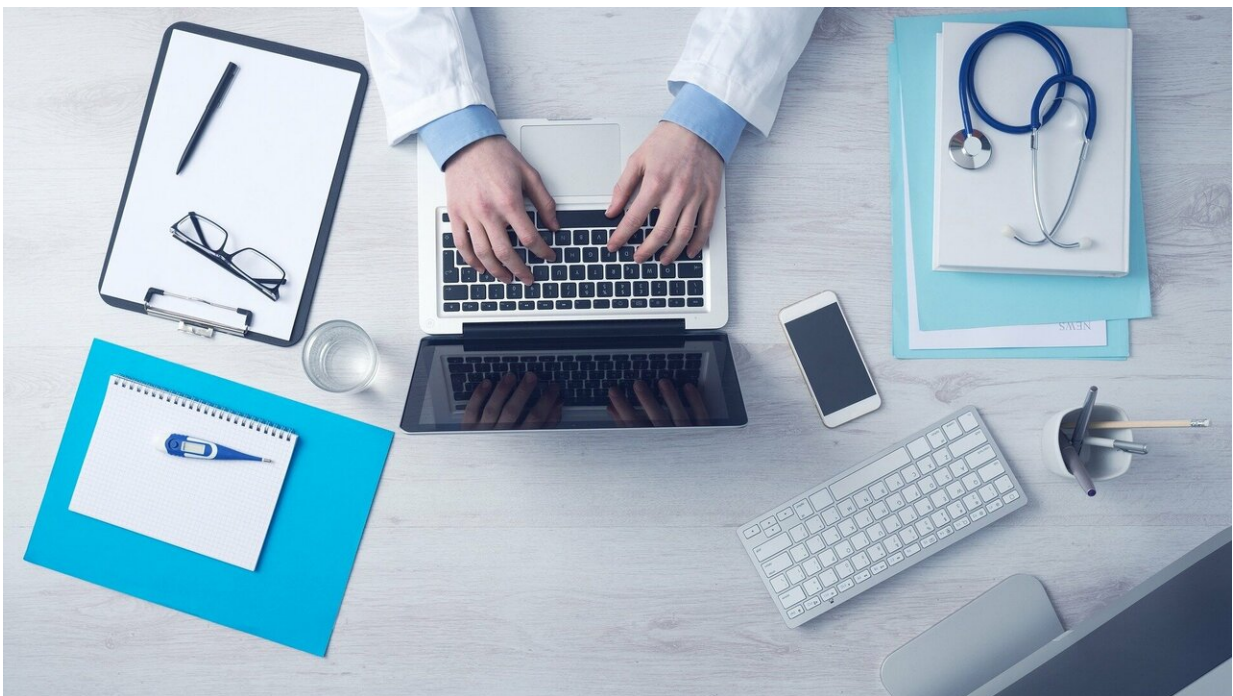


After uphill battle, company is poised for takeover of bankrupt California hospital

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When American Advanced Management made a bid for the bankrupt Madera Community Hospital last year, many local officials and others involved in trying to reopen the facility didn't take the company seriously.

The 11-year-old firm, based in Modesto, was already running a handful of small, rural hospitals, but Madera had far larger and more prestigious suitors, including Trinity Health and then Adventist Health.

After those two entities had backed out, the bankruptcy judge tentatively greenlighted the AAM proposal. But a nonprofit community group later objected in a court filing, citing concerns about AAM's commitment to fully reopen the hospital and airing allegations of "dishonesty, fraud, perjury, and maladministration."

The Madera Coalition for Community Justice and other critics of the AAM deal hoped that Adventist and the University of California-San Francisco, which made a last-minute joint proposal in February to take over the hospital, might get another look.

But Gov. Gavin Newsom all but ended the drama on April 8 by announcing the state had approved the AAM plan and would provide a \$57 million loan from a fund for distressed hospitals to help reopen and operate the Madera facility.

The same day, AAM, along with the Madera hospital and its creditors, asked the court to strike MCCJ's objection from the record and requested an April 11 hearing for the judge to consider the motion. MCCJ pushed back with its own filing objecting to the request.

