



## NEW JERSEY GENERAL ASSEMBLY

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Attorney General Paula Dow  
Richard J. Hughes Justice Complex  
Market and Warren Streets  
PO Box 080  
Trenton, NJ 08625

October 24, 2011

Dear Attorney General Dow:

I am writing to call your attention to a company called Prime Healthcare Services, Inc., which is seeking to acquire non-profit Christ Hospital in Jersey City. Prime is a controversial company with a deeply troubling record. The proposed sale will require your approval.

Prime presently operates 14 general acute care hospitals, all in California. The privately-held company has been the subject of numerous reports concerning questionable business practices, high rates of septicemia and malnutrition, and aggressive admissions practices. Reports on Prime's extraordinary rates of septicemia among its Medicare patients led to investigations by California's Department of Public Health (CDPH), which found that in many cases the documentation in patients' charts did not justify the hospitals' septicemia diagnoses.

Septicemia is a life-threatening blood infection, and Medicare pays facilities a premium for treating septicemia cases versus treating less serious contagions, such as urinary tract infections.

CDPH referred its findings to a state agency tasked with investigating potential Medicare fraud, and to the federal Inspector General of the Department of Health and Human Services.

The chairpersons of California's Senate and Assembly Health Committees, Dr. Ed Hernandez and Bill Monning, as well as the previous chair of California's Senate Health Committee, Elaine Alquist, have all written state agencies and California's Attorney General, seeking

investigations and requesting they prevent Prime from acquiring additional California hospitals while the investigations are ongoing.

Dr. Hernandez is currently sponsoring legislation that would close a loophole that allowed Prime to acquire a hospital in November, 2010, without having to go through the licensing process.

The facts surrounding Prime Healthcare that led to these measures by California's legislators and regulators are worrisome. In 2008, Prime operated 5 of the 6 hospitals with the highest rates of septicemia in the U.S. among Medicare seniors.

Those findings have been heavily examined due to their potential gravity, and because they originated from research conducted by a labor union in a dispute with the company. However, to date, these findings have withstood all levels of scrutiny. In fact, Prime itself put out a paper meant to dispute the numbers, but instead appeared to verify them.

The following year, Prime's remained an outlier; in 2009, 7 of the 12 hospitals with the nation's highest rates of septicemia were operated by the company. Plus, new issues were discovered. Analysis revealed that Prime had billed Medicare, and other payers, for extremely high rates of severe malnutrition.

In 2009, the highest rate of malnutrition in the U.S. occurred at Prime's facility in Huntington Beach, one of the wealthiest communities in America. Amazingly, hundreds of cases of Kwashiorkor were reported by Prime's hospitals in Victorville and Redding, two highly distinct and distant communities. Kwashiorkor is a form of severe protein malnutrition typically found among children in famine-stricken Third World countries.

These rates were independently confirmed and reported by California Watch, a prominent non-profit investigative journalism organization. The story became front page news in San Francisco, Sacramento, and in several papers in the Los Angeles area. Following the report, the CDPH began its investigation.

This past July, another extensive investigative piece by California Watch reported on Prime's emergency room and admissions practices. Its reporters reviewed thousands of pages of court and public testimony, interviewed former Prime employees, and analyzed medical billing records. Another troubling story was uncovered:

"Patients and their families have described feeling trapped by doctors and administrators working at Prime Healthcare Services facilities. They entered the emergency room and were stuck in a "Twilight Zone," as one family member described it, unable to see their own doctor at another facility or faced with treatment that seemed unnecessary."

Jewett, Christina and Doing, Stephen K. "Hospital chain profits by admitting high number of ER patients". California Watch: July 23, 2011.

This article was also front page news in Los Angeles, San Bernardino, Orange County and San Francisco.

These multiple alleged practices impact both managed care patients and Medicare patients. Kaiser Permanente, a large managed care provider in California, and Heritage Provider Network, a large risk-bearing doctor's group, made similar allegations against Prime in publicly available legal filings.

Should the Christ Hospital board approve the sale to Prime the transaction will have to be reviewed by your office. Given the deeply-troubling controversy surrounding the proposed buyer, prior to moving forward, I request that you take all reasonable steps to gather all related facts from the appropriate agencies, and thereby protect New Jersey's citizens and the public purse.

All fourteen Prime-operated hospitals are located in California, and due diligence will require reaching out to appropriate agencies there. On September 20, 2011, California Attorney General Kamala Harris rejected the sale of a hospital to Prime, stating, "We have concluded that this proposed sale is not in the public interest and will likely create a significant effect on the availability or accessibility of health care services to the affected community." Coupled with extensive newspaper and state agency reports about the company, the state Attorney General's actions in this case point to a very negative opinion of the company.

As you consider your decision with respect to the proposed sale Christ Hospital to Prime Healthcare, I respectfully ask that you reach out to California's Attorney General and HHS Inspector General Levinson to ask about the status of state and federal investigations into Prime Healthcare. Further I urge you to independently evaluate Prime Healthcare's questioned business dealings, obtain third-party input regarding the fair market value of Christ Hospital and hold public hearings. If federal and/or state investigations into suspected fraud by Prime Healthcare are ongoing, I ask that you coordinate with the Department of Health and Senior Services to block the sale of any New Jersey hospital to the company or related entities.

Thanks in advance for your thoughtful consideration of the matters laid forth herein.

Respectfully yours,



Herbert C Conaway, Jr MD

New Jersey General Assemblyman, 7<sup>th</sup> Legislative District

Cc: Department of Health and Senior Services Commissioner Mary O'Dowd