

# Press Reports and Audits on Governmental Waste, Fraud and Mismanagement

Compiled by the California Taxpayers' Association

---

## Health Care

---

### Medi-Cal Fraud Costs Taxpayers 2.5 Billion Per Year

**Dollar Amount: \$2,500,000,000**

The Los Angeles Times' Virginia Ellis reported on December 19, 1999 that the FBI estimated fraudulent spending of Medi-Cal funds cost taxpayers \$1 billion. The system was "rife with fraud," reaching 70 percent of billings for crutches, adult diapers, wheelchairs and other medical equipment. On December 26, 2002, The Times, in an article by Ms. Ellis and Tim Reiterman, reported that Medi-Cal fraud costs taxpayers about \$2.5 billion a year. They listed specific examples of theft and government reactions that have resulted in criminal charges filed against about 700 people and companies in the last few years, including almost \$100 million in restitution as a result of state and federal prosecutions. While state health officials believe civil enforcement actions have saved hundreds of millions more, the newspaper reported the state's \$25 billion-a-year Medi-Cal program "is so enormous, and the opportunities for fraud so widespread, that few think the efforts so far have done much more than hold the line." The article quoted James Wedick, head of the FBI's white-collar crime unit in Sacramento: "Health-care crime is rampant in California. Even though our efforts have increased and we're getting good at it, I am still convinced there is as much fraud as ever." Some experts, The Times noted, figure 10 percent (\$2.5 billion) of the annual Medi-Cal budget – half of it state general fund tax dollars – is stolen by doctors, dentists, pharmacists and others. For example, Medi-Cal was charged for perinatal services to women who had already undergone abortions; a dentist charged for filling teeth that had been extracted; a suspended doctor billed for hundreds of nuclear brain scans without proper equipment and expertise. A podiatrist, who used \$24 generic shoe inserts, billed the state for \$250 custom-molded supports. The article noted a black market among body builders for Serostim, a human growth hormone used by AIDS sufferers. A one-month prescription costs almost \$7,000. A San Diego County Grand Jury indictment in 2001 alleged that Medi-Cal was bilked for \$3.5 million by a statewide ring using stolen beneficiary numbers and physician identities to create phony prescriptions, then peddling the drug at gyms and spas. (The San Diego Union-Tribune, on January 1, 2002, reported that nine persons used more than 500 fraudulent prescriptions at more than 75 pharmacies to defraud the Medi-Cal system.) Cal-Tax searched news media reports for evidence of Medi-Cal fraud over the past two years and found that fraudulent activities apparently continue unabated and are much more pervasive than once thought. For example: Owners of a Glendale medical laboratory pleaded guilty to billing the Medi-Cal program for \$19 million worth of bogus blood tests, the Los Angeles Times reported on October 3, 2002. Leaders of a criminal fraud ring with suspected ties to Russian organized crime were ordered to pay \$1.6 million in connection with a scam that bilked the Medi-Cal program, (Los Angeles) City News Service reported April 3, 2002. The state Bureau of Audits on December 12, 2002 released its annual report on the state's Medi-Cal purchasing program, concluding millions of tax dollars have been wasted. The Department of Health Services' "cost control procedures have been ineffective in reining in spending for items with no maximum allowable prices" for supplies such as hearing aids, canes, crutches, wheelchairs, bandages, diabetic tests, gloves and waterproof sheets, Auditor Elaine Howle concluded. The department is supposed to be surveying the market to update prices every 60 days and setting maximum prices based on lowest prices. It has delayed price updates for an average of 15.5 years, the audit found. DHS Director Diana Bonta responded to the audit, concurring savings could be achieved and saying steps are being taken. Her November 25 letter said a new contracting process and significant changes in the benefit administration will save taxpayers some \$36 million a year, half of it state general fund dollars, when implemented. More than \$356 million in state and federal money is spent annually on medical supplies for Medi-Cal patients. The state auditor replied that the department "overstates its efforts" to correct problems.

