

## **Coshocton County Memorial Wants to Sell Medical Facility**

*Prime Healthcare commits to investing \$1 million for physician recruitment and \$25 million for capital improvements over five years.*

July 5, 2016

Coshocton County Memorial Hospital Association wants to sell its medical facility while in bankruptcy.

The Coshocton, Ohio, acute care hospital operator on Thursday, June 30, filed for Chapter 11 protection in the U.S. Bankruptcy Court for the Northern District of Ohio in Akron.

On the same day, the debtor also filed proposed bidding procedures that name Prime Healthcare Foundation Inc. stalking-horse bidder. Prime has agreed to pay \$10 million, plus cure costs for executory contracts and unexpired licenses.

In a Thursday declaration, CEO Lorri Wildi said the debtor needed to file for bankruptcy after suffering financial difficulties from the effects of healthcare reform, reduced Medicare reimbursement rates, increased competition, aggressive reimbursement policies by private insurers and increases in patients' bad debt.

Judge Alan Koschik signed an order at a Friday first-day hearing approving the debtor's use of cash collateral and \$5.5 million in debtor-in-possession financing on an interim basis.

Court papers show \$10 million in DIP financing would be available on final approval.

The DIP carries an 8% per annum interest rate and 2% commitment fee. The loan matures on Dec. 31.

The financing includes certain milestones, including the debtor winning bidding procedures approval by July 31, holding an auction by Sept. 28, securing sale approval by Sept. 30 and closing the deal by Dec. 31.

A final DIP hearing is set for July 19.

According to the Thursday bidding procedures motion, Prime would pay \$10 million for the hospital's assets and agree to keep the hospital open as a full-service, acute care hospital. The buyer would commit to invest \$1 million for physician recruitment and \$25 million for capital improvements, information technology, infrastructure improvements and working capital over five years.

The debtor seeks approval of bid protections for the stalking horse, including a \$350,000 breakup fee and up to \$150,000 in expense reimbursement if it is beat out at auction.

A rival bidder would need to offer a minimum of \$10.5 million and submit a \$1.05 million cash deposit by a Sept. 19 bid deadline.

Subsequent bids would increase in \$100,000 increments.

An auction would be held Sept. 22 if at least one qualified bid is received other than the stalking horse's. A sale hearing would take place on Sept. 27.

Koschik has scheduled a bidding procedures hearing for July 19.

The debtor listed \$10 million to \$50 million in assets and liabilities in its petition. Its largest unsecured creditors include Genesis HealthCare (GEN) (owed \$8.1 million), Aramark Corp. (ARMK) (\$844,814), Premier Anesthesia (\$668,942), Claro Group LLC (\$495,732) and Sodexo (\$332,535.)

The nonprofit hospital, which has operated for over 100 years, has 56 beds and employs over 400 workers. It generates about \$50 million in annual net revenue, according to court papers.

Debtor counsel Sean Malloy of McDonald Hopkins LLC was not available for comment. Michael J. Kaczka and Maria G. Carr are also debtor counsel.

**SOLIC Capital Advisors LLC is the debtor's financial adviser.**

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