

Blue Crossed

A case study of corporate influence in Cuyahoga Falls and Summit County government and the threat it poses to democracy

INTRODUCTION

The increasing power of corporations may be no more evident in our society than in our political system.

Corporate campaign "contributions" channeled through thinly-veiled front groups (such as "Citizens for a Strong Ohio", the Ohio Chamber of Commerce spin-off which attempted to unseat Supreme Court Justice Alice Robie Resnick) or political action committees (PACs) resemble less donations than "investments" -- with the contributor expecting and often receiving a positive return. Lobbying by corporations through paid professionals who provide everything from background briefings to actually drafting laws for legislators, has also reached a high art form. Corporate control of the media completes the "corporatization" of the body politic with serious issues, including efforts which threaten democratic self-expression, either ignored, trivialized, or distorted.

Nevertheless, when deep-seated corruption of the political system caused by corporate agents and/or elected officials persist, the media often can't ignore them.

A recent local example of corruption of our political system is the Cuyahoga Falls insurance scandal involving Blue Cross/Blue Shield insurance corporation (BCBSO). The Edward Flask scandal at the Mahoning Valley Sanitary District bears some disturbing similarities to the Blue Cross scandal at the City of Cuyahoga Falls. In both instances an individual on the public payroll, or receiving taxpayer dollars, while also receiving compensation from Blue Cross recommended contracting with Blue Cross as the healthcare provider for the public entity. Flask was, however, convicted and (briefly) jailed for his illegal activities.

When serious flaws in the Summit County prosecutor's office were exposed in the escort service case, Maureen O'Connor, as the chief law enforcement officer of the county, adopted a scorched-earth policy towards individuals involved in that case.

What happened, however, to the dogged determination of this Republican prosecutor when the possible culprit was a politically well-connected major corporation like Blue Cross? What did Maureen O'Connor do to ensure the giant healthcare provider was held accountable for its involvement in the Cuyahoga Falls insurance scandal? The questionable activity of this corporation seems to have gone unchallenged. Why?

Cuyahoga Falls Mayor Don Robart was the Republican candidate for Summit County Executive in November 2000. Robart ran on a platform of cleaning up corruption in the county--- and lost.

Were officials at Cuyahoga Falls City Hall and the Summit County prosecutor's office eager to impede or cover-up an investigation of political allies or friends at the City of Cuyahoga Falls?

What follows is a timeline of incidents that describe the relationship between Blue Cross/Blue Shield insurance corporation (now Medical Mutual), the City of Cuyahoga Falls government, and the Summit County prosecutor's office related to the selling of insurance to a local municipality.

TIMELINE

Feb. 3, 1989: Personnel officer Debra Megenhardt informs City of Cuyahoga Falls employees that their healthcare benefits will be handled through Blue Cross Blue Shield effective April 1, 1989. Blue Cross was also known as BCBSO.

The Blue Cross bid included a half-page sworn affidavit from the Blue Cross sales representative that guaranteed an aboveboard bid process from the company and stated, in part, "the proposal or bid filed herewith is not made in the interest of or on behalf of any undisclosed person, partnership, company, association, organization or corporation."

The Blue Cross sales representative did not disclose his financial relationship with the Blue Cross broker. When the financial relationship was made public several years later in articles in the

Cleveland Plain Dealer and the Akron Beacon Journal officials at Cuyahoga Falls City Hall and the Summit County prosecutor's office failed to act on this affidavit, a part of the Blue Cross bid proposal and a public document.

The failure of Cuyahoga Falls Mayor Don Robart and then-Summit County prosecutor Maureen O'Connor to address the significance of this affidavit is at the core of their 1994-95 investigation of the Blue Cross scandal at the City of Cuyahoga Falls, a suspected cover-up.

March 3, 1990: Akron Beacon Journal. "Blue Cross bribe claim to get new scrutiny." Bob Taft, later to become Ohio governor, filed a complaint alleging possible bribery involving campaign contributions to state lawmakers from Blue Cross (now Medical Mutual) during his 1990 race for Secretary of State.

An affidavit in which a Blue Cross official swore that contributions were solely intended to advance the company's legislative interests was referred to a prosecutor.

Taft's complaint followed a Beacon Journal article of Feb. 18, 1990 reporting that the Blue Cross affidavit had been ignored by authorities for more than a year. Legal sources told the paper the affidavit appeared to be an admission of bribery.

The Ohio Elections Commission, incredibly, had dismissed charges of campaign law violations against BCBSO (Beacon Journal; April 11, 1989; "Blue Cross cleared of elections violations").

