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6 Attorneys for Defendants Prime Healthcare  
Services, Inc. *et. al.*  
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9 **UNITED STATES DISTRICT COURT**  
10 **CENTRAL DISTRICT OF CALIFORNIA**

11 UNITED STATES OF AMERICA, ex  
12 rel KARIN BERNTSEN,

13 Plaintiff,

14 vs.

15 PRIME HEALTHCARE SERVICES,  
INC.; PRIME HEALTHCARE  
16 SERVICES ALVARADO, LLC; PRIME  
HEALTHCARE SERVICES GARDEN  
17 GROVE, LLC; PRIME HEALTHCARE  
HUNTINGTON BEACH, LLC; PRIME  
18 HEALTHCARE LA PALMA, LLC;  
DESERT VALLEY HOSPITAL, INC.;  
19 PRIME HEALTHCARE SERVICES  
FOUNDATION, INC.; PRIME  
20 HEALTHCARE SERVICES ENCINO,  
LLC; VERITAS HEALTH-SERVICES  
21 INC.; PRIME HEALTHCARE  
SERVICES MONTCLAIR LLC; PRIME  
22 HEALTHCARE PARADISE VALLEY,  
LLC; PRIME HEALTHCARE  
23 SERVICES SAN DIMAS, LLC; PRIME  
HEALTHCARE SERVICES SHASTA,  
24 LLC- PRIME HEALTHCARE  
SERVICES II, LLC; PRIME  
25 HEALTHCARE ANAHEIM, LLC; DR.  
PREM REDDY, and DR. LUIS LEON,

26 Defendants.  
27

CASE NO. CV 11-08214 PJW (MG)

(Assigned to Judge Patrick J. Walsh)

**DEFENDANTS' ANSWER TO  
FOURTH AMENDED  
COMPLAINT**

**[DEMAND FOR JURY TRIAL]**

28 Defendants Prime Healthcare Services, Inc., Prime Healthcare Services, Inc.,

1 Prime Healthcare Services Alvarado, LLC, Prime Healthcare Services Garden  
 2 Grove, LLC, Prime Healthcare Huntington Beach, LLC, Prime Healthcare La  
 3 Palma, LLC, Desert Valley Hospital, Inc., Prime Healthcare Services Foundation,  
 4 Inc., Prime Healthcare Services Encino, LLC, Veritas Health-Services, Inc., Prime  
 5 Healthcare Services Montclair, LLC, Prime Healthcare Paradise Valley, LLC,  
 6 Prime Healthcare Services San Dimas, LLC, Prime Healthcare Services Shasta,  
 7 LLC, Prime Healthcare Services II LLC, Prime Healthcare Anaheim, LLC, Dr.  
 8 Prem Reddy, and Luis Leon (collectively, “Defendants”), by and through their  
 9 attorneys of record, hereby respond to the allegations of the Fourth Amended  
 10 Complaint, and allege affirmative defenses, as follows:

11 1. Defendants deny the allegations in paragraphs 1 through 4.

12 2. Defendants admit the allegations contained in paragraphs 5 through 7  
 13 only to the extent that jurisdiction requirements in the Fourth Amended Complaint  
 14 appear to be facially satisfied.

15 3. Defendants deny the allegations in paragraph 8.

16 4. Defendants admit that Relator is an RN who has been employed by  
 17 Alvarado Hospital as the Director of Quality and Risk Management and then as the  
 18 Director of Case Management, but otherwise lack sufficient information to admit or  
 19 deny the allegations in paragraph 9 and therefore deny them.

20 5. Defendants admit that Prime Healthcare Services, Inc. (“PHS”) is a  
 21 Delaware corporation with its primary place of business at 3300 East Guasti Road,  
 22 Ontario, San Bernardino County, California 91761, PHS was founded by Dr. Prem  
 23 Reddy in 2001, Dr. Reddy is the founder and Chairman of the Board of PHS, PHS’s  
 24 business model includes acquiring and saving financially distressed hospitals from  
 25 closing down and educating staff physicians about documentation and billing,  
 26 Chino Valley Medical Center was the second hospital acquired by PHS when it was  
 27 in bankruptcy, and PHS owns the subsidiaries operating the 14 hospitals in  
 28

1 California described in paragraph 10, but otherwise deny the allegations in  
2 paragraph 10.

3 6. Defendants admit the allegations in paragraphs 11 and 12.

4 7. Defendants admit that Dr. Reddy is the founder and Chairman of the  
5 Board of Directors of PHS, but otherwise deny the allegations of paragraph 13.

