

First Amended
SUMMONS
(CITACION JUDICIAL)

SUM-100

FOR COURT USE ONLY
(SOLO PARA USO DE LA CORTE)

FILED
SUPERIOR COURT OF CALIFORNIA
COUNTY OF ORANGE
CENTRAL JUSTICE CENTER

JUL 11 2008

ALAN SLATER, Clerk of the Court

BY: D. DUNNING, DEPUTY

NOTICE TO DEFENDANT:
(AVISO AL DEMANDADO):

Prime Healthcare Services, Inc., a corporation; Prime Healthcare Anaheim, LLC, a limited liability company; Prime HealthCare La Palma, LLC, a limited liability company; Prime Healthcare Huntington Beach, LLC, a limited liability company; and DOES PRO, Inclusive

YOU ARE BEING SUED BY PLAINTIFF:
(LO ESTÁ DEMANDANDO EL DEMANDANTE):

People of the State of California, by and through their representative Lucinda A. Ehnes as Director of the Department of Managed Health Care

You have 30 CALENDAR DAYS after this summons and legal papers are served on you to file a written response at this court and have a copy served on the plaintiff. A letter or phone call will not protect you. Your written response must be in proper legal form if you want the court to hear your case. There may be a court form that you can use for your response. You can find these court forms and more information at the California Courts Online Self-Help Center (www.courtinfo.ca.gov/selfhelp), your county law library, or the courthouse nearest you. If you cannot pay the filing fee, ask the court clerk for a fee waiver form. If you do not file your response on time, you may lose the case by default, and your wages, money, and property may be taken without further warning from the court.

There are other legal requirements. You may want to call an attorney right away. If you do not know an attorney, you may want to call an attorney referral service. If you cannot afford an attorney, you may be eligible for free legal services from a nonprofit legal services program. You can locate these nonprofit groups at the California Legal Services Web site (www.lawhelpcalifornia.org), the California Courts Online Self-Help Center (www.courtinfo.ca.gov/selfhelp), or by contacting your local court or county bar association.

Tiene 30 DÍAS DE CALENDARIO después de que le entreguen esta citación y papeles legales para presentar una respuesta por escrito en esta corte y hacer que se entregue una copia al demandante. Una carta o una llamada telefónica no lo protegen. Su respuesta por escrito tiene que estar en formato legal correcto si desea que procesen su caso en la corte. Es posible que haya un formulario que usted pueda usar para su respuesta. Puede encontrar estos formularios de la corte y más información en el Centro de Ayuda de las Cortes de California (www.courtinfo.ca.gov/selfhelp/espanol/), en la biblioteca de leyes de su condado o en la corte que le quede más cerca. Si no puede pagar la cuota de presentación, pida al secretario de la corte que le dé un formulario de exención de pago de cuotas. Si no presenta su respuesta a tiempo, puede perder el caso por incumplimiento y la corte le podrá quitar su sueldo, dinero y bienes sin más advertencia.

Hay otros requisitos legales. Es recomendable que llame a un abogado inmediatamente. Si no conoce a un abogado, puede llamar a un servicio de remisión a abogados. Si no puede pagar a un abogado, es posible que cumpla con los requisitos para obtener servicios legales gratuitos de un programa de servicios legales sin fines de lucro. Puede encontrar estos grupos sin fines de lucro en el sitio web de California Legal Services, (www.lawhelpcalifornia.org), en el Centro de Ayuda de las Cortes de California, (www.courtinfo.ca.gov/selfhelp/espanol/) o poniéndose en contacto con la corte o el colegio de abogados locales.