A spokesman for a consumer group said, "The facts of this case are outrageous....the result is a green light for corporations in Ohio to shake down their employees for contributions without bothering to create a PAC or report those contributions." An assistant elections counsel for the

Secretary of State said the public disclosure provisions of Ohio law were being undermined and he was concerned what other corporations "might be able to get by with."

In the then-80 year history of the corporate contribution section of Ohio's elections law there had never been a criminal prosecution of any corporation.

May 22, 1990: Inter-office communication (IOC) sent to Robert administration official Frank Fela which outlined the problems the City of Cuyahoga Falls was experiencing with BCBSO.

Nov. 19, 1991: Cuyahoga Falls Finance Director Vic Nogalo, Personnel officer Debbie Meganhardt and the BCBSO broker travel to Columbus and discuss retiree insurance issue with representatives from both pension funds.

Nov. 20, 1991: Falls Firefighters submit letter to Falls Councilman Tim Truby posing questions about the city's health coverage with Blue Cross and focusing on the role of the Blue Cross broker.

Feb. 24, 1992: Letter from Mayor Robart to Blue Cross broker indicating displeasure that bid specifications were sent to prospective bidders before the City reviewed or authorized such action.

August 31, 1992: Falls Board of control minutes. Modification of contract. Blue Cross Blue Shield contract #34321. A

motion was made by Law Director Geoff Kennedy, seconded by Mr. Nogalo, to approve a modification of the current contract with BCBSO. The vote: all yea. Motion carried. This occurred during the summer recess of City Council.

Oct. 26, 1992: Falls Councilwoman Kathy Hummel inquires about the Blue Cross contract. Mr. Kennedy states that the contract has been extended through April of 1993 and that it is his opinion that Council does not need to approve the extension.

Nov. 16, 1992: Mayor Robart signs a letter to the Firefighters Union and includes the following quote which documents personal knowledge of expressed concern by these city employees that there was a problem with the insurance carrier, one that he nevertheless dismissed; "Despite your implications that improprieties exist in our decision to contract with Blue Cross and Blue Shield, my position is firm that our only concern is to provide the most cost effective healthcare package available so that high level benefits may continue."

Jan. 27, 1993: In a letter to Councilwoman Hummel, Mr. Kennedy states (with regard to Blue Cross), "The administration solicited proposals for coverage, which did not require Council's approval, and the proposals involved furnishing professional services to the City, which does not require competitive bidding. Based on the evaluation of the proposals, a function of the administrative branch of government, it was determined that BC/BS still offered the best plan for the City. Since there was no need to authorize a contract with another carrier, it was not necessary for Council to consider new legislation."

March 17, 1993: Personnel officer Megenhardt notifies City of Cuyahoga Falls employees that effective April 1, 1993 the City will change health insurance coverage from BCBSO to Ohio Health Choice Plan.

March 21, 1993: Falls News Press. "City considers healthcare change". Mayor Robart said the impetus behind the change was Blue Cross notifying the City that it intended to eliminate the Preferred Care option.

Robart made no mention of the claims problems with Blue Cross, the controversy over how Blue Cross was awarded the contract and questions over payments to the Blue Cross broker.

Robart also made no mention of the fact that both he and Megenhardt had been subpoenaed to have their depositions taken in the wrongful discharge suit of a former Blue Cross employee.

April 29, 1993: Megenhardt, in a letter to Blue Cross CEO John Burry Jr., discussed the City's termination of coverage; "As you are aware, during our four years with Blue Cross, everyone faced a variety of challenges.....it is important for you to realize that the personnel in the Akron marketing office were many times the only saving grace....."

April 3, 1994: Cleveland Plain Dealer. "Insider tie in selection of health plan questioned". This explosive article stated that "there's little question that the taxpayers and the employees of Cuyahoga Falls paid a heavy price for their involvement with (the Blue Cross broker) and Blue Cross from 1989 to 1993.....healthcare outlays spiked upward in 1989.....(rising) 38% to \$2.43 million. In 1993, when the City dumped the Cleveland insurer, payments dropped 25% to \$2.09 million."

"The City's relationship with Blue Cross has been dogged by accusations of favoritism and wasted funds since (the broker) and (sales representative) first packaged a Blue Cross proposal for Cuyahoga Falls....."

The City also paid (the Blue Cross broker) about \$140,000 (actually it was closer to \$175,000) in commissions for what amounted to "making a few phone calls", according to Personnel officer Debra Megenhardt.

The Blue Cross sales representative had earned at least \$148,000 from the Blue Cross broker moonlighting as a consultant from 1988 to 1991. The broker also gave the sales representative free use of a house and a Corvette. The sales representative had declined to elaborate on what he did to earn this compensation

April 4, 1994: Akron Beacon Journal. "Falls insurance deal allegedly influenced". A Cuyahoga Falls insurance broker had a potential conflict of interest when city officials asked him in 1992 to get new health insurance quotes.

