

STATE OF LOUISIANA  
DEPARTMENT OF JUSTICE  
PUBLIC CORRUPTION UNIT

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**INTERVIEW REPORT**

INTERVIEWEE Kunego	DATE May 14, 2012
ADDRESS	FILE NO.
	DATE OF INTERVIEW 5-10&11, 2012
	INTERVIEW LOCATION
TELEPHONE(S)	INTERVIEWED BY Scott Bailey

Kunego was informed of the above Investigator's identity and the purpose of the interview. Kunego provided the following information on May 10, 2012. Kunego is a consultant in the area of Medicaid MMIS operating systems and is self employed. Kunego had been working for CNSI as a contract employee assisting them with the operations of several of their contracts with other states. He was also assisting them in developing a strategic plan to capture the pending Louisiana MMIS contract. CNSI hired Kunego full time in 2010 and made him a regular employee. CNSI was attempting to obtain its first Medicaid fiscal agent award and the largest contract in Louisiana services contract in Louisiana history. To do this they needed someone with Kunegos' experience to meet the qualifications to participate in this process.

Some of the DHH employees that they communicated with on a daily basis after the contract was awarded were Lori Tichner, Janet Miller, and Donna Ordano. Once the contract was awarded the pricing changed daily.

CNSI's bid contained an optional pricing component versus the other three proposers who had proposed mandatory pricing for the VVS Visit Verification System part of the contract. This allowed CNSI to shave off about 40 Million dollars off of the costs of their proposal and give them the most points awarded under the financial scoring portion of the procurement process. DHH discovered the fact during the protest period that CNSI had underbid the contract by 40 million but went ahead and awarded them the contract. In many states this alone would lead to disqualification of the CNSI proposal. After the contract was awarded CNSI got the terms changed dealing with the milestones used for payment and DHH front loaded the contract. CNSI was close to being insolvent and needed this change to keep them

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afloat. This was another concession made by DHH. Another concession made by DHH up front was to remove the eligibility verification system requirements of the original procurement to the benefit of CNSI. The other proposers had the ability and programs necessary to implement this requirement, CNSI did not. CNSI would not have qualified to bid on the procurement process if this requirement had not been removed.

In January of 2011 Kunego and CNSI officials were in North Dakota to prepare their pricing for the Louisiana MMIS proposal. Kunego said that the way this usually works is that you divide up into teams. Some teams assume the positions of the other bidders and based on their history of other procurements prepare a competition model of what you would believe to be their costs for the procurement. In this case one team would be EDS, another ACS, and another Molina. You would then compare the findings and come up with a proposal that would allow you to beat their price. In this meeting in January of 2011 Chatterjee the cofounder and CEO told them that this would not be necessary and the number that they had to beat was under 199 million. This indicated that CNSI officers knew ahead of time the dollar amount that they had to propose to win the contract. This was in conflict with their own analysis of the bid having to be north of 200 million to be profitable. CNSI traditionally was always the highest bidder on the costs section of the contract proposals. On this one they were the lowest.

Once the contract was awarded and executed there is a start date. DHH knew that CNSI could not produce the 6 million dollar bond and delayed the start date long enough for them to get the bond. DHH delayed the start date to avoid penalizing CNSI. Once the contract was awarded DHH allowed CNSI to remove about 500 of the 1400 system requirements that were spelled out in the RFP.

All of the CNSI officers predictions about what would happen in the procurement process came true. After the contract was awarded and during the protest period, Greenstein went to DC and was picked up by CNSI officers and entertained to dinner.

During the Greenstein confirmation hearings in Louisiana, Creighton Carroll was very concerned that the Senate committee

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would subpoena their phone records. Carroll told Kunego that they deleted many text messages between the CNSI officers and Greenstein to avoid them being subpoenaed. Carroll used his wife's cell phone for most of the off channel communications with Greenstein. Also during the Greenstein confirmation hearings Alton Ashy CNSI's lobbyist was texting Greenstein trying to help his with answers to the questions he was being asked by committee members.

