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Group led by doctors to acquire Alvarado

Two brothers to keep most of hospital's staff

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The two pediatrician brothers leading an investment group that plans to buy Alvarado Hospital Medical Center for \$36.5 million say they have the financial backing to overhaul the troubled San Diego hospital and to keep it open for years to come.

“We fully recognize that Alvarado has gone through some difficult times,” Dr. Pejman Salimpour said yesterday. “We are committed to making sure that its physicians and nurses will have what they need to provide excellent care.”

Tenet Healthcare announced yesterday that it had reached a deal with Salimpour, 44, and his brother, Dr. Pedram Salimpour, 37, of Sherman Oaks. The sale of the 306-bed medical center is expected to be completed by the end of the year.

The Salimpours, who have not owned a hospital before, vowed to continue operating all the hospital's departments, including its emergency room, and to retain most of its 1,000 workers.

“This is the time to put uncertainty about the future of the hospital behind us,” Pejman Salimpour said.

The Salimpours head Plymouth Health, a company formed this month to acquire the College Area hospital. They would not identify their venture capital partners or say how much of the money for the purchase and hospital upgrades will come from their own pockets.

“We have been reassured that they have the resources, both personally and through their investors, to do this,” said Dr. Theodore Mazer, president of the San Diego County Medical Society and a member of Alvarado's medical staff who has talked to the Salimpours about the deal.

The brothers own CareNex Health Services, a Los Angeles-based firm that provides patient management services to hospitals and health insurers, and they operate NexCare Collaborative, a



Dr. Pedram Salimpour



Dr. Pejman Salimpour

nonprofit that helps poor Los Angeles families find affordable health insurance and public health care services.

Pejman Salimpour is a professor of clinical pediatrics at the University of California Los Angeles School of Medicine and a former chief of pediatrics at Cedars-Sinai Medical Center in Los Angeles. In the late 1990s, he won national attention within physician circles for beating back a Los Angeles hospital's attempt to bar doctors who didn't belong to one of its contracted physician groups.

Pedram Salimpour is a member of the board of directors of the UCLA School of Public Health, a leader in the Los Angeles County Medical Association and a two-time recipient of the American College of Physicians' Research Award.

The brothers grew up in Iran and immigrated to the United States in 1979 with their parents during the height of the Islamic revolution.

Tenet struck a deal with federal prosecutors this year to sell or close Alvarado by February to end several criminal and civil cases that charged hospital administrators made illegal payments – in the form of relocation compensation – to doctors who sent patients to the hospital.

If the sale isn't completed by a February deadline, federal health care regulators will bar Alvarado from caring for Medicare and Medi-Cal patients, a move that would strangle the hospital financially.

The deal with Plymouth allayed fears that East County might lose one of its two acute-care hospitals and emergency rooms. Alvarado handles 18,000 emergency room visits, 12,000 inpatients and 56,000 outpatient cases per year.

“I'm relieved that this group has stepped up to the plate,” county Supervisor Dianne Jacob said yesterday. “The biggest hurdle is behind us, finding a buyer to keep this hospital open.”

The California Nurses Association, which represents the hospital's registered nurses, said the Salimpours have an impeccable record. “Our No. 1 concern is patient care, and these doctors have a history of working hand in hand with nurses and respecting their professional judgment,” said Jill Furillo, the CNA's Southern California director.

Highlights

What: Tenet Healthcare announced yesterday that Plymouth Health would buy its Alvarado Hospital Medical Center.

How much: Tenet said it expects \$36.5 million in proceeds from the sale.

When: The deal, which requires regulatory approval, is expected to close by the end of the year.

Who: Plymouth Health is led by Dr. Pejman Salimpour, 44, and his brother, Dr. Pedram Salimpour, 37, of Sherman Oaks.

Future: The brothers say they plan to keep the hospital and its emergency room open and to retain most of the 1,000 employees.

SOURCES: Tenet Healthcare and Plymouth

Still, the hospital and its new owners will face some tough challenges.

The sale initially attracted about 30 potential buyers, including the region's largest hospital chains – Sharp HealthCare, Scripps Health and Kaiser Permanente. But the big operators dropped out of the bidding weeks ago, citing the high purchase price and cost of seismic upgrades, physician staffing concerns, time constraints for sale completion and conflicts with other business strategies.

Alvarado needs a large infusion of cash, perhaps more than \$20 million by some estimates, to upgrade facilities neglected by Tenet in recent years. Its medical staff must be rebuilt after shrinking under the strain of the criminal probe. And recent financial losses must be reversed. In 2005, the hospital lost \$15.7 million, according to Ingenix, an Eden Prairie, Minn., hospital researcher.

The hospital also needs as much as \$70 million in upgrades to meet state earthquake safety standards.

San Diego health care industry consultant Nathan Kaufman said the Salimpours face an uphill battle made more difficult by their lack of experience running a medical center. “It clearly isn't a place to learn your trade on the job,” he said.

One of the biggest challenges will be negotiating reimbursement rates from private insurers that are high enough to subsidize the lower prices paid by government health care programs and the cost of care for uninsured patients, Kaufman said.

Pejman Salimpour said Alvarado should benefit from the “collaborative relationships” that he and his brother have with the state's largest medical plans through CareNex, their patient management services firm.

The new owners also must persuade physicians and patients who have left Alvarado in recent years to come back to the hospital.

That requires making some long-neglected cosmetic improvements to the 34-year-old hospital as well as investing in more substantial upgrades, such as expanding the undersized emergency department and installing an advanced computerized patient record system, said Mazer, the Alvarado staff member.

“Nobody is looking at this with rose-colored glasses,” he said. “This is going to be a difficult endeavor.”

Mark Liston, chief financial officer of Community Partners, a Tulsa, Okla.-based hospital chain, said many physicians who become hospital owners run into problems because they lack the business acumen demanded to operate in the complex and highly regulated industry. The Salimpours might avoid those pitfalls if they leave the job of running Alvarado to a seasoned management team, he said.

Pejman Salimpour said he and his brother have no plans to move to San Diego to run the hospital. He wouldn't elaborate yesterday.

“Doctors need to understand their roles,” Liston said. “They were trained as physicians, not as a business persons. If you understand that distinction, then you will be fine.”

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