The name and address of the court is:
(El nombre y dirección de la corte es):
Superior Court County of Orange, Central Justice Center
700 Civic Center Drive West
Santa Ana, CA 92702

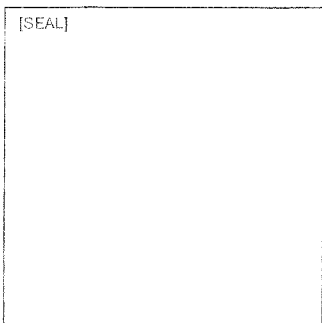
CASE NUMBER: 30-2008-00108627
(Número del Caso):

The name, address, and telephone number of plaintiff's attorney, or plaintiff without an attorney, is:
(El nombre, la dirección y el número de teléfono del abogado del demandante, o del demandante que no tiene abogado, es):
Michael D. McClelland, Department of Managed Health Care
980 Ninth Street, Sacramento, CA 95814, (916) 323-0435

DANIELLE DUNNING

DATE: JUL 11 2008 ALAN SLATER Clerk, by _____, Deputy
(Fecha) (Secretario) (Adjunto)

(For proof of service of this summons, use Proof of Service of Summons (form POS-010).)
(Para prueba de entrega de esta citación use el formulario Proof of Service of Summons. (POS-010)).



NOTICE TO THE PERSON SERVED: You are served

- as an individual defendant.
- as the person sued under the fictitious name of (specify):
- on behalf of (specify):

under: <input type="checkbox"/> CCP 416.10 (corporation)	<input type="checkbox"/> CCP 416.60 (minor)
<input type="checkbox"/> CCP 416.20 (defunct corporation)	<input type="checkbox"/> CCP 416.70 (conservatee)
<input type="checkbox"/> CCP 416.40 (association or partnership)	<input type="checkbox"/> CCP 416.90 (authorized person)
<input type="checkbox"/> other (specify):	
- by personal delivery on (date):

FILED
SUPERIOR COURT OF CALIFORNIA
COUNTY OF ORANGE
CENTRAL JUSTICE CENTER

JUL 11 2008

ALAN SLATER, Clerk of the Court

BY: D. DUNNING, DEPUTY

1 AMY L. DOBBERTEEN
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8 Attorneys for
9 PEOPLE OF THE STATE OF CALIFORNIA, BY AND THROUGH THEIR
10 REPRESENTATIVE LUCINDA EHNES AS DIRECTOR OF THE DEPARTMENT OF
MANAGED HEALTH CARE

11
12 IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA
13 IN AND FOR THE COUNTY OF ORANGE

14 People of the State of California, by and) Case No.: 30-2008-00108627
15 through their representative Lucinda A. Ehnes)
as Director of the Department of Managed)
16 Health Care) **FIRST AMENDED CIVIL COMPLAINT**
Plaintiff,) **FOR CIVIL PENALTIES AND**
17) **INJUNCTIVE RELIEF**
18 v.)
) **(Health & Saf. Code §§ 1379, 1387, 1392)**
19 Prime Healthcare Services, Inc., a corporation;)
Prime Healthcare Anaheim, LLC, a limited)
20 liability company; Prime HealthCare La) **(Unlimited jurisdiction)**
Palma, LLC, a limited liability company;)
21 Prime Healthcare Huntington Beach, LLC, a)
limited liability company; and) **Exempt from Fees**
22 DOES 1-100, inclusive,) **(Gov. Code § 6103)**
23 Defendants.)
24

25 Comes now Plaintiff PEOPLE OF THE STATE OF CALIFORNIA BY AND THROUGH
26 LUCINDA EHNES AS DIRECTOR, CALIFORNIA DEPARTMENT OF MANAGED
27 HEALTH CARE and complains of Defendants PRIME HEALTHCARE SERVICES, INC.
28 (PRIME INC); PRIME HEALTHCARE ANAHEIM, LLC; PRIME HEALTHCARE LA

1 PALMA, LLC; PRIME HEALTHCARE HUNTINGTON BEACH, LLC; and DOES 1-100 as
2 follows:

3 **PARTIES**

4 1. The Department of Managed Health Care (DMHC) is the state agency charged with
5 enforcement of the Knox-Keene Health Care Service Plan Act of 1975 (the Act), Health and
6 Safety Code, section 1340 et seq. The DMHC brings this action in the name of the People of the
7 State of California by and through Lucinda A. Ehnes as the duly appointed Director of the
8 DMHC. Director Ehnes and the DMHC bring this action in the public interest. The Director has
9 determined this action and the relief sought is strongly in the public interest.