6 8. Defendants admit that Luis Leon is the CEO of Alvarado Hospital  
7 Medical Center (“Alvarado”) as well as Paradise Valley Hospital, but otherwise  
8 deny the allegations of paragraph 14.

9 9. The allegations contained in paragraphs 15 through 23 are not facts,  
10 but rather conclusions of law or recitations of the law and/or narratives regarding  
11 the effect of the law, to which no responsive pleading by Defendants is required.

12 10. Defendants admit that Alvarado was acquired in November 2010,  
13 Luis Leon was appointed the CEO of Alvarado, Dr. Prem Reddy is the Chairman of  
14 PHS’s Board of Directors and has been board certified in cardiology and internal  
15 medicine, but otherwise lack sufficient information to admit or deny the allegations  
16 in paragraph 24 and therefore deny them.

17 11. Defendants admit that Alvarado treats many Medicare and Medi-Cal  
18 beneficiaries, and initially treats many of its patients in the emergency room, but  
19 otherwise lack sufficient information to admit or deny the allegations in paragraph  
20 25 which are vague as to time and therefore deny them.

21 12. Defendants admit that Relator was the Director of Quality and Risk  
22 Management at Alvarado, but otherwise lack sufficient information to admit or  
23 deny the allegations in paragraph 26 and therefore deny them.

24 13. Defendants admit that Darlene Wetton was a CFO at Alvarado and  
25 later resigned and Thomas Young, M.D. was a Chief of the Department of  
26 Medicine, but otherwise lack sufficient information to admit or deny the allegations  
27 in paragraph 27 and therefore deny them.

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1           14. Defendants admit that PHS replaced the Alvarado admission forms  
2 with PHS admission forms that are generally used at PHS hospitals, PHS used a  
3 Form Fast system, and Alvarado's MEC requested that an observation check-off be  
4 added to PHS admission forms, but that PHS instead decided to use a separate  
5 observation form document observation care cases, but otherwise deny the  
6 allegations in paragraph 28.

7           15. Defendants admit that PHS dismissed many Alvarado employees after  
8 acquiring the hospital in November 2010 and held certain education meetings with  
9 Alvarado hospitalists, some of which may have been attended by Dr. Reddy, but  
10 otherwise deny the allegations in paragraph 29.

11           16. Defendants deny the allegations in paragraphs 30 through 31.

12           17. Defendants admit that Joseph Ingranda was an Alvarado coder and  
13 Lori Cradle was an Alvarado coding supervisor who both resigned after PHS  
14 acquired Alvarado, but otherwise lack sufficient information to admit or deny the  
15 allegations in paragraph 32 and therefore deny them.

16           18. Defendants admit that Alvarado uses the InterQual criteria, but  
17 otherwise deny the allegations in paragraph 33.

18           19. Defendants deny the allegations in paragraph 34.

19           20. Defendants admit that Dr. Larry Edmur was a physician at Alvarado  
20 and is currently its Chief Medical Officer, but otherwise deny the allegations in  
21 paragraph 35.

22           21. Defendants deny the allegations in paragraphs 36.

23           22. Defendants admit that Tammy Russell was an Alvarado emergency  
24 department manager and Dr. Donald Saltee was an Alvarado emergency room  
25 physician, but otherwise deny the allegations in paragraph 37.

26           23. Defendants deny the allegations in paragraphs 38 through 39.

27           24. Defendants admit that Marianna Martinez was the Director of Health  
28

1 Information Systems at Alvarado, but otherwise deny the allegations in paragraph  
2 40.

3 25. Defendants admit that Dr. Fredrick Howden was a cardio-thoracic  
4 surgeon at Alvarado, but otherwise deny the allegations in paragraph 41.

5 26. Defendants deny the allegations in paragraph 42.

6 27. Defendants admit that Brian Kleven was an Alvarado CFO, but  
7 otherwise deny the allegations in paragraph 43.

8 28. Defendants deny the allegations in paragraphs 44 through 52.

9 29. Defendants admit that Ann Davis was a San Dimas Hospital social  
10 worker, and that Desiree Hawkins was a San Dimas Hospital case management  
11 director, but otherwise deny the allegations in paragraph 53.

12 30. Defendants admit that Janice Brown was a Paradise Valley Hospital  
13 case manager, and that Neerav Jadeja was a Paradise Valley Hospital employee, but  
14 otherwise deny the allegations in paragraph 54.

15 31. Defendants admit that Luis Leon was the CEO of Alvarado Hospital  
16 and Paradise Valley Hospital and attended meetings with Alvarado case managers  
17 and hospitalists, but otherwise deny the allegations in paragraph 55.

18 32. Defendants lack sufficient information to admit or deny the allegations  
19 in paragraph 56 and therefore deny them.

