



Kern Health settles lawsuit with ER docs

BY STEVEN MAYER, Californian staff writer

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Two lawsuits between a local Medi-Cal agency and a group of doctors that spawned a controversial audit costing taxpayers nearly \$8 million has been settled.

According to the terms of the settlement signed earlier this month by representatives of Kern Health Systems and Emergency Medical Services Group, KHS agreed to pay the emergency room doctors an estimated \$1 million, including a \$575,000 lump-sum payment, a past payment and adjustments in future payments to the doctors.

But the settlement leaves lots of questions unanswered, including why KHS, a taxpayer-funded agency, spent millions on an investigative audit that, in light of this settlement, appears to have returned not a penny to taxpayers.

Terry Hilliard, the business administrator for the doctors' group, said a check for \$575,000 was received Wednesday night via wire transfer from KHS.

In addition, he said, the ER doctors will keep \$195,000 KHS paid the group in March 2008.

Beyond the cash payments, there are thousands of additional ER claims that KHS must pay at the new case rate of \$75. The difference -- Hilliard estimated at around \$60,000 -- must be paid within 30 days.

The new case rate means KHS will pay the group approximately \$15,000 more per month going forward, he said.

"This is a big victory for the doctors," Hilliard said. "KHS could never show us one solitary claim that was overbilled."

The biggest losers, he said, are taxpayers who paid the bill for an \$8 million audit approved by Kern Health CEO Carol Sorrell and conducted by Southern California-based Allied Management Group.

"I've been in the medical field about 23 years," Hilliard said. "Nobody I've talked to can understand this whole audit thing."

A second cross-complaint in which KHS claimed the doctors' group fraudulently overcharged the Medi-Cal administrator is over as well.

"We're very pleased we reached an agreement with EMSG on the terms we originally offered them," Sorrell said Thursday. "I'm glad this episode is past so we can get back to doing what we do best."

The total amount KHS alleged the San Joaquin Community Hospital-based ER doctors overbilled was more than \$1 million since 2005, Sorrell estimated.

So why spend close to \$8 million on an audit to recover \$1 million in overbilling?

It was that question and the related scandal that nearly tore apart KHS earlier this year. When Sorrell and others in the organization later admitted that KHS executives and board members were not fully aware of the huge payments being made to Allied in 2008 and 2009, the Kern County Board of Supervisors forced the organization to adopt several reform measures.

Since then, Kern Health's chief financial officer, general counsel and multiple board members have resigned. Term limits were adopted for board members and strict guidelines were set for purchasing and any new contract agreements of \$10,000 or more.

Asked if she would hire Allied again if she had it to do all over again, Sorrell didn't hesitate.

"No!" she said.

"We are now having discussions with AMG on the amount of money we paid them," she said. "I can't say any more about that."

Al Wagner, a newer board member who has been a strong advocate for transparency and reform at KHS, said he hopes the settlement will allow KHS to concentrate on its core mission, managing the medical care for Kern County's poorest residents.

"I want to see KHS pursue the millions of dollars paid to Allied Management Group for an audit that went nowhere," he said. "Not only that, I think it's time we cut ties to Allied completely."

"We pay Allied close to \$100,000 a month for claims processing. I think this should stop."

Despite the difficult and painful scandal over the past eight months, Sorrell said she believes the reforms in purchasing and procurement have been beneficial.

The changes at KHS, she said, "will certainly prevent something like this from happening again."