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UNITED STATES BANKRUPTCY COURT

EASTERN DISTRICT OF CALIFORNIA

FRESNO DIVISION

In re:

Case No. 23-10457

MADERA COMMUNITY HOSPITAL,

Chapter 11

Debtor in Possession.

DC No.: WJH-3

Tax ID#: 23-7429117

Date: July 11, 2023

Address: 1250 E Almond Avenue

Time: 9:30 a.m.

Madera, CA 93637

Place: 2500 Tulare Street

Courtroom 13

Fresno, CA 93721

Judge: Honorable René Lastreto II

ORDER AUTHORIZING INTERIM USE OF CASH COLLATERAL AND GRANTING ADEQUATE PROTECTION FOR USE OF CASH COLLATERAL

At Fresno, in the Eastern District of California.

The continued hearing on the Motion for an order (a) authorizing interim use of cash collateral and (b) granting adequate protection for use of prepetition collateral (“Motion”) filed herein duly and regularly came on for hearing before this Court at the above time. Appearances were made on the record.

The Motion having been duly and properly noticed to the required parties, the evidence as to the necessity for the use of cash collateral for an interim period being found reasonable and

1 5. Nothing in this Order shall be deemed or construed as a finding to the nature, extent
2 or validity of any claimed security interest.

3 Submitted by:

4 Riley C. Walter
5 Riley C. Walter
6 Attorney for Debtor in Possession

7 Approved as to form and content.
8 /s/ Edward Green
9 Edward Green
10 Attorney for Saint Agnes Medical Center

11 /s/ Andrew Sherman
12 Andrew Sherman
13 Counsel for Creditor's Committee

24 IT IS SO ORDERED:

25 Dated: Jul 11, 2023

By the Court

26 René Lastrero II
27 René Lastrero II, Judge
28 United States Bankruptcy Court

	July 7/15/2023 Week 1	July 7/22/2023 Week 2				
Source of Cashflows						
ROLLOVER	\$ 2,500,000	\$ 2,480,575				
Collections of A/R	\$ 10,000	\$ 10,000				
Recovery of APP receivables	\$ 2,000	\$ 2,000				1
Receipts from Gov't						
Quality Assurance FFS Payments						
Less: Quality Assurance Fees						2
Appropriation Funds State of California AB-179, Ch 249/2022						
Rents on campus facilities						3
Miscellaneous income	\$ 200	\$ 200				4
Rents on Farmland						5
Farmland sale proceeds						5
Sammons Note proceeds						6
Refunds from rejection of prepaid service contracts						
FEMA						7
Sales of supplies						8
Sales of personal property						8
Sales of ancillary property on 39 acre campus						9
Cash Infusions						
State of California						
County of Madera						
Potential Suitor						10
TOTAL Cashflows	\$ 2,512,200	\$ 2,492,775				
EXPENSES						
Employee related - POST						
Wages (accounting, billing, clerical)		\$ 9,000				
Payroll Tax		\$ 900				
Workers Comp Insurance						
Replacement Health Plan						
Exempt Employee Life Insurance						
1% retirement contribution						
TOTAL Employee EXPENSES	\$ -	\$ 9,900				
OTHER OPERATING EXPENSES						
Management (CEO)		\$ 14,461				
CFO/Controller		\$ 30,000				
Supplies						
IT services & other contracted services		\$ 9,000				
Package Insurance (GL, EPL, D&O, Fiduciary)		\$ 13,833				
PL Insurance component of package						11
PL Insurance tail coverage						
Security		\$ 15,000				
Maintenance/Facility Mothball		\$ 12,500				
Acute Care Hospital License renewal						12
Property Tax						13
Property Insurance						
Gas						14
Electricity (PG&E)						14
Electricity (Solar PPA)						15
Garbage, water, internet, cell phone, etc. (non-PUC)						14
Wages (facility maintenance)		\$ 3,000				14
Payroll Tax		\$ 300				14
Postage (medical records, billing denials & appeals)		\$ 250				
Medical Records related expenses (IT, copy/print, etc)		\$ 90,000				16
Wages (medical records)		\$ 10,000				16
Payroll Tax		\$ 1,000				16
Medical Records Transition						16
Payoff of obligations under former Self-Insured Health Plan						17
Variance (15%)	\$ 4,125	\$ 29,137				
TOTAL OTHER OPERATING EXPENSES	\$ 31,625	\$ 213,481	\$ -	\$ -	\$ -	\$ -
TOTAL EXPENSES	\$ 31,625	\$ 223,381	\$ -	\$ -	\$ -	\$ -
REMAINDER AFTER OPERATING	\$ 2,480,575	\$ 2,269,394	\$ -	\$ -	\$ -	\$ -

