiency, cost-cutting and mass marketing to health care.

Scott is known as an admirer of Walmart. His new health care company, Solantic, locates its clinics in Walmarts.

Asked if that's his approach, he demurred. "The way I think about it is not so much retailing, but let's think about what is the best thing you can do for the patient."

Good business practices in health care, he said, means good patient outcomes.

At the same time, Scott also boasts that his chain helped cut health care costs for patients, and sometimes makes the fast-food comparison himself.

When customers enter Solantic clinics, he told a Tampa Young Republican group last week, "There's a menu board just like Starbucks," and a "three-day guarantee if you don't feel better in three days and you want to come back, it's free."

The Young Republicans applauded Scott's social conservative stances against abortion and gay rights, but asked skeptical questions about the HCA fraud case and his lack of experience in politics and government.

"Why do you think you can run the state like you ran your business?" one asked.

Scott replied, "I think the same principles apply."