10 2. Defendant PRIME INC is a Delaware Corporation with its principal place of business
11 in the County of San Bernardino.

12 3. Defendant PRIME HEALTHCARE ANAHEIM, LLC is a Delaware limited liability
13 company believed to be doing business as West Anaheim Medical Center. PRIME
14 HEALTHCARE ANAHEIM, LLC is believed to be owned, operated, and/or controlled by
15 Defendant PRIME INC.

16 4. Defendant PRIME HEALTHCARE LA PALMA, LLC is a Delaware limited liability
17 company believed to be doing business as La Palma Intercommunity Hospital. PRIME
18 HEALTHCARE LA PALMA, LLC is believed to be owned, operated, and/or controlled by
19 Defendant PRIME INC.

20 5. Defendant PRIME HEALTHCARE HUNTINGTON BEACH, LLC is a Delaware
21 limited liability company believed to be doing business as Huntington Beach Hospital. PRIME
22 HEALTHCARE HUTINGTON BEACH, LLC is believed to be owned, operated, and/or
23 controlled by Defendant PRIME INC.

24 6. Each Defendant-hospital in this matter is a provider of health care services within the
25 meaning of the Act, Health and Safety Code section 1345(i).

26 7. Plaintiff is informed and believes and thereupon alleges that PRIME HEALTHCARE
27 ANAHEIM, LLC; PRIME HEALTHCARE LA PALMA, LLC; and PRIME HEALTHCARE
28 HUNTINGTON BEACH, LLC are wholly owned, operated and controlled by Defendant PRIME

1 INC and or its executives, officers, and board members. The limited liability company
2 defendants share in whole or in part with PRIME INC the same officers, owners, board
3 members, and attorneys. Defendant PRIME INC in fact proclaims that it is the owner and
4 operator of the three Orange County hospitals purportedly owned by the limited liability
5 company defendants.

6 8. Plaintiff is informed and believes and thereupon alleges that the limited liability
7 companies are a mere shell, instrumentality, or conduit for the business ventures of PRIME INC
8 and its officers, shareholders, and/or board members.

9 9. The business activities, conduct, and actions of each of the limited liability company
10 Defendants share a unity of interest with Defendant PRIME INC such that PRIME
11 HEALTHCARE ANAHEIM, LLC; PRIME HEALTHCARE LA PALMA, LLC; and PRIME
12 HEALTHCARE HUNTINGTON BEACH, LLC are the alter ego, independently and
13 collectively, of PRIME INC.

14 10. The true names and capacities, whether individual, corporate, or otherwise, of
15 Defendants sued herein under the fictitious names of DOES 1 through 100, inclusive, are
16 unknown to Plaintiff who therefore sues said Defendants by such fictitious names. Plaintiff will
17 amend this complaint to show the true names of each when the same has been ascertained.
18 Defendants sued herein as DOES 1 through 100 are, and at all relevant times were, engaged with
19 Defendant PRIME INC in the development, planning, and placement of the activities complained
20 of herein and as such directed, managed, controlled, or otherwise engaged in the conduct
21 complained of herein.

22 JURISDICTION AND VENUE

23 11. Plaintiff reincorporates and realleges Paragraphs 1-10 as if restated fully herein.

24 12. Plaintiff is authorized to bring this action against Defendants as persons who have
25 violated the Act, pursuant to Health and Safety Code sections 1387 and 1392.

26 13. Plaintiff is informed and believes and thereupon alleges that a substantial number the
27 actions complained of herein resulted from services rendered by PRIME INC-owned or affiliated
28

1 hospitals located within this judicial district, specifically, West Anaheim Medical Center, La
2 Palma Intercommunity Hospital, and Huntington Beach Hospital.

3 14. Plaintiff is informed and believes and thereupon alleges that a substantial number of
4 the violations of the Act complained of herein involved health plan enrollees residing in Orange
5 County.

6 15. Plaintiff is informed and believes and thereupon alleges that a substantial number of
7 the witnesses and evidence in this case are located within this judicial district.

