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CLOSE-UP: HARRIS KOENIG

## Gradual improvements keep Alvarado CEO focused on future, not past

By **BRIE IATAROLA**, Special to the Daily Transcript

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Although the road to recovery takes time, CEO Harris Koenig believes every day **Alvarado Hospital** makes progress.

Since January 2007, Koenig, current owners Pejman and Pedram Salimpour, and their management team have tried to distance the 311-bed medical center in East County from the costly aftermath of a scandal that erupted in 2005 under Tenet HealthSystem, a subsidiary of Dallas-based **Tenet Healthcare Corp.** (NYSE: THC). Federal prosecutors claimed that over the course of a decade, physicians received more than \$10 million in illegal kickbacks disguised as "relocation payments" from Tenet, Alvarado and its former CEO Barry Weinbaum for referring patients to the hospital.

After two mistrials and a notice from the U.S. Department of Health & Human Services' Office of General Inspector that threatened to deny Alvarado access to Medicare, Medicaid and other federal health care programs, Tenet Healthcare (which never admitted guilt) agreed to sell the hospital and pay the government \$21 million. By the time the Salimpour brothers and their investment group **Plymouth Health** shelled out \$22.5 million for the beleaguered medical institution, Alvarado already had declared \$1.8 million in losses for the first six months of 2006, its reputation in shambles.

"We had financial challenges to overcome," said Koenig (pronounced KAY-nig), who served as Alvarado chief operating officer from 1995 to 1998 and returned when the Salimpour brothers, a duo from Los Angeles who specialize in pediatrics, took over. "We had some vacancies in management that we had to fill. We needed to restore the image of Alvarado in the public's eye."

### The independent's progress

For the last year and a half, reviving the stand-alone hospital is what Koenig, 57, and his teammates have tried to do. Recent company data suggests efforts are paying off.

Alvarado's sexual medicine program has garnered national attention. Medical-staff membership has jumped 28 percent since Oct. 25, 2007. The total emergency-room length of stay -- from first point of arrival through triage, treatment and final discharge from the ER -- dropped from an average of 3.67 hours to 2.76 hours. And total admissions between 2006 and 2007 grew from 7,513 patients to 8,169, or 8.7 percent.

"We are seeing a resurgence of people selecting Alvarado as a place to receive care," Koenig said, crediting the new owners, a bolstered medical work force, loyal employees and volunteers for giving the hospital more of a "family feel."

"There were physicians that had moved away from Alvarado prior to the ownership, and they have started to come back," he said. "Many physicians are beginning to select Alvarado as a place to practice."

Furthermore, employee turnover rates -- which were nearly twice the average in the health care industry under Tenet's rule -- have been cut in half, and Alvarado changed its ER physician management group, enlisting the services of **Emergency Medical Associates**. As a result, diversion time dropped to nearly zero.

"When hospitals' emergency rooms get overcrowded to the extent that all their beds are full and there is a waiting line, the care might be delayed because of overcrowding," Koenig explained. "Our staff is energized. We've been able to decrease our overcrowding. ... We have been seeing more patients in the emergency room, and we've applied more resources there. Our overcrowding situation is greatly mitigated in the emergency room."

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Along with these changes, Alvarado recently became one of only 150 hospitals nationwide to receive the Joint Commission for Primary Stroke Center's "Gold Seal of Approval," a certification that identifies how a hospital's stroke care program exceeds national standards for patients.

"All of those things put together are a large attraction to be part of the Alvarado team," Koenig said.

### Challenging future

As is the case with the majority of hospitals across the country, however, pricey hurdles still block Alvarado's path to financial success. Considering many California patients utilize Medi-Cal and Medicare for health insurance, others question how an independent hospital can survive while coping with an underinsured populace, seismic retrofits, ballooning fees and state budget cuts.

"I think as a management principle for a hospital that people in the community want to go to facilities that provide high-quality, compassionate care," Koenig said. "At the end of the day, the people in the community make those decisions in combination with their physicians... (and) you're judged by the quality of care that you provide. I think that's how a single hospital can be successful."

Insurance companies and the government also constantly pressure hospitals to restrain costs. In mid-May, for instance, a judge ruled in Blue Shield of California's favor that Alvarado could not negotiate higher rates for its services, and it must accept terms of a contract previously negotiated when Tenet owned the hospital.

"We respectfully disagree with the judge's opinion on this," Koenig said. "We have all the major insurance companies that we have contracts with, though, and are very pleased about that -- because that provides access for all of the area folks and people from outside the area."

Despite the challenges, dark clouds that once shadowed Alvarado seem to be clearing.

"Our vision for Alvarado is to be recognized as one of the leading providers of health care in the region as measured in using any metric -- whether it's quality, efficiency, growth, recognition," Koenig said. "We have the ingredients and the energy of the Salimpour brothers. I am certain we'll be able to achieve that."

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