April 8, 1994: Mayor Robart letter in which he says, "I am very disturbed by a recent article in the Cleveland Plain Dealer

that implied that the City was somehow a party to irregularities in our healthcare bidding procedure.....my administration has always prided itself in being beyond reproach.....and I am committed to a total review of this issue to remove any possible doubt."

April 13, 1994: Cleveland Plain Dealer. "Falls mayor probes Blue Cross. Summit prosecutor also to look at contracts." Then-Summit County prosecutor Lynn Slaby.....stressed that he would probably shunt the case to a more appropriate agency, such as the Summit County Sheriff's Department or the state auditor.

April 17, 1994: Falls News Press. "Review requested on health bidding process". Falls Councilman Ron Smith said he was "requesting a full investigation be conducted by a neutral agency, such as the Summit County Sheriff's Dept., into the implied irregularities...." and added, "Mayor, I want you to understand this is not an accusation.....I just would like a fair and impartial investigation into it.....a neutral agency would be in the best interest of the city."

May 29, 1994: Akron Beacon Journal. "Falls insurance bidding scrutinized". This front page article further expanded on the April 3 Plain Dealer article and the wrongful discharge suit of a former Blue Cross employee. Summit County prosecutor Lynn Slaby who, like Robart, was a Republican referred Councilman Smith's request for an investigation by a neutral agency to the Cuyahoga Falls police- rather than the County Sheriff.

Councilwoman Hummel said the awarding of the BCBSO contract in 1992 was not an arms length transaction.

Nov. 25, 1994: Firefighters Union sends a letter to members of city council which details the union's many concerns over the city's dealings with BCBSO. These expressed concerns include: 1) repeated warnings about BCBSO that the city under Robart's administration ignored 2) outrageous commissions paid to the Blue Cross broker 3) BCBSO broker's relationship with the BCBSO sales representative that was never revealed in bid documents 4) selection of BCBSO broker as the City of Cuyahoga Falls insurance consultant in 1992 5) alleged participation by BCBSO sales representative in preparing and receiving bids.

Dec. 28, 1994: Minutes of Falls City Council meeting. A-189. The President of Council was authorized to pay for a transcript of Mayor Robart's deposition taken in the wrongful discharge suit of a former Blue Cross employee. Permanent ordinance # 172-1994.

Wouldn't it be interesting to see what Don Robart had to say in this deposition?

After moving to the Appellate Court bench Lynn Slaby is replaced as Summit County Prosecutor at the end of the year by Maureen O'Connor.

April 13, 1995: The Cuyahoga Falls Police Dept. issues its' report (Case #94-00013514) regarding this matter. The report states there is some degree of circumstantial evidence that tends to lend strong support to the possibility of a financial kickback arrangement between the BCBSO broker and the BCBSO sales representative involving their insurance consulting business dealings. This is based mainly upon the large, inadequately explained payments that were made by the BCBSO broker to the BCBSO sales representative. Sgt. Bilbrey handled the case.

Bilbrey's report stated that the Blue Cross sales representative, "due to holding a senior sales position at Blue Cross, was in a position to funnel prime, financially lucrative insurance leads to (the Blue Cross broker), which would have enabled (the Blue Cross broker) to sell a great deal of Blue Cross health insurance contracts to large numbers of prospective clients. (The Blue Cross broker), in turn, was paying (the Blue Cross sales representative) large, inadequately explained sums of money (allegedly).....for "leads".....at the very least, there is certainly a "conflict of interest" on the part of (the Blue Cross sales representative)."

Bilbrey said the City of Cuyahoga Falls lacked the jurisdiction to file charges in this scandal. If that is true why were they investigating it- and if the Falls didn't have jurisdiction, who did, and why weren't they investigating it?

Bilbrey said it was his opinion that sufficient evidence was lacking to bring forth any type of criminal prosecution.

Violation of the collusion affidavit, the "smoking gun" in this scandal, is never cited.

April 17, 1995: Letter from Summit County Prosecutor Maureen O'Connor's office praises Cuyahoga Falls Police Sgt. Charles Bilbrey for conducting a very "thorough, independent and professional investigation." It is concluded no criminal prosecution can be justified.

Bilbrey's year-long investigation allowed the six-year statute of limitations for a felony prosecution to expire-by 12 days- April 1, 1989 to April 1, 1995.