8 16. A substantial amount of PRIME INC's and Defendants' liability in this matter arises
9 as a direct and proximate result of its owned or affiliated hospitals located in Orange County,
10 specifically, West Anaheim Medical Center, La Palma Intercommunity Hospital, and Huntington
11 Beach Hospital.

12 17. The implied contract between Defendant hospitals, and California licensed health
13 plans, including Kaiser Foundation Health Plan (Kaiser), involves at least three Orange County-
14 based hospitals.

15 18. Pursuant to Health and Safety Code, section 1387, jurisdiction is appropriate in *any*
16 court of competent jurisdiction.

17 INTRODUCTION

18 19. Plaintiff reincorporates and realleges Paragraphs 1-18 as if restated fully herein.

19 20. PRIME INC is a hospital management company which currently owns and operates
20 nine acute care hospitals in Southern California including Huntington Beach Hospital in
21 Huntington Beach, La Palma Intercommunity Hospital in La Palma, and West Anaheim Medical
22 Center in Anaheim.

23 21. Each of PRIME INC's hospitals operates an emergency room providing emergency
24 care services to the public, including to health plan enrollees. Each hospital is required by state
25 and federal law; Health and Safety Code section 1317 and 42 U.S.C., section 1395dd et seq.
26 (EMTALA), to provide emergency services to any person seeking such emergency treatment,
27 regardless of that person's ability to pay.

1 22. The Act regulates health care service plans (health plans) in California. A health plan
2 is a form of health care coverage commonly referred to as an HMO (health maintenance
3 organization). A health plan's distinguishing characteristics include that it is a prepaid plan and
4 the plan maintains a network of providers who have agreed to see the plan's enrollees at a fixed
5 cost. In other words, a health plan enrollee is obligated to pay premiums and select copayments,
6 but is otherwise fully covered for health care services, including emergency services, rendered
7 by the plan's "network" providers.

8 23. Under California law, Health and Safety Code, sections 1367(i), 1371.4(b); and
9 California Code of Regulations, title 28, section 1300.71(a)(3)(B), health plans are required to
10 cover an enrollee's emergency services. Where a health plan enrollee receives emergency
11 services from a non-network provider, the health plan remains obligated to pay for those
12 emergency services. A health plan is required to reimburse a non-network emergency care
13 provider in an amount that is a reasonable and customary value of the services rendered.

14 24. In some instances, the health plan's payment to a non-network emergency service
15 provider will be less than the amount billed for by the provider. In these situations, there is a
16 balance remaining on the provider's billed charge. PRIME INC, its affiliates, subsidiaries, and
17 agents have collected or attempted to collect the balance left owing on the bill from health plan
18 enrollees. This practice is known in the healthcare industry as "balance billing."

19 25. Defendants' hospitals provide emergency services to many individuals who are also
20 health plan enrollees including, but not limited to, Kaiser's enrollees. Under California law,
21 Health and Safety Code section 1371.4, 1345(b)(6), 1367(i) every health plan is required to pay
22 for emergency services rendered to its enrollees regardless of whether the emergency service
23 provider is a "network" provider of the health plan.

24 26. Plaintiff is informed and believes and thereupon alleges that for each of the violations
25 alleged herein, PRIME INC and its owned and affiliated hospitals were not network providers of
26 the health plan involved.

27 ///

28 ///

1 **FIRST CLAIM FOR RELIEF**

2 **(Health & Saf. Code, §§ 1379, 1387)**

3 27. Plaintiff reincorporates and realleges Paragraphs 1-26 as if restated fully herein.

4 28. Defendant PRIME INC and its affiliates and subsidiaries have rendered emergency
5 services to thousands of health plan enrollees, including, but not limited to, Kaiser enrollees.

6 29. Health plans licensed by the DMHC, including but not limited to Kaiser, have
7 reimbursed Defendants directly for emergency services rendered to health plan enrollees.

8 30. In consideration of the PRIME INC providers rendering emergency services to health
9 plan enrollees, health plans, including but not limited to Kaiser, provide reimbursement for these
10 services.