**Region:** So. California

**Jurisdiction:** State

**Source:** LA Times - Virginia Ellis & Tim Reiterman, Dec. 26, 2002

---

## Medi-Cal pays Dual Benefits for Births

**Dollar Amount: \$400,000,000**

Private hospitals are profiting by providing birth-related care for illegal immigrants, which is costing Medi-Cal about \$400 million a year. That's part of the \$1 billion in Medi-Cal spending each year for those in California illegally. The federal government pays a subsidy as it allows hospitals to count two patients – mother and child – for each Medi-Cal birth. This substantially boosts compensation for relatively inexpensive procedures. Gary Wells, the chief financial officer for the Los Angeles County Department of Health Services, said Medi-Cal, for obstetrics, "pays even more than insurance." Thus some private hospitals have expanded delivery services in the past decade, even advertising on billboards and fliers. Mr. Wells noted that at one time a billboard next to County-USC hospital encouraged expectant mothers to come to a nearby private medical center, White Memorial. According to state records, there are more than 100,000 children born each year in California to undocumented mothers. That is 20 percent of all births in the state. And the children, by law, are American citizens. In Los Angeles County's public and private hospitals, illegal immigrants accounted for 41,240 Medi-Cal births in 2004, about half the deliveries covered by the public program for the poor. (Source: Los Angeles Times, December 23.)

**Region:** Statewide

**Jurisdiction:** State

**Source:** LA Times - Dec. 23, 2006

---

## Audit: Prisons Pay Too Much for Medical Care

**Dollar Amount: \$98,000,000**

A state audit has found that California prisons have been paying local hospitals as much as eight times more than Medicare would for the same procedures. The average 21 percent annual increase in health care costs over the past five years is almost three times the national inflation rate for hospital services, even though there was no significant increase in the inmate population. According to The Associated Press (July 28, 2004), the report "is the latest broadside at a prison system where spending and management have been out of control." Spending on outside medical services amounted to \$112.6 million last year, according to the Bureau of State Audits, which recommends that the department renegotiate its contracts with hospitals and conform costs to Medicare rates. The Youth and Adult Correctional Agency said there are cost-control elements in the 2004-05 state budget.

**Region:** Statewide

**Jurisdiction:** Prisons

**Source:** Associated Press - July 28, 2004

---

## State Prison Healthcare Wastes Tax Dollars

**Dollar Amount: \$80,000,000**

The \$1.4 billion-a-year system of caring for the health of state prison convicts is a state of utter disrepair that is both harmful to inmates and wasteful of tax dollars, concluded the first bimonthly report to a federal judge who placed the system in receivership. The receiver, Robert Sillen, blamed "bureaucratic paralysis," among other factors, for causing "almost every necessary element of a working medical care system" to be nonexistent or "in abject disrepair." He reported that California spends up to \$80 million a year more for pharmaceuticals than a comparable prison system. Failing to use discounted rates from manufacturers was a factor, along with frequent purchases of large amounts of unneeded medicine. (Caltaxletter: 7/7/06 from Los Angeles Times, Sacramento Bee and San Francisco Chronicle, 7/6/06.)

**Region:** Statewide

**Jurisdiction:** Prisons

**Source:** LA Times, SF Chronicle, Sac Bee - July 6, 2006

---

## Indictments in \$12 Million Medicare Scam

**Dollar Amount: \$12,000,000**

Investigating more than \$12 million worth of unnecessary respiratory treatments fraudulently billed to Medicare, federal officials report the indictments of nine doctors, six health care administrators and three associates. They are set to be arraigned next month on various charges. Officials say they paid kickbacks to board-and-care administrators and others known as "cappers" to gain access to elderly and mentally ill patients. They were enticed for therapy with sodas, candy and doughnuts. (Source: Los Angeles Times, February 15.)