	July 7/15/2023 Week 1	July 7/22/2023 Week 2				
CHAPTER 11 EXPENSES						
Professionals						
Bankruptcy Counsel						
Special Counsel - Ward		\$ 5,000				
Special Counsel - McCormick (Wainwright)		\$ 5,000				
Appraiser						
Accountants						18
Creditor's Committee Attorneys						
Creditor's Committee Financial Advisors						
Healthcare Ombudsman Fees						
US Trustee						
TOTAL CHAPTER 11 EXPENSES	\$ -	\$ 10,000				

SECURED						
Saint Agnes Medical Center						19
New England Sheet Metal						
Cisco / Telcion Communications Group (phone system)						10
Hewlett-Packard Financial Services / Telcion / Cisco Capital (Backup)						10
AmeriCorp Leasing / Leaf Financial						10
Huntington Technology Finance						10
Siemens Financial Services, Inc.						10
Bedside Monitor						10
Beckman Coulter						10
Pyxis Medication						10
BD Max Clinical						10
Surgical Equipment						10
Clinic/IT Leases						10
Canon Financial - photocopiers						10
TOTAL SECURED	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

ROLLOVER AMOUNT	\$ 2,480,575	\$ 2,259,394	\$ -	\$ -	\$ -	\$ -
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NOTES:

