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Jailed HealthSouth boss testifies in \$2.6 billion suit

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By [Verna Gates](#)

BIRMINGHAM, Ala; (Reuters) - The jailed former boss of HealthSouth (HLS.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)), Richard Scrushy, told a court on Tuesday he knew nothing about a criminal fraud at the company that has resulted in a \$2.6 billion stockholder suit against him.

Scrushy was testifying for the first time since a series of high profile trials and suits against him which started in 2003. The suits stem from a \$2.7 billion accounting scandal at the rehabilitation medical company.

Plaintiffs say they want to recover as much money as possible through the suit brought by stockholder Wade Tucker, who alleges Scrushy squandered and fraudulently paid out money to himself and other executives.

Scrushy, who came to court in leg shackles and a suit that hung loose on his shoulders, said he had no knowledge of financial problems at HealthSouth, reiterating the argument used at his 2005 criminal trial.

At that trial, his attorneys portrayed him as a duped chief executive who fell victim to five chief financial officers who have all pleaded guilty to fraud and conspiracy.

"That never happened. I never had a discussion where I asked them to do anything illegal," said Scrushy, in response to testimony from two former CFO's who described telling him they would not meet the company's financial goals. They said Scrushy asked them to fudge the numbers.

When asked about building a failed and expensive "digital hospital," that was the former CEO's brainchild and featured heavily in previous trials, Scrushy said:

"You would have been a complete bumbling idiot to build a hospital knowing you did not have the cash to build it. It makes no sense."

Scrushy, who founded HealthSouth, was the first chief executive to be tried under the Sarbanes-Oxley Act after a massive accounting fraud in which senior executives overstated profits in order to please shareholders.

He defeated all 85 counts at his criminal trial only to be convicted a year later on charges of bribery and mail fraud in connection with then Alabama Governor Don Siegelman.

Scrushy is serving nearly seven years in federal prison in Texas. Tucker won \$47 million in 2006 from Scrushy in recouped payments for unjust bonus awards during a previous suit.

(Editing by [Matthew Bigg](#) and [Lincoln Feast](#))

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