11 31. Defendants routinely and as a course of business render emergency services to health
12 plan enrollees. Health plans routinely and as a course of conduct and business practice
13 reimburse Defendants for these emergency services.

14 32. Based on the reciprocal obligations imposed by state and federal law for: a)
15 Defendants to render emergency services; and b) for health plans to reimburse Defendants for
16 emergency services rendered, Defendants and various health plans including, but not limited to,
17 Kaiser, have entered into a course of conduct manifesting each parties' agreement that
18 Defendants will render emergency services to health plan enrollees and health plans such as
19 Kaiser will reimburse Defendants for emergency services.

20 33. Plaintiff therefore alleges there exists an implied in fact contract between Defendants
21 and various health plans including, but not limited to, Kaiser.

22 34. Defendant PRIME INC and its affiliates and subsidiaries have rendered emergency
23 services to thousands of health plan enrollees, including, but not limited to, Kaiser enrollees.
24 Defendants have taken these actions in whole or in part because of their obligation to do so,
25 compelled by EMTALA and Health and Safety Code section 1317.

26 35. Health plans licensed by the DMHC, including but not limited to Kaiser, have
27 reimbursed Defendants directly for these emergency services. Health plans have taken these
28

1 actions in whole or in part because of the obligations to do so imposed by Health and Safety
2 Code sections 1371.4, 1367(i), and 1345(b)(6).

3 36. As a direct and proximate result of each party's reciprocal legal obligations, each
4 party receives consideration for its promises: Defendants receive compensation from health
5 plans and health plans receive emergency services provided to their enrollees.

6 37. Plaintiff therefore alleges there exists an implied in law contract between Defendants
7 and various health plans including, but not limited to, Kaiser.

8 38. Plaintiff is informed, and believes, and thereupon alleges that Defendants have
9 collected or attempted to collect the balances owing from as many as 6,000 Kaiser health plan
10 enrollees. Defendants' actions include, but are not limited to, the conduct described in Exhibit A
11 attached and incorporated hereto by this reference.

12 39. Defendants and their agents, contractors, and affiliates have balance billed enrollees
13 through various means including, but not limited to, the use of debt collection agencies. The
14 amounts sought by Defendants through these billing/collections means are sums which are owed,
15 if at all, by the health plan.

16 40. Defendants, through affiliated or contracted collection agencies have threatened the
17 credit ratings of health plan enrollees in an effort to collect on bills for emergency services.

18 41. Plaintiff is informed and believes and thereupon alleges that the threat of negative
19 credit ratings poses a substantial, irreparable, and unjustified threat to many health plan
20 enrollees' financial livelihood. A negative credit rating may affect an enrollee's ability to tap
21 needed credit lines or injure the ability to make purchases of real property, automobiles, or other
22 consumer necessities. A health plan enrollee may pay the bill directly to avoid this harm and
23 thereby suffer loss. An injury to an enrollee's credit rating is neither easily or practically
24 remediable.

25 42. Plaintiff has received dozens of complaints of balance billing by PRIME INC's nine
26 hospitals from health plan enrollees of at least Kaiser, Anthem Blue Cross, California Physicians
27 Service d/b/a Blue Shield of California, Aetna, PacifiCare of California, Cigna, Health Net, and
28 United Healthcare.

1 43. Pursuant to Health and Safety Code section 1379, no provider who has a contract with
2 a health plan may collect or attempt to collect from an enrollee, sums owed by the health plan.

3 44. PRIME INC and its affiliates and subsidiaries are parties to an implied in fact contract
4 with health plans including, but not limited to, Kaiser.

5 45. PRIME INC and its affiliates and subsidiaries are parties to an implied in law contract
6 with health plans including, but not limited to, Kaiser.

7 46. The costs of the emergency services rendered by Defendants to health plan enrollees
8 are sums owed by the enrollees' respective health plans.

9 47. Defendants, and each of them, have collected or attempted to collect the cost of
10 emergency services from health plan enrollees themselves.