In 1992, when the Robart administration, through the Blue Cross broker (wasn't this a conflict of interest?), solicited proposals for healthcare coverage, the city received a proposal from BCBSO which would have included another collusion affidavit. Sidestepping city council, the Robart administration extended the Blue Cross contract (through April of 1993) on Aug. 31, 1992. A second and separate six-year statute of limitations would have begun on that date, expiring on Aug. 31, 1998.

O'Connor's office never cites the violation of the BCBSO collusion affidavit.

Officials investigating the Blue Cross scandal in the Falls appear to have suffered from a peculiar kind of visual impairment. Could this have been because, as Upton Sinclair once wrote, "It is difficult to get a man to understand something when his salary depends on his not understanding it"?

April 24, 1995: Letter from Mayor Robart says, "the Summit County Prosecutor's office has finally put to rest as unfounded the allegations and innuendoes of wrongdoing surrounding the city's contract with Blue Cross/Blue Shield."

Robart never mentions the Blue Cross affidavit. Was it simply forgotten? How the collusion affidavit, a part of the public record, was overlooked is difficult, if not impossible, to comprehend. This oversight could be subtitled under the heading, " Stuff That's Hard to Forget"; what kind of car I drive; where I live; my pet's name, etc.

Where Bob Taft, Maureen O'Connor's partner at the top of the 1998 Republican gubernatorial ticket, once saw a problem with a Blue Cross affidavit O'Connor and Robart inexplicably seem to have chosen to look the other way when confronted with the same situation.

Ironically, in the future, especially with regard to the escort service case, O'Connor was heavily criticized for her practice of over-indicting individuals, a policy that helped lead to the recent ouster of her successor in the Summit County Prosecutor's office, Mike Callahan.

Although typically a firing offense, Blue Cross chose to ignore its' sales representative's admission that he worked as a consultant for the broker.

Was there a criminal obstruction of justice in the investigation of the Blue Cross scandal in the Falls? Were officials merely incompetent- or worse? Either way Falls residents paid the price.

The Falls collusion affidavit was a tightly-worded document that should have prohibited the kind of financial dealings that were allegedly taking place between the Blue Cross broker and sales representative. Why wasn't it enforced?

Surely even a casual examination of the Ohio Revised Code (Title 39 - Insurance) might have led officials to a different conclusion.

So much for Don Robart being "committed to a total review of this issue to remove any possible doubt."

May 22, 1995: The City of Cuyahoga Falls hires compensation and benefits consultant KPMG Peat Marwick to aid in developing procedures to competitively bid employee group benefit programs.

Feb. 12, 1996: KPMG Peat Marwick issues its final report and, in a conclusion that could not have pleased Mayor Robart, stated that the City of Cuyahoga Falls did not need the services of a broker/agent because "an ongoing relationship can create an added potential for the occurrence of inappropriate professional conduct, or at least the perception of such, due to the varying and indirect methods by which agents can be compensated by insurance carriers."

Jan. 24, 1997: Akron Beacon Journal. "Summit GOP chief files as a lobbyist". Summit County Republican Party Chairman Alex Arshinkoff signs on as a lobbyist for Columbia/HCA which is seeking approval from the Ohio Department of Insurance to purchase BCBSO. Arshinkoff is well-known as a strict enforcer of the Republican party line.

June 24, 1997: Falls Councilwoman Hummel files a complaint with the Ohio Department of Insurance over the BCBSO contract and cites egregious factual errors in the Falls Police report which call the entire report into question. Hummel also cites violation of the non-collusion affidavit signed by the Blue Cross sales representative.

David Randall, the No. 2 executive at the Ohio Dept. of Insurance, is at the center of a corruption scandal within the agency, one widely criticized for its' inept handling of the attempted sale of BCBSO to Columbia/HCA.

Oct. 19, 1997: Akron Beacon Journal. "Mayoral contest divides the Falls". Mayor Robart dismissed as "political" the complaint filed with the Ohio Dept. of Insurance by Councilwoman Hummel, who had finished second in the Democratic mayoral primary, over the Blue Cross contract.

Oct. 25, 1997: In his mayoral campaign literature incumbent Don Robart, heavily tainted by the Blue Cross scandal in the Falls, ironically questions his opponent's (Wayne Jones) ethics problems and involvement in the Statehouse pay-to-play scandal involving BCBSO.

Jan. 23, 1998: The Ohio Dept. of Insurance, after the Falls mayoral election is over, responds with a stance of no further action in the Falls review, much like a similar situation involving the Youngstown City School District (cf. Vindicator 10/10/97) in which the Ohio Dept. of Insurance ignored another non-collusion affidavit in the Ed Flask case even though bid specifications indicated that no commission was to be paid.