20 33. Defendants admit that EMA has had contracts with various PHS  
21 hospitals to staff emergency rooms, including, Alvarado, Centinela Hospital  
22 Medical Center, Chino Valley Medical Center, Encino Hospital Medical Center,  
23 Huntington Beach Hospital, La Palma Intercommunity Hospital, Montclair Hospital  
24 Medical Center, San Dimas Hospital, and Sherman Oaks Hospital, but otherwise  
25 deny the allegations in paragraph 57.

26 34. Defendants admit that Dr. Mark Bell is an owner of EMA, but  
27 otherwise deny the allegations in paragraph 58.  
28

1           35. Defendants admit that Dr. Kevin Kelly was the EMA medical director  
2 at Alvarado, but otherwise deny the allegations in paragraph 59.

3           36. Defendants deny the allegations in paragraph 60.

4           37. Defendants admit that PHS used a Forms Fast system, and that Ann  
5 Abe was a PHS corporate employee, but otherwise deny the allegations in  
6 paragraph 61.

7           38. Defendants admit that Shirlee Meadows was the Alvarado admissions  
8 director, and that April Jones was a PHS corporate employee, but otherwise deny  
9 the allegations in paragraph 62.

10          39. Defendants lack sufficient information to admit or deny the allegations  
11 in paragraph 63 and therefore deny them.

12          40. Defendants deny the allegations in paragraphs 64 through 68.

13          41. Defendants admit that Suzanne Richards was a PHS Vice President of  
14 Clinical Operations and later its Chief Compliance Officer, and that Ann Abe was a  
15 PHS corporate employee, but otherwise lack sufficient information to admit or deny  
16 the allegations in paragraph 69 and therefore deny them.

17          42. Defendants deny the allegations in paragraphs 70 through 75.

18          43. Defendants admit that Dr. Butera was a staff physician at Alvarado,  
19 but otherwise deny the allegations in paragraph 76.

20          44. Defendants deny that they treat patients with inappropriate and  
21 medically unnecessary drugs, and lack sufficient information to admit or deny the  
22 remaining allegations in paragraph 77 and therefore deny them.

23          45. Defendants deny the allegations in paragraphs 78 through 79.

24          46. The allegations contained in paragraph 80 are not facts, but rather  
25 conclusions of law or recitations of the law and/or narratives regarding the effect of  
26 the law, to which no responsive pleading by Defendants is required, or are  
27 allegations as to which Defendants otherwise lack sufficient information to either  
28

1 admit or deny and therefore deny them.

2 47. Defendants deny the allegations in paragraphs 81 through 82.

3 48. The allegations contained in paragraphs 83 through 86 are not facts,  
4 but rather conclusions of law or recitations of the law and/or narratives regarding  
5 the effect of the law, to which no responsive pleading by Defendants is required.

6 49. Defendants deny the allegations in paragraphs 87 through 88.

7 50. Defendants lack sufficient information to admit or deny the allegations  
8 in paragraph 89 and therefore deny them.

9 51. Defendants admit that Mahammad Ibrahim was an Alvarado clinical  
10 documentation specialist, but otherwise lack sufficient information to admit or deny  
11 the allegations in paragraph 90 and therefore deny them.

12 52. Defendants deny the allegations in paragraphs 91 through 92.

13 53. Defendants admit that Dr. Neelakatan Ramineni was an Alvarado staff  
14 physician, but otherwise deny the allegations in paragraph 93.

15 54. Defendants admit that Dr. Richard Mayer was an Alvarado staff  
16 physician, but otherwise deny the allegations in paragraph 94.

17 55. Defendants deny that they engaged in fraudulent practices to increase  
18 patients' lengths of stay. The remaining allegations contained in paragraph 95 are  
19 not facts, but rather conclusions of law or recitations of the law and/or narratives  
20 regarding the effect of the law, to which no responsive pleading by Defendants is  
21 required.

22 56. Defendants deny the allegations in paragraphs 96 through 99.

23 57. Defendants incorporate the responses to the allegations in Fourth  
24 Amended Complaint paragraphs 1 through 99 as set forth in full as their response to  
25 paragraph 100.

26 58. Defendants deny the allegations in paragraphs 101 through 103.



**FIRST AFFIRMATIVE DEFENSE**

**(Failure to State a Claim)**

59. Plaintiff Relator's Amended Complaint fails to state a claim upon which relief can be granted.

**SECOND AFFIRMATIVE DEFENSE**

**(Public Disclosure Bar)**

60. The Relator's claim is barred because her allegations are based upon publicly disclosed information and Relator is not the original source of information on which her allegations are based.