11 48. Pursuant to Health and Safety Code section 1387(a) and California Code of
12 Regulations, title 28, section 1300.87, Plaintiff may seek a civil penalty of \$2,500 for each
13 violation of section 1379 proved at trial, which is believed to be an amount in excess of the
14 jurisdictional minimum of this Court.

15 **SECOND CLAIM FOR RELIEF**

16 **(Health & Saf. Code, §§ 1379, 1392)**

17 49. Plaintiff reincorporates and realleges Paragraphs 1-48 as if restated fully herein

18 50. PRIME INC and its affiliates and subsidiaries are parties to an implied in fact contract
19 with health plans including, but not limited to, Kaiser.

20 51. PRIME INC and its affiliates and subsidiaries are parties to an implied in law contract
21 with health plans including, but not limited to, Kaiser.

22 52. The cost of the emergency services rendered by Defendants to health plan enrollees
23 are sums owed by the health plans.

24 53. Defendants and each of them have collected or attempted to collect the cost of
25 emergency services from health plan enrollees themselves.

26 54. Plaintiff is informed and believes and thereupon alleges that the practices of PRIME
27 INC and Defendants complained of herein are systemic, intentional, and concerted amongst each
28 and every hospital controlled, affiliated, or owned by PRIME INC.

1 55. Pursuant to Health and Safety Code section 1392(a)(1), Plaintiff is entitled to an Order
2 enjoining any violation of the Act.

3 56. Pursuant to Health and Safety Code section 1392(a)(2), Plaintiff requests an Order
4 disgorging Defendants of all monies paid to Defendants by health plan enrollees for emergency
5 services rendered by Defendants, other than co-pays, deductibles, or coinsurance, within the last
6 four years.

7 **PRAYER**

8 **WHEREFORE**, Plaintiff prays as follows:

9 1. For a civil penalty of \$2,500 per violation of the Knox-Keene Act proved at trial.

10 2. For an Order enjoining Defendants from engaging in the acts, practices, and conduct
11 constituting the bases for violations of the Act as proved at trial. Plaintiff requests a preliminary
12 injunction enjoining Defendants and each of them from balance billing any health plan enrollee.

13 3. For an Order enjoining Defendants from engaging in the acts, practices, and conduct
14 constituting the bases for violations of the Act as proved at trial. Plaintiff requests a permanent
15 injunction enjoining Defendants and each of them from balance billing any health plan enrollee.

16 4. For an Order disgorging Defendants of all monies paid to Defendants by health plan
17 enrollees for emergency services rendered by Defendants, other than co-pays, deductibles, or
18 coinsurance, within the last four years.

19 5. For other such relief the Court deems just and proper.

20 Dated: July 10, 2008

21 DEPARTMENT OF MANAGED
22 HEALTH CARE

23
24 By: 

25 MICHAEL D. MCCLELLAND
26 Senior Counsel
27 Attorneys for People of the State of
28 California, by and through their
representative Lucinda A. Ehnes as Director
of the Department of Managed Health Care

EXHIBIT A

Thursday, May 8, 2008

Kaiser Permanente members targeted in hospital billing dispute

6,000 Southern California residents have received bills that Kaiser and the state say they do not owe.

BY COURTNEY PERKES

The Orange County Register

David Fowlkes returned home from work last year to find his wife, Vicki, unconscious on the couch.

An ambulance rushed her to the emergency room at West Anaheim Medical Center. The couple paid their portion of the bill – a \$250 deductible – and six days later, Vicki was released after treatment for respiratory distress.

But late last week, the Fowlkes were stunned to receive letters from the hospital and a collection service demanding \$50,739.70. They were told Kaiser had not paid the full bill and the Fowlkes had 30 days to pay or be turned over to credit bureaus.

About 6,000 Southern California Kaiser members like the Fowlkes have received billing notices over the past week from eight Prime Healthcare Services hospitals, including West Anaheim and two others in Orange County. The massive and unprecedented collection attempt is part of an accelerating dispute between Kaiser and the controversial hospital chain founded by Dr. Prem Reddy.