It became clear that at sometime during the process those DHH leaders began to muzzle Don Gregory and remove him from the process. Gregory's daughter worked for one of the subcontractors that Molina used for the current MMIS contract.

On May 11, 2012 Kunego provided the following.

Greenstein brought in Randy Miller and Tony Keck from South Carolina. Governor Jindal and Keck recommended hiring Art Height in DHH. Janith Miller called Kunego and told him that Miller was a deputy to Greenstein. Creighton through Bruce Greenstein and Randy Miller got Art Height fired.

Alton Ashy wanted Thompson Reuters (TR) removed from the fraud detection part of the contract and replaced with SAS. Adnan Ahmed CNSI's president and Carroll were concerned that this had to be done properly to avoid further problems like TR suing CNSI. Carroll told him that it was the States preference that they use SAS. To avoid a Detrimental Reliance law suit they used the fact that the state had the right to approve subcontractors and Steve Russo DHH's attorney was used to disapprove TR and give CNSI cover from legal action. Under the contract you could not replace one subcontractor one for one with another. To give Bruce Greenstein air cover to pick SAS, they hurriedly set up a demo system with Optimum Health. This allowed SAS to present the best solution and replace TR from the contract. SAS was fully onboard with and participated in the removal of TR. SAS's local rep met with Kunego during this time frame. Redding with TR was pissed over what happened.

Kunego was at a dinner at Fleming's restaurant in Baton Rouge with Alton Ashy. At the dinner he learned that Ashy's young son

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who was just out of college had been hired by SAS in North or South Carolina at what Kunego perceived to be an unjustified salary based on him having no experience of \$200K a year. He was in Alton Ashy's downtown office once and Ashy was agitated with Neal Patel the ACS lobbyist running his mouth to a legislator about Ashy getting a win bonus. Ashy got on the phone with Rainwater at DOA to let him know that he was pissed that Patel was running his mouth and he told Rainwater that he was going to cut Patel's legs off. This practice of win bonuses for DHH contracts is illegal in most states. Rainwater at DOA was in the middle of this. Kunego has never met Rainwater but he knows that Carroll and the CNSI guys were in constant communication with him. After the ACS protest was dismissed Patel through the legislative process and with knowledge that CNSI had problems getting the bond was attempting to stall the contract signing by CNSI.

Kunego knows that Carroll texted Greenstein about the addendum #2 addition to the RFP. He thinks this was around the time that they were all in North Dakota. After the Senate hearings Carroll told him that he often used his wife Shelly's cell phone to communicate with Greenstein.

There is nothing that Carroll and the CNSI guys would not do to win a deal. When Randy Miller was with the Indiana State government and CNSI was looking at doing business with Indiana Carroll took Randy Miller to a strip club in Indy and stayed out all night.

Carroll and the CNSI group knew that the bond requirement for the Louisiana MMIS contract was going to be a big problem. They tried to get it removed from the RFP. There is a South Carolina and Louisiana connection through a lobbyist. Carroll likes Jamison whiskey. CNSI is operating in Michigan, Washington State and South Dakota but not as the prime contractor.

In 2007 Kunego started work for CNSI on the California Procurement process. By 2010 he was doing so much work for CNSI that it was cheaper to make him an employee and they did so with the understanding that he would work exclusively for them. He is unsure if Greenstein has any CNSI ownership but it was not unusual for CNSI to offer ownership to people in lieu of other

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benefits. When Greenstein worked for CNSI he lived in a CNSI owned townhome. An ownership amendment was discussed with Kunego by CNSI but it was never completed. Kunego got the impression from Chatterjee that Greenstein had ownership in CNSI. 80 percent of CNSI is owned by the four founders, Chatterjee, Ahmed, Singh, and Kanwal. The remaining 20 percent is owned by 23 people.

CNSI has a Java based platform. Greenstein wanted them to convert to a .net Microsoft type program but it would cost about 20 Million to do so and CNSI could not do it. CNSI built its system with private investments and most of its R and D department and Java based engineers are in India. Greenstein brought a couple of Microsoft employees with him to Louisiana DHH.

