



 **Healthcare Management Partners**
Listen • Evaluate • Implement

STATEMENT OF QUALIFICATIONS

February 2018

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ABOUT US

WHO WE ARE

Healthcare Management Partners, LLC (“HMP”) is a turnaround and consulting firm that specializes in assisting healthcare organizations experiencing current, or anticipated financial challenges navigate their way to positive outcomes. Led by highly experienced, C-level healthcare operators, HMP has a unique ability to not only quickly define and solve problems, but also lead the delivery of the right solutions. In doing so, we produce exceptional results for our clients and their stakeholders.

Our executives have led large organizations of all kinds across the continuum of care: from specialty, academic, and general acute care to post-acute, behavioral, long-term care, general practice and labs. We understand the healthcare delivery system, and our extensive experience positions us well to grapple with and resolve all types of issues.

As the healthcare field continues to escalate in complexity and gravity, so do its challenges. Having access to the right expertise to navigate the rapidly changing healthcare market is critical to maintaining high-quality healthcare services in communities across the nation. HMP provides significant expertise, and in addition, we have an extensive network of professionals that we can call on to ensure the right solution is delivered in a timely manner.

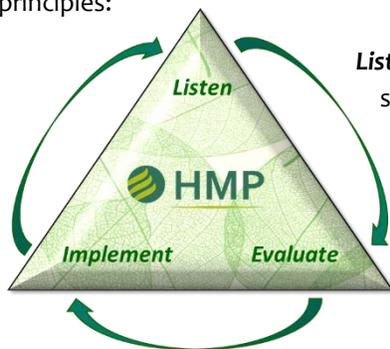
HMP’s core services include turnaround management (CEO, CFO, COO, Chief Restructuring Officer etc.), financial advisory, and litigation support (expert testimony). We also provide data analysis & benchmarking tools utilizing a proprietary product, HMP Metrics™.

We have an extensive list of clients, and are often engaged by hospitals and other healthcare organizations, their creditors, investors, lenders, legal advisors and business partners.

Our work has helped dozens of healthcare organizations of all kinds and sizes to survive, recover, grow, and thrive in their communities—all the while contributing to the provision of high-quality healthcare.

OUR APPROACH

Our approach to every assignment is built upon the straightforward application of three simple guiding principles:



Listen – We listen carefully and continuously to our clients, their key stakeholders, and the marketplace throughout each assignment;

Evaluate – We employ comprehensive, fact-based analysis to evaluate and validate assumptions, findings, and recommended actions;

Implement – We take decisive action to quickly and effectively implement strategies to eliminate problems and convert opportunities.

THE HMP DIFFERENCE

CEO CFO Led by C-level healthcare operators with a consulting skill set	 Deep technical knowledge and subject matter expertise
 Excellent communicators who bring stakeholders toward a consensus	 We have a bias toward action and “getting it done” successfully
 Hand-picked, highly experienced teams of healthcare professionals	 Extensive network of healthcare industry experts in all sectors
 Commitment to the “right” solution for patient-centered, quality care	 Absolute integrity of our fact-based, data driven approach

SERVICES

TURNAROUND MANAGEMENT



We do not define ourselves as professional consultants: Instead, we are experienced healthcare operators who also have a strong consulting skill set. Having led and managed the successful turnaround of dozens of organizations in financial difficulty, we quickly pinpoint and prioritize key issues and know how to lead the organization and its stakeholders to the right solution. We are excellent communicators, and our transparent and fair approach is recognized by both the organizations we represent, and those on the other side of the table. We are committed to the provision of quality healthcare services at every provider organization in which we have a management role.

HMP’s senior management team has deep experience in taking necessary decisive action in crisis or turnaround situations. The combination of our collective knowledge and experience gives HMP a unique perspective and all the tools necessary to handle whatever crisis a healthcare provider organization faces. This type of skill is not usually found in the permanent leadership team.

HMP provides Restructuring Management, Hospital Contract Management and Interim or Crisis Management services. All of our senior executives have decades of healthcare experience, including CEO, COO and CFO assignments across the spectrum of health services. Examples of specific assignments include serving as the Chief Executive Officer (CEO) of the following types of healthcare organizations:

- Religiously-affiliated or -sponsored multihospital systems
- Free-standing not-for-profit and government-owned community hospitals
- University and major teaching hospitals
- Single-site and multi-hospital regional operations with investor-owned hospital management companies

- New general acute care hospitals, free-standing heart and cancer hospitals, continuing care retirement communities, and many other related facilities—including de novo start-up planning, construction, and operation
- Hospitals that are in bankruptcy or for sale
- Financially distressed skilled nursing facilities
- Home health, hospice, and physician practices

Our executive management assignments usually involve a minimum of two positions: Chief Executive Officer / Chief Restructuring Officer, and Chief Financial Officer. We are able to provide a full leadership team at the client's request, however in many situations the turnaround is most successful by identifying existing internal talent and leading the organization through the turnaround process.

RESTRUCTURING MANAGEMENT

HMP's executives have served as Chief Restructuring Officers (CRO) of healthcare companies during bankruptcies, crisis situations, and in the early stages of high-profile criminal and civil fraud investigations. In each of these situations, our leadership helps these organizations bolster performance through discipline and carefully planned action.

Some consultants assess problems and provide a recommended course of action, but HMP executives have the ability to take the helm of failing organizations and assume direct responsibility for transforming them. Time and again, our team has succeeded in revitalizing providers of all kinds, from a rural nursing home chain, to a 1,000-bed teaching hospital, to a 180-bed county-owned community hospital.

There are no quick fixes in turnaround management, but HMP has developed a highly effective, streamlined approach for achieving lasting improvements as soon as possible. We begin by developing a strong knowledge base of your organization. Individuals from every level of the organization are interviewed; we conduct sophisticated data analysis and benchmarking utilizing our proprietary product, HMP Metrics™; we analyze the financial and quality data of the organization; and with our depth of healthcare industry knowledge, HMP works to:

- Stabilize the crisis
- Identify immediate opportunities and challenges
- Develop a turnaround/restructuring plan, including milestones and deadlines
- Define expected outcomes
- Build consensus among stakeholders, including medical and nursing staff, management, unions, vendors, patients, and the local community
- Change cultures
- Optimize performance

In all of our turnaround assignments, HMP has successfully designed and executed plans that simultaneously added patient volume and revenue, reduced costs, and improved profitability and cash flow.

From the outset, HMP builds on each organization's strengths, working side-by-side with management, directors, and other key stakeholders to drive desired results. HMP also focuses on winning the support and active participation of the medical and nursing staff, which is fundamental for delivering quality healthcare services and improving financial results.

During a restructuring, either within or outside bankruptcy, HMP partners with management to develop and quickly implement a plan that makes sense given the organization's resource constraints and market positioning. We are on the ground, leading specific aspects of the turnaround process and helping to manage complex constituency relations and communications. As part of this process, our executives will:

- Address immediate working capital needs
- Stabilize core operations
- Review financial projections and develop actionable business plans
- Design and implement any necessary operational restructuring
- Implement ongoing communications processes with key constituencies
- Develop and immediately implement cost reduction initiatives
- Design and implement cash conservation guidelines and controls
- Develop employee incentive plans
- Identify and dispose of non-core assets
- Develop pre-bankruptcy plans
- Assist with bankruptcy case administration, serving as Bankruptcy Trustees and Examiners
- Manage creditor communication and negotiation processes

HOSPITAL CONTRACT MANAGEMENT

HMP is positioned to assume the long-term (3 to 5 years) contract management of hospitals of all sizes and stages of development. We are directly accountable to the board of directors and assume full responsibility to plan, organize, staff, direct, and control the successful and cost-effective operations of the hospital.

