$3 in some areas outside metro Atlanta $2.50

The Atlanta Journal-Constitution

Credible. Compelling. Complete.

Congress' budget impasse weighs on Capitol dome

Badly deteriorated and in need of millions of dollars in repairs, the dome atop the very building where lawmakers meet is endangered by their inability to agree on a budget. A victim of weather, its cast iron structure is becoming increasingly fragile and prone to leakage. **A2**

NATION & WORLD

Airlines free to enforce dress codes

The rules aren't written down, but as private carriers, airlines can dictate what passengers may or may not wear. **A4**

» **Rare event:** A celestial event is heaven-sent for a small Kentucky city. **A6**

BUSINESS

Executive ranks growing grayer

Ever-longer life spans mean those on top are staying there longer. **D1**

METRO

Spills cost area millions of dollars

Despite a big decline, frequent sewage overflows mean heavy fines and environmental costs for metro Atlanta. **B1**

» **Alternate route:** Georgia's two-year colleges are becoming the back door into the state's larger learning institutions. **B1**

SPORTS

Jones set to arrive ahead of schedule

Falcons wide receiver Julio Jones is challenging the conventional wisdom that it takes three years to develop a wide receiver. **C1**

LIVING

Beltline artworks encircle Atlanta

The collection of contemporary art along the greenway is like a nine-mile art gallery. **E1**

» **Fall classics:** Emory University, no football school, kicks off an art-filled September. **E3**

» **Shorts shrift:** Designers are taking on the taboo against men's shorts as a serious fashion statement. **E16**

» **Top tour:** In a crisp seersucker suit and bow tie, Savannah Dan shared his encyclopedic knowledge of the harbor city. **E18**

Calendar E2
Classifieds H1
Dear Abby E15
Editorial A13
Homefinder G1
Puzzles E17
Television F1
The Vent B2

©2012 AJC, VOL. 64, NO. 246
PRINTED WITH SOY INK ON RECYCLED PAPER

AJC SPECIAL REPORT WATCHING YOUR TAX DOLLARS

Plant warnings rejected

At least $75 million lost on Range Fuels in Georgia, despite officials' doubts.

By Dan Chapman
dchapman@ajc.com

It was the weekend before Christmas 2008 and Hosein Shapouri, a senior economist with the U.S. Department of Agriculture in Washington, was ordered to work.

His bosses needed an analysis done quickly of a proposed wood-to-ethanol factory in mid-Georgia. The Bush administration was leaving office the following month, and USDA officials wanted the deal sealed by then, Shapouri surmised.

In a blistering critique obtained by The Atlanta Journal-Constitution, Shapouri labeled the proposed Range Fuels plant "a high-risk venture" that should raise "a red flag." Three weeks later, top USDA officials approved the loan guarantee anyway.

Today, the Georgia plant's failure is well-documented. The Soperton facility closed last year without producing a drop of usable ethanol. Taxpayers lost at least $75 million.

But an in-depth analysis by the AJC reveals that taxpayer money for Range Fuels was approved despite repeated warn-

Range Fuels continued on A12

IN-DEPTH COVERAGE
We have followed the costly Range Fuels saga from the company's announcement of an alternative energy factory in Georgia to its bankruptcy and beyond. For this report, we filed open records requests and reviewed more than 2,000 pages of federal and state documents to take a deeper look at the Georgia project and the millions of taxpayer dollars lost on it.

AJC ON THE CAMPAIGN TRAIL

Steve Kerrigan (center), CEO of the Democratic National Convention, talks with guests near the main stage during the public unveiling Friday at the Time Warner Cable Arena in Charlotte. CHUCK BURTON / AP

Changing face of state could help Democrats

GOP firmly in control in Georgia, but Dems watch demographics.

Black, Hispanic voters become growing force.

By Aaron Gould Sheinin
asheinin@ajc.com

Georgia Democrats left their national convention four years ago aglow with the news that Barack Obama's campaign had declared Georgia a presidential battleground. Two weeks later, Obama pulled out of the state. He found 365 electoral votes elsewhere and moved into the White House in January 2009.

This week, Georgia Democrats head to Charlotte for the 2012 national convention under no illusion that Obama will devote staff and resources to winning the state's 16 electoral votes.

Local Democrats have taken a beating the past four years: They were swept out of statewide office in 2010 and left broke and broken. In 2011, Republicans pushed through a redistricting plan that likely will result in increased GOP numbers in the General Assembly and the U.S. House.

