

LA Times:

UC Irvine orthopedics contract raises a red flag

Medical school hires an auditor to review a deal with a private firm that has given a doctor a lot of up-front money and has lost much revenue for the school, officials say.

By William Heisel, *LA Times* Staff Writer, March 8, 2007

UC Irvine's School of Medicine has hired an auditor to review the orthopedics department's finances in response to concerns about a contract with a private medical practice that has cost the school more than \$1 million in lost revenue, UCI officials said.

The medical school entered into the contract with Mission Orthopedic Medical Associates and its well-known chief surgeon, Bernard Reimer, to help the school expand into the lucrative southern Orange County market, according to physicians in the orthopedics department.

But the contract immediately raised concerns among UCI's attorneys because of large sums paid up front to Reimer and his wife, Dawn, his office manager, which later triggered controversy within the department, according to UCI records obtained by The Times and interviews with UCI staff members.

"We are looking at things that don't make any fiscal sense," said Dr. Ranjan Gupta, who took over as chairman of UCI's orthopedics department at the beginning of the year. "I'm supposed to ensure that the university is giving the highest level of care and is getting the most for its money."

The contract with Mission Orthopedic Medical Associates was negotiated in 2003 by Dr. Harry Skinner, then chairman of the orthopedics department, and Dr. Thomas Cesario, then dean of the medical school.

Skinner was forced to step down as department chairman in January. UCI had concluded he had made racially inappropriate comments to medical school employees. He remains on the faculty.

Cesario took early retirement late last year after an 11-year tenure marred by doctors stealing women's eggs and embryos, bodies missing from the medical school's willed-body program, and serious failings in the hospital's liver, kidney and bone marrow transplant programs.

In devising the contract with Mission Orthopedic, Skinner and Cesario agreed to cover part of the practice's overhead, pay Reimer's wife more than \$100,000 to serve as its office manager, and give Reimer a place on the medical school faculty. In return, Reimer's patients would all be billed for their care through UCI Medical Center in Orange.

Both Reimer and his wife declined repeated requests for comment.

Under the arrangement, Reimer agreed to relinquish control of the practice and turn it over to a colleague, Dr. Mark Ishimaru, who now owns the Mission Orthopedic practice and remains unaffiliated with UCI's medical school. Full-time UCI faculty members are prohibited from running private practices.

At the time the contract took effect, Reimer had been diagnosed with cancer and was working only part time, which enabled him to collect disability insurance payments, according to internal medical school e-mails and other records obtained by The Times.

He was eligible to receive insurance benefits as long as he earned no more than \$100,800 a year, the UCI records show.

Skinner found ways to pay him for items other than salary to stay within that salary cap, the records show. For example, he agreed the university would pay Reimer and his wife \$50,000 for attorney fees and an extra \$10,000 a month for the first three months of his contract.

The Times also found that built into the overhead for the Mission Viejo office was a significant sum for Reimer's wife, the office manager. In addition to her \$38,400 annual salary, Dawn Reimer received between \$6,000 and \$7,500 a month from UCI in additional payments described as "general expenses," the records show. As a result, UCI paid Dawn Reimer about \$128,000 in 2005, more than what the school was paying her husband to treat patients, teach students and perform surgeries.

One of the school's attorneys, Peter Schneider, commented in an e-mail in 2003, "I am reading the proposed agreement and am struck by the size of the payments" to Mission Orthopedic Medical Associates.

In another e-mail, he wrote, "I will tell you that I can't remember when we have paid our outside counsel that much money for any transaction, even at \$300 an hour."

By 2005, Schneider decided that the payments to Dawn Reimer were too high and were going to get UCI in trouble with the UC system, according to e-mails from Schneider to Skinner. Schneider asked Skinner to eliminate the payments to Dawn Reimer. Skinner replied by suggesting that UCI simply lower the amount to about \$88,000 a year.

"The amount stays low enough that we don't have a bidding process problem and provides the practice with a manager — which it needs," Skinner wrote in an e-mail. "Do you have another suggestion to soften the blow?"

Dawn Reimer quit in July after her proposal to work three days a week and be paid \$65,000 was turned down by Ishimaru, the doctor now in charge of Mission Orthopedic who has a say in the spending because of his office's contract with UCI. Her husband remains on the faculty. Her replacement earns about \$45,000.

UCI's contract with the practice required Reimer to relinquish all control to Ishimaru once he became a UCI faculty member. Reimer's wife continued to co-

sign the annual expense-sharing contracts with UCI in 2003, 2004 and 2005, records show.

Ishimaru's lawyer, Harold Nelson, threatened UCI with legal action in a letter to Skinner and Cesario in August after Reimer allegedly put his name above other doctors' names on the office sign, removed UCI's name and "assumed a self-created position" in which he took control of the practice's management and personnel.

Reimer is under investigation by UCI for four personal harassment complaints by staff members in the Mission Viejo office. They say he was demeaning and verbally abusive and that he demoted staff members without cause, despite his agreement to let Ishimaru run the practice, records show.

Earlier, UCI's Credentials Committee placed Reimer on a list for "administrative termination" after noting that he had been on the faculty for more than a year without having been "proctored," a process in which a new faculty member's work is reviewed by a senior staff member.

"He's the only doctor they did this with, and it's because of his disability," said Sally Norman, a longtime employee of the Reimers' who now works for Ishimaru. "They were looking for all kinds of ways to get around the limits on how much he could make."

UCI paid much more for the staff and equipment in Reimer's office than it did its orthopedic staff at the main hospital in Orange, records show.

On a per-doctor basis, each UCI physician typically costs about \$14,000 a month in staff, supplies and other costs, according to Gupta, the chair of UCI's Orthopedics Department.

The Mission Viejo office was racking up charges as high as twice that, according to UCI staff members who have reviewed the financial records. When Reimer asked to be reimbursed for a San Diego medical conference in 2004, he was told that he had already spent all of 2003's and most of 2004's discretionary funds in less than about 15 months.

The deal with Mission Orthopedic has been so expensive for the hospital that costs far exceed revenues from Reimer's patients, according to financial records reviewed by The Times.

As of the end of December, the losses were more than \$1.2 million on total revenues of about \$4.5 million over the previous three years and three months.

When all the numbers are tallied, expenses are expected to outstrip revenues by more than \$1.7 million through June 2007.

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