**Region:** So. California

**Jurisdiction:** City

**Source:** LA Times - Feb. 15, 2007

---

## Medicare Overbilling Case is Settled

**Dollar Amount: \$8,000,000**

The Eisenhower Medical Center in Rancho Mirage agreed to pay \$8 million to settle a whistle-blower lawsuit alleging the hospital over-billed Medicare during the 1990s. Assistant U.S. Attorney Wendy Weiss: "This was more or less an accounting scheme where costs were manipulated to gain a higher reimbursement" from the federal government. Mark Razin, an employee of the hospital's consulting firm that prepared cost reports for insurers, Healthcare Financial Advisors, filed the complaint. The hospital, which did not admit guilt, released a statement saying "with the help of reimbursement experts advising both parties, Eisenhower Medical Center and the government were able to reach agreement on the amount of the overpayment, and Eisenhower is pleased that the matter was resolved appropriately." The financial advisors who allegedly filed the fraudulent reports are no longer with the company and the hospital's chief financial officers are no longer there. Mr. Razin's case led to four hospitals paying more than \$34 million in settlements, including \$24.5 million from Lovelace Health Systems based in New Mexico. (Los Angeles Times, September 1, 2005.)

**Region:** Statewide

**Jurisdiction:** State

**Source:** LA Times - Sept. 1, 2005

---

## Most Expensive State Convict?

**Dollar Amount: \$3,000,000**

According to the Los Angeles Times (May 5, 2003), the state's most expensive prison inmate may be 34-year-old Steven Martinez. If he lives another 30 years, the bill for his needs, as a quadriplegic, will amount to \$8 million or more. He was serving a life term for a rape and assault conviction in 1998. He was stabbed by other inmates two years ago, leaving him paralyzed. Quoting state prison officials, the newspaper reported that his hospital cell in the high-security Corcoran prison amounts to \$730 a day – not counting medical and drug expenses, as well as his guards' salaries. A bedsore last year required surgery and six months in a private rehabilitation center, costing \$620,139, including about half for two guards who watched him around the clock. The Times story dramatized a growing problem with the state's aging prison population, as well as the 120 inmates who are paralyzed or missing limbs and require special care. Many of these people should be released, according to Senate President Pro Tem John Burton. "What are these guys going to do? Run you over with their wheelchairs?" (Editor's Note: The state's most expensive convict to date probably was the recipient of a transplanted heart. His medical bills amounted to about \$2 million over a period of about 10 months before he died in late 2002.

**Region:** So. California

**Jurisdiction:** Prisons

**Source:** LA Times - May 5, 2003

---

## Convict Heart Transplant

**Dollar Amount: \$2,000,000**

State prison officials on December 17 reported the death of a 32-year-old two-time felon less than a year after he received a heart transplant at the prestigious Stanford University Medical Center. Spokesperson Russ Heimerich said the exact cause of death had not been determined but it appeared that the man's body was rejecting the heart while he convalesced at the Vacaville medical prison. He died on December 16 at the medical center, where he was admitted November 23. Mr. Heimerich told the Sacramento Bee that the costs to taxpayers for the operation and follow-up care "could easily reach \$2 million when it's all added in." The Department of Corrections blames complications with a contract at the University of California at San Francisco hospital and timing of the heart's availability for having the procedure done at Stanford. It was reported that the average heart transplant nationwide is a \$200,000 procedure. The inmate was serving a 14-year-sentence for the 1996 robbery of a Los Angeles convenience store, and would have been eligible for parole in 2008. It was the first reported case in the nation of a prison inmate receiving a heart transplant. Mr. Heimerich said the "whole question of whether it is ethically correct is moot – we have to do it." The courts have ruled that medical care must be provided inmates and, as the California prison inmate population ages, The Bee reported there is concern that the cost of inmate health care will far exceed last fiscal year's \$663 million. (The state's prisons house about 155,000 convicts, and the governor's budget proposal for fiscal 2002-03 estimated the Department of Corrections' Health Care Services Program would require about \$735 million.)

**Region:** Statewide

**Jurisdiction:** Prisons

**Source:** Sacramento Bee - Dec. 16, 2004

---

## Taxpayer-Funded Ambulances in San Jose Gather Dust

**Dollar Amount: \$1,900,000**

Ambulances purchased by the cities of San Jose and Santa Clara in 2001 for \$1.9 million are almost never used, the San Jose Mercury-News reported June 13, 2004. City officials originally justified putting the city in the ambulance business, saying they would be needed over 400 times a year. According to the Mercury-News, over the service's first 32 months, only 23 patients were transported by the vehicles -- an average of about one patient a year per ambulance. One \$151,000 ambulance, stationed in Almaden Valley, has never taken a patient to a hospital. The services were started as a result of lobbying by fire departments that were concerned that fewer fires might result in fewer jobs. San Jose Mayor Ron Gonzales said the city's investment in ambulances has been worthwhile. In a Yogi Berra-like comment, he said, "It's better to have it and not need it than not have it."

