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Valley Doctors' Latest Patient Requires Intensive Care

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For all of their professional careers, Drs. Pejman and Pedram Salimpour – following their father's example – could never resist helping a sick child.

So it wasn't totally startling that one of the San Fernando Valley's best known physician families decided to take the case of Tenet Healthcare Corp.'s ailing Alvarado Hospital, which the brothers purchased for \$22.5 million on Jan. 1.

Never mind that the pediatrician brothers have never owned a hospital before, or that San Diego-based Alvarado is more than 140 miles from the medical practice their father established in the Valley when the family fled Iran in the early 1980s after the revolution there.

"If it closes it will affect thousands of people, so its success will not only be a business success for us but a personal one," said Pejman Salimpour, 45, a former clinical chief of pediatrics at Cedars-Sinai Medical Center, who juggles a patient load and a teaching role as a professor of clinical pediatrics at UCLA David Geffen School of Medicine.

The brothers won't find it easy to turn around the 306-bed Alvarado, which lost more than \$3 million in 2005 and was the subject of a three-year federal probe into charges that some doctors were paid kickbacks for referring patients to the hospital. Two trials related to the case ended in hung juries, but Tenet was forced to sell the hospital as part of a government settlement.

Every other major hospital operator in town passed on making a serious bid when Tenet put it on the market last June. The Salimpour brothers made a few casual inquiries and believed it was a potential diamond in the rough.

They formed Plymouth Health and came forward with their offer, backed by group of private investors led by Los Angeles-based Omninet Capital LLC., whose co-founder Parviz Nazarian is Pejman Salimpour's father-in-law.

"I think Tenet knew that not only did we have the resources to keep the hospital open but also have the sophistication," said Pedram Salimpour. "As physicians who have lived in hospitals all our lives, we understand what doctors need in order to practice medicine."

Plymouth is the first health care industry investment for Omninet, which is better known for its early investment in the San Diego-based wireless communications giant Qualcomm Inc. But Ben Nazarian, Parviz Nazarian's son and another Omninet principal, said the Salimpours had more to offer than family ties when they approached his firm.

"They're both doctors and businessmen and we believe that gives them a unique perspective," Nazarian said. "We also have a special relationship with the San Diego area, and believe that with the right owners and management, Alvarado has the opportunity to become a premier hospital again."

Whether they can succeed in turning around the hospital is, for now, an open question. One complication is that the hospital serves a high percentage of Medicare and Medi-Cal patients, which means low reimbursements. Furthermore, the hospital has long suffered from below-average reimbursement rates from private payers, too.

Nathan Kaufman, managing director of San Diego-based health care consultant Kaufman Strategic Advisors, said that with Medicare proposing to slash its budget by \$17.4 billion next year and consolidation in the health insurance industry increasing the bargaining leverage of insurers, this is not an easy time for a stand-alone hospital.

“How is the hospital industry going to make up the Medicare cuts? By getting more out of Blue Cross,” Kaufman said. “And good luck with that if you’re not a market leader like Cedars-Sinai.”

For their part, the Salimpours note that Plymouth has hospital consultants advising them and they worked closely with Tenet after the deal was announced to bring an experienced hospital administrator on board after the hospital’s chief executive quit before the deal closed.

Significantly, the final sale price was well below the \$36.5 million announced last October and less than half the reported \$50 million that Tenet originally sought for the hospital. The money saved will help the Salimpours as they work with the post-Tenet management team to determine what capital improvements need to be made at the hospital, in addition to an estimated \$70 million in earthquake retrofitting.

The brothers also believe that the relationships that they have built with HMOs through other businesses have helped in negotiating new reimbursement contracts.

Another advantage: While many Los Angeles hospitals have more licensed beds than they can afford to staff, San Diego has a bed shortage, Pejman Salimpour said. That works in Plymouth’s favor during negotiations with third-party payers that can’t afford to lose another network hospital in the region.

“No hospital can survive if it continues to lose money, so in order for this to work, we need fair, reasonable reimbursement rates,” Pejman Salimpour said, noting that Plymouth won modest contract increases with all but two of the hospital’s main third-party payers, where negotiations continue. “We have a ways to go, but this is a good start.”

Business background

While new to the role of hospital ownership, the Salimpour brothers are no business neophytes. They operate CareNex Health Services, headquartered in the same Sherman Oaks building as the main Salimpour Pediatric Medical Group clinic where they are partners with their father. CareNex provides neonatal patient management services to hospitals and health insurers in three states, with Blue Cross of California its biggest client. They’ve had other business ventures.

Unlike their father, the brothers embrace a dual role as entrepreneurs as well as caregivers.

“I was never interested in the business side of medicine,” said Dr. Rafatollah “Ralph” Salimpour, who initially discouraged Pejman Salimpour’s business ventures. “I was skeptical. But he believed he would be

successful and that it could be a better way of serving people, helping more needy people who are in pain.”

Ralph Salimpour, whose memoirs will be published this month, said the experience of his Persian Jewish family fleeing Tehran with little more than their clothing and few personal effects, likely had a strong impact on his children’s character.

“They saw that everything that we had could be shattered overnight and that they had to build their own future,” said Ralph Salimpour, who also has two grown daughters who are entrepreneurs. His wife Farah runs the business end of his medical practice. “The two boys are so close to each other, so synchronized, that they can do things much better than alone.”

After moving to the United States, Ralph Salimpour Americanized his first name and established what today is a three-office physician practice that employs 15 doctors and nurse-practitioners.

His sons admit they considered other professions in their youth, but were drawn back to medicine by the example set by their father, who traveled abroad frequently to lecture on his research on childhood malnutrition and neonatal conditions. Pedram Salimpour, 37, says he’s still in awe that his father’s clientele ranges from the children of Hollywood studio executives to Central Valley working-class families for whom a tank of gasoline is a significant expense.

Pedram Salimpour considered a specialty in urology, becoming a prolific medical journal author while still a student at Boston University School of Medicine. Under the tutelage of noted sexual medicine expert Dr. Irwin Goldstein, he participated in clinical trials for Viagra, and also conducted a highly publicized study that tied erectile dysfunction to frequent bicycle riding. He’s now a two-time recipient of the American College of Physicians’ Research Award.

But by 2002 he was back in Los Angeles, enrolled in the pediatrics residency program at L.A. County-USC Medical Center. Meanwhile, Pejman Salimpour was working with this father and establishing his own practice after graduating from Washington University School of Medicine and completing his pediatrics residency at Harbor-UCLA Medical Center in 1990.

After he and other clinic doctors were barred from one Valley hospital’s neonatal intensive care unit because of the hospital’s exclusive contract with a specialty group, he helped lead a successful effort in 2000 to get state regulators to crack down on the practice.

The brothers will need their soft-spoken charm to win over hospital staff, San Diego community leaders and the third-party payers the hospital will need to survive. Their commitment to help people could help, too.

“They have tremendous pride in their profession,” said Dr. David Aizuss, president-elect of the Los Angeles County Medical Association. “At a time when you hear doctors complaining about insurance companies, third-party payers and this and that, the Salimpours look beyond that and focus on their relationship with their patients. They consider it an honor to take care of people.”

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