Our executives are experienced in leading the development of new or replacement general acute care or specialty hospitals, and in the turnaround and repositioning of existing hospitals. And because HMP is not a pure management consulting firm, our contract management executives are always free to bring the best and most cost effective solution—from whatever source—to the hospital, should outside assistance prove necessary to implement a given strategic or tactical initiative.

As such, we can effectively lead initiatives in the following areas:

Strategic Leadership

- Market Positioning
- Brand Development
- Service Line Development
- Capital Planning and Investment
- Physician Relations
- Physician Integration
- Continuum of Care
- Corporate and Medical Staff Governance
- Mission and Vision
- Design and Implementation of Strategic Plans

Clinical Excellence

- Clinical Process Redesign
- Evidence-Based Care
- Resource Utilization and Cost of Quality
- Pay for Performance
- Care and Case Management Processes
- Quality and Safety Indicators

Operational Excellence

- Patient Throughput
- Emergency Department Clinical Efficiency
- Surgical Services Clinical Efficiency
- Inpatient Length of Stay and Level of Care
- Human Resources Management
- Ambulatory Care
- Hospice and Home Care
- Best Practices and Operating Metrics

Financial Performance Optimization

- Revenue Cycle
- Business Office Consolidation
- Managed Care Contracting
- Risk Management and Insurance
- Budgeting and Financial Planning
- Capital Programs
- Supply Chain
- Financial Reporting and Accounting

INTERIM AND CRISIS MANAGEMENT

HMP serves in interim and crisis management roles to help guide providers through periods of crisis or change. Companies that are underperforming and in crisis, or healthy but in transition, may need additional experienced healthcare industry leaders to stabilize operations and improve financial performance or maintain continuity of service delivery during the rapid implementation of critical strategic initiatives.

Our professionals can offer invaluable advice or step into key leadership positions such as Chief Restructuring Officer, Chief Financial Officer, or Chief Executive Officer to provide needed stability during periods of change.

Our crisis and interim management services include:

- Immediate staffing of critical senior management positions
- Reducing lead-time for implementing strategic initiatives
- Managing communications with the medical and nursing staff, board, employees, and regulators
- Bankruptcy process planning and administration

LITIGATION SUPPORT



When disputes in the healthcare field become litigious, HMP offers significant experience in preparing sophisticated expert reports and testifying in several high profile cases.

We have the benefit of our customized data analysis and benchmarking tools combined with significant industry expertise to produce thorough fact-based analyses on issues including accounting irregularities, audit compliance, enterprise/equity valuation, Medicare fraud allegations, claims of lender liability, professional negligence, among many others. If issues cannot be resolved through settlement, HMP's senior executives are experienced in providing expert testimony in conjunction with the legal process.

HMP combines its quantitative analysis skills with deep healthcare industry operating experience to effectively evaluate qualitative issues involving the organization and delivery of patient care. The goal is to get to the bottom of the disagreement in a disciplined way, digging deep to determine precise facts.

TESTIFYING AND CONSULTING EXPERTS

Any healthcare organization facing complex litigation involving contract disputes, Medicare fraud allegations, or liability analysis needs the support and advice of experienced professionals who can provide independent and objective expert opinions.

HMP's testifying and consulting experts rigorously incorporate economic and accounting principles into sophisticated financial, statistical, and data mining models for the calculation of damages and lost profits. Our experts prepare and interpret economic and statistical analyses and present their findings effectively in court, to regulatory authorities, or to healthcare clients.

HMP's professionals consult and testify on various types of damages claims, including Medicare fraud, lost profits, loss of value, econometric and statistical analysis, restitution, contract damages, market definition, and competition analysis.

Our testifying and consulting expert services include:

- Accounting and Financial Reporting
- Bankruptcy Fraud and Litigation
- Breach of Contract Claims
- Business Interruption
- Economic Damages and Lost Profits
- Economic Modeling and Forecasting
- Financial Investigations
- Expert Witness Testimony
- Medicare and Medicaid Fraud and Abuse
- Professional Malpractice (Accounting, Consulting and Hospital Management, or Turnaround)

INVESTIGATIONS

Today, healthcare providers face unprecedented scrutiny from internal and external parties. Financial, accounting, and fraud investigations, business disputes, and regulatory probes have become burdensome and complicated. Providers and their legal counsel need a dedicated, specialized team of healthcare industry professionals with deep financial and accounting skills at their side to confront these challenges.

Healthcare Management Partners brings singular experience and knowledge to this work. HMP senior executives have led or participated in the forensic accounting investigations of two of the biggest Medicare fraud cases in history: HCA and HealthSouth.

Our team has a proven track record in performing comprehensive investigations, providing in-depth analyses of complex financial transactions, preparing clear and concise reports, and providing compelling expert testimony to courts, arbitrators, mediators, and juries.

HMP professionals have also assisted boards and management of both private and public healthcare organizations. In particular, we have assisted in response to investigations and inquiries initiated by or involving regulatory and law enforcement bodies related to financial reporting (GAAP), whistleblower allegations, regulatory compliance reviews, securities law violations, and other misappropriation of assets.

Our investigation services include:

- Accounting Irregularities
- Bankruptcy Fraud
- Stark Violations
- Embezzlement of Funds
- Patient Billing or False Claims Act Violations
- Regulatory Compliance and Enforcement
- Receiver's and Examiner's Roles

FINANCIAL ADVISORY SERVICES



The complex and ever-changing nature of the healthcare market can test even the strongest organizations. Healthcare Management Partners serves as an advisor to hospitals and other healthcare providers facing strategic decisions directly impacting current or future financial performance.

HMP also frequently serves banks, bondholders, private equity firms, committees of unsecured creditors and their legal and accounting advisors with regard to complex business transactions or restructurings involving healthcare providers. We provide Creditor Advisory, Operational Due Diligence, and Financial Due Diligence Services.

Unlike many of our competitors, every financial advisory engagement is led, “on the ground,” by experienced C-Level healthcare executives. Our project experience has been diverse. For example, in a project for a major investment bank, HMP analyzed the effects of proposed major, highly complex changes to the Medicare payment system for the home health agency market. HMP’s analysis identified which companies would benefit and which would be hurt by the proposed changes – and by how much.

In another case, HMP worked with a very successful behavioral health managed care organization in the Northeast to set a new strategic direction and optimize the organization's enterprise value. HMP played a pivotal role in executing the plan, which included identifying and negotiating with potential merger partners. As a direct result of HMP's leadership, the organization is now the behavioral health arm of the nation's largest Medicaid managed-care organization.

CREDITOR ADVISORY

HMP provides support to creditor groups with interests in healthcare provider organizations engaged in complex restructuring, bankruptcy, and distressed situations. Our services enable lender groups, bondholders, trade creditors, investors, and others to quickly and accurately evaluate the risks and opportunities associated with a provider's business plan. Our efforts are designed to help all of the parties make informed business judgments that will maximize overall recoveries.

Our creditor advisory services include:

- Review of short-term cash flow projections
- Analysis of cash conservation efforts and procedures
- Analysis of business plans, including risks and opportunities
- Valuation of collateral packages on both an ongoing or liquidation basis
- Assistance in negotiation of amendment and forbearance agreements
- Review and assessment of restructuring alternatives
- Performance monitoring following business plan implementation

FINANCIAL DUE DILIGENCE

HMP's financial due diligence services are provided by a team of experienced healthcare executives who analyze the quality of earnings and working capital requirements through financial statements, patient mix and market placement assessments, and on-site discussions with medical staff, management, and board members. Our focused, tailored approach enables us to rapidly identify and understand potential deal breakers, value drivers, and other areas of interest specific to our clients.