**Region:** Bay Area

**Jurisdiction:** City

**Source:** San Jose Mercury News - June 13, 2004

---

## Medicare Fraud

**Dollar Amount: \$1,400,000**

The San Jose Mercury News (November 13, 2004) reported on a Medicare scam that involves busloads of mostly poor immigrant Vietnamese taken from Santa Clara County to Southern California. By word of mouth, they are offered free transportation in chartered buses, free health exams, free lunches, free nutritional supplements. Reporters for the Mercury News/Viet Mercury found that the scam dates back to at least June. Federal officials said that in the past three months, Southern California health providers billed the government for at least \$1.4 million for services provided to some 200 patients from Santa Clara County. These included some expensive services that may not have been needed and in many cases were never performed, the paper said. In an editorial, the paper called for Congress and the government to crack down on Medicare fraud that a Harvard health care expert, Malcolm Sparrow, suggests amounts to \$50 billion to \$75 billion nationally. In the case of the Vietnamese patients, the paper quoted an FBI official: "They don't realize it's criminal. They're duped. They're told: 'We're going to give you a free exam.' And then the provider bills Medicare for thousands of dollars in unnecessary tests."

**Region:** Bay Area

**Jurisdiction:** County

**Source:** San Jose Mercury News - November 13, 2004

---

## Comatose Convicts Are Costly to Taxpayers

**Dollar Amount: \$1,270,000**

The state's prison system spent \$1.27 million in just six months during 2004 on medical care for six comatose inmates. The figure does not count the \$1,056-per-guard daily cost for security at hospitals. Senator Gloria Romero requested the cost accounting from the Department of Corrections in the wake of newspaper reports in the San Jose Mercury News of a system that requires round-the-clock guarding of prisoners, even when they are on life-support apparatus. (The Associated Press, March 28, 2005.)

**Region:** Statewide

**Jurisdiction:** Prisons

**Source:** Associated Press, March 28, 2005

---

## Million-Dollar Watchdog

**Dollar Amount: \$1,000,000**

The state Department of Mental Health is spending about \$1 million to create a supervised-release program for one convicted child molester. The department said the annual per-offender cost will be decreased to about \$180,000 as more offenders enter the program. Department Deputy Director John Rodriguez: "I don't disagree that we have tough financial times. But this is a public safety issue." The story was in the San Jose Mercury News (March 15, 2003).

**Region:** Statewide

**Jurisdiction:** Prisons

**Source:** San Jose Mercury News - Mar. 15, 2003

---

## 9-1-1 "Frequent Flier" -

**Dollar Amount: \$900,000**

Since 1996, Gregory Goins has dialed 911 more than 1,200 times, complaining of chest pains. Indeed, officials at Highland Hospital in Oakland see this overweight and until recently homeless man of 47 with a history of drug abuse as a high-risk cardiac case. However, according to the Los Angeles Times report on September 23, he will often throw away medicine. He'll wait until he finishes a bummed cigarette before calling 911, because they won't let him smoke in the ambulance. Estimated cost to taxpayers for all these emergency room visits, ambulance rides and hospital care: \$900,000. About three years ago, according to the newspaper, a committee of health professionals and social workers met to see if they could figure out how to reduce Mr. Goins' use of the emergency room. They even got a restraining order banning him from the hospital unless he was receiving medical care. The Times reported that Goins, who has been jailed for a few days for belligerency in the emergency room and for defecating on the floor of a café, lives in a group home for the developmentally disabled. Home director Vincent Bush has nagged him to take his blood-pressure pills, brush his teeth and put on his shoes. He also has lectured him about the problems he is causing at Highland Hospital, but Mr. Goins replies, "If you don't like it, fix my heart." He told The Times reporter that he didn't see his Highland Hospital visits as bad. "Last year, they told me my bill was a quarter-million dollars. I said, 'So what? I'm sick. Take care of me.'" Dr. Barry Simon, director of Highland's emergency department, said no system has been created that can manage a case like this. "I think he is faking, manipulating quite a bit," Dr. Simon said. "But the reason he's so difficult is that we all feel we're playing Russian roulette with him. He has malignant, accelerated, uncontrolled, near-death hypertension. Given that, in the face of chest pains, nobody in their right mind would ever send him home." The Times reported that no national survey statistics exist, but San Francisco General Hospital found that 6 percent of ER patients at that hospital accounted for 25 percent of all ER visits. (2001)

