

\$150 million settlement doesn't stop physician exec

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by Julie Kay

A recent \$150 million settlement by Boca Raton health care mogul Dr. Steven M. Scott with creditors in a bankruptcy fraud case in Baltimore and Ohio will not hurt Scott in his many Florida health care ventures, and may actually help him, rivals say.

Scott — a physician who holds major physician contracts with the public North Broward Hospital District — agreed in late December to settle a host of suits against him in U.S. Bankruptcy Court in Baltimore and Ohio.

The suits grew out of the bankruptcies of the Scott-founded physician services company, PhyAmerica Physician Group, and two other companies formerly controlled by Scott, Scott Medical Group and Integrated Provider Networks, as well as against financial company National Century Financial Enterprises, which financed Scott's companies. The companies jointly filed for Chapter 11 protection in Baltimore and Ohio in November 2002.

The lawsuits alleged that Scott illegally shifted millions of dollars to himself from several companies he once controlled, including PhyAmerica, which formerly held the North Broward Hospital District contracts. The suits claim that Scott abused his insider position to enrich himself.

The settlement with secured and unsecured creditors, approved by U.S. Bankruptcy Judge E. Stephen Derby on Dec. 29, calls for Scott to pay them \$75 million in cash and a \$75 million note. The cash portion of the settlement has already been paid.

In a written statement, Scott said that "by settling these disputes, we can focus on moving forward with confidence to continue to improve care and services to the many individuals, companies, physicians and hospitals that depend on us to meet their healthcare needs."

One of the creditors' lead attorneys, **Joel I. Sher** of the Baltimore firm **Shapiro Sher Guinot & Sandler**, said he was pleased with the settlement.

The unsecured bankruptcy creditors did unusually well in the case, winning 75 percent of their claims. Dr. Jacques Sokolov, owner of Scottsdale-based SSB

Solutions, a health care management firm that was the largest unsecured creditor in the case, attributed the success of the unsecured creditors to the "enormous tenacity" of their lawyers, particularly Sher.

"They did a great job," said Sokolov, whose company was paid about \$2 million.

Under the settlement, unsecured and secured creditors agreed to drop several suits against Scott accusing him of hiding and stripping assets from the bankrupt companies.

And for those wondering where Scott found the \$75 million in cash to pay the settlement, here's a partial answer: Last year, Scott won a \$38 million judgment in a Broward Circuit Court fraud lawsuit against HIP of New York. According to Ron Maiorana, a spokesman for HIP, the post-verdict settlement amount in that case already has been paid.

Scott heads Hollywood-based Vista Health Plans and is also trying to start another HMO, Summit Health Plans. But he's been sued by two rivals over that proposal. They accuse Scott of starting another HMO so he can phase out Vista and avoid paying hundreds of millions of dollars that he and Vista owe them.

"I would think he's probably happy to be relieved of that burden [of the bankruptcy suits]," said Dr. Eugene Dauchert, interim chief executive of Sterling Healthcare, based in North Carolina and Coral Gables, which acquired PhyAmerica out of bankruptcy and protested when its North Broward Hospital District contracts were snatched away by Scott and his new companies in 2003. "I think it's a positive development."

Sokolov agreed. "Knowing Dr. Scott as long as I have, I can say he will unequivocally land on his feet," he said. "He is one of the most politically connected people I know. Yes, he is a Republican. But his politics are really whatever helps him in his business deals."

The Baltimore bankruptcy settlement, however, does not end a fraud suit brought by Sterling in Broward Circuit Court. That suit alleges that Scott, and the North Broward Hospital District conspired to defraud Sterling of \$44 million.

In 2003, Sterling and its former chief executive, Stephen Dresnick, thought they were acquiring contracts to provide physician services to the hospital district when they bought PhyAmerica's assets in a bankruptcy auction.

But according to the suit, Scott — PhyAmerica's founder and chief executive, who took the company into bankruptcy then resigned — and hospital district officials colluded to illegally terminate PhyAmerica's contracts and shift them to Scott's new companies, including Phoenix Emergency Medicine.

In November 2004, the hospital district's board of commissioners awarded Scott's companies three-year physician services contracts on a no-bid basis, against the advice of the board's outgoing chairman, J. Luis Rodriguez, who urged a competitive bidding process.

The hospital district operates Broward General Medical Center, four other hospitals and 34 ambulatory care centers.

The Sterling suit alleges that Scott used his political connections with the hospital district board, which is appointed by Gov. Jeb Bush, to obtain and keep the lucrative hospital district contracts, worth \$28 million annually. Both Scott and former hospital district general counsel William Scherer Jr. are major Republican Party fundraisers.

Lawrence Kellogg, a partner at Tew Cardenas in Miami who is representing Sterling, said the suit is proceeding. Scott's spokeswoman has said that the claims are without merit.

But Sokolov predicted that Scott would likely hang on to his hospital district contracts for many years.

"Broward County is the most political county I've ever seen in all my years in this business," Sokolov said. "In other counties, there is a system of checks and balances in place. But Broward has none. That hospital district has the most polarized board I have ever seen, in terms of handing out no-bid contracts for doctors and awarding of services."

A spokeswoman for the hospital district did not return a call seeking comment before deadline on Friday. ♦