The closure of the hospital in January 2023 left Madera County, home to 160,000 people, largely Hispanic agricultural workers, without a general acute care facility. Like many rural hospitals in California and around the country, the Madera hospital had suffered financial and demographic challenges, including a large proportion of patients on low-paying government insurance programs, low patient volumes, and difficulty attracting talent, in addition to pandemic-related pressures.

AAM has committed to pay up to \$30 million to creditors and reopen the hospital as soon as late summer. The company has a portfolio of nine hospitals, many of them in underserved regions of California.

"American Advanced Management has a proven track record of reopening closed hospitals in California and saving others from the brink of closure," said Matthew Beehler, the company's chief strategy officer.

It remains uncertain whether AAM can make the Madera hospital financially viable. Reopening alone will cost millions, and many of the same constraints that led to the bankruptcy remain. In its final two years of operations, the Madera hospital lost \$14 million.

Beehler said AAM would aim for "operational efficiency" through centralized administration and "elevate the quality of care" to attract more patients. "These strategic investments and improvements are designed to stabilize the hospital's financial footing and ensure its sustainability in the long term," he said.

According to a recent study by the Pittsburgh-based Center for Healthcare Quality and Payment Reform, 30% of California's 56 rural hospitals and the same percentage of rural hospitals nationwide are at risk of closing.

"The economics of small hospitals is such that it is unlikely they are going to be highly profitable," said Harold Miller, the center's CEO.

The group objecting to AAM, along with many members of the community, are particularly worried that the company won't reopen the Madera hospital's labor and delivery department, where over 700 babies were born in 2022.

Labor and delivery at many [rural hospitals](#) are among the first services

new owners cut because they tend to lose money, said Ge Bai, professor of health policy and management at Johns Hopkins University's Bloomberg School of Public Health.

Beehler said a reopened Madera would provide "many of the ancillary services" related to pregnancy and that AAM would "regularly evaluate" whether it makes financial and clinical sense to have a labor and delivery unit at the hospital.

'Someone has to take a stand'

AAM is the brainchild of Gurpreet Singh Randhawa, who says he is its sole owner.

Singh, a gastroenterologist-turned-entrepreneur, has amassed hospitals and other health care-related companies, as well as numerous real estate holdings. Public records show dozens of businesses that are or have been associated with Singh.

After graduating from [medical school](#) in India in 2000, Singh completed further training in New York and New Jersey before moving to California in 2008. In an interview, Singh said he was inspired to open his first hospital after seeing a friend drive three hours round trip to the Sacramento area every day to visit his father in a long-term acute care hospital because Modesto didn't have one of its own.

Singh said he thought "someone has to take a stand, so I took that stand." He said he spent \$36 million to open Central Valley Specialty Hospital at the site of a shuttered facility in Modesto. It opened in mid-2013, marking the beginning of AAM.

Since then, AAM has acquired numerous hospitals and clinics in Northern California and the Central Valley, including Colusa Medical

Center and Glenn Medical Center in 2017, Sonoma Specialty Hospital in 2019, and Coalinga Regional Medical Center in 2020.

In 2023, the firm took over management of the troubled Orchard Hospital in Gridley, California. Last September, AAM announced it had taken over operations of Kentfield Specialty Hospital, with locations in San Francisco and Marin County. It also owns a rehabilitation hospital in Amarillo, Texas.

AAM lost a combined \$22.3 million in 2021 and 2022, state data shows. But Beehler said the company returned to profitability in 2023 and expects profit margins in the high single digits this year. He estimated that AAM's total operating revenue will jump to approximately \$400 million in 2024 from \$290 million in 2023, mainly due to the addition of three hospitals.

The source of the funds to finance the company's growth is not entirely clear. Singh cited family wealth and real estate, but he declined to discuss his family's money. The firm's agreement with the Madera hospital says AAM will have "immediately available funds in cash" to meet its obligations.