Our financial due diligence services include:

- Assessment of the target provider's quality of earnings, including the identification of overly aggressive accounting policies and the assessment of the adequacy of third party contractual allowances, as well as assessment for GAAP accounting compliance
- Analysis of the cash flows revenue cycle (e.g., working capital changes, capital expenditures)
- Review of on- and off-balance sheet assets and liabilities, including significant operating lease obligations
- Use of our proprietary financial modeling and data analysis tools to assess market position and payor mix, specifically identifying market opportunities and trends in profitability as well as significant concentrations of risk
- Evaluation of management's financial projections and business plans
- Comprehensive discussion with management and their advisors
- Performance of both buy-side and sell-side due diligence

OPERATIONAL DUE DILIGENCE

Informed lenders and investors understand that successful transactions start with a full understanding of historical and projected financial information. To maximize returns while minimizing risks, hospitals and other providers must continuously improve operational efficiency, identify and convert market opportunities, and maximize the efficiency of cash flow. HMP's staff of experienced healthcare executives assists our clients in analyzing the quality and efficiency of critical patient services and processes. From our thorough, fact-based analysis, we identify, quantify, and validate opportunities for EBITDA improvement. Our integrated operational and financial due diligence staff work closely together to quickly assemble a comprehensive picture of the investment opportunity.

DATA ANALYSIS & BENCHMARKING: HMP METRICS™

Over many years of successful client engagements, Healthcare Management Partners has developed a number of sophisticated tools that enable us to rapidly assist clients and corporate partners to achieve their unique business objectives. Our professionals employ these tools to quickly evaluate our healthcare clients' market placements, productivity, financial conditions, and short-term debt capacities to meet pressing working capital needs.

We have also developed a tool to accurately evaluate the payment patterns and practices of third party payors to assist providers in maximizing their collection efforts.

Finally, HMP has developed a unique set of tools that enable us to minimize the cost of managing the administrative burdens of a healthcare client in bankruptcy.

PEER GROUP BENCHMARKING FOR HEALTHCARE PROVIDERS

HMP Metrics™ uses a custom electronic database that includes Healthcare Cost Report Information System (HCRIS) data from more than 200,000 Medicare Cost Reports filed by hospitals, nursing homes, home health agencies, and other providers since 1994. Additionally, for hospitals only, the HMP Metrics™ database also includes selected data elements from the Medicare Provider Analysis and Review (MEDPAR) database and data sets licensed by HMP from credit rating agencies and healthcare industry trade associations.

Using proprietary filters, the data contained in the HMP Metrics™ database have been “scrubbed” to exclude incorrect, partial period, and statistically aberrant data elements for individual hospitals or health systems. This data validation process enables HMP Metrics™ to produce highly accurate and defensible peer group comparisons for dozens of standard industry metrics. HMP Metrics™ will also provide the number of records (cost reports) that were excluded from the computation of that particular metric.

HMP can easily create customized reports that mix or create new peer groups and then compare them to state or national benchmarks. Examples of peer groups that a user might wish to examine include:

- Hospital members of a single multihospital system
- Hospitals with a specific long-term debt rating (BBB, A-, AA, etc.)
- Hospital members of specific hospital trade association (CHA, NCHRI, AAMC, etc.)
- Hospitals by ownership, size, geographic region, or teaching status
- Hospitals with outstanding bonds issued by a specific bond authority

The diversity of peer groups and metrics that can be measured is nearly limitless. Additionally, for each peer group comparison and metric, HMP Metrics™ also produces the peer group mean and median values and associated record counts for each quartile within the peer group.

Our HMP Metrics™ benchmark reports very quickly identify problem areas within an organization that can then be investigated further to properly understand its causes and work towards timely resolution.

PATIENT MIGRATION STUDIES (MARKET SHARE ANALYSIS)

HMP licenses and has expertise in the analysis of data contained in the Medicare Provider Analysis and Review (MEDPAR) database. MEDPAR, which is updated annually, contains over 100 data elements for all Medicare inpatient and outpatient claims. HMP has built models to enable us to use MEDPAR as well as state level Medicaid and patient billing databases, if available, to determine hospital market share by major diagnostic category (MDC), conduct patient migration studies, and prepare analyses related to allegations of fraud, abuse, or other corporate compliance issues.

HOSPITAL FINANCIAL FORECAST MODEL

The Hospital Financial Model is a modular, yet integrated, financial model that enables the user to quickly and accurately build operating budgets, test the financial sensitivity of alternate operating scenarios, and evaluate business risk. Using a control board that contains variable values for all key forecast assumptions, the user can quickly assess the financial impact of alternate assumptions or business risk profiles.

- Historical Inpatient and Outpatient Origin
- Definition of Historical Inpatient and Outpatient Geographic Service Areas
- Medical Staff Profile and Historical Utilization
- Competitor Profile
- Historical and Projected Inpatient Demand
- Historical and Projected Outpatient Demand
- Historical and Projected Units of Service (UOS)
- Historical and Projected Revenues and Expenses by Cost Center
- Historical and Projected Financial Statements
- Historical and Projected Key Financial Ratios
- Projected Debt Capacity

When this tool is combined with our customized data mining and analysis capabilities and used in concert with HMP Metrics™, we can rapidly diagnose operating problems and opportunities and, perhaps of equal or greater merit, communicate those findings to key constituencies in a clear, actionable manner.

PATIENT ACCOUNTS RECEIVABLE FINANCING BORROWING BASE CALCULATION (BBC)

HMP has developed a process and companion financial model that allows for rapidly computing a hospital's borrowing base availability, for which active patient accounts receivable (or the revenue thereof) is used as collateral for the underlying credit facility. The model enables the hospital to compute its borrowing base on a daily or weekly basis and produce a valid "Officer's Certificate" to enable it to draw on an available credit facility.

This tool, which was created to mirror the strict documentation standards of a leading lender to the healthcare industry, was specifically designed to be used in conjunction with credit facilities drawn on a local bank or perhaps a non-financial lender (DIP lender or potential buyer of the facility) that is not regularly engaged in patient accounts receivable financing. Once installed, HMP will monitor the process on behalf of the lender on an ongoing basis.

THIRD PARTY PAYOR PAYMENT PATTERN ANALYSIS

Because the database we have designed for the Patient Accounts Receivable Financing Borrowing Base Calculation, or BBC Database, contains virtually 100% of all patient accounting activity (billing, collections, adjustments, etc.), it is a relatively simple matter to reorganize the data to prepare a comparative analysis of the historical payment patterns of all third party payors. In turn, this information can be used to either identify weaknesses in the hospital's revenue cycle management or, with the advice of legal counsel, enable the hospital to demand "specific performance" on the part of individual payors to address non-compliance with contract payment terms.

BANKRUPTCY ADMINISTRATION

In an effort to create efficiency and reduce professional fees charged to estates of healthcare providers in bankruptcy, HMP has developed the following automated tools:

- 13 and 26 Week Cash Flow Model
- Monthly Operating Report (MOR)
- Court Supervised Professional Fee Application

CUSTOMIZED DATA MINING AND ANALYSIS

As most business transactions are now completely electronic, a strong reliance on databases and automated workflows has led to an increased demand for the collection and analysis of electronic information. Our professionals offer a hands-on approach to collecting and analyzing information found in large databases, and we leverage our findings to create comprehensive reports used in investigations and litigation.

Our experts have worked with database formats such as Oracle, SQL Server, and Informix, among others, as well as most major hospital information systems. We focus on helping clients uncover essential electronic information to help solve complex problems.

In addition, we license and are experts in the analysis of data contained in the Healthcare Cost Report Information System (HCRIS), Medicare Provider Analysis and Review (MEDPAR) federal databases, and state

Medicaid and patient billing databases; we use these analyses to determine competitive cost structures and market share and to prepare reports related to allegations of fraud, abuse, or other corporate compliance issues.

