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Tenet Hospital in California Is Searched by U.S. Agents

By REED ABELSON

Tenet Healthcare, one of the largest for-profit hospital chains, said yesterday that one of its California hospitals had been raided by federal officials seeking information for an investigation into unnecessary surgeries, including open-heart surgery, and possible Medicare billing fraud.

Federal officials say there is reason to believe that "many known and unknown patients have been victims of a scheme to cause patients to undergo unnecessary invasive coronary procedures," including artery bypass surgery and heart valve replacement surgery, according to an affidavit by the F.B.I.

About 40 federal agents searched Redding Medical Center, a Tenet hospital, and the offices of a cardiologist and cardiothoracic surgeon on Wednesday morning. The two doctors have not been charged with any crime.

Tenet, which waited a day to disclose the news, said it had no reason to believe the accusations were true. "We are fully cooperating," said Harry Anderson, a company spokesman, who also said Tenet was conducting its own investigation. "We're quite concerned about this."

While Tenet said it thought the federal investigation was limited to the two doctors, it was unclear whether the hospital or the company might also be involved. The United States attorneys office for the Eastern District of California, which is helping to conduct the investigation, would not confirm whether the investigation involved Redding or Tenet. The F.B.I. affidavit said the hospital's chief executive was told of at least one patient's concerns last June.

The company's stock lost more than a quarter of its value yesterday after news of the raid became known. It closed at \$28.75 a share, down \$10.22.

The news raised concerns over whether the raid signaled broader concerns about Tenet and its oversight of its network of hospitals, analysts said.

"That's the question of the hour," said Sheryl R. Skolnick, a managing director at Fulcrum Global Partners, a New York research firm, who recommended investors sell the stock as soon as reports about the raid began to circulate.

The timing of Tenet's announcement, which came a day after the raid and after the company met with analysts, also raised questions about Tenet's handling of the news, which was disclosed in a news release from federal authorities on Wednesday.

While Tenet said the news was not material, "obviously, investors thought it was," said Rita Freedman, an analyst with PNC Advisors.

"This whole incident does call investors' attention to the question of the integrity of management," she said.

The investigation, which also involves the Office of Inspector General at the Department of Health and Human Services, is focused on the activities of two doctors at Redding, Dr. Chae Hyun Moon, the hospital's director of cardiology, and Dr. Fidel Realyvasquez Jr., the hospital's chairman of cardiac surgery.

The doctors referred questions to their respective lawyers.

"This is clearly a dispute as to the appropriateness of medical investigative procedures and to what degree a doctor has discretion to provide his patients with the best care possible," said Malcolm Segal, a lawyer in Sacramento who is representing Dr. Realyvasquez. The doctor is cooperating fully with federal authorities, Mr. Segal said, and expects to be able to convince them that he was doing what he thought was best for those patients. John Reese, Dr. Moon's lawyer, declined to comment.

Redding, a 238-bed hospital, will perform more than 1,000 open-heart surgeries this year, according to the F.B.I. affidavit, citing a firm retained by the hospital to find a new director of cardiovascular operating rooms. The hospital is also described as one of Tenet's most successful hospitals.

Tenet emphasized that any decision to perform surgery would be made by the physician, not the hospital.

"We don't have an independent means to judge medical necessity," said Mr. Anderson, who described the doctors as "two very successful cardiologists in private practice" who are not employees of the hospital or Tenet.

If the accusations of unnecessary surgery are proved to be true, analysts said, it raises questions about the hospital and the company's oversight of those

doctors. One pertinent question, according to Ms. Skolnick, the analyst, is whether the accusations might be part of a systemic problem caused by a company culture that placed too much importance on the growing volume of procedures in lucrative fields like orthopedics and cardiology.

"There is no question that these two doctors generated increasing volume at Redding Medical Center," which had made an effort to build up its heart program, Mr. Anderson said. But he emphasized that the hospital and Tenet would not have necessarily viewed the higher volume as a warning sign, given the growing prevalence of heart surgeries nationwide. He said the company would be reviewing its internal policies governing the controls in place to prevent such abuses as part of its own investigation.

But there is some indication that hospital executives were aware of concerns, according to the F.B.I. affidavit and an interview with the lawyer representing one patient who says Dr. Moon recommended bypass surgery that two surgeons and four cardiologists later said was unnecessary.

The patient, the Rev. John Corapi, met with Redding's chief executive in late June to express his concerns about Dr. Moon, according to Dugan Barr, the patient's lawyer. The executive supported Dr. Moon, he said.

One medical professional also told federal authorities that many physicians and administrators at Redding were aware of "this pattern of unnecessary procedures" but that the doctors were extremely powerful because of the revenue they generated, according to the affidavit.

Redding officials referred calls to Tenet, and Mr. Anderson said he could not comment on the specific accusations. But he said the company would be looking into the hospital's handling of the concerns.

Mr. Anderson also defended the company's decision not to alert investors about the raid until yesterday afternoon. Tenet, which has come under criticism for not explaining more fully why so many of its patients are considered exceptions under Medicare reimbursement, had met with analysts yesterday. Mr. Anderson said the company was aware of the raid but did not consider it material information that needed to be shared with the public, especially because Tenet was not aware of the decision by federal authorities to issue a news release.

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