Yet Georgia's Democrats see a glimmer of hope. The state is changing. Shifts in demographics are expected to make the state more competitive – if they can repair their brand and

Demographics continued on A11

BONUS COVERAGE

Our commitment to bring you in-depth coverage of the race for White House has taken us across the country. Last week, we were in Tampa for the Republican National Convention. This week, we travel to Charlotte for the Democratic National Convention.

Also inside
» Political Insider, PolitifFact weigh in on the conventions. **A10**

HEALTH CARE FRAUD

Nursing home case sets new tone

'Worthless' services key in Medicare, Medicaid fraud conviction.

By Bill Rankin
brankin@ajc.com

The photos of the emaciated corpse reminded the judge of images he'd seen from Nazi concentration camps. Except the man in this case had lived in one of George Houser's nursing homes.

Evidence in the first-of-its-kind trial showed that residents of Houser's three Georgia nursing homes suffered severe bedsores and lay in their own waste in rooms with no air conditioning and infested with flies.

After sitting as judge and jury during a monthlong trial, U.S. District Judge Harold Murphy said he found the conditions at the nursing homes "barbaric and inhumane." Last month, Murphy sent the Harvard-educated lawyer to federal prison for 20 years.

The sentencing culminated one of the most unusual prosecutions in history for Medicaid and Medicare fraud – for the first time at trial, a nursing home operator was convicted of fraud because the services provided were "worthless." If Houser's conviction is upheld on appeal, the precedent will give the Justice Department a new way to prosecute those who swindle health plans for the poor, elderly and disabled.

Nursing homes continued on A8

Justice wins prosecution of poor care

Nursing homes

continued from A1

"It would provide the government with a platform to pursue anyone who received federal money based on the government's belief it didn't get its money's worth," said Atlanta criminal defense attorney Bruce Morris, who followed the case. "It would allow unbridled, unlimited power that allows the government to decide whether it liked the services rendered."

Typical Medicaid and Medicare fraud cases involve people who took money for medical services that were never provided or those who overbilled for their services.

In the Houser case, the Justice Department took an altogether different approach; prosecutors said that, because Houser's services were so deficient and substandard, the resulting mistreatment of the elderly and mentally disabled residents in his homes was a crime.

According to testimony, Houser's three nursing homes – two in Rome and one in Brunswick – had leaky roofs, food shortages that almost caused starvation and virtually no nursing or housekeeping supplies, making residents live in deplorable conditions.

The U.S. Attorney's Office in Atlanta looked at the cumulative effect on the homes' nearly 400 residents before embarking on the novel prosecution, Assistant U.S. Attorney Glenn Baker said.

"This wasn't one false claim that impacted one specific resident," he said. "This involved a complete breakdown in services that impacted all the residents in the three homes."

Baker said he hopes the "worthless services" conviction gets the attention of other nursing home operators. "We hope this has a lot of deterrence value."

Houser fought the charges and, before being sentenced, denied criminal wrongdoing. Michael Trost, one of Houser's lawyers, said there was no secret there were problems at the homes because government inspectors had uncovered them after receiving repeated complaints about conditions. This meant Houser was negligent, not a criminal, Trost said.

If Houser's conviction stands, it will give prosecutors too much power, Trost said.

"I think it's a real stretch," he said. "Let's assume a nursing home facility does a bang-up job 90 percent of the time but is lousy 10 percent of the time. Or if it operates just fine for two years but not the following six months? What's criminal and what's not criminal? There's no objective standard."

A determination of what constitutes a crime in the context of nursing home services "must be more concrete and transparent than the fertile imagination of a federal prosecutor," he said. "You can't send people to prison on that standard."

The prosecution comes as Georgia's aging population swells. Jon Howell, president of the Georgia Health Care Association, which represents about 95 percent of Georgia's roughly 360 nursing homes, praised the prosecution.

"Our profession is extremely interested in making sure the bad providers are removed from the system," Howell said, noting Houser was not a member of the association. "Cases like his paint the overall picture with a broad stroke that is not accurate. The vast majority of the services provided in Georgia are very good."

Houser, 64, of Sandy Springs, was convicted of a health care fraud conspiracy while operating the 100-resident Moran Lake and Mt. Berry homes in Rome and the 200-resident Wildwood home in Brunswick from 2004 to 2007.

