Healthcare Restructuring

Pachulski Stang Ziehl & Jones LLP has developed a national healthcare insolvency specialty practice, representing a variety of restructuring participants, including debtors, governmental and private creditors, trustees, examiners, creditors committees, patient care ombudsmen, asset acquirers and sellers, both within the contexts of court proceedings (such as chapter 11 or chapter 9 bankruptcy cases) and out-of-court restructurings and workouts. The firm’s Healthcare Restructuring Group (HRG) has represented providers such as for- and non-profit hospitals, surgical centers, assisted-living facility operators, home health agencies and medical groups, hospital districts and health plans. The firm has represented creditors’ committees in the chapter 11 cases of hospital operators, skilled nursing facilities, physician groups and other healthcare-related entities. The firm represents parties interested in the sale or acquisition of healthcare-related entities and assets and also handles healthcare-related real estate transactional matters. HRG’s hospital-related experience is particularly significant because practice group attorneys are knowledgeable about issues of interest to both debtor and creditor constituencies in hospital bankruptcy cases.

Representative Cases

Bostwick Laboratories
The firm was counsel to the committee of unsecured creditors in the chapter 11 bankruptcy case of cancer testing firm Bostwick Laboratories. The company filed for bankruptcy protection after the lab was impacted by a decline in medical insurance reimbursements that started in 2012. In April 2017, the debtor moved forward with an auction and sale process for its assets after securing approval for its $6,300,000 stalking horse agreement.

American Hospice Management Holdings
The firm served as debtors’ co-counsel to American Hospice Management Holdings and its affiliates, which operate a multi-regional hospice management business headquartered in Jacksonville, Florida. The company filed its chapter 11 bankruptcy case in the U.S. Bankruptcy Court for the District of Delaware in March 2016 to facilitate the sales of the companies’ operating units in seven states. The firm assisted in obtaining approval of an auction process that resulted in three separate sales of the company’s hospice operations in Texas, Virginia, Arizona, New Jersey, Oklahoma, and Georgia.
Healthcare Restructuring (Cont.)

San Diego Hospice & Palliative Care
The firm represents the official committee representing unsecured creditors in the chapter 11 bankruptcy of San Diego Hospice & Palliative Care Corporation in the United States Bankruptcy Court for the Southern District of California in San Diego, California. The hospice filed for bankruptcy protection as a result of ongoing operational losses and disputes with Medicare & Medicaid over payments under the Medicare program. Before the filing, the nonprofit hospice provided specialized care to over 4,000 patients facing terminal illness annually. The case is a liquidating chapter 11; the hospice has ceased operations and transferred all of its patients to other hospice care providers.

LifeCare Holdings
The firm served as counsel to the creditors' committee in the bankruptcy case of LifeCare Holdings, which, along with its wholly owned direct and indirect subsidiaries and certain affiliates, filed for chapter 11 bankruptcy protection in Delaware. Plano, Texas-based LifeCare operates twenty-seven long-term acute care hospitals in ten states. LCI Holdco LLC, parent company of LifeCare, was acquired by the debtors’ secured parties. The firm structured a creative settlement that avoided paying a $24 million administrative claim that was ultimately upheld by the Third Circuit and paved the way for a meaningful distribution to unsecured creditors.

Mendocino Coast Health Care District
The firm is counsel to the Mendocino Coast Health Care District in its chapter 9 case presently pending in the U.S. Bankruptcy Court for the Northern District of California, in Santa Rosa. The district owns a 25-bed acute-care hospital located in Ft. Bragg and also operates a primary-care clinic and home health service.

Contract Research Solutions
The firm represented the creditors’ committee of Contract Research Solutions and related affiliates, also known as Cetero, in their chapter 11 bankruptcy case in Delaware. Cetero provides contract pharmacological and bioanalytical testing for name-brand pharmaceutical and generic drug companies through several laboratories across the United States and Canada. The firm played a leading role in negotiating a chapter 11 plan that created a liquidating trust for the benefit of unsecured creditors.

Gordian Medical, dba American Medical Technologies
The firm represents this leading provider of wound-care solutions for long-term care facilities in the United States in its successful reorganization under chapter 11. Gordian was involved in litigation involving difficult factual issues and regulatory and statutory arguments against (and negotiations with) various agencies of the U.S. government and the State of California, as well as litigation with numerous third parties over claims and pending contracts. Through the firm’s efforts, the federal Centers for Medicare & Medicare Services’s freeze of tens of millions of dollars of payments to the company was lifted, settlements were reached with CMS, the IRS and California’s Franchise Tax Board, and a plan of reorganization was confirmed, allowing Gordian to emerge from bankruptcy protection.
Nevada Cancer Institute
The firm represented the creditors' committee of Nevada Cancer Center, which operated a state-of-the-art cancer treatment and research center near Las Vegas. Firm attorneys successfully negotiated a settlement that resulted in a recovery for unsecured creditors, which originally had been offered nothing on account of their claims.

