



NEWS RELEASE

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**OFFICE OF THE UNITED STATES ATTORNEY
SOUTHERN DISTRICT OF CALIFORNIA
San Diego, California**

**United States Attorney
Carol C. Lam**

For Further Information, Contact: Assistant U.S. Attorney Daniel E. Butcher (619) 557-5927

For Immediate Release

NEWS RELEASE SUMMARY

United States Attorney Carol C. Lam announced today that a federal grand jury in San Diego has handed up a 17-count indictment charging Tenet Health System Hospitals, Inc. and Alvarado Hospital Medical Center, Inc. with criminal violations relating to payments to physicians to induce them to refer patients to Alvarado Hospital. Barry Weinbaum, Alvarado Hospital's CEO, previously was indicted on June 5, 2003, and remains a defendant in the superseding indictment filed today.

According to the indictment, from 1992-2002, Tenet HealthSystem and Alvarado Hospital paid over \$10,000,000 to fund more than 100 Physician Relocation Agreements, purportedly to recruit needed medical services to the Alvarado service area. The indictment alleges, however, that established physicians other than the recruited doctors received a substantial portion of this Relocation Agreement money to induce them to refer patients to Alvarado Hospital.

The indictment alleges that the hospital paid substantial sums of money not only to doctors recruited to the Alvarado service area, but also to the "host" medical practices with whom the recruited doctors were placed, in exchange for patient referrals. Among the arrangements described in the indictment were Relocation Agreements with four physicians who joined the practice of Dr. Paul Ver Hoeve, located in the Alvarado service area.. The defendants arranged for Ver Hoeve personally to receive at least \$600,000 of that Relocation Agreement money. The indictment also charges that defendants arranged for physicians practicing in the Mid-City Medical Group to receive \$230,000 in Relocation Agreement

money, after the physicians solicited funds from the hospital while promising that the "patient load that we are capable to expand will definitely help to increase the flow of admissions to the Alvarado Hospital Medical Center."

United States Attorney Lam said, "Kickbacks to doctors can wear many disguises, including sham relocation agreements. They are still kickbacks, they are still illegal, and they threaten the integrity of our medical system."

Federal law prohibits providing any benefit to induce the referral of any patient insured by Medicare, Medicaid or any other Federal health care program, according to Assistant United States Attorney Daniel E. Butcher, who is prosecuting the case. The law prohibits such payments whether they are direct or indirect, overt or covert.

Defendants Tenet HealthSystem Hospitals, Inc. and Alvarado Hospital Medical Center, Inc. are wholly-owned subsidiaries of Tenet Healthcare Corporation. In 1994, Tenet (then known as National Medical Enterprises), entered criminal guilty pleas and paid the United States \$325,000,000 to settle an investigation into, among other things, paying illegal remunerations to physicians to induce referrals to certain of its psychiatric hospitals. Tenet also agreed to implement a five-year corporate integrity program to prevent future violations of law in connection with that settlement.

The 17-count indictment charges defendants with one count of conspiring to violate the federal anti-kickback statute, and with 16 counts of offering and paying illegal remunerations. Each count carries a maximum penalty of five years imprisonment, and a \$25,000 fine.

Defendants are expected to be arraigned on the superseding indictment tomorrow at 10:00 a.m. by the Honorable M. James Lorenz, United States District Judge.

United States Attorney Lam praised the efforts of the United States Department of Health and Human Services, the Federal Bureau of Investigation, and the Internal Revenue Service Criminal Investigation, which jointly investigated the case.

DEFENDANTS

BARRY WEINBAUM

TENET HEALTHSYSTEM HOSPITALS, INC.

ALVARADO HOSPITAL MEDICAL CENTER, INC.

SUMMARY OF CHARGES

COUNT 1 Conspiracy in violation of Title 18, United States Code, § 371

COUNTS 2-17 Offering and paying illegal remunerations in violation of Title 42, United States Code, § 1320a-7b(b)(2) and aiding and abetting in violation of Title 18, United States Code, § 2.

AGENCIES

United States Department of Health and Human Services
Federal Bureau of Investigation
Internal Revenue Service Criminal Investigation

An indictment itself is not evidence that the defendants committed the crimes charged. The defendants are presumed innocent until the Government meets its burden in court of proving guilt beyond a reasonable doubt.