Beehler said another source of cash to finance growth is AAM's earnings on longer-term care. Central Valley Specialty Hospital has been profitable since its first full year of operations in 2014, posting cumulative earnings of over \$66 million through 2022, according to data from the state's Department of Health Care Access and Information. Coalinga Regional Medical Center has a 99-bed skilled nursing facility in addition to its acute care beds, and Sonoma Specialty Hospital recently added 21 beds, according to Beehler.

Acute vs. long-term care

Critics fear AAM might take the Madera hospital in the direction of long-term care, depriving the community of a viable acute care facility. Cece Gallegos, who recently lost her bid for a seat on the Madera County Board of Supervisors, said in a campaign mailer that the firm would turn Madera into "a glorified nursing home."

Beehler rebuffed that notion, saying the company couldn't do that even if it wanted to. He said the conditions imposed by the state attorney general "require an acute care hospital with fully functional ER and ancillary services." The attorney general's conditions, however, require AAM only to make "commercially reasonable efforts" to provide those services.

Singh and his health care businesses have hit plenty of bumps as they've grown.

In 2018, AAM took over management of Sonoma West Medical Center, a publicly owned hospital in the city of Sebastopol that had declared bankruptcy. In 2019, AAM acquired it outright and changed its name to Sonoma Specialty Hospital.

Later that year, a bankruptcy trustee sued Singh, AAM, and the hospital for allegedly taking money that belonged to its predecessor, and the parties settled for \$1.15 million. Beehler said AAM did not retain any of the money but used it for hospital operations and became "an unintended victim." The company chose to settle, he said, "to bring finality to this complex issue."

In 2021, the state fined AAM's Pacific Gardens Medical Center \$276,000 for four situations that put patients in "immediate jeopardy," including one in which inadequate training caused an intravenous dose of fentanyl to drip into a patient nearly seven times as rapidly as the doctor had ordered.

AAM had reopened the hospital in January 2021, about three years after buying it out of bankruptcy. Its license was suspended less than five months later, according to the California Department of Public Health. Beehler said the hospital had reopened as a pandemic surge hospital with support, including the provision of nurses and physicians, from the state's Emergency Medical Services Authority. "By its nature, a surge facility opening is temporary," he said.

The accelerated timeline for getting it open contributed to the patient-jeopardy situations, he said.

In 2022, the California Department of Health Care Services sued Sonoma Specialty Hospital, Singh, and AAM, accusing them of illegitimately seeking, and accepting, \$270,000 from a program that provides federal financing for certain public hospitals.

DHCS said it had told AAM that it wasn't eligible for the money, because it was now a for-profit facility, but that the company refused to pay it back. In February, a Sonoma County judge sided with DHCS. DHCS spokesperson Leah Myers said in an emailed statement that the state does not typically have to sue to recover money. Beehler said AAM "disputes that there is any liability" and is appealing the decision.

Another Singh venture was Advanced College, a private vocational school for health care professionals with three locations in central and Southern California. After receiving numerous complaints, state regulators ordered the school to cease operations in December 2022, alleging it had falsified records and test results, and "failed to provide documentation of sufficient financial resources."

Joshua Maruca, the school's custodian of records, said Advanced College disagreed with the state's allegations but had already been planning to shut down for other reasons, so it did not contest them.

Bank of the West also sued Singh and several of his businesses for repeated defaults on over \$4.7 million in loans, mostly related to the college. The lawsuit was settled, but one of the bank's lawyers, Wayne Terry, said he could not discuss the settlement. Beehler said the loans were not part of AAM's financials. The bank was "paid fully," he said.

The company's critics say the state didn't sufficiently scrutinize AAM before approving the loan and the operating plan.

"The state agencies and the Attorney General, all tasked here with protecting the public interest, have utterly failed to do the basic due diligence that would ensure Madera Community Hospital is resurrected as a viable going concern, under the stewardship of a reliable, trustworthy, and capable operator," the MCCJ said in the court filing opposing the challenge to its objection.

AAM said in a statement that it was "grateful" to Newsom and the state for approving the deal, and "honored to serve the Madera community." The bankruptcy court is likely to give its final blessing next week.

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