Alan Levine wrote the business plan for DHH and the MMIS contract. Levine would have cancelled the CNSI Louisiana MMIS proposal outright based on the pricing irregularities alone. Bobby Jindal has what Kunego calls an India to India Ancestor driven background and network of connectors that brought CNSI and Jindal together. CNSI's Louisiana business model looked a lot like the Louisiana DHH model. Adnan Ahmed met with Jindal often. Jindal's public persona does not jive with what is going on at DHH.

Talking about the 199 million dollar history and how that applies to Louisiana Kunego stated that EDS whom he used to work for based their MMIS proposals on a maximum vs. minimum model with about a 14% profit. In the Louisiana procurement HP had the highest technical score. There was a pink, red, gold meeting in Fargo around the end of 2010. Adnan, Carroll, Chatterjee, and Kanwal were present. This meeting was held to develop the CNSI proposal. They should have worked from the ground up with a raw price based on the projected 300 million dollar estimate of DHH. Instead of doing this Chatterjee said in the meeting that 199 million was the price that they had to meet to win the contract. It takes a vote of three of the main four partners to approve anything. Amendment #2 happened while they were in Fargo. Without this amendment CNSI could not bid on the contract. ACS prices included the costs of the State DHH staff which is about 20 percent off of the total costs. CNSI did not include this in their proposal. HP and EDS built their proposals from the ground

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up, CNSI built their proposal to meet the 199 million dollar figure. Their was no opposition analysis done by CNSI for the LA DHH proposal. This blew Kunego away, you always do this. He told them that ECS and EDS always did this.

Modifications or change orders to a contract are always done on a costs plus 100% basis. The costs proposal is based on the volume of claims to be handled. If you bid a low volume and win and the volume is larger, then the price changes. They had a conference with Fred Savalia their attorney over the VVS pricing issue. If CNSI would have been forced to include the 40 million dollar actual costs of the VVS and optional costs in their proposal then CNSI would have lost the pricing advantage. If CNSI had been forced by DHH to include the 40 Million dollar VVS cost in its proposal then their cost would have been the same as ACS and may have resulted in CNSI losing the MMIS contract, and made ACS's protest much stronger. This accommodation by DHH assured CNSI that they would win the contract.

BAFO best and final offers letters are usually used when someone has an unusually low or high price. When they got the BAFO letter from DHH Adnan Ahmed told him to check of yes for CNSI response to price being accurate.

CNSI was having problems with the Bank of America over its financial condition. The account had been transferred to its Strategic Assets Division of B of A. CNSI had been historically late in implementation of systems. Greenstein was concerned that they would not be able to implement on time. In most cases you would set aside 1.2 million dollars of corporate funds to the implementation of the project. CNSI only set aside 200K. CNSI took the 1.2 million out of the costs model they submitted to Bank of America because B of A knew that they did not have that money and that would have made them insolvent. Because of the delays associated with the protest and bond issue and the fact that they only set aside 200k, CNSI was close to being in the red. They made misrepresentations to the Bank of America by not showing the change in the costs projections on the balance sheet due to the delay in implementation. CNSI was actively trying to refinance its line of credit and made a concentrated effort not to change the financials so as not to alert B of A. DHH to help CNSI avoid financial collapse changed the terms of the milestones and front loaded the release of money to CNSI. DHH also gave CNSI official notice that they would be able to start early thus starting the flow of funds to CNSI.

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The Original RFP was changed by Greenstein because the eligibility system was too complicated for CNSI to write. If it would have been left in this would have prohibited CNSI from bidding as a prime contractor because EDS and ACS already had this technology. This was done during the RFI period. Janith Miller was involved in this issue. It is not uncommon in order to leverage federal money to merge systems.

DHH awarded the contract knowing that CNSI could not provide the bond as required within ten days if asked. DHH removed system requirements and modified the payment schedule by front loading payments to CNSI.

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