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KPC buys Victor Valley Community Hospital



VICTORVILLE • Victor Valley Community Hospital finally landed a new owner after a two-year search, offering relief for local residents who were on the verge of losing one of three hospitals in the Victor Valley.

In their second attempt, the Riverside-based KPC Global medical group sealed the deal to purchase the bankrupt hospital, officials from both parties announced Monday afternoon. KPC was notified around 2 p.m. that the escrow had closed, Executive Vice President Bill Thomas said.

“There were a lot of twists and turns in the past two years, but we are delighted it’s finally completed,” Thomas said. “There was no controversy. It was done in an orderly and amicable fashion, and to my knowledge, everybody’s satisfied with the result.”

KPC will turn the hospital into a for-profit organization and invest \$25 million to improve the 45-year-old facility over the next five years, Thomas said. The hospital will reopen gastrointestinal and catheterization laboratories that have been shut down while also installing a new information technology system, he said.

According to the attorney general’s conditions, KPC must hold \$3 million in an interest-bearing account for emergency operating or capital needs for the next five years unless VVCH begins operating at a regular profit before then.

While waiting for the deal to close, the hospital announced layoffs of 43 employees on Sept. 30 due to low patient volume. The hospital employs a total of about 600 clinical and non-clinical staff members. Thomas said KPC will keep the current management in place.

“We consider the workforce dedicated and appropriate,” Thomas said. “We are not contemplating any further staff reductions.”

Thomas said VVCH will continue to treat underserved patients in the area. KPC has partnered with Inland Empire Health Plan, an authorized health-care plan providers for Medi-Cal beneficiaries.

VVCH declared bankruptcy in September 2010. Because it serves many poor and uninsured patients, the hospital is frequently not adequately paid for services. About 70 percent of the patients are on Medi-Cal, Medicare or charity care, according to VVCH officials.

KPC beat out Prime Healthcare Services Foundation in an auction two months after the bankruptcy. Then-Attorney General Jerry Brown approved KPC to buy the hospital, but KPC failed to seal the deal by the deadline in May 2011.

Prime then agreed to buy the hospital, but Attorney General Kamala Harris denied Prime's offer in September 2011, stating that the deal was not in the best interest of the community.

As time and money ran out for VVCH, the hospital's creditors decided to re-engage in talks with KPC, who's negotiating under Victor Valley Hospital Acquisition, Inc. and Victor Valley Hospital Real Estate, LLC. The creditors brought the proposal to the VVCH board, and the board approved it in June.

VVCH is the seventh hospital owned and operated by KPC founder Dr. Kali P. Chaudhuri in Southern California and the first in San Bernardino County.

In 2007, Chaudhuri became the majority owner of Integrated Healthcare Holdings Inc., which owns four Orange County hospitals — Western Medical Center Santa Ana, Western Medical Center Anaheim, Chapman Medical Center and Coastal Communities Hospital. He also bought Physicians for Health Hospitals Inc. in 2010, which runs Hemet Valley Medical Center and Menifee Valley Medical Center in Riverside County.

Now that the deal has closed, VVCH can start making transitions.

“Having bankruptcy behind is a huge help,” Thomas said. “Bankruptcy was a tremendous distraction to the management and big drain on the finance, and that's all behind now.”

Tomoya Shimura may be reached at (760) 955-5368 or TShimura@VVDailyPress.com. Follow Tomoya on Facebook at facebook.com/ShimuraTomoya.