

Interest in Coshocton County Memorial Hospital grows

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About a dozen companies are reviewing information to potentially bid on Coshocton County Memorial Hospital, which filed for bankruptcy on 30 June, according to **hospital financial advisor Matt Caine in an interview with Debtwire Municipals.**

As the stalking-horse bidder, Prime Healthcare Foundation has already agreed to buy the hospital's assets through the Chapter 11 process. But they may face competition: several other for-profits and not-for-profits are weighing bidding on the hospital, Caine said. The United States Bankruptcy Court of the Northern District of Ohio has set a bid deadline for 19 September.

"We're getting a fair amount of interest and inquiries," said Caine, a managing director at SOLIC Capital. "There's a good cross section of [local] not-for-profits, [for instance] in Canton area and Columbus [that are looking to expand, and] for-profit entities that are looking at the acquisition as an entry into that market place."

Caine declined to name specific potential bidders, saying that there were nondisclosure agreements.

The rural Ohio-based 56-bed hospital, over an hour away from Canton and Columbus, faced many of the same problems other rural hospitals have in recent years: reduced reimbursement rates, the effects of healthcare reform, and recruiting challenges. It also suffered from a "failed" IT installation in 2012, which left it unable to get patient bills out for 90 days, said Caine. The self-insured hospital also faced mounting healthcare debts for its own employees, Caine said.

The hospital subsequently replaced the CEO and CFO, and the new management made headway in a turnaround, closing a money-losing obstetrics unit, attracting physicians, and implementing a "very attractive" new IT system, Caine said. But even with the new measures, when it looked for additional funding, offers came with the condition that it file for bankruptcy protection.

Prime has provided the initial debtor-in-possession financing — up to USD 10m — and has promised an additional USD 25m for capital improvements if the court ultimately allows it to take over the facility.

Using the financing, the hospital has redeemed all of its outstanding municipal bond debt, including the final USD 2.5m of the 1999 issuance and the final USD 260,000 outstanding of the 1997 issuance, which bondholders were notified on 7 July would be redeemed by 11 August. No debt has traded this year.

The reason the debt has been redeemed is that bondholders had a first lien on the property. Now, the debtor-in-possession does not have competing liens, said Caine.

Caine declined to speak specifically about the advantages of a bankruptcy in Coshocton County Memorial Hospital's case. However, he said that in general, unsecured liabilities, such as trade debt, could be reduced in a bankruptcy.

“The spirit of any deal is to keep the operating concern going on an ongoing basis [and] not endanger [the business],” he said.

In general, unsecured creditors could challenge the bond redemption if the lien isn’t perfected, although Caine did not foresee that as a problem in this case.

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