

Perot Firm Got Job Despite Highest Bid

By Stuart Auerbach 8/9/73
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A computer firm owned by billionaire H. Ross Perot was awarded contracts to process Medicare claims in Ohio and West Virginia despite the fact that it submitted the highest bid, the General Accounting Office reported yesterday.

The probe by the GAO, the investigating arm of Congress, showed that the bid submitted by Perot's firm, Electronic Data Systems Federal Corp., will cost the taxpayers \$6.2 million a year.

The two competing firms, McDonnell Douglas Automation Co. and University Computing Co., submitted bids of \$5.9 million and \$5.3 million respectively.

The contract was awarded by Nationwide Mutual Life Insurance Co. of Columbus, Ohio, which was picked by the Social Security Administration to handle doctors' claims for Medicare bills in Ohio and West Virginia.

The GAO charged that Nationwide changed the specifications to favor Perot's firm after the bidding had begun.

"Notwithstanding Nationwide's adjustments," the GAO said, "its cost evaluation concluded that UCC's proposal produced the lowest cost, MCAUTO's produced the next lowest and ERSF's produced the highest."

Nevertheless, Nationwide awarded the bid to EDSF. "Because of its past performance record and other factors," the GAO said, "Nationwide maintained that EDSF's proposal was the superior one."

EDSF is the federal arm of Electronic Data Systems, which was founded by Perot in 1968 and soon made him a millionaire. His first big contract was handling Medicare claims in Texas for Blue Shield.

By June, Perot's firm was handling Medicare claims in nine other areas.

Its activities in the Medicare field have come under attack by Chairman L. H. Fountain (D-N.C.) of the House Intergovernmental Relations Subcommittee, who released the GAO report.

In a series of hearings in 1971, Fountain's subcommittee developed information that Perot's firm makes excess profits from its Medicare contracts. A Social Security Administration computer expert estimated its profits on Medicare contracts at 100 per cent, and on the Texas contract alone at 200 per cent.

EDSF also came under attack from Rep. Benjamin S. Rosenthal (D-N.Y.) over a \$125,000 computer consulting contract awarded by New York state. Rosenthal said this contract could be the forerunner of a \$30-million-year welfare and Medicaid computer contract for the state.

In a letter to New York Gov. Nelson Rockefeller Tuesday, Rosenthal said that four federal agencies—the GAO, Fountain's subcommittee, the Federal Trade Commission and the Antitrust Division of the Justice Department—are investigating the New York contract.

Perot reportedly got the contract over the objection of federal officials after paying a visit to Gov. Rockefeller. He has been a large contributor to Republican political campaigns.

Rosenthal said "the circumstances and procedures surrounding the awarding of the (New York) contract . . . follow an all-too familiar pattern established elsewhere by EDS: the circumvention of normal and orderly procurement processes and the avoidance of open competition by the utilization of questionable marketing tactics."