

# Washington, DC health firm buyout leaves thousands without medical coverage

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Chartered Health Plan, the District of Columbia's largest health management firm, has been bought out after spending the greater part of the past year in financial difficulty. The collapse of Chartered Health, which funds Medicaid payments for more than 100,000 low-income Washington, DC city residents, has left many clinics and hospitals without roughly \$60 million in reimbursements.

The buyout, awarded to the Philadelphia-based AmeriHealth-Caritas, would see the acquiring firm taking over just \$5 million of the floundering company's most valuable assets. The government of the District of Columbia, headed by Democratic Mayor Vincent C. Gray, has vowed to step into the breach left by the selloff; however, pending negotiations with Medicaid officials there is no guarantee that city clinics which administer care to the poor will be made whole.

Many clinics and hospitals have been placed in a difficult financial position. Some have instituted pay-freezes in order to sustain themselves. Others have stopped taking Medicaid patients altogether, citing massive operating budget deficits which have appeared in the immediate wake of Chartered's collapse. "If something is not done soon, some will have to take drastic measures in order to survive," stated Robert Malson of the D.C. Hospital's Association. Representatives of the firm complain that the city of Washington, DC has failed to properly compensate it for services rendered, citing "illegally low" Medicaid payments.

At over \$350 million awarded by the Gray administration in 2011 alone, Chartered Health had been the owner of the city's most lucrative government contract deal.

In the autumn of 2012, the firm was taken into receivership by the city, with auditors citing

"irregularities" and un-cited transfers of funds from the contractor's accounts. At the time, Wayne Turnage, the city's health care finance director, sought to ease worries about the firm's solvency, saying "[t]hose contracts will stand. The process for submitting, processing and paying claims have not changed. We have informed providers there is no reason they should not be paid."

During this period, Jeffrey E. Thompson, the firm's owner, had been permitted to maintain personal ownership of the health contractor.

The firm first began experiencing major financial difficulties upon the revelations that Thompson, a wealthy businessman and influence peddler, had secretly bankrolled a substantial portion of Gray's 2010 mayoral campaign.

A federal investigation found that Thompson had donated more than \$650,000 to a secret slush fund overseen by aids of the Gray campaign. Much of the spending in this fund went to boosting the mayor's chances in neighborhoods in the impoverished southeast section of the city, where many low-income residents relying on Medicaid and other such government programs would reside.

In 2008, Chartered was prosecuted for forming various business links to other firms also owned by Thompson as a means to conceal sums of money as operating fees and other such gimmicks, gouging the city's residents by over-inflating its expenses. In this light, the subsequent awarding to Thompson of the 2010 health contract and its complaints of "illegally low" Medicaid reimbursements is contemptible.

The level of corruption seen in the Gray Administration is far from an anomaly. A recent report issued by America University Radio's WAMU 88.5 entitled "Deals for Developers, Cash for Campaigns,"

dealing with subsidies handed out to private contractors for making large donations to city candidates, found that in the past decade just ten developers had received \$641 million in contracts, nearly a third of all such contracting deals given out in the period as a whole.

“This is... pay to play politics in gory detail,” commented Stanford University political science professor Bruce Cain of the revelations. “I doubt that anyone was so stupid as to be explicit about what was being traded...More likely [the trading] is done with quiet understanding about what is expected of people who want a subsidy.”



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