Similar non-collusion affidavits were consummated as part of the bidding process with the Warren City Schools and the City of Youngstown. Kent State University allegedly does not require non-collusion affidavits from its' vendors.

March 23, 1998: Akron Beacon Journal. "Sage advice?" "Good thing the embattled residents of Heritage Woods didn't listen to their county prosecutor.

When they began their fight to block a gargantuan Home Depot from tearing up an existing road and opening a megastore, Maureen O'Connor said it was a hopeless cause.

She advised Summit County Council against getting involved, saying, "The County Council has no standing in this matter. This is a dispute between two private parties."

Council ignored her and voted 10-0 to block the development.

Well, lo and behold, an appeals court has ruled council was right on.

And now the 700 residents of the upscale Copley neighborhood won't have to contend with an estimated 6,300 more cars each day."

June 7, 1998: Akron Beacon Journal. "The Prade subpoenas. If the county prosecutor is permitted to launch a fishing expedition, we fear long-term damage to this paper's ability to root out corruption wherever it may be."

In this opinion piece the associate editor of the Beacon Journal expressed grave concern over the escalating waves of subpoenas issued against the newspaper by Maureen O'Connor in the Margo Prade murder case.

The Republican candidate for Lieutenant Governor, O'Connor said she had not consulted Bob Taft about the subpoenas and said her action was not part of her campaign strategy.

The associate editor wrote, "We sincerely worry that if Prosecutor O'Connor succeeds against the paper, an important constitutional freedom will be nibbled all around the edges, leading to long-term damage to our ability to serve as an independent watchdog in behalf of the citizenry and our readers."

When politically expedient O'Connor clearly could ratchet up the pressure in a criminal investigation. She and her staff of lawyers, so eager to prowl through the Beacon Journal's files, notes and tapes in the Prade case, remained curiously disengaged during the investigation of the Blue Cross scandal in the Falls. Why?

April 29, 1999: Cleveland Plain Dealer. Editorial. "Autopsying Blue Cross. Inside story of failed deal with Columbia/HCA shows the skeptics were right on the money".

This editorial came four days after a major Plain Dealer story: "Blue Cross execs' plan to rake in millions- the inside story. Two years later, memos detail how officials hoped to gain wealth by merging with Columbia/HCA, and how the deal fell apart".

The editorial stated, "In the end the suspicions were well-founded.....the Ohio Dept. of Insurance was too chummy with the people in charge of businesses it was supposed to regulate.....the all guns-blazing legal attacks on anyone who questioned elements of the proposed deal were indications that Blue Cross had something to hide.....and a few people who had the courage to stand up to insults and legal intimidation from Blue Cross' legal team really were doing the right thing.....the Ohio Dept. of Insurance, which has betrayed a deep confusion about whom it is to serve and how, should be out of chances.....Insurance Director Harold T. Duryee identified with Blue Cross. Duryee became, to a great extent, an agent and promoter of the deal. Only when outside pressures became intolerable did he abandon efforts to see the sale of Blue Cross through.....But now it's clear who was telling the big lies, it also is clear that the people who fought to halt the sale of Blue Cross deserve Ohioans' gratitude for highlighting cracks in the state's regulatory mechanism and for keeping a lot more undeserved currency from changing hands."

Given the conduct of the Ohio Dept. of Insurance, as described in this editorial, is it a surprise they failed to act on Councilwoman Hummel's complaint and given that Alex Arshinkoff was working in support of this failed deal is it a surprise that Don Robart and Maureen O'Connor failed to act on the violation of the collusion affidavit in the Falls?

Sept. 29, 2000: In the televised county executive debate with his Democratic opponent, county auditor James B. McCarthy at the Martin University Center, Mayor Robart, in response to a question from the moderator on his involvement with the Blue Cross scandal in the Falls, said there hadn't been a scandal.

Oct. 10, 2000: At the Nordonia Rotary luncheon county auditor James B. McCarthy discussed the relevance of the collusion affidavit.

Oct. 20, 2000: Akron Beacon Journal. Our Opinion. "McCarthy for executive." "McCarthy has served.....without being stained by government scandal recent or remote. The same can not be said for Robart, who has been closely associated with the controversial Frank Fela, who was banned from public office for coercing campaign contributions from Akron Metropolitan Housing Authority employees and then rehired by Robart.....Robart's experience and agenda would make him an attractive candidate if he did not come with so much baggage. In his zeal to win office, Robart has proved willing to stoop for his victories.....the relationship that is most troubling is the one.....between Robart and Alex Arshinkoff, the chairman of the Summit County Republican Party. The party is run from the top down.....the risk is that if Robart is elected, Arshinkoff comes with him, filling county jobs and community boards, manipulating behind the scene, playing the kingmaker."