Our Data Mining and Data Analysis services include:

- Identification of Key Financial Systems
- Preservation and Extraction of Financial Databases
- Damages Calculations
- Analysis of Financial Databases
- Presentation through Reports and Graphs

ORGANIZATIONS OUR PROFESSIONALS HAVE WORKED WITH

Healthcare Management Partners works with a diverse range of healthcare organizations together with their bankers, attorneys and advisors, leveraging our deep expertise and technical knowledge across the industry to quickly diagnose problems and implement the right solutions to ensure the continuous delivery of patient-centered, high quality healthcare.

We work with healthcare providers both in and out of bankruptcy, in all sectors of the healthcare industry (primary, acute, post-acute) and of all ownership types (not-for-profit, government-owned, for profit). We also work for creditor groups, private equity firms, lenders and county boards.

We have previously provided services to:

ACUTE-CARE

- Ameris Health Systems
- HealthSouth Corporation
- Integrated Healthcare Holdings, Inc.
- Shasta Regional Medical Center
- Doctors Hospital, Houston
- Hospital Corporation of America
- Doctors Hospital, Los Angeles
- St. Joseph Hospital, Houston
- Lakeside Hospital at Bastrop
- Hugh Chatham Memorial Hospital
- LifePoint Hospitals
- Tenet Healthcare Corporation
- HealthPlus
- Hughston Hospital and Clinic
- Monroe Hospital LLC
- Vanguard Health Systems
- Hospital Partners of America
- Integra Healthcare
- Promise Healthcare
- Pioneer Health Services, Inc.
- Baylor College of Medicine
- National Health Service, United Kingdom
- Beth Israel Medical Center, New York
- New York United Hospital Medical Center
- The Brooklyn Hospital Center
- Nyack Hospital
- Catholic Health Initiatives
- Rahway Hospital
- Devereux Foundation
- Raritan Bay Health System
- Franciscan Health System
- Regional Medical Center, Alabama
- General Health System
- Robert Wood Johnson Health Network
- Good Samaritan Hospital
- Sisters of Mercy Health System
- Hahnemann University Hospital
- Southern Chester County Medical Center
- Health Alliance of Cincinnati

- St Vincent’s Catholic Medical Centers, New York
- Coleman County Medical Center
- Legacy Health System
- St Luke’s Hospital, New York
- Mercy Health System
- Temple Health System
- Mount Sinai Health System, New York
- Tri-Lakes Medical Center
- Natchez Regional Medical Center
- Hancock Medical Center
- Coleman County Medical Center
- East Texas Medical Center
- Hutcheson Medical Center
- University Hospital Consortium of Pennsylvania

POST-ACUTE/SENIOR CARE

- Grace Care of Texas
- Life Care Centers of America
- Sedgebrook, Inc.
- Monarch Landing, Inc.
- St. Edwards (Ft. Smith, AR)
- American Health Companies, Inc. (Tennessee Health Management)
- Linden Ponds, Inc.
- Mercy Hospitals of Texas
- Loretto
- St. Johns Nursing Home (St. Louis, MO)
- Jenner’s Pond CCRC

HOME CARE/HOSPICE

- Best Choice Home Health
- Journey Healthcare
- Tennessee Quality Homecare and Hospice
- Colombia Home Care

OTHER HEALTHCARE

- Devereux Foundation
- Blue Cross of Tennessee
- Community Behavioral Health Network of PA
- National Senior Campuses (Erickson)

PROFESSIONAL FIRMS/BANKS

- Balch & Bingham LLP
- Bird Marella LLP
- Bradley Arant Boult Cummings LLP
- Brown McCarroll, LLP
- Butler Snow LLP
- Craig M. Geno PLLC
- Decosimo
- Deloitte
- Eileen N. Shaffer PLLC
- Gearhiser, Peters, Lockaby, Cavett & Elliott, PLLC
- Hogan & Lovells LLP
- Horne CPAs
- KPMG
- Latham & Watkins
- Mancuso & Franco PC
- Milbank, Tweed, Hadley and McCloy LLP
- Mintz Levin Cohn Ferris Glovsky & Popeo
- Norton Rose Fulbright LLP
- Patton Boggs
- Quarles & Brady PC
- Ramirez International, Inc.
- Schiavetti, Corgan, Soscia, DiEdwards and Nicholson, LLP
- Waller Lansden Dortch & Davis LLP
- Walter Brown PC
- Whiteford Taylor Preston, LLP
- GE Capital Corporation / CapOne
- CIT
- Wells Fargo
- Medical Property Trust (REIT)
- Regions Bank
- Deutsche Bank Securities Inc.

FOR-PROFIT ORGANIZATIONS

- Ameris Health Systems
- HealthSouth Corporation
- Integrated Healthcare Holdings, Inc.
- Shasta Regional Medical Center
- Doctors Hospital, Houston

- Hospital Corporation of America
- Hahnemann University Hospital – FP?
- Doctors Hospital, Los Angeles
- St. Joseph Hospital, Houston
- Lakeside Hospital at Bastrop
- Hugh Chatham Memorial Hospital
- LifePoint Hospitals
- Tenet Healthcare Corporation
- HealthPlus
- Hughston Hospital and Clinic
- Monroe Hospital LLC
- Vanguard Health Systems
- Hospital Partners of America
- Integra Healthcare
- Promise Healthcare
- Pioneer Health Services, Inc.

NOT-FOR-PROFIT ORGANIZATIONS

- Baylor College of Medicine
- Beth Israel Medical Center, New York
- New York United Hospital Medical Center
- The Brooklyn Hospital Center
- Nyack Hospital
- Catholic Health Initiatives
- Rahway Hospital
- Devereux Foundation
- Raritan Bay Health System
- Franciscan Health System
- General Health System
- Robert Wood Johnson Health Network
- Good Samaritan Hospital
- Sisters of Mercy Health System
- Southern Chester County Medical Center
- Health Alliance of Cincinnati
- Regional Medical Center, Alabama
- St Vincent's Catholic Medical Centers, New York
- Legacy Health System
- St Luke's Hospital, New York
- Mercy Health System
- Temple Health System
- Mount Sinai Health System, New York

- Tri-Lakes Medical Center
- East Texas Medical Center
- University Hospital Consortium of Pennsylvania

GOVERNMENT-OWNED ORGANIZATIONS

- National Health Service, United Kingdom
- Coleman County Medical Center
- Natchez Regional Medical Center
- Hancock Medical Center
- Hutcheson Medical Center

References from organizations our professionals have worked with are available upon request.

BIOGRAPHIES OF SENIOR LEADERSHIP



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SCOTT PHILLIPS, MANAGING DIRECTOR

Scott has more than 30 years of healthcare industry management and consulting experience. Prior to founding HMP in 1997, he served as the President and Chief Executive Officer of a 636-bed academic medical center, as national partner and regional healthcare practice director for Touche Ross & Co. (now Deloitte), and as the Chief Financial Officer of a faith-based multihospital system operating 12 hospitals across seven states.

Scott has significant experience with government, tax-exempt, and investor-owned healthcare service providers. He understands the organization and delivery of high-quality health services, including the role of corporate and medical staff governance during difficult periods of transition. Scott has executive level experience with mergers, acquisitions, and turnaround situations, including restructuring in bankruptcy. In all of his many healthcare provider turnaround assignments, he has successfully designed and implemented plans that simultaneously added patient volume and revenues while conserving cash and reducing unit costs. He understands this approach builds on the organization's strengths and attracts the support of the local community including medical and nursing staff, which is essential for the long-term provision of quality healthcare services.

Over the past several years, Scott has served as the Chairman and CEO of an investor-owned healthcare provider with operations in 15 states and Chief Executive Officer of a publicly traded medical staffing company with more than 2,000 employees. Both turnaround assignments included crisis management of complex organizations in the early stages of high profile criminal and civil fraud investigations by multiple federal agencies.