State and federal regulators shut down Moran Lake and Mt. Berry in July 2007 and Wildwood in September 2007 after finding conditions at the homes jeopardized the residents' health and safety. The three homes have since reopened under new management and after extensive renovation.

All told, Houser took in almost $33 million from Medicare and Medicaid and defrauded the government out of more than $6.7 million of that money by providing worthless services, court records show.

Prosecutors accused Houser of living in luxury while his nursing homes' residents lived in squalor.

According to testimony, he purchased more than $2.8 million worth of property in Rome to build a hotel development he called "Waterplace in Roma."

He also dipped into corporate accounts to buy a $1.4 million home for his ex-wife.

After hearing all the testimony, Murphy, put on the federal bench by President Jimmy Carter, found Houser guilty in a 471-page order that painstakingly and graphically detailed the untenable living conditions.

Murphy found appalling the treatment of Morris Ellison, who moved into Moran Lake in September 2006. Ellison's daughter often found him in soiled, unchanged diapers when she came to visit.

On April 7, 2007, Ellison fell and broke his hip and died 10 days later. The 82-year-old man's autopsy showed he suffered severe malnutrition, dehydration and muscle wasting. Ellison weighed about 100 pounds when he died, 27 pounds less than when he first moved into the home, Murphy said.

A photo of Ellison's corpse "was a true reminder of those poor creatures that I've seen on television who were rescued when the prison camps were located by Allied soldiers or looked like bodies that were in the graves uncovered," Murphy said last month at Houser's sentencing.

Houser did little to repair the leaky roofs at his facilities, Murphy said. The holes in the ceilings let rainwater leak onto beds and cause saturated ceiling tiles to fall. Buckets were positioned throughout the Moran Lake facility, and staff fashioned a plastic tarp over one resident's bed to keep it from being soaked. At Wildwood, staff duct-taped a funnel over a leak and connected it to a garden hose that led into a barrel on the floor below.

Because Houser failed to pay the bills, power was shut off to the laundry building at Moran Lake. Employees used local laundromats until owners banned them from bringing in soiled linens to clean. This meant residents lived for extended periods on filthy bedsheets.

Trash services at all three facilities were frequently stopped. Dumpsters overflowed, attracting rats, dogs and insects. All three homes had fly infestations, because pest control service was halted. Rather than paying the bill for pest control at Moran Lake, Houser equipped his staff with fly swatters, Murphy said.

Because the homes often ran out of diapers and nursing supplies, visitors found relatives on mattresses soaked in urine and their bodies caked with feces, Murphy said. With no gauze or tape on hand, bedsores were left exposed for days at a time, attracting flies and becoming contaminated with excrement.

When Houser continued to write worthless checks to his food supplier, deliveries often were cut off. Murphy noted that in 2007 one resident was served spoiled ham, one-and-a-half green beans and four french fries for lunch.

Houser found it hard to keep staffing at proper levels, because many workers quit when their checks bounced. On paydays, instead of tending to residents, the workers who stayed raced to the bank to make sure their checks would be the first ones to clear. Houser also failed to pay insurance premiums or garnishments that were deducted from paychecks, Murphy said. This left some employees with unexpected medical bills to pay and others with suspended driver's licenses due to nonpayment of child support.

Houser's failure to pay the bills put his employees in a state of chaos. Many spent nearly all their time dealing with unpaid vendors, upset employees and furious relatives, rather than tending to residents, Murphy said.

Citing food shortages, leaky roofs, poor sanitary conditions, staffing problems and the absence of essential cleaning and nursing supplies at Houser's nursing homes, Murphy said a reasonable person would understand Houser provided worthless services.

Cartersville lawyer Michael Prieto, who sued Houser separately on behalf of Ellison's daughter, called the federal prosecution groundbreaking.

"It was a courageous move," Prieto said. "I hope this will raise awareness of those who operate nursing homes that look great from the outside but are houses of horror on the inside."

This photo, part of the evidence the U.S. Justice Department brought in U.S. District Court against George Houser, the owner of Moran Lake nursing home in Rome, shows ceiling tiles that were missing because of a leaky roof. COURTESY PHOTO

Damage at the 200-bed Wildwood nursing home in Brunswick is shown in this photo that was admitted into evidence during the trial against owner George Houser.

Nursing homes owner George Houser was convicted in U.S. District Court for providing "worthless" and, therefore, fraudulent care. He is appealing.