Renaissance Surgical Arts at Newport Harbor
The firm represents the chapter 11 trustee in the bankruptcy case of Renaissance Surgical Arts at Newport Harbor. The debtor owns and operates a state-of-the-art ambulatory surgical facility in Costa Mesa, California. On July 11, 2011, an involuntary chapter 11 petition was filed against the Debtor, and the debtor consented to an order for relief on July 27, 2011.

Hawaii Medical Center
The firm represented the creditors' committee in the bankruptcy of a nonprofit hospital system in Honolulu. The committee objected to an initial plan by the hospitals that proposed to give nothing to unsecured creditors and negotiated a modification of the plan that would provide unsecured creditors with a pro rata share of a liquidating trust. Ultimately, however, the debtors were not able to attract a buyer that was satisfactory to their secured lenders, resulting in all major constituencies in the case agreeing to an orderly winddown of the hospitals.

Victor Valley Community Hospital
The firm represents Victor Valley Community Hospital in its pending chapter 11 case in Riverside, California. In October 2012, the hospital was sold after two years in chapter 11. The distribution to creditors depends on large rejection damage claims still to be resolved, but could be as much as 100%.

S&B Surgery Center
S&B is an ambulatory surgery center that was forced into bankruptcy by the collapse and closure of Century City Doctor's Hospital. The firm confirmed a plan that was a "true" reorganization in less than eight months.

Pacifica Hospital of the Valley
The firm was counsel to the creditors' committee in the chapter 11 case of Pacifica of the Valley Corporation, doing business as the Pacifica Hospital of the Valley. Pacifica Hospital is a 231-bed acute care hospital located in Sun Valley, California.

Sunwest Management
The firm represented affiliated companies in chapter 11 proceedings that own, develop and/or operate senior living facilities and/or related real property throughout the United States. The affiliated manager provides centralized operations support, marketing, management, purchasing, and food services. In total, the enterprise encompasses approximately 23,500 units in thirty-seven states and utilizes approximately 12,000 staff members. In 2007, it generated approximately $500 million of revenues and has more than $1.8 billion of debt.
Hospital Partners of America
The firm is cocounsel to Hospital Partners of America, Inc. ("HPA"), which managed hospitals nationwide that are co-owned with physician investors.

CHA Hawaii, LLC
The firm was cocounsel to the debtors, which owned two hospitals in Hawaii.

Nashville Senior Living
Nashville Senior Living, LLC and more than ten related debtors involved operators of independent living, assisted living and memory care facilities nationwide, all managed by Salem Oregon-based Sunwest Management, Inc. The firm represents these debtors in their Nashville-filed chapter 11 cases.

Century City Doctors Hospital
A member of the firm represented secured lenders in the chapter 7 bankruptcy of this Los Angeles hospital and affiliated surgery center, including negotiating and implementing postpetition financing.

MedAvant Healthcare Solutions
In 2008, we represented Marlin Equity Partners, LLC in its acquisition of the electronic claims processing business of ProxyMed out of chapter 11 bankruptcy proceedings in Delaware in a transaction valued in excess of $20 million. MedAvant Healthcare Solutions, based in Santa Ana, California, is now a leading healthcare technology company that facilitates the electronic exchange of medical claims and clinical information among hospitals, doctors, medical laboratories and insurance payers.

Immunicon Corporation
The firm represented the creditors' committee in this chapter 11 case in Wilmington, Delaware. The debtors were in the business of developing and commercializing diagnostic and research products for cell analysis and molecular research. The firm's representation led to the sale of substantially all of the debtors' assets and a plan a liquidation that paid 100% to unsecured creditors and a dividend to equity holders. Following confirmation of the plan, the firm represented the liquidating trustee administering the debtors' estate.

Karykeion Inc.
The firm represented Avanti Health System, the purchaser of a hospital from Karykeion in its pending chapter 11 case.

Valley Health System
The firm represents the creditors' committee in this chapter 9 case of a system composed of three hospitals, a skilled nursing facility, and a medical office building in Riverside County, California.

Inyx USA
The firm represented the chapter 11 trustee of this pharmaceutical manufacturer based in Puerto Rico, obtaining confirmation of a liquidating plan.
Pleasant Care Corporation
Represent the creditors' committee in this chapter 11 case (and several related cases) of California's second largest chain of skilled nursing facilities.

West Contra Costa Healthcare District
The firm represents the creditors' committee in the chapter 9 bankruptcy case of West Contra Costa Healthcare District. The District is a public agency created for the purpose of owning and operating a hospital in San Pablo, California.

Upland Surgical Institute
A member of the firm served as the patient care ombudsman and consumer privacy ombudsman in this case, appointed pursuant to the Bankruptcy Code by the Office of the United States Trustee. The firm represented the ombudsman in the discharge of his duties in these two roles.

Western Medical
The firm represented the creditors' committee in this healthcare distribution company chapter 11 case. The company was sold and a distribution was made to unsecured creditors as the result of a carve-out given by the secured lender.

Curative Health Services
The firm served as counsel to the indenture trustee in this prepackaged chapter 11 case.