Scott has expert knowledge of the bankruptcy process as well as its implications and obligations on an operating provider of healthcare services. He recently led the successful financial turnaround and Chapter 9 reorganization of a 179-bed county-owned hospital, and in 2016, he was appointed the Chief Restructuring Officer for a large hospital company in Chapter 11 bankruptcy, with a portfolio of five critical access hospitals, a billing and management company and a therapy services company.

He has been the financial advisor to 18 tax-exempt continuing care retirement communities, with more than 20,000 residents in twelve states, which were affected by the bankruptcy and sale of Erickson Retirement Communities. Scott has also been the testifying expert, lead investigator, or arbitrator in a number of high-profile healthcare industry legal disputes.

Scott graduated from the University of Florida with a Bachelor of Science in Accounting. He is a Certified Public Accountant (inactive status) and member of numerous professional organizations.



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MICHAEL MORGAN, FACHE, MANAGING DIRECTOR

Michael is a former hospital Chief Executive Officer with more than 30 years of experience in healthcare management. He brings expertise and talent for turning around ailing healthcare providers and optimizing healthy organizations. He has particular expertise in fostering strategic partnerships and physician alignment.

In his 25-year career at the Sisters of Mercy Health System, Michael was responsible for turning around five of the system's 19 hospitals. He served as President and Chief Executive Officer for several Sisters of Mercy hospitals, including St. John's Mercy Health Care, which has an excess of \$800 million in operating revenues, employs more than 8,000 individuals, and includes the system's flagship 957-bed teaching hospital. As the CEO, he successfully set new strategies, improved clinical and administrative operations, and changed organizational cultures. His trademark is developing capable management teams that in turn increase service quality, employee and medical staff satisfaction, patient volume, and profitability, and maximize cash flow.

After leaving the Sisters of Mercy system, Michael served as the Chief Restructuring Officer and CEO for a two-hospital, investor-owned system in Texas. In eight months, he led the successful turnaround, emergence from bankruptcy, and recapitalization of the hospitals by a physician-led limited partnership. He led the turnaround of a chain of five nursing homes in Texas, led the turnaround in bankruptcy of a two-campus, acute-care hospital in Mississippi, and served as the CRO for three individual CCRCs under a large CCRC management company bankruptcy.

In 2014, Michael also served as the CRO for a large hospital trust owned and operated by the British National Health Service (NHS) and led the successful financial turnaround of a complex organization with over 3,000 staff members and more than £500 million in annual revenues. This was the first time that the NHS engaged an American firm to conduct a restructuring of one of its hospitals.

Michael is currently managing five critical access hospitals and a therapy company of a large hospital company in Chapter 11 bankruptcy, serving as the Co-Chief Restructuring Officer.

In other recent engagements, Michael worked with senior leadership, board, physicians, and all key stakeholders of a community-owned 2-hospital system in Alabama to develop and implement a 3-year strategic plan. Michael subsequently held the position of interim-CEO position and over a period of several months, "groomed" an internal candidate as the replacement permanent CEO. While he was CEO the hospital returned to profitability and has since maintained its improved performance.

Michael holds a Bachelor of Science in Business Administration from the University of Science and Arts of Oklahoma and a Master of Science in Business Administration from the University of Central Oklahoma. He is a fellow of the American College of Healthcare Executives.



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BRUCE BUCHANAN, FACHE, MANAGING DIRECTOR

Bruce has more than 30 years of experience in the healthcare field and is a senior healthcare executive with a successful track record in both the not-for-profit and investor-owned sectors. He possesses multi-market experience at the Chief Executive Officer level in hospitals, skilled nursing facility operating companies, and health systems. He has deep experience in organizational development, productivity improvement, quality enhancement, revenue growth, physician collaboration, and system integration.

In 2016, Bruce completed the extremely successful turnaround of a large ESOP-owned post-acute care company in Tennessee with 31 skilled nursing facilities, 5 behavioral health hospitals, 10 home health branches, 5 hospice branches, in-house pharmacy and therapy services. On arrival the organization had 8 days' cash on hand and was on the verge of filing for bankruptcy protection, and by the end of the 18-month turnaround it had 75 days' cash, was in compliance with loan covenants, and had paid down and refinanced its debt. Prior to this project he led a similarly successful turnaround of a group of very troubled post-acute care facilities in Syracuse, New York. As CEO, Bruce led the turnaround of this non-profit, church-sponsored organization with a continuum of long term care services including skilled nursing care, assisted living, senior housing, home health, day care and a managed care insurance program.

In earlier engagements he served as CRO for a 2-hospital rehabilitation company in Chapter 11 bankruptcy process and managed the Section 363 sale. He has served as CEO of a county hospital and guided it through a Chapter 9 bankruptcy, which resulted in all unsecured creditors receiving three-year notes for full payment plus interest.

Bruce has also served as a secured creditor advisor, debtor financial advisor, and has testified in federal bankruptcy court. He has been a member of numerous boards throughout his career.

Prior to joining HMP in 2008, Bruce served as CEO of Phoenix Baptist Hospital, where he turned around the distressed 236-bed teaching hospital by reducing operating costs while enhancing the quality of care. Bruce led a similar turnaround of Northeast Baptist Hospital in San Antonio, including recruiting new physicians, doubling the hospital's physical space and growing market share. He also served as president and CEO of Atlanta Medical Center and Mercy Health System Oklahoma and its Mercy Health Center in Oklahoma City. Bruce held senior management positions with Hillcrest Healthcare System and Saint Joseph Hospital and worked for Invalesco Group as an operations consultant to healthcare organizations.

Bruce holds a Bachelor of Arts in Sociology from Princeton University, a Master of Health Services Administration from the University of Michigan, and a Master of Business Administration from George Mason University. He is board-certified in healthcare management and a Fellow in the American College of Healthcare Executives. He also holds membership in the Turnaround Management Association.



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DEREK PIERCE, MANAGING DIRECTOR

Derek has over 20 years of professional experience focused solely in the healthcare industry, having served as Chief Financial Officer, Chief Restructuring Officer, Director of Reimbursement, court-appointed Examiner, Medicare auditor, Medicare cost report preparer, forensic accountant, compliance consultant, financial auditor, and financial advisor. He has audited, managed, and consulted with all types of healthcare providers including government owned, community not-for-profit, academic, and investor-owned entities.

Derek served as the Restructuring Chief Financial Officer of a two-campus, not-for-profit hospital in Chapter 11 bankruptcy. In addition to his CFO responsibilities, he led the Section 363 sale process and conducted a forensic review into the circumstances that led to the hospital's bankruptcy filing. Throughout the project, Derek worked closely with senior lenders, debtor-in-possession lenders and the applicable federal loan program to a successful plan of reorganization.

Starting his career with the Medicare fiscal intermediary as a Medicare auditor, Derek developed expert knowledge of the patient revenue cycle, third-party contracting, and Medicare and Medicaid rules and regulations. He is an expert in the areas of corporate and regulatory compliance and forensic accounting related to the defense of civil and criminal fraud claims or allegations. He led teams conducting forensic analysis in support of settlement negotiations with the government at both Hospital Corporation of America (HCA) and HealthSouth Corporation, two of the largest and most complex civil fraud settlements in history.

During 2012 to 2016, Derek served as the CFO in the extremely successful turnarounds of two separate, large multi-site eldercare providers. Both of these organizations operated skilled nursing, assisted living, inpatient rehabilitation, home care, hospice, inpatient behavioral health, and a PACE program. Separately, Derek has served as either the trustee or receiver in the liquidation and sale of a number of nursing homes.

In his career, Derek has led or participated in turnaround management and consulting assignments for more than 40 healthcare providers, including Baptist Memorial Health Care, British National Health Service, Washington Hospital Center, Tri-Lakes Hospital, Lifepoint Hospitals, Tampa General Hospital, Legacy Health System, Loretto, American Healthcare Companies, and IASIS Healthcare. Derek is currently serving as the Chief Restructuring Officer of a multi-site nursing home company in Hawaii.