**THIRD AFFIRMATIVE DEFENSE**

**(Statute of Limitations)**

61. Plaintiff Relator's claims are barred by the statute of limitations applicable to the Federal laws, statutes, and causes of action identified in the Fourth Amended Complaint.

**FOURTH AFFIRMATIVE DEFENSE**

**(Unclean Hands)**

62. Each and every cause of action in the Fourth Amended Complaint against Defendants is barred by the doctrine of unclean hands.

**FIFTH AFFIRMATIVE DEFENSE**

**(Laches)**

63. All of Plaintiff Relator's claims for relief against Defendants are barred by the doctrine of laches.

**SIXTH AFFIRMATIVE DEFENSE**

**(Estoppel)**

64. Plaintiff Relator's claims for relief are barred by the doctrine of estoppel.



**SEVENTH AFFIRMATIVE DEFENSE**

**(Acts or Conduct of Third Parties)**

65. Defendants' alleged acts and omissions were not a substantial factor or cause in bringing about the alleged damages or wrongdoings in the Fourth Amended Complaint, but rather were superseded by the acts or omissions of Plaintiff Relator, third parties, or both.

**EIGHTH AFFIRMATIVE DEFENSE**

**(Failure to Mitigate Damages)**

66. Plaintiff Relator failed to mitigate any damages allegedly suffered in the Fourth Amended Complaint.

**NINTH AFFIRMATIVE DEFENSE**

**(Acted in Conformity with Laws)**

67. The Fourth Amended Complaint, and each and every claim for relief therein, is barred because Defendants at all times acted in conformity with, and reliance upon, applicable rules, regulations and standards.

**TENTH AFFIRMATIVE DEFENSE**

**(Good Faith)**

68. Defendants' actions were at all times reasonable and were taken in the good faith exercise of its reasonable and professional judgment and business judgment and, moreover, Defendants at all times relevant herein exercised due care and acted in good faith regarding all acts alleged in the Fourth Amended Complaint.

**ELEVENTH AFFIRMATIVE DEFENSE**

**(Legal Cause)**

69. Defendants' alleged acts and omissions were not the proximate cause of any of the alleged wrongdoings in the Fourth Amended Complaint.

**TWELFTH AFFIRMATIVE DEFENSE**

**(Willful Breach of Duty)**

70. Relator's claims are barred and/or offset by her willful breach of her own duties.

**THIRTEENTH AFFIRMATIVE DEFENSE**

**(Habitual Neglect of Duty)**

71. Relator's claims are barred and/or offset by her habitual neglect of her own duties.

**FOURTEENTH AFFIRMATIVE DEFENSE**

**(Vague, Ambiguous and Uncertain)**

72. Relator's causes of actions and allegations in the Fourth Amended Complaint are vague, ambiguous and uncertain as to each of the Defendants.

**FIFTEENTH AFFIRMATIVE DEFENSE**

**(Additional Affirmative Defenses)**

73. Defendants presently lack sufficient knowledge or information on which to form a belief as to whether they may have additional and as yet unstated affirmative defenses, and therefore reserve the right to assert additional affirmative defenses in the event discovery and/or further investigation indicates that such defenses would be warranted.

**DEMAND FOR JURY TRIAL**

77. Defendants hereby request a jury trial on all issues.

**PRAYER FOR RELIEF**

Wherefore, Defendants pray:

1. For an order dismissing the Fourth Amended Complaint and holding that Plaintiff shall recover nothing from Defendants;

2. For an order awarding Defendants costs of suit; and

1  
2 3. For such other and further relief as the Court deems appropriate.

3  
4 DATED: January 19, 2015 NELSON HARDIMAN LLP

5  
6 By \_\_\_\_\_/s/  
MARK S. HARDIMAN

7 Attorneys for Defendants Prime Healthcare  
8 Services, Inc., *et. al.*  
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**PROOF OF SERVICE****STATE OF CALIFORNIA, COUNTY OF LOS ANGELES**

I am employed in the County of Los Angeles, State of California. I am over the age of eighteen years and not a party to the within action; my business address is 11835 West Olympic Boulevard, Suite 900, Los Angeles, California 90064.

On January 19, 2015, the following document(s) described as **DEFENDANTS' ANSWER FOR FOURTH AMENDED COMPLAINT**, were served on the interested parties in this action as follows:

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**BY ELECTRONIC MAIL TRANSMISSION:** The document was transmitted by electronic transmission via USDC-Central District of California Official Court Electronic Document Filing System.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct and that I am employed in the office of a member of the bar of this Court at whose direction the service was made.

Executed on January 19, 2014 at Los Angeles, California.

/S/ - Mark S. Hardiman  
 Mark S. Hardiman