Jan. 4, 2001: Akron Beacon Journal. Our Opinion. "Setting a tone. New county prosecutor has a chance to shun politics as usual." "The prosecutor's job is more than playing politics in such a way to put adversaries at a disadvantage. That's how Callahan and his predecessor, Maureen O'Connor, operated. The job demands that the prosecutor rise above politics in decision making, putting justice and service first..... whether federal or county.....the top attorneys can not be seen as politically motivated operatives without eroding the public's faith in the justice system."

Jan. 5, 2001: Akron Beacon Journal. "Taft backs O'Connor for Bush job." "Lt. Gov. Maureen

O'Connor wants a job in Washington with President-elect George W. Bush, and the Taft administration wants to see her go.....while Taft's office maintains a supportive tone publicly, some close to the administration said O'Connor has not meshed well with some of those at the top, including Chief of Staff Brian Hicks and Taft's wife, Hope.....O'Connor was stopped by the State Highway Patrol for speeding.....and accidentally put her car in reverse and backed into the cruiser. That incident was the most serious of several since 1998.....one of O'Connor's sons.....was arrested and charged with

felony drug possession....."

Jan. 11, 2001: Cleveland Scene. The Edge. "No doubt Gov. Taft would like to see some Ohio Republicans filling the ranks of the Bush Administration....but the smart money sees an auxiliary motive behind Bob's push to get a Justice Department post for Lieutenant Governor Maureen O'Connor. Lee Leonard, capitol correspondent for the Columbus Dispatch, says the word in Columbus is that Bob and Maureen don't exactly pound beers after work together, and that their bond largely stems from Taft's need to get a northern Ohioan on the ticket.

A Bush appointment, Democrats say, would allow Taft to grab some prestige for state Republicans, while simultaneously catapulting an unwanted office mate. "Sometimes you get addition by subtraction," says Kena Hudson, a spokesperson for the Ohio Democratic Party....."I think he (Taft) just wants to unload some baggage there."

Jan. 24, 2001: Cleveland Plain Dealer. "Summit's transfer of power proves rocky." "The anger that surged through one of Summit County's most bitter campaign seasons didn't dissipate with the Nov. 7 election.

Fueled by scandals and the richest television advertising blitz in county history, voters elected three new officeholders.....

The newcomers say the incumbents were less than gracious losers....

The turnover in Summit County offices recalled the election of 1980 when a scandal involving Judge James V. Barbuto brought about an unprecedented housecleaning.....

(County auditor James B.) McCarthy, 61, was clerk of courts 20 years ago and was untainted by the scandal. He was prepared last year when his opponent for county executive, Republican Don Robart, the mayor of Cuyahoga Falls, tried to pin the scandals from (former Summit County Executive Tim) Davis' office on McCarthy, the county auditor. Robart failed miserably, losing the election by sixteen percentage points, despite spending nearly \$1 million on campaign ads, compared with McCarthy's \$600,000.

.....Summit County's races provided a stream of controversy to fire up voters.....

Callahan, a former judge who was appointed (to succeed Maureen O'Connor as) prosecutor two years ago, was hounded by an accusation- denied by Callahan and never proven- that he had shared sex and drugs with a prostitute who was later murdered. Callahan also was criticized for pursuing felony charges against dozens of women arrested in an escort service sting: most of the women were eventually convicted of misdemeanor prostitution.....

Summit County GOP Chairman Alex Arshinkoff "is worried I'm not political enough," (new Summit County Republican Sheriff Drew) Alexander said. "But I can't be an effective law enforcement officer with Alex looking over my shoulder. He can't run my department."

..... Arshinkoff.....speculated that women (voters) were turned off by the sordid rumors Callahan had a hard time shaking."

Jan. 26, 2001: Akron Beacon Journal. "Michael Callahan may get new post. Ex-prosecutor expected to join Summit council." "Many people inside and outside the (Republican) party expect Callahan to get the appointment. The Akron resident was unseated last fall in a bitter battle with Democrat Sherri Bevan Walsh."

Jan. 28, 2001: Akron Beacon Journal. "Summit prosecutor gets stuck with tab. Credit card charges on Callahan's watch were unauthorized." "Thousands of dollars in unauthorized credit card charges and employees with taxpayer-funded cable TV in their offices have prompted a state audit of the child support division of the Summit County prosecutor's office.....officials in the county auditor's office and the executive's budget office.....are.....poring over.....financial records to see how much money was misspent and whether any of it can be recovered.....charges don't appear related to the agency's job of collecting child support payments. Like \$450 at a drive-through market. Or \$211 to pay a cellular phone bill. Or \$137 at Best Buy. Or \$83 at a store that sells helium balloons.....the new prosecutor (Sherri Bevan Walsh) came in and was presented with this \$8000 credit card bill. To be exact, it was \$8139.74."