Functional Restoration Medical Center
The firm represented the committee in the chapter 11 case of this owner and operator of a chain of MRI centers throughout Southern California. In light of evident management issues, the committee successfully sought the appointment of a chief restructuring officer and thereafter participated in an extensive marketing of the debtor's assets. With the assistance of the committee, the debtor was able to negotiate significant reductions in the secured debt held by various secured creditors. Within three months, the debtor was able to sell its assets at the market's maximum value.

Intrepid Home Health
The firm served as special counsel to the debtor in this chapter 11 case of a $100 million national home health agency and successfully resolved the key issue in the case -- a $40 million claim filed by the US Center for Medicare and Medicaid Services for Medicare fraud.

Santa Paula Memorial Hospital
The firm represented the County of Ventura in acquiring a hospital for the local healthcare department to operate.
DVI, Inc.
The firm served as counsel to the examiner appointed in this chapter 11 case in Delaware bankruptcy court. The debtors in DVI were specialty finance companies that extended loans and financing. Prior to bankruptcy, the DVI group issued billions of dollars worth of such asset-based securities. With the assistance and counsel of the firm, the examiner conducted a comprehensive investigation into the debtors’ business and accounting practices; allegations of fraud, mismanagement, and misconduct by the debtors’ management; and potential claims against former and/or current directors and officers. This investigation spanned several months. It entailed the review and analysis of complex issues and a voluminous evidentiary record, as well as coordination and cooperation with various governmental agencies, including the U.S. Attorneys’ Office and the SEC, culminating in the preparation and submission of a comprehensive examiner’s report detailing an assortment of improper or suspect activities.

Centennial Healthcare Corporation
The firm served as counsel to the plan co-proponent and potential purchaser in this chapter 11 in Atlanta, Georgia.

Health Plan of the Redwoods
The firm represented a not-for-profit health plan with more than 100,000 members in this liquidating chapter 11 case in Northern California. HPR's shut-down, with the firm's assistance, resulted in a seamless transfer of members to other health plans, confirmation of its liquidating plan in only seven months, and distribution of more than 40 cents on the dollar to creditors.

Healthcentral.com
The firm completed the liquidation of one of the leading publicly traded business-to-consumer web merchants and content providers through a series of "going concern" sales of separate business units, facilitating meaningful distributions to unsecured creditors.

Health Source Medical Group
The firm represented an independent physician association in its liquidating chapter 11 case in Los Angeles, California.

Genesis Health Ventures
The firm as cocounsel represented the official creditors' committee of Genesis Health Ventures and its affiliates in their chapter 11 bankruptcy case. Genesis Health Ventures operated skilled nursing and assisted-living centers in 17 states.

Integrated Health Services
The firm represented a healthcare REIT in this Delaware bankruptcy of a major nursing-home chain.
Mariner Post-Acute Network
The firm represented the creditors' committee in the bankruptcy case of Mariner Post-Acute Network and its affiliated debtors. In this case involving one of the nation's largest operators of skilled nursing facilities, the firm successfully negotiated for a distribution to general unsecured creditors in a case where no such distribution was expected. In addition, two firm attorneys represented the debtor in this case before joining the firm.

Sun Healthcare Group
In Sun Healthcare, the firm represented creditors facing significant claims in the chapter 11 case.

NewCare Health Corporation
In NewCare, the firm represented creditors facing significant claims in the chapter 11 case.

Pacific Eyenet
The firm represented Pacific Eyenet in its chapter 11 case. Pacific Eyenet provided management and billing services to Pacific Eye Inc., a Medical Group ("PEN MG"), a separate entity with an emphasis on the delivery of ophthalmic services. The debtor and PEN MG cooperatively operated fifteen clinics throughout Southern California. Prepetition, Pacific Eyenet's only source of revenue was pursuant to a management agreement with PEN MG. PEN MG asserted that it terminated that agreement prepetition based on asserted breaches of contract. Pacific Eyenet asserted that it reserved its right to challenge the validity of the purported termination. The firm helped Pacific Eyenet negotiate with PEN MG for an amicable “separation” of assets and liabilities to resolve their differences. Because Pacific Eyenet's efforts to obtain another source of income were unsuccessful, it was forced to liquidate its assets. The firm then assisted the debtor in negotiating a “separation agreement” with PEN MG, assisted in the sales of various clinic rights to the doctors working in those clinics, and assisted in closing other clinics and transferring assets as appropriate. During this period the firm also assisted the Debtor in negotiating use of cash collateral with its secured lender. After this case converted to chapter 7, the firm worked closely with counsel for the Trustee to ensure a smooth transition.

FPA Medical Management
In FPA, the firm represented creditors facing significant claims in the chapter 11 case.

Associated Physicians of St. John's
The firm represented the creditors' committee in this liquidation of an IPA in Santa Monica.

Corcoran Hospital District
The firm represented two California governmental units in this chapter 9 bankruptcy case.

San Fernando (Mission) Community Hospital
We confirmed a plan of reorganization for this non-profit hospital corporation in its chapter 11 case. Aggressive litigation with its secured lenders facilitated a plan that paid creditors in full.

Heffernan Memorial Hospital District
Healthcare Restructuring (Cont.)

The firm represented bondholders and formulated a consensual plan of adjustment in this chapter 9 municipal bankruptcy case.