- 1 Approx. \$200k in potential collection of APP receivables turned over to MCH after its Chapter 7 filing
- 2 \$5M appropriation from State Appropriation Budget, AB-179, Ch 249/2022: Department of Health Care Services: "\$5m to the City of Madera for support for the Madera Community Hospital", approved by the Governor on 9/6/22
- 3 MCH has existing land leases with two doctors who own buildings constructed upon the greater hospital campus. In April, 2023, MCH engaged in a listing agreement to lease various medical and nonmedical office buildings on the hospital campus with Newmark Pearson commercial real estate brokerage. MCH anticipates an increase in monthly rents received as these buildings are marketed and leased out.
- 4 MCH receives miscellaneous refunds, rebates, minor fees from production of medical records, etc.
- 5 MCH currently owns 35 acres, planted to almonds, in Madera County (referred to here as the "Farmland"). Farmland rent is a crophshare agreement paid after the crops (almonds) are sold. PY amount was approx. \$28k, however we anticipate \$20k in 2023 due to the decrease in almond prices, approx \$11k of which has already been received. MCH is actively pursuing sale of the Farmland, and anticipates sale of such property by late September, 2023.
- 6 The "Sammons Note" is a promissory note held by MCH, secured by real property in Madera County. Payments required under the agreement are \$2,600/month. MCH is actively pursuing the sale of the Sammons Note, and anticipates sale of such note by late September, 2023.
- 7 FEMA aid payments of an unknown amount (likely totalling between \$600k and \$20M) are anticipated at unknown dates in the future.
- 8 Anticipated auction of supplies and personal property August-September, 2023, if an acceptable suitor does not materialize before that time.
- 9 The 39 acre Hospital campus is composed of multiple parcels, some of which are ancillary to the operation of the general acute care hospital. Three parcels have been identified that could be marketed and sold with minimal effort; MCH is working with a commercial brokerage to obtain a proposal to do so; the \$1.2M during this budget period reflects the estimated sales proceeds from one such parcel and medical office building constructed thereupon. Two additional parcels may be able to be sold after having lot line adjustments made due to structures added to the campus over the years that straddle the property lines; MCH is working with an engineering firm to evaluate such lot line adjustments. One additional parcel currently is currently subject to a long term lease with Clean Capital (see note 15 below), upon which they have constructed a solar plant; MCH is evaluating the potential sale of this property with regard to its commitments under the lease and power purchase agreement.
- 10 Anticipated contribution from potential suitor or governmental agency to cover continued central plant operation and maintenance, as well as payments toward monthly lease obligations and related cures if contracts are to be assumed.
- 11 Professional Liability (Medical Malpractice) coverage was discontinued effective 05/01/23 and MCH is going bare. Cost of 3 yr tail coverage was approx. \$1M.
- 12 MCH's acute care hospital license is currently in suspense. Due to the age of the facility, the hospital would not likely be able to obtain a new acute care license upon reopening under the current HCAI guidelines, but is grandfathered in as long as it maintains its acute care license. MCH is of the opinion that the license must be renewed to preserve the value of the facility, however, MCH anticipates the County of Madera will either bear this expense or work with the state regulator to obtain an extension of time in which to pay.
- 13 Property taxes paid 02/10/23.
- 14 In mid-April, MCH engaged the services of an engineer to assist with safely decommissioning its central plant to reduce the cost of utilities during the current suspension of operations while preserving the integrity of the asset for future use. MCH anticipates utility costs to continue to decrease as more of the large equipment in the central plant (air handlers, boilers, etc.) is either shut down or moved to a low consumption state. Reduction in actual energy usage is being partially offset by the increasing cost of gas; i.e. less therms are being used, but cost per therm has increased. MCH anticipated a complete shutdown of the plant immediately following the June 7, 2023 meeting of the MCH Board of Trustees; however, more than one potential suitor is in conversation with MCH and several parties-in-interest do not agree with the complete shutdown.
- 15 MCH purchases a portion of its electricity pursuant to a solar power purchase agreement with Clean Capital. This electricity is generated by a solar plant owned by Clean Capital, located on the hospital campus. The amount varies somewhat by season but, effectively, MCH must purchase the entirety of the power the system produces, and the average for the most recent 12 mos. was approx. \$26k/month. Management continues to investigate alternative uses for such power as the hospital itself requires less and less energy (see note 14 above), and the possibility of diverting the power to buildings on the campus that will be leased by third parties (note 3 above) to be sold to the tenants. If this is not determined to provide a financial benefit to the estate, MCH will further evaluate rejection of the power purchase agreement contract.
- 16 MCH is currently spending approx. \$120k/month managing the medical records from its prior operations according to its obligations under state and federal laws. MCH has obtained quotes for transitioning medical records to a third party, and one vendor could handle all aspects of the medical records in perpetuity for a one time fee of approx. \$485k (i.e. approx. 4 months of current costs).
- 17 MCH has approx. \$500K in obligations due under its former self-insured health plan. Such amounts will become liabilities of the former MCH employees that were covered under the plan when the medical services were obtained, and MCH is requesting to pay these claims, with the consent of the other parties in interest, during this budget period to avoid collection actions being taken by medical providers against MCH's former employees.
- 18 MCH anticipates \$20k in fees from CHW, LLP for Medicare cost reports and \$5k to JWVT & Associates, LLP for OSHPD report; this work is expected to take place in late July, 2023.
- 19 \$500k payment to be made to SAMC on 06/19/23. Two \$4M payments have previously been made to SAMC/Trinity since MCH filed for Ch 11 on 03/10/23. This loan accrues 7.5% interest (including default interest); accordingly, each \$4M payment reduces the monthly interest accrual by approx. \$25k.