

# Tenet Tangles With California Blue Cross

*The big health care organization is 'shocked' by findings of a hospital study in the state.*

By [Melissa Davis](#)

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Tenet ( [THC](#) ) continues to make others heartsick.

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The giant hospital operator -- once a self-proclaimed leader in the area of cardiac care -- has now left its biggest home-state health insurance company feeling rather ill. Blue Cross of California told *TheStreet.com* on Monday that it was "shocked" to discover an extraordinary rate of unnecessary heart procedures at the only two Tenet facilities it has scrutinized so far -- a finding that provoked it to withdraw coverage of certain operations at one of those hospitals.

"Three independent, blinded experts who did not know what they were looking at uniformly agreed that the surgical procedures were not indicated," said Jeff Kamil, a physician at the big insurance company. "The overall results said that 73% of the patients evaluated did not need surgery."

The "highly placed, highly esteemed" experts -- hailing from the Mayo Clinic, Stanford University and the University of Pennsylvania -- began reviewing past heart-bypass surgeries at two Tenet facilities after one of hospitals, Redding Medical Center, came under heavy fire last year. The physicians ultimately concluded that 83% of the procedures at Redding were unwarranted. But they also determined that 59% of the bypasses at neighboring Doctors Medical Center in Modesto -- a hospital overshadowed by Redding so far -- were unnecessary as well.

"Redding was probably worse than we expected," Kamil said. "But Modesto was a true surprise."

Blue Cross took no immediate action against Redding because it has shut down its heart program already. But it requested that Modesto halt future heart bypasses until a thorough investigation of the hospital's heart program could be conducted.

"They declined to do that," said Blue Cross spokesman Michael Chee. "That is, in fact, what triggered the termination" of Blue Cross coverage of elected bypasses at the facility.

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Beginning Nov. 30, Blue Cross will no longer reimburse Tenet's Modesto hospital for the procedures. It will also now review Tenet's other heart programs in the state.

"We have to," Kamil said simply. "The Tenet system has 24 to 26 hospitals in California. We'll probably look at all ... or most of those that do these procedures."

## Blowback

Late Monday, Tenet suddenly took an aggressive stand against the big California insurer. The company said it was "outraged" that Blue Cross had shared its findings in a front-page story with the *Los Angeles Times* -- just days after making the results available to Tenet itself -- and even threatened legal action against the insurance company.

"If Blue Cross of California does not immediately and unconditionally withdraw its notice of termination, Doctors Medical Center will have no choice but to consider BCC's actions an unlawful repudiation of the agreement, and it is prepared to take whatever legal action is necessary to protect its rights and pursue all of its remedies in that case," wrote Rod Stone, Tenet's deputy general counsel. "BCC should also be aware that Tenet and DMC are currently investigating any claims that they and others may have against BCC in connection with its communications with any third parties."

In closing, Stone urged Blue Cross to immediately contact the company so that the two parties "may discuss how to begin repairing the unnecessary damage that has been done in the past three days to an otherwise long and beneficial association."

By then, however, another powerful player had already jumped into that dialogue. Senate Finance Committee Chairman Charles Grassley, who's leading one of two congressional probes into Tenet's business practices, on Monday issued a letter requesting information related to the Blue Cross study. After being shunned by Tenet itself, which has yet to produce the findings of its own review at Redding, Grassley asked Blue Cross to deliver the findings of its study -- and the information on which those findings are based -- over the next two weeks.

Tenet has since downplayed the Blue Cross survey.

"BCC's sample size represents roughly 1.2% of the total coronary artery bypass graft patient population during the review period," Stone argued.

## More Study

But earlier on Monday, Blue Cross told *TheStreet.com* that its sample was in fact significant. The company said it reviewed 52 -- or between 17% and 26% -- of the heart bypasses performed on Blue Cross patients at the two Tenet hospitals over the past several years.

Kamil admitted that the sample may not seem particularly large for the two busy cardiac centers overall. But, he added, "it was a huge sample of our patients."

With its reviewers and methodology already in place, Kamil said, Blue Cross is now ready to study other Tenet facilities.

"Any further reviews would be shorter ... hopefully six to eight weeks," he said.

Blue Cross currently has contracts with most of Tenet's California facilities. Redding, which once ranked as the most profitable of the lot, would have lost Blue Cross reimbursements for heart bypasses if the hospital still performed them.

In the meantime, Redding could still lose its eligibility to participate in crucial government health care programs. Medicare has already threatened to revoke Redding's privileges unless the hospital -- which has already paid a record-breaking fine for performing unnecessary surgeries -- can sway it to do otherwise. And two other government programs, Medi-Cal and County Medical Services Program, have since come forth will altogether new allegations against the facility.

This week, the California Department of Health Services said Redding had overcharged the two state programs by nearly \$12 million, \$4 million of which is still outstanding. To increase payments from the agencies, CDHS said, Redding inflated billing charges, manipulated Medi-Cal billing codes, inappropriately recorded costs and charges, consistently reported cost-report errors that favored the hospital, submitted undocumented depreciation expenses and unsubstantiated interest expenses charges and inflated workers' compensation costs.

"We are very concerned about the number and severity of discrepancies found at Redding Medical Center," said Diana Ducay, deputy director of CDHS Audits and Investigations. "We will further expand our audits of all Tenet facilities in California to ensure that these inconsistencies are not widespread. We will refer our audit findings to the state Department of Justice, the FBI and federal Centers for Medicare and Medicaid Services."

In the meantime, the state agency has given cash-strapped Tenet 60 days to repay the balance of what it says it is still owed.

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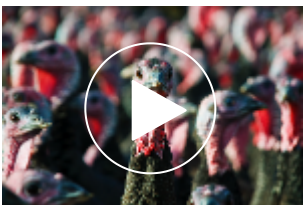
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