**Region:** Bay Area

**Jurisdiction:** City

**Source:** LA Times - Sept. 23, 2001

---

## Dental Work Scammers Cheat Medi-Cal

**Dollar Amount: \$380,000**

State lawyers have filed a fraud lawsuit against eight individuals in four "dental clinics" in Southern California, charging them with 64 counts of stealing the identity of unsuspecting dentists and cheating the Medi-Cal system out of at least \$380,000. The legal crackdown was announced in a March 14 press release from the state Department of Justice, three days before legislators called for a special state audit of the \$25 billion Medi-Cal program. The follow-up action was prompted by investigative reporting in the Los Angeles Times (December 26, 2002) that as much as 10 percent of Medi-Cal billings are fraudulent. The call for a state audit was reported in the Stockton Record (March 18, 2003).

**Region:** So. California

**Jurisdiction:** State

**Source:** LA Times - Dec. 26, 2002

---

## Medi-Cal Fraud: Flourishing

**Dollar Amount: \$375,000**

Crooked medical providers are buying Medi-Cal and Medicare patient identity numbers and using them to get reimbursed for millions of dollars in tests and other services that are never provided. Los Angeles County Sheriff's Sergeant Steve Opferman, head of the Health Authority Law Enforcement task force: "These numbers are passed from medical clinic to medical clinic, lab to lab, until the medical beneficiary cards are maxed out. They suck it right out. That money's gone. It's huge. It's out of control. The health care system is just hemorrhaging." Collin Wong-Martinusen, director of the state Attorney General's Bureau of Medi-Cal Fraud and Elder Abuse: "The greed and depravity of the people who are committing these crimes is only exceeded by their ingenuity and creativity." The system is so vulnerable because there are thousands of providers and the bills are paid before questions are asked. For example, the co-owners of a pharmacy and medical supply in the Los Angeles area were recently arrested on suspicion of billing Medi-Cal for \$375,000 in prescription drugs that were not delivered to patients. The head of the Los Angeles County District Attorney's Fraud Interdiction Program, Albert MacKenzie: "This stuff is so out of control. We have to have a more effective way of investigating and prosecuting these cases because the traditional methods of investigation and prosecuting these cases take years. By that time, the money's gone and the crooks are gone." (Los Angeles Daily News, August 7, 2005.) Cal-Tax Comment: Government officials have estimated that 3 percent – and perhaps as much as 10 percent – of the \$34 billion Medi-Cal budget is lost through fraud and waste. The U.S. General Accounting Office and many health insurance industry sources have used a rule-of-thumb fraud and waste estimate of 3 to 10 percent. The California Department of Health Services released a study in January 2005 that said 3.57 percent of moneys spent on Medi-Cal fee-for-service and dental programs appear to be lost to billing or payment errors, including potential loss due to fraud and abuse.

**Region:** So. California

**Jurisdiction:** State

**Source:** LA Daily News - Aug. 7, 2005

---

## Yet Another Medi-Cal Swindle

**Dollar Amount: \$250,000**

Two brothers who operated pharmacies in Redondo Beach (1995-1998) and West Los Angeles (1998-2001) were convicted August 9 on 21 counts of fraudulent billings of state and federal health programs for the poor. The federal criminal charges allege they billed Medi-Cal and Tricare for \$250,000 for prescriptions that were never filled. Prosecutors said Mohammadali Abolahrar, 34, and Rexa Abolahrar, 36, could be facing three to four years in prison. (Information from Copley News Service, August 10, 2005.)