"We don't have the resources, nor do we owe the money," said David Fowlkes, a 61-year-old map editor.

Stung consumers are complaining to state insurance regulators about the so-called "balance billing" practice where out-of-network doctors or hospitals try to collect the difference between their charges and what the insurer paid.

For now, sending out such bills is not illegal, although state officials say consumers are not financially responsible for treatment covered in their health plans. But because patients may wrongly pay and collection efforts can be aggressive, the state is

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seeking to ban the practice. A public hearing on the proposed regulations will be held next week in Irvine.

"It's always been the department's position that an enrollee should not be balance billed for the services received," said Richard Martin, a deputy director for the California Department of Managed Health Care, adding that he has never seen collection efforts "to this magnitude."

Since May 2, about 60 Kaiser health plan members have complained to the state. By comparison, since 2004, 90 consumers have complained about efforts by a hospital or doctor to collect the remainder of a bill.

Kaiser has received thousands of calls from worried members, said Dr. Ben Chu, president of Kaiser's Southern California region. Thursday afternoon, Kaiser began calling members to assure them they are not responsible for the bills. Letters will follow next week.

"We're very upset that this has happened," Chu said. "To put our members right in the middle and to scare them completely unnecessarily and threaten to trash their credit rating is just totally uncalled for."

When Reddy bought three local hospitals in 2006 – West Anaheim, Huntington Beach Hospital and La Palma Intercommunity – he

made no secret of his unusual approach to dealing with reimbursement from health plans like Kaiser. About 385,000 Orange County residents have Kaiser insurance.

Reddy canceled HMO contracts that he said didn't pay a fair rate for care, allowing him to then bill health plans at a higher cost when their customers came to the emergency room. Additionally, he refused to automatically transfer patients to other hospitals, saying that would jeopardize patient safety.

Health plans that don't have a contract with a hospital are required to pay a reasonable rate, said Martin from the state.

"The question is what is that reasonable value?" Martin said.

And that's where the dispute lies.

In December, Reddy's three local hospitals sued Kaiser, alleging \$10 million in unpaid bills. Reddy said the for-profit hospitals can't afford to forgo fair payment for treating Kaiser's patients.

"We really don't want the patients to pay us," Reddy said. "Patients are the only messengers to the health plans. They should call and say, 'We paid you dearly, how come you don't pay for my emergency care?'"

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The bills sent to Kaiser patients advise them that they may contact Kaiser and include the HMO's toll-free number.

In March, Kaiser reached an \$8 million settlement with Tenet Healthcare over a lawsuit brought by 20 California hospitals, claiming they were owed \$16 million in bills.

Chu of Kaiser said that Prime Healthcare's hospitals have in some cases submitted outrageous charges that Kaiser has challenged.

Westminster police detective Glenn Finley spent three days at Huntington Beach Hospital last summer after experiencing chest pain. He says Kaiser paid almost \$18,000 of a \$22,000 bill. After receiving a \$4,451.42 bill last week for the difference, he filed a grievance with Kaiser.

"Hell no, I'm not going to pay," said Finley, 42. "You think people don't like being called by a collection agency, I'm going to be the other guy who calls the collection agency every day."

In the case of Vicki Fowlkes, Kaiser paid only \$7,000 of the \$57,000 bill, saying she should have been transferred to a Kaiser hospital, according to David Fowlkes. Fowlkes said he immediately notified Kaiser when his wife was taken to West Anaheim.

"I'm not medically trained and don't know what the criterion is for transfer," David Fowlkes said. "I figured Kaiser would follow through on it. I also thought the hospital would cooperate with Kaiser, which obviously they don't. We're just sort of squeezed in the middle."

The state Department of Managed Health Care is holding a public hearing Wednesday in Irvine on proposed balance billing regulations. The public is invited to comment at 10:30 a.m. at the Irvine Marriott, 18000 Von Karman Ave. To reach the department's HMO Help Center, call 888-466-2219. For information on the proposed regulations, go to the Web site for the Department of Managed Health Care .

Contact the writer: 714-796-3686 or cperkes@ocregister.com

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