Jan. 28, 2001: Akron Beacon Journal. "Callahan elected to council. Former prosecutor wins at-large county post." ".....the Central Committee of the Summit County Republican Party elected Callahan, who was defeated in his re-election bid in

November.....he replaces Larry S. Givens, who departed to take the chief deputy's post for recently elected Republican Summit County Sheriff Drew Alexander.....Callahan's new position is up for re-election next year."

Feb. 1, 2001: Akron Beacon Journal. Our Opinion. "Good service award? Republicans turn again to turned-out Callahan." " When Michael Callahan was appointed Summit County prosecutor, Alex Arshinkoff praised his potential to retain the job when he had to go to the voters for approval.....when Republicans were considering whom to name to a vacant at-large County Council seat, they were similarly encouraged to choose someone who could get elected. They chose Callahan, who just happened to be available because Arshinkoff had been wrong. Callahan had lost to Sherri Bevan Walsh.....Callahan's quick re-entry into the political loop would be questionable enough given the voters' rejection of his performance as prosecutor, but it also comes at a moment when new revelations are emerging about how the child support division of the prosecutor's office operated.....when Callahan was appointed prosecutor, Arshinkoff said, "We have a moral responsibility.....to keep the Democrats in check".....since then, the Republicans.....have proved, in the case of prosecutor, that they are equally in need of being kept in check."

April 13, 2001: Six year statute of limitations will expire for holding public officials responsible for their roles in the suspected cover-up of the Blue Cross scandal at the City of Cuyahoga Falls.

Why did officials at Cuyahoga Falls City Hall and the Summit County prosecutor's office turn their backs on the facts in the Blue Cross scandal and their responsibility to ascertain them?

Is it ever too late to do the right thing?

CONCLUSION

This case study is only a microcosm of a much larger problem in our body politic and one that increasingly undermines democracy -- corporations have become too powerful. For the first several decades of Ohio's history, corporations had no "rights" or independent powers of any kind. Corporations were subordinate to the citizenry through their elected state representatives. Corporations were chartered one at a time, for limited durations and specific purposes. If a corporation violated their charter or acted beyond their granted authority, they were either heavily fined or their charters revoked and assets distributed. The Ohio Supreme Court in case after case affirmed the rights of the state legislature to strictly control corporate actions.

An important form of democratic control over corporations concerned political involvement. Throughout much of Ohio's history, corporations did not or could not make political campaign contributions, lobby, or attempt to influence legislation or the body politic in any way. What BCBSO did in Cuyahoga Falls would have been out of bounds legally in several ways during much of Ohio's history.

In 1908, in fact, the Ohio General Assembly enacted legislation to prevent the corruption of elections and political parties by corporations by barring any corporation from directly or indirectly giving money or property to any political organization, party or candidate. Section 1 of that legislation, on the books for more than 50 years, reads:

That no corporation doing business in this state shall directly or indirectly pay, use or offer, consent or agree to pay or use, any of its money or property for, or in aid, of any political party, committee or organization, or for, or in aid of, any candidate for political office or for nomination for any such office, or in any manner use any of its money or property for any political purpose whatever, or for the reimbursement or indemnification of any person or persons for moneys or property so used.

A more recent example of corporate abuse of campaign finance laws, currently being challenged by Common Cause Ohio and the Alliance for Democracy, was the effort of Citizens for a Strong Ohio, a non-profit "educational" front group of the Ohio Chamber of Commerce, to channel huge sums of unregulated and unreported corporate money into defeated

Supreme Court Justice Alice Robie Resnick. More than \$8 million dollars was spent by this group during the 2000 campaign season, most of it no doubt from corporations and corporate executives.

Big-money special interests have a stranglehold on our political system. As evidenced by the last national elections, big money continues to corrupt our political process and undermine electoral fairness. It is a key element in forging what many over the decades call an "iron triangle", linking lobbyists, money and legislation.

For corporate executives, political donations are an investment. When they make contributions they expect to get something in return. They may be looking for protection from lawsuits or from negative decisions by regulatory agencies. They may be looking for the creation or an extension of a lucrative tax loophole or the skewing of the tax code.

It all adds up. It affects our health, our quality of life and, as taxpayers, we end up footing the bill. People are sick and tired of seeing what should be their government dominated by special interests with their big-money clout which easily trumps the public interest even at the very government agencies that regulate business. Citizens are also sick and tired of the double standard in criminal justice. Crime in the suits often goes either unrevealed or unpunished. A six year statute of limitations relevant to this case will expire in mid-April of this year, a deadline for justice in this case which should drive public law enforcement agents in Summit County to do their public duty.