Prior to joining HMP, Derek was a Director with Alvarez & Marsal in its New York-based healthcare practice. Before that, he was a Senior Manager with Arthur Andersen in its Atlanta-based healthcare consulting practice.

Derek is a graduate of Samford University with a Bachelor of Science in Accounting and is a member of numerous professional associations.



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CLARE MOYLAN, MANAGING DIRECTOR

Clare Moylan is a healthcare professional with a broad base of experience, including operations management, restructuring and crisis management, strategic planning, business analysis, consulting, and litigation support. Her experience covers the public, private, and not-for-profit sectors across the healthcare continuum: primary care, acute care hospitals, nursing homes, hospice, and home health care.

In 2016, Clare completed the very successful turnaround of a leading skilled nursing and behavioral healthcare group in Tennessee where she worked as Project Director alongside a team of HMP executives that resulted in the company returning to covenant compliance, going from 8 to 75 days cash on hand in 18 months, and avoiding bankruptcy. Clare managed the delivery of initiatives that resulted in 45% corporate cost reduction and the sale of \$30 million in surplus assets, including real property and an airplane.

In the same project, Clare was appointed as the Director of Homecare and Hospice, a business unit with 200+ employees, over \$20 million revenue, and under her leadership net income increased by \$2.2 million.

Clare is currently working on the Chapter 11 bankruptcy of a large hospital company with five Critical Access Hospitals, a management and billing company, a therapy services company, and an ACO.

In other projects, Clare took a lead role in the development of a 3-year strategic and turnaround plan for a multi-site, \$250 million turnover regional hospital in Alabama including market analysis, opportunity evaluation and leading client teams in the development of detailed project plans. Successful implementation of the first initiative alone increased annual EBITDA by \$5 million.

Working as Project Director, Clare held responsibility for all aspects of the sale of the 179-bed acute care county-owned hospital in Mississippi including preparation of sale and marketing memoranda, preparation of a financial forecast model, liaising with interested parties, managing communications with key stakeholders including staff, board and the community.

She also has experience in litigation support, working on several very large cases including conducting an “Ability to Pay” analysis for a high-profile Medicare fraud settlement case, and leading the litigation support team in preparing an expert report to defend a case against a leading US healthcare lender that was facing potential claims in excess of \$1 billion.

Clare is a CFA Charterholder (Chartered Financial Analyst). She has a Bachelor of Business Administration/Bachelor of Laws (First Class Honors) from Macquarie University (Australia) and a Master Certificate in Healthcare Leadership from Cornell University.



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RONALD WINTERS, MANAGING DIRECTOR

Ron has more than 25 years of experience as a restructuring and financial professional including, most recently, 17 years at national restructuring firm Alvarez & Marsal where he was a Managing Director in the Healthcare Practice. He has participated in a broad range of cases in bankruptcy proceedings and out-of-court. He specializes in advising companies and creditors in financial and operational turnarounds and restructurings with extensive experience in the healthcare, higher education and not-for-profit sectors. He has additionally had significant experience in labor relations, retiree health and pension matters.

He most recently led a financial and restructuring assignment for Central Iowa Healthcare culminating in the successful bankruptcy sale of the hospital's operations and assets to a major regional healthcare organization.

He recently served as Court-appointed Receiver of Medical Development International, et al. (correctional / prison healthcare) where he was appointed by Wells Fargo Bank.

Among the other important recent company-side assignments, Ron was CRO of Forest Park Medical Center at Fort Worth and Jack Hughston Memorial Hospital and EVP (Restructuring and Treasury) for Saint Vincent Catholic Medical Centers.

His assignments also included serving as COO of National Century Financial Enterprises, a purchaser of healthcare patient accounts receivables, where he was CRO of principal NCFE subsidiaries and was responsible for portfolio operations, including secured claim workouts of 60 healthcare providers (30 in bankruptcy proceedings). He held a similar position for ACA Financial Guaranty which had a substantial risk portfolio in acute care hospitals.

He led restructuring and financial advisory assignments for Specialty Hospitals of Washington, National Kidney Foundation and various northeast community hospitals. He advised private equity assignments clients for portfolio companies in the hospice business and anatomic laboratory businesses. Secured lender assignments, included work on disease management / wellness companies, long-term acute care hospitals and a Medicaid service provider.

Ron also advised various Official Committees of Unsecured Creditors including Southern Regional Medical Center, Federation Employment Guidance Services (Medicaid provider), Daytop Village (substance abuse), Our Lady of Mercy Medical Center, Brotman Medical Center, Beth Israel Hospital Association of Passaic, Valley Hospital System (Chapter 9) and Kodak (OPEB matters). He advised §1114 Committees (OPEB) of US Airways, Retired Pilots of Delta Airlines and Nortel Networks, Inc. (additionally long-term disabled employees).

Earlier in his career, Ron was a Managing Director with the restructuring practice of Loeb Partners Corporation. Prior to that he held senior credit positions at the IBJ Whitehall organization, including serving as Executive Vice President and COO of the business credit unit and Senior Vice President in charge of the bank's Special Assets Department.

Ron graduated from Lehigh University with a Bachelor of Science in Business and Economics (Major in Finance). He received MBA from the Lubin Graduate School of Business at Pace University.



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MICHELE STOKES, DIRECTOR

Michele is a Registered Nurse with more than 30 years of clinical and managerial healthcare experience. In 2016, she completed the very successful turnaround of a leading post-acute care company in Tennessee. Michele led the implementation of quality initiatives and also led a very significant project in the evaluation and reinstallation of the electronic health record software in the 31 nursing homes. On our arrival the system was practically unusable, and over 18 months Michele worked with the vendor and an internal task force to rewrite the software, manage the reinstall at each site, and set up a user training program.

In a prior role, she served as the Chief Operations Officer in the successful turnaround of a group of five significantly troubled long-term care facilities. She led the team that implemented and maintained strategies resulting in critical improvements, including the facilities receiving the highest survey scores to date. The improvements were integral to the successful sale of the facilities by the owners.

Relevant highlights of Michele's career include:

- Worked with architects, clinicians, and facilities management in the design of multiple healthcare delivery systems, including a 250+ bed facility in Texas
- Designed new clinical processes and procedures around new facilities.

Beginning her career as a nurse, Michele used that knowledge as a foundation to eventually become a senior vice president for St. Edward Mercy Medical Center in Fort Smith, Arkansas. Under her leadership, she built teams and implemented new processes that made the hospital more efficient, improved service line products, achieved high Joint Commission scores, and increased customer satisfaction. Michele also played an essential role in the planning and development of a multimillion-dollar facility expansion and was instrumental in the facility-wide building and implementation of the information technology plan at St. Edward Mercy.

Michele's achievements demonstrate that she works relentlessly to get the job done. She works with all stakeholders in frequently unique and varying healthcare environments to accomplish positive outcomes.

Michele holds a Bachelor of Science in Nursing from the University of Central Oklahoma and was selected by the faculty as the "Outstanding R.N. Graduate." She also holds a Master of Science in nursing from the University of Oklahoma. She has been an active member on a variety of facility, community, academic, and regional boards.

CREDENTIALIALS

The HMP team has led large organizations of all kinds across the continuum of care: from specialty, academic, and general acute care to post-acute, long-term care, and general practice. We understand the healthcare delivery system, and our extensive experience positions us well to grapple with and resolve all manner of issues. Below is a list of our case studies sorted by service type.

