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October 25, 2011

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The Honorable Daniel R. Levinson
Inspector General
Department of Health and Human Services
330 Independence Ave, SW
Washington, DC 20201

Dear Daniel:

I am writing to call your attention to a series of reports about Prime Healthcare by well-regarded journalists at the Center for Investigative Reporting's California Watch project. Prime operates 14 California hospitals and is presently seeking to acquire a hospital in Jersey City, New Jersey.

The series began October 12, 2010 with an article published in the Los Angeles Times. The story reflected concerns raised by a healthcare workers union, SEIU-UHW, and which had been brought to your attention by my colleagues, U.S. Reps. Henry Waxman and Pete Stark. The concerns focused on the extraordinary rates of septicemia at Prime's hospitals; in 2008, Prime operated five of the six hospitals with the highest rates of septicemia in the United States. Prime's septicemia rates were no better in 2009 and a California Department of Public Health review of a small sample of septicemia bills at four Prime hospitals led the agency to refer the matter to Audits & Investigations, a state agency that investigates potential Medicaid fraud.

California Watch followed its story about septicemia at Prime on February 19, 2011 with their own analysis of the company's Medicare bills. The group reported that Prime-operated hospitals were billing Medicare for severe malnutrition at startlingly high rates. Several Prime-operated hospitals were even reporting scores of cases of Kwashiorkor, a rare form of severe protein malnourishment commonly associated with recently-weaned children in regions stricken by famine.

A third major report, published July 23, 2011, included an analysis of emergency room admissions at Prime hospitals, also performed by California Watch. The analysis showed a significant uptick in admissions, and cited testimony of former employees indicating a potentially systematic campaign by Prime to unnecessarily admit patients who could be treated as outpatients. Testimony of patient family members, former physicians, and staff paint a gravely concerning picture of what certainly appear to be abusive and potentially dangerous practices. Similar allegations are made in complaints filed by two large managed care organizations, Kaiser Permanente and Heritage Provider Network. The California Watch report approximates potentially excess Medicare reimbursement of \$220 million.

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A fourth report by California Watch, published August 16, 2011, details potential tax abuses by Prime's non-profit arm.

A fifth major California Watch report, published October 14, 2011, cites testimony and interviews with physicians, nurse managers and medical coders at Prime, several of whom resigned their positions with Prime because they were concerned about the company's practices. The report incorporates an original data analysis reflecting extraordinarily high rates of three more serious conditions: malignant hypertension, encephalopathy, and autonomic nerve disorder. The findings are truly startling; for example, according to the California Watch analysis, Prime treated 77% of autonomic nerve disorder among California Medicare patients in 2010, despite treating only 3.6% of patients.

As far back as 2007, the Los Angeles Times ran several articles raising concerns about Prime Healthcare and its controversial chairman, Dr. Prem Reddy. Prime continues to be controlled and run by Dr. Reddy, along with his brother-in-law Lex Reddy. The series raised significant concerns about the character Dr. Reddy, and called attention to troubling practices at his hospitals. Despite the well-publicized concerns, no significant government action followed, and Prime's model has been allowed to grow unchecked. To the contrary, after the Los Angeles Times stories Prime acquired six more hospitals.

The fresh revelations from California Watch extend beyond concerns about Dr. Reddy's fitness to operate hospitals, and the chain's controversial business model, to what may be systematic fraud against Medicare and managed care patients. If the reports hold up we should not allow the moment to slip away again; it is time to take action.

I have a Prime hospital in my district, and I am gravely concerned. My constituents, like all Americans, ought to be able to trust our hospitals. I implore you to take all appropriate steps to investigate the concerns raised by California Watch and to hold Prime Healthcare and its leaders accountable.

Sincerely,



BOB FILNER
Member of Congress

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