**Region:** So. California

**Jurisdiction:** State

**Source:** Copley News Service - Aug. 10, 2005

---

## **\$1,065-a-day To Guard "Brain Dead" Prisoner**

**Dollar Amount: \$140,000**

The State Department of Corrections spent more than \$1,000 a day for around-the-clock guarding of a "brain dead" prisoner in a Bakersfield hospital. Daniel Provencio, a Wasco prisoner, had been shot in the head with a foam bullet by a prison guard. The Bee said the Department is considering releasing the dead man on "early parole." Senator Gloria Romero told the San Jose Mercury News (February 4) it is "incredulous that California taxpayers are paying \$1,000 a day and assigning guards to guard a dead man." After the story broke, the Mercury News reported that prison officials are examining their policy on guarding comatose inmates. A Department of Corrections spokesperson was quoted as saying state prison officials would have to consult with the prison guards' union on any change.

**Region:** Statewide

**Jurisdiction:** Prisons

**Source:** San Jose Mercury News - Feb. 4 & Mar. 5, 2005

---

## **Taxpayers Pay for \$36,000 Wheelchairs**

**Dollar Amount:**

Wheelchairs made in Sweden costing \$36,000 – more than the cost of a C-Class Mercedes Benz – are being paid for by Medi-Cal (taxpayers), the Los Angeles Times reported (July 20, 2003). In the past five years, the cost to provide wheelchairs to Medi-Cal recipients has doubled, to \$66 million a year. According to the Times, "State officials have made only sporadic and largely futile efforts to control what they spend on the most expensive piece of equipment Medi-Cal buys. They have repeatedly bent to political pressures and jettisoned their own cost containment rules and initiatives." Apparently, California is the only state in the nation to pay the retail price for wheelchairs. It has also failed to regulate effectively the numbers and types of chairs it supplies to recipients, the paper said. Meanwhile, a 38-0 Senate vote on June 4 approved SB 857 (Speier), which enables the Davis administration to carry out an intensive anti-fraud audit of the state's Medi-Cal system. As newspapers have reported, and Cal-Tax has noted in Fraud and Waste coverage, estimates of fraud in Medi-Cal range up to \$2.9 billion a year. Senator Jackie Speier noted that the governor had included the study in the May 14 state budget revision. The bill now goes to the Assembly.

**Region:** Statewide

**Jurisdiction:** State

**Source:** LA Times - July 20, 2003

---

## **Legislators Probe Prison Medical Bills**

**Dollar Amount:**

California's \$6 billion-a-year prison system spends nearly \$1 billion on medical bills, and a legislative hearing on June 1, 2004 raised questions about some of the costs: Why was a male inmate given breast reduction surgery? Why does the state contract with a Beverly Hills dermatologist for skin treatments? Why does the state spend millions to transport prisoners to hospitals hundreds of miles from their prison cells? Senator Jackie Speier said she was informed by a whistle-blowing state employee that an inmate had surgery to reduce the size of his breast last month at a Manteca hospital. Department of Corrections Director Jeanne Woodford said she was unaware of such an incident. Prisons spokesperson J.P. Tremblay said the department would not have approved of such a procedure unless there was a medical reason. The system does not approve cosmetic surgeries, he said, and the case, if there is one, would be investigated. (On June 3, 2004 it was reported that the inmate's surgery was authorized because of concern that a mass in the inmate's breast could be cancerous.) Assembly Member Rebecca Cohn demanded that the department add up all the costs for acne treatments by a Beverly Hills dermatologist. She also questioned why \$108,000 was spent on 60 prosthetic eyes. "... that seems excessive to me," she said. "Nobody's responsible for the costs for medical care in the prisons; nobody seems to care." (Coverage by The Associated Press, Los Angeles Times, San Francisco Chronicle and San Jose Mercury News.)

