



Law enforcement alerted by key player in Hoboken hospital deal

By Timothy J. Carroll | September 16th, 2011 - 3:48pm

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TRENTON – A source close to the sale of Hoboken hospital said this week that a major player has tipped off federal law enforcement officials of what he believes to be illegalities in the bankruptcy filing by the non-profit that manages the hospital.

Authorities won't confirm that any tip was received, but according to the source the key player recently visited the U.S. Attorney's Office with a box of information regarding the alleged wrongdoing.

Reached for comment, the reported tipster confirmed the visit to law enforcement, but asked for anonymity due to the still-developing situation.

"They didn't need me to put it on their radar," the tipster said.

The \$65 million sale is currently under review by the state Department of Health and Senior Services. Dawn Thomas, a DHSS spokesperson, said the department was still reviewing the sale and would return a decision within 120 days, as prescribed by law, of the approval given by the state Health Planning Board on Aug. 4.

Bankruptcy bailout accusation

Powerful attorney Donald Scarinci, of Scarinci & Hollenbeck, resigned recently as counsel for the non-profit manager of Hoboken University Medical Center (HUMC). In bankruptcy court this week, Scarinci said in a filing, "I was the first hand witness to a pattern of conduct by the Hoboken Municipal Hospital Authority board members to intimidate, threaten, control, abuse and attempt to force the CEO of (the hospital management firm) and members of the (management) board to take actions adverse to its charter and otherwise violate the laws of the state of New Jersey."

The buyers purchasing HUMC, a city-owned hospital, also own Bayonne Medical Center. Scarinci claimed in court that the buyers arm-twisted the board into sitting on \$34.6 million in unpaid bills so that the straw man non-profit manager could absorb the debt and reduce it to nickels-on-the-dollar through bankruptcy, thus relieving the buyers of the liability. Scarinci's firm is also among those creditors owed.

Reached Thursday, Scarinci would not comment on the court documents.

In defense of the bankruptcy

At the heart of this accusation is the Hoboken Municipal Hospital Authority board, a group of appointed officials that act as a political buffer between the city and the non-profit hospital manager, Hudson Healthcare. The municipal board, the majority of whom are representatives hand-picked by Hoboken Mayor Dawn Zimmer, has been handling the sale from start to finish, and spokesman Doug Petkus said they are doing what's best for the city.

"The Authority believes the allegations by Mr. Scarinci in his motion to the court are unfounded and false," Petkus said in an email. "The Authority further believes that it's possible Mr. Scarinci's actions may be violative of the ethical standards applicable to lawyers practicing in New Jersey. Scarinci Hollenbeck firm's actions may also be violative of its ethical obligations to a current client, the City of Hoboken.

"The Authority has always acted in the best interests of the hospital, its employees and the residents of Hoboken," the spokesman said. "We will continue to work to complete the sale of HUMC so that it remains an important part of our healthcare infrastructure."

This week, counsel for the newly-constituted management board filed a motion with a federal judge to force creditors' attorneys to turn over notes from a meeting of creditors where Scarinci was present.

The manager's attorney represented that confidential information could have been shared by Scarinci at the meeting, but the judge dismissed that allegation this week, only calling Scarinci's presence "ill-advised."

The judge denied the motion to release the notes from the meeting but directed Scarinci not to participate in the creditors' pursuit of millions in unpaid bills. Due to attorney-client privileges that Scarinci is bound to honor, the creditors cannot depose him or call him as a witness, the judge said.

In a reply to opposing lawyers seeking information about the creditors' meeting, Scarinci said: "I have made it very clear that I will not participate in the fraud that I believe your team of lawyers is attempting to perpetuate in the bankruptcy court. As everyone knows, I resigned from (the non-profit manager) precisely because I could not and would not be part of any of this."

In response, Petkus wrote to *State Street Wire*, "The rulings by Judge Steckroth give no credence to those allegations. We're pleased that the judge agreed with (the manager) that Mr. Scarinci's meeting with the creditors' committee was ill-advised.

Petkus wrote, "(W)e concur with the outcome of this week's hearing that lawyers from Scarinci Hollenbeck cannot be deposed or appear as witnesses during the bankruptcy proceedings – an action that would be a clear violation of attorney-client privilege."

The two sides will be in court again next week, where the bankruptcy filing by Hudson Healthcare is expected to be approved by the judge, sources said.

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insider

I'm not surprised that the activities of Donald Scarincci and his clients who bankrupted HHI were already on the FBI radar. Its never been a secret that Scarincci and his clients have desperately tried to avoid public scrutiny of their activities and the bankruptcy filing is exposing serious improprieties. Hopefully those activities will now be fully exposed and scarincci and his accomplices will be held accountable.

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watchdog

Rules of Professional conduct 1.13 require a lalyer for a corporation to advise that corporation if it is acting illegally and if the refuse to correct it the lawyer should resign -sounds like he did the right ethical thing

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