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*TESTIMONY OF  
ATTORNEY GENERAL RICHARD BLUMENTHAL  
BEFORE THE HUMAN SERVICES COMMITTEE  
MARCH 3, 2009*

I appreciate the opportunity to support sections 23 through 39 of Senate Bill 843, An Act Implementing the Governor's Budget Recommendations Concerning Social Services. This provision enacts a Connecticut False Claims Act that will meet federal requirements qualifying the state for additional revenue.

These sections are about money -- recovering at least \$1 million more every year -- as well as deterring law breaking. It would provide clear specific authority for legal action to recover triple damages and strong penalties against corrupt contractors.

I have urged this measure year after year since 2004 to protect against fraud victimizing state taxpayers. Present protections are woefully and wholly inadequate. Equally important, this legislation would increase state recoveries by more than \$1 million, based on the existing caseload of Medicaid fraud alone. It would enable the state's share of the joint federal-state recovery to increase by 20% under a federal law intended to provide an incentive for states to pass a false claims act.

The federal false claims act yielded \$1.34 billion for the federal government during the previous fiscal year, with more than three quarters of the recoveries arising from lawsuits initially brought by private parties under the false claims act.

This measure would enable the state to recover substantial taxpayer funds and penalties from corrupt contractors. When the state is a victim of wrongdoing in state contracts, it presently has very limited authority against the contractor. Many businesses and state contractors support this proposal because it is modeled after a longstanding federal law and similar laws in other states. There is a certain comfort level with consistency in the statutory language and expectations under this fraud act.

My office has fought successfully to recover state losses in fraud cases, but current law fails to provide truly effective civil remedies to deter contracting corruption. Under the whistleblower law, there is no provision for the recovery of damages or civil penalties. We need to toughen our laws enabling recovery of money obtained illegally and other harm done by corrupt contractors.

Using the Connecticut Unfair Trade Practices Act, I sued William A. Tomasso, Tomasso Brothers Construction Company, Tomasso Brothers, Inc., Tunxis Management, Inc., former Rowland Deputy Chief of Staff Lawrence Alibozek, former Department of Children and Families Commissioner Kristine D. Ragaglia and former Department of Public Works Commissioner Theodore Anson, Peter Ellef, his son Peter N. Ellef II, and the younger Ellef's company, LF Design, LLC.

To date, I have recovered substantial amounts for the state's general fund from Peter Ellef, William Tomasso, Ellef's son, Peter N. Ellef II, as well as Tomasso Brothers, Inc., Tomasso Brothers Construction Company, Inc., Tomasso-owned Tunxis Management Company, Inc., and LF Design, LLC, owned by the younger Ellef.

As successful as these lawsuits have been, the state should have clear authority to recover damages and penalties against anyone who engage in fraud against the state's taxpayers.

This legislation is based on a federal law that was originally passed during the Civil War in response to evidence of widespread contracting fraud against the United States Government. The federal false claims act also allows a private citizen to bring an action against any person who defrauds the federal government and retain between 15% and 25% of the damages awarded to the federal government. It has helped recover more than \$10 billion since 1986.

Passage of these sections will enable the state to more effectively deter those who seek to defraud the state while recovering potentially millions of dollars in fraudulent payments.

Twelve states -- California, Florida, Illinois, the District of Columbia, Nevada, Hawaii, Delaware, Massachusetts, Tennessee, Virginia, Montana and Indiana -- have adopted false claims acts similar to the federal law.

Congress adopted an incentive for states to enact a state version of the federal false claims act in the 2006 Deficit Reduction Act. Section 6023 of that act provides that states like Connecticut adopting the federal version of a false claims act may retain 60% of any Medicaid fraud recovery. Under current law, Connecticut retains 50% of such recovery with the federal government retaining the other 50% because Medicaid costs are equally shared between Connecticut and the federal government.

This proposal meets the criteria in the Deficit Reduction Act to qualify Connecticut to receive 60% of any Medicaid fraud recovery.

I urge the committee's favorable consideration of sections 23 through 39 of Senate Bill 843.