**Region:** Statewide

**Jurisdiction:** Prisons

**Source:** Legislative Hearing - June 1, 2004

---

## Department of Health Services' Slow Pace Blasted in Two Audits

**Dollar Amount:**

The state Department of Health Services needs to shift out of low gear, according to two new reports from the non-partisan state auditor. The auditor's review of the agency's nursing home oversight found that some investigations into resident complaints were not initiated for more than 3 months. In one case, the senior who complained about improper care was no longer residing at the nursing home by the time the investigation began more than 100 days later. A separate audit found that the agency's process for reviewing applications from doctors who want to be cleared to treat Medi-Cal patients also moves at a glacier's pace. For applications that require scrutiny beyond an initial review, the average processing time was 322 days in 2004 and 255 days in 2005, the audit found. The auditors also reported, "Despite concerns we raised in a May 2002 audit regarding whether branch staff were entering data accurately and consistently into (the Provider Enrollment Tracking System), we noted that branch staff continue to enter data incorrectly, decreasing the branch's ability to track the status of applications effectively." (Sources: California State Auditor Reports: "Department of Health Services: Its Licensing and Certification Division Is Struggling to Meet State and Federal Oversight Requirements for Skilled Nursing Facilities," April 12; and "Department of Health Services: It Needs to Improve Its Application and Referral Processes When Enrolling Medi-Cal Providers," April 17.)

**Region:** Statewide

**Jurisdiction:** State

**Source:** State Audit Report

---

## Auditors Cite Waste and Suspected Fraud in Prison Health Care

**Dollar Amount:**

State auditors believe millions of tax dollars are being wasted, some possibly involving criminal conduct by providers of health care for state prison inmates. State Controller Steve Westly released audit findings showing a 437 percent increase in prison health care spending is too large to be explained by normal health care cost drivers. The increase was from \$153 million in 2001 to \$821 million in 2006. "Waste, abuse and management deficiencies are rampant" in the department's contracted services, he said, calling for a Department of Justice investigation and consideration of criminal charges against unnamed doctors and others. He cited a urologist's bill of \$2,036 an hour to treat convicts and an orthopedic surgeon billing the state for 30 hours of work within a single day. (Caltaxletter: 8/11/06 from San Francisco Chronicle, 8/1/06.)

**Region:** Statewide

**Jurisdiction:** State

**Source:** SF Chronicle - Aug. 1, 2006

---

## Sunnyvale Continues Lifetime Medical Benefits for Council Members

**Dollar Amount:**

In a controversial move, the Sunnyvale City Council on January 30 voted 6-1 to continue, with some changes, provisions that give council members lifetime health benefits. Under the plan adopted, members can get lifetime benefits if they serve five years, and retire and leave city service at age 50 or beyond. Five current members are in line to receive the benefit. Councilman Chris Moylan, who didn't think council members should get the perk, raised a stink. He said council members and staff pushed the item too quickly, leaving the impression that the action was "being taken behind the public's back." He added that he, along with many residents, believed the issue was to be discussed at a study session this summer. "Why should taxpayers pay (for those benefits)?" he asked. Mayor Otto Lee disagreed, saying the issue was not rushed through. He had expected a staff report on top management benefits, but said when the report included the council, he said he was glad to see that. Neighboring Palo Alto did away with the lifetime health benefit for council members in 2003, and when the issue of establishing a benefit was suggested by San Jose Councilwoman Linda LeZotte, it was shot down immediately. (Source: San Jose Mercury News of February 6.)

**Region:** Bay Area

**Jurisdiction:** City

**Source:** San Jose Mercury News - Feb. 6, 2007

## Prison Medical Costs Soar

**Dollar Amount:**

Failure to modernize prison health care has been blamed for soaring costs to taxpayers for treatments of state prison inmates. Costs went from \$96 million in 1998 to an estimated \$263.1 million in 2003, despite a warning three years earlier that millions of taxpayer dollars were being wasted. Among the problems needing fixing was allowing each of the state's 33 prisons to make separate purchases of drugs and medical equipment, according to the Bureau of State Audits. The story was in the Inland Valley Daily Bulletin (January 26, 2003).

**Region:** Statewide

**Jurisdiction:** Prisons

**Source:** Inland Valley Daily Bulletin - Jan. 26, 2003

---