CASE STUDIES – HEALTHCARE MANAGEMENT SERVICES

SPECIALTY SURGERY HOSPITAL IN TEXAS - Forest Park Medical Center at Fort Worth, LLC – Chief Restructuring Officer¹

Forest Park Medical Center at Fort Worth, LLC (FPFW) was a 54-bed specialty surgery hospital which opened in 2014 and was founded upon a business model that centered around physician-ownership and an out-of-network payor strategy. The strategy ultimately failed and each of the ‘Forest Park’ hospitals across the country filed for bankruptcy protection. Ronald Winters, an HMP Managing Director was appointed Chief Restructuring Officer (CRO) of FPFW while at a former employer.

Issues

- Inadequate volume to generate profits, even before rents on real property and equipment
- After adjusting the business model to enter into payor contracts, revenue was materially lower than original business plan
- As a result of being physician-owned, FPFW was not permitted to treat Medicare patients
- Over-built facility requiring above-market rents under a real property lease with a lessor which was in a separate bankruptcy proceeding
- Expensive equipment financing
- Reliance on a related-party PEO and provider of administrative services with which FPFW was in serial commercial disputes
- Contractual controversy with management company over managerial conduct and conflicts of interest
- The hospital was insolvent at opening in 2014

Approach

- Developed a liquidity plan and a path to a transaction prior to and during the bankruptcy
- The Board of Directors authorized a petition for bankruptcy under the United States Bankruptcy Code in order to remove operational and strategic control from the management company and vest all control with the CRO
- As CRO, Mr. Winters quickly gathered the key stakeholders (including the real property lessor and its secured creditor) to organize a process to move quickly to a transaction which would create a as favorable an outcome as possible for all stakeholders
- FPFW and the CRO engaged in substantial litigation with the sponsors, the management company, the services company and others which continually worked to suppress the efforts of the Debtor and transfer enterprise value to others

¹ Completed by a HMP Managing Director while at a former employer

Results

- The real property was sold to a unit of Texas Health Resources (THR) which simultaneously paid a settlement of \$4.5 million (THR Settlement) and agreed to assume certain tax liabilities
- In connection with the THR Settlement, FPFW settled its obligations with its real property and equipment lessors, which may have otherwise had substantial unsecured rents and damages claims
- Also in connection with the THR Settlement, FPFW ceased operations and quit the facility pending a THR re-opening under new branding and a modified strategy a few months later
- The Debtor defeated substantially all litigation in which it was a defendant
- The CRO and Debtor wound up the estate allowing the Plan of Liquidation to be confirmed and become effective.
- Remaining assets including litigation claims against others were transferred to a Liquidating Trust.

POST-ACUTE & LONG TERM CARE CONGLOMERATE (SKILLED NURSING, REHABILITATION, BEHAVIORAL HEALTHCARE, HOMECARE & HOSPICE) in Tennessee – Turnaround Management

A \$250+ million revenue, ESOP-owned elder care provider based in Tennessee with 31 skilled nursing facilities, 4 behavioral healthcare hospitals, 10 homecare and 5 hospice branches, in-house pharmacy and rehabilitation, and a growing Nurse Practitioner business. The company was in technical default on its loan covenants, and upon Healthcare Management Partners' arrival it had 8 days' cash on hand and was considering filing for Chapter 11 bankruptcy protection.

Issues

- Failed installation of a new electronic medical record (“EMR”) system resulted in a significant backlog in billing and a subsequent cash crisis
- As a consequence of inefficient processes in the Billing Office, significant numbers of claims were timing out (thereby becoming unbillable) and bad debts were increasing
- Excessive costs in the corporate overhead structure
- Ineffective executive management with poor teamwork and accountability

Approach

- Set up a Cash Collections Team which included temporarily repurposing the accounting staff to the Central Billing Office, improving and prioritizing processes and procedures
- Implemented a significant reduction in overhead cost; staff reduction “at the bedside” was not considered to be a target opportunity
- Managed the sale of surplus assets including the disposal of 2 non-strategic nursing facilities
- Instigated company-wide procurement including centralized managed care contract negotiation
- Engaged with the EMR provider to assess the dysfunctional installation, revise the software, and reinstall the product, facility-by-facility, including extensive retraining of users
- Implemented a strategic HR function, which was absent from the 4,000-employee organization
- Engaged with the leadership of the organization to improve the culture by encouraging transparency, team work, and working towards a common goal

Results

- The board unanimously voted to engage HMP as turnaround managers and replaced the C-suite

- The company went from \$6.6 million in operating cash (8 days' cash on hand) to \$46.5 million (75 days' cash on hand) within 13 months; only 22% of the cash increase came from asset sales—the remainder was from operations improvement
- 45% reduction in corporate overhead expense
- All financial covenants returned to compliance within 6 months of appointment, and the affected loan was refinanced with new lenders on more favorable terms than the original loan
- Days Accounts Receivable went from 48 to 31, EBITDA margin more than doubled from 6.7% to 15%, bad debt expense as a percentage of patient revenue went from almost 6% to 1.5%, EBITDA in dollars for the 8 months to August went from \$11.9 million in 2014 to \$28.1 million in 2015

COMPLEX NOT-FOR-PROFIT ELDERCARE COMPANY – Turnaround Management and Financial Restructuring

Ineffective executive leadership, poor relationships with external stakeholders, and a quickly deteriorating financial position prompted the Board of Directors of a complex provider of eldercare services with over \$200 million in annual revenues to engage Healthcare Management Partners to provide turnaround management services.

Issues

- Organization suffered from behaviors that inhibited effective roles and relationships between governing boards, executive leadership, staff, and external stakeholders
- Organization was hampered by “silo” structure, which created fragmentation, lack of communication, duplication of effort, competition, and low trust across operational units
- Deteriorating financial position signaled by operating losses, poor cash flow, debt burden, lack of access to private capital, and inability to assess real-time financial information
- Several critical program initiatives threatened

Approach

- Engaged the board of directors, repaired relationships with strategic external partners, identified and engaged new strategic external partners, and managed executive leadership succession
- Right-sized work force by eliminating redundant middle management positions created by prior SBU corporate design
- Reviewed spending patterns, identified and implemented cost controls, restructured and adopted new financial systems
- Evaluated major program initiatives, allocated necessary resources, and resumed stalled projects and commitments

Results

- Restructured the Board of Directors
- Improved relationships with strategic partners
- Managed contracts to operate three other local and regional long term care facilities, totaling over 500 licensed beds
- Annual savings of approximately \$10m in unnecessary personnel and associated costs
- Engaged a unionized workforce across functional units and programs to successfully accomplish organization goals and objectives
- Centralized and streamlined financial, human resource, and procurement functions

- Improved cash flow, EBIDTA, and operating margins
- Significantly restructured a complex capital/debt structure
- Resumed skilled nursing “Small House” project of 12 small care residences, completed final phases of the large scale, multi-phase Assisted Living Conversion Project, constructed a HUD senior housing project, and implemented Complex Care project including financial support from the local Hospital Executive Council
- Developed plans and received approval for new PACE Day Center

LARGE GOVERNMENT HOSPITAL TURNAROUND IN THE UNITED KINGDOM – Turnaround Management

HMP and its UK affiliate firm, Bolt Partners, were jointly engaged by the Office of the Monitor to conduct the financial and operational turnaround of a complex acute hospital trust with over £500 million in annual turnover. An HMP Managing Director served as CRO for the project.

