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Tenet Takes Another Shot

The government is planning to indict another top California hospital official.

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Tenet's ([THC](#)) weakened immune system just took another hit.

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Late Tuesday, Tenet learned that another hospital-level executive will probably be indicted this week for her role in an alleged kickback scheme. Mina Nazaryan, associate administrator of Tenet's Alvarado Hospital Medical Center in San Diego, could face many of the same criminal charges filed in July against Alvarado CEO Barry Weinbaum. Although she is already accused of obstructing justice in the investigation, Nazaryan could land in prison if the charges prove true and she refuses to cooperate with federal authorities.

Federal investigators allege that both Nazaryan and Weinbaum arranged physician relocation agreements that rewarded doctors with illegal kickbacks. Alvarado is just one of seven Tenet-owned hospitals in the southern California region suspected of participating in the scheme.

Jim Moriarty, a Houston attorney representing hundreds of patients who are suing Tenet's Redding Medical Center in Northern California, predicted three months ago that the indictments would just keep coming.

"The real hammer is going to be when they indict people above the hospital level," said Moriarty, whose clients have accused Tenet of profiting from unnecessary surgeries at their expense. "Then the whole edifice will collapse."

For now, the market is yawning. Tenet shares, battered for months by mounting scandals, inched up 10 cents to \$14.80 in Wednesday afternoon trading.

Kicking Back

Nazaryan's indictment, expected as early as Thursday, is just the latest to result from the Tenet kickback probe. A Tenet subsidiary that owns the seven Southern California hospitals under investigation has been indicted as well. But going forward, Moriarty expects federal authorities to keep targeting individual players -- who could face jail time in addition to major fines -- in an effort to deliver justice and deter future wrongdoing.

The California Nurses Association, a vocal critic of the company, hopes the Tenet probe will ultimately bring revolutionary changes to the entire health care industry.

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"The whole structure of the industry focuses on maximizing profits and revenues regardless of the impact" on patient care, said CNA spokesman Chuck Idelson. "I doubt that this problem is unique to Tenet. ... But Tenet's record certainly speaks for itself."

Alvarado alone is accused of bribing San Diego physicians -- who referred patients to the hospital -- with more than \$10 million in illegal kickbacks between 1992 and 2002. Tenet itself is being questioned about physician contracts, dating back to 1995, for all of the southern California hospitals under scrutiny.

Tenet has already paid a record-breaking \$54 million fine to settle allegations that it profited from unnecessary surgeries at its hospital in Redding. But the kickback probe could prove even more expensive. According to *Modern Healthcare*, physician kickbacks are considered criminal offenses that call for hefty fines -- \$50,000 per violation and triple the kickbacks paid -- as well as exclusion from vital government programs like Medicare and Medicaid.

For its part, Tenet has denied any wrongdoing. The company once again defended its practices when announcing Nazaryan's possible indictment on Wednesday.

"Tenet has previously said that it believes its corporate policy on physician relocation agreements, which has been in place since 1996, is entirely appropriate under the law," the company reminded on Wednesday. "Fewer than 2.5% of Tenet physicians have relocations agreements now in place."

Still, those contracts -- an estimated 1,000 -- are vulnerable to tough government scrutiny. Along with various government agencies, the U.S. Senate is now taking a deep look at Tenet's relationships with its physicians. The Senate Finance Committee, led by health care watchdog

Charles Grassley, is looking for signs that Tenet has rewarded physicians who've boosted company profits by performing lucrative, but questionable, procedures.

Examination Table

Although the Senate is focused primarily on doctors at Redding -- where hundreds of healthy patients may have undergone risky heart operations -- it has also asked for information relating to at least one other Tenet-owned hospital in California. Specifically, the Senate is examining Tenet's arrangements with the former chief of neurosurgery at Tenet's flagship hospital in Orange County. Tenet suddenly suspended the physician's privileges after the Senate launched its probe. But by then, the physician -- Israel Chambi Venero -- had already been sued dozens of times for performing delicate brain and spinal surgeries on patients who later died or wound up disabled. Venero could ultimately lose his medical license if he's deemed a threat to hospital patients.

By now, Tenet has lost at least three of its most productive California physicians. It has also shed the senior executive who presided over the company's California operations in recent years. In March, Tenet announced that 56-year-old Neil Sorrentino would retire as executive vice president of the company's Western division. Sorrentino assumed the post in 1997, following a merger that made Tenet the second-largest hospital chain in the country. After that, Tenet went on to earn massive profits by focusing on the same lucrative specialties -- such as cardiology and neurosurgery -- that are now threatened by government probes.

Tenet has been particularly successful in its stronghold of California. But Sorrentino -- who oversaw the northern California region that includes Redding before his 1997 promotion -- now faces questions from the Senate about the company's spectacular growth.

Moriarty, for one, expects top executives to pay dearly. He points out that huge fines and penalties -- levied against Tenet after a similar scandal 10 years ago -- failed to keep the company in line.

"It looked like good triumphed over evil" at the time, he said. "But the company just merrily marched forward. ... The question you have to ask is this: Why aren't these people in jail?"

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