Changes in corporate law and campaign finance law are no longer just an option. They are an absolute necessity for increasing democracy in our time and place. A direct and indirect prohibition of corporate contributions and issue ads and full public financing of campaigns, the Clean Money reform option, are ideas whose time have clearly come. Special interests, used to buying influence, are fighting to block the spread of corporate controls and public financing laws. They use scare tactics, hide behind constitutional edicts which equate money with speech and corporations with "human beings", and demonize public financing campaign reform activities.

There is, however, good news on the horizon. Citizens across the country are beginning to challenge the basic personhood, free speech, due process and other "rights" of corporations to define election issues, economy, agriculture, health care, education, news, and environmental protections. Also, publicly financed campaigns in Maine, Vermont, Massachusetts and Arizona demonstrate that average citizens can take back control of the political process. If elections and politicians are going to be bought, then should it not be the voters, not the special interests, who do the buying? Perhaps the time has come in this county and state for citizens to answer this question with a renewed demand for citizens to reassert control over the corporate form and for full public financing of campaigns for public office so that dismal cases like this one will be a permanent thing of the past.

"You make your contribution
and you get your solution.
As long as you can pay
I'm gonna do it all your way.
Yes, the money talks and the people walk,
Now, let me hear you say it,
Big money! Big Money!
One man, one vote, now, is that really real?
The name of our game is let's make a deal.
Now, the people got their problems
the haves and the have-nots.
But the ones who make me listen
Pay for thirty-second spots."

The Northeast Ohio American Friends Service Committee (AFSC) has for several years been educating and organizing on issues of corporate power, democracy and campaign finance reform. AFSC coordinates the Ohio Committee on Corporations, Law and Democracy, an ad hoc group of individuals statewide concerned with the growing power of corporations to govern and harms this poses to democracy in our state, nation and world. In 1998, the Committee published Citizens over Corporations: A Brief History of Democracy in Ohio and Challenges to Freedom in the Future, a 52 page booklet which outlines the evolution of corporations in the state and citizen resistance to corporate "rights." The booklet was reprinted in 1999.

AFSC in 2000 issued "Democracy for Sale," a brief timeline describing the history of corporate campaign contributions in Ohio. Also in 2000, AFSC produced Justice for Sale, a report correlating decisions of Ohio Supreme Court Justices with political campaign contributions from lawyers who appeared before the state high court.

On the local level, AFSC has issued several reports since 1997 detailing political campaign contributions to Akron municipal candidates and examining the connection between municipal campaign contributions and public policy decisions. Also, in 1998 and 2000 AFSC helped organize local campaign finance reform initiatives which appeared on the city ballot.

For too long Americans have endured a political system where campaign money buys access for the powerful and wealthy, while the rest of us are ignored. These powerful and wealthy interests intensely resist any attempts at reform.

The controversy that erupted after Election Day has stirred public outrage and reignited public yearning for an honest and fair democratic process and for vital reforms to restore integrity to our government. As questions of electoral fairness are raised, concerns over ethics and honesty take center stage.

Big-money special interests have a stranglehold on our political system and if there's one thing about which most people in this country agree today, it's that this system needs fixing. Money corrupts our political process- and our politicians. It is the key element in forging what Senator John McCain calls an "iron triangle", linking lobbyists, money, and legislation.

For business executives, politics is an investment. When they make their contributions they expect to get something in return. They may be looking for protection from lawsuits or from negative decisions by regulatory agencies. They may be looking for the extension of a lucrative tax loophole or the skewing of the tax code.

It all adds up. It affects our health, our quality of life and, as taxpayers, we end up footing the bill. People are sick and tired of seeing what should be their government dominated by special interests.

The Blue Cross scandal at the City of Cuyahoga Falls shows that in Ohio, like "in most states, as in Washington, big-money clout too easily trumps the public interest at the government agencies that regulate business" (USA Today. Dec. 6, 2000. "Hungry for good news about the election? Try this.").

Special interests, used to buying influence, are fighting to block the spread of public financing laws. They use scare tactics and demonize campaign reform activists to defeat public financing initiatives.

Publicly financed campaigns in Maine, Vermont, and Arizona show that citizens can take back control of the political process. If elections and politicians are going to be bought, shouldn't the voters, not the special interests do the buying?

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The American Friends Service Committee is a Quaker social action organization which educates, advocates and organizes on issues of justice, peace, democracy and sustainability