Issues

- Lack of permanent executive management for more than two years
- Ineffective and highly conflicted board and management structure, including inappropriate self-dealing
- Deteriorating financial position signaled by operating losses, poor cash flow, debt burden, lack of access to private capital, and inability to assess real-time financial information

Approach

- With the Monitor, restructured and largely replaced the board of directors, repaired relationships with strategic external partners, identified and engaged new strategic external partners, and managed executive leadership succession
- Right-sized work force by eliminating redundant middle management positions created by prior SBU corporate design
- Reviewed spending patterns, identified and implemented cost controls, restructured and adopted new financial systems
- Evaluated major program initiatives, allocated necessary resources, and resumed stalled projects and commitments

Results

- Restructured the Board of Directors
- Reduced annual operating expense run rate by more than £20 million
- Engaged a unionized workforce across functional units and programs to successfully accomplish organization goals and objectives
- Improved cash flow, EBIDTA, and operating margins
- Significantly restructured a complex capital/debt structure

CHAPTER 9 REORGANIZATION OF A COUNTY-OWNED HOSPITAL IN MISSISSIPPI– Turnaround Management

The board of a county-owned, 179-bed general acute-care hospital needed to replace the management of the facility on an emergency basis. HMP was brought in to stabilize and restructure the financial and clinical operations of the hospital, and to prepare for the possibility of filing for Chapter 9 bankruptcy.

Issues

- Unsustainable operating costs, especially salaries and benefits; monthly losses were exceeding \$1 million per month in the first quarter 2008
- Less than seven days' cash on hand
- Inefficient capital and legal structure
- Loss of key medical staff in the market
- Physician contracts in violation of Stark guidelines

Approach

- Terminated the predecessor national hospital management company which had been in place for over fourteen years
- Reduced staffing levels by 30% in less than two months
- Canceled or renegotiated all physician contracts and other vendor contracts, as necessary
- Negotiated waivers from the bond trustee to enable the hospital to secure a \$4.5 million line of credit to fund short term working capital needs
- Redesigned and modified charge master to optimize revenue capture
- Developed and executed effective marketing strategy based on the needs of the surrounding community
- Recruited or replaced ER, Radiology, Pathology, Cardiology, General Surgery, and Orthopedic Surgery Physicians
- Successfully used a Chapter IX reorganization to reject contracts and leases and to restructure almost \$4 million in old trade payables into a three-year note

Results

- Returned hospital to profitable operations in one year
- Successful Chapter IX reorganization with all approved claims being settled at par
- Successful restructuring of a number of physician joint ventures, including two imaging centers and various office facilities
- Full compliance with Medicare regulations for all physician contracts and relationships

CHAPTER 11 REORGANIZATION OF A NOT-FOR-PROFIT HOSPITAL IN MISSISSIPPI - Turnaround Management

A sole community provider in central Mississippi filed for Chapter 11 protection three months prior to HMP being engaged. HMP was appointed as CRO by the court as the hospital was facing imminent closure.

Issues

- Due to extensive Medicaid fraud, the bankrupt facility was facing almost certain liquidation
- Financial malfeasance and insider dealings within the management company bred a corrupt management culture
- Overbuilt physical plant resulted in over-leveraged and unsustainable capital structure
- Poor physician relations had resulted in the loss of key medical staff

Approach

- Terminated predecessor Management Company
- Eliminated programs with negative contribution margins
- Recruited replacement ER, OB-GYN, and hospitalist physicians

- Conducted a complete forensic audit to support multi-million dollar claims against the former management company
- Negotiated settlement with Medicaid for the forgiveness of more than \$25 million in liabilities due from the hospital

Results

- \$15 million reduction in operating expenses
- Obtained releases from Medicaid to extinguish prepetition overpayment liabilities, necessary to enable the hospital to be sold as an operating entity
- EBITDA improvement of \$8 million in first two years
- Restored patient volumes to pre-bankruptcy levels
- Restored respect within the medical community
- Convinced local disenfranchised quality physicians to bid on the hospital with a joint venture partner
- Conducted a successful Section 363 sale of the hospital

SUBURBAN NOT-FOR-PROFIT HEALTHCARE SYSTEM WITH A DISTRESSED CONTINUING CARE RETIREMENT COMMUNITY – Turnaround Management and Sale of Facilities

A small suburban healthcare system with eight operating units, including a general acute care hospital and a 600 resident continuing care retirement community (CCRC) which was under development, was experiencing severe financial distress due to declining patient volumes and an inappropriate capital structure to fund the construction of the CCRC.

Issues

- All eight operating units were experiencing negative EBIDTA margins due to inefficient staffing and poor operating model
- CCRC's capital structure did not provide sufficient capital to fund the construction of both individual resident units and campus infrastructure
- Low morale among nursing and medical staff due to lack of management attention to quality improvement and training
- Adversarial relations with local government over zoning and related issues
- Cumbersome and costly management and governance structures
- Serious corporate compliance issues resulting from incorrect patient coding and billing

Approach

- Sold or closed six of the eight operating units
- Combined the hospital and the CCRC into a single corporation to create the asset base necessary to recapitalize the CCRC
- Refinanced all existing debt to create the capacity to build out the CCRC
- Replaced the existing hospital management with skilled staff
- Immediately focused on patient quality care and staff training
- Voluntarily disclosed corporate compliance issues to the US Department of Justice
- Expanded patient service offerings, including opening the first new inpatient OB program in the market in more than 30 years
- Developed an effective sales and marketing program for the CCRC

Results

- Hospital was returned to profitability and successfully sold to a national, publicly-traded hospital company at a significant profit, which was invested in a community foundation
- On time and on budget completion of the CCRC, including full occupancy of the independent living units and construction and occupancy of the assisted living and skilled nursing units
- Sale of the CCRC to a regional not-for-profit operator of similar communities
- Returned all facilities to full accreditation and licensure compliance
- Settlement of all claims with Medicare and Medicaid without payment of penalties or interest or the requirement for a corporate integrity agreement

TEXAS NURSING HOMES – Turnaround Management and Sale of Facilities

A chain of six skilled nursing facilities defaulted on its debt with a large commercial healthcare lender. The lender engaged HMP to assess the viability of the provider and chart a possible turnaround. Ultimately, the lender foreclosed on the loan and engaged HMP as the turnaround agent.

Issues

- \$2.5 million negative EBITDA due to inefficient staffing and poor operating model
- Low occupancy due to low patient satisfaction, ineffective marketing, and obsolete physical plants
- Low morale among nursing staff due to lack of management attention to quality improvement and training
- Lender was facing a near total loss under the existing conditions

Approach

- Consolidated two underperforming homes in the same market
- Immediately focused on quality care and staff training
- Implemented efficient staffing models to reduce costs
- Developed an effective sales and communications strategy to effectively reach providers in each local market
- Modernized and improved the physical plant to enhance the resident experience

Results

- \$3.5 million EBITDA improvement
- Returned all facilities to full accreditation and licensure compliance
- Facilitated the successful sale of the facilities by the lender

INVESTOR OWNED SPECIALTY HOSPITAL COMPANY – Turnaround Management and Sale of Facilities

A chain of two inpatient rehabilitation hospitals in adjoining states defaulted on its debt with a large commercial lender and a privately-held healthcare lender, and was ultimately forced into Chapter XI liquidation. HMP was engaged as CRO in bankruptcy to manage the facilities and conduct the required Section 363 sale.

Issues

- Due to financial and operational mismanagement, the company faced immediate liquidation unless a sale could quickly be brokered
- Overbuilt physical plant resulted in over-leveraged and unsustainable capital structure

- Inexperienced management had been hired to develop a national company while at the same time overseeing the startup of a new facility located in a very competitive market
- Development of competing nearby facilities resulted in key physician admitters splitting their practices with those other locations

Approach

- Immediately secured DIP financing from the large commercial lender and established an agreed-upon mechanism for accessing funds
- Terminated remaining management and removed company owners from the facility
- Initiated staff reductions and a hiring freeze
- Reviewed and approved all purchasing decisions
- Compiled existing marketing materials and financial data for distribution to parties interested in potential acquisition of the hospitals
- The CRO oversaw all marketing efforts to these potential purchasers; debtor's counsel, with support from the CRO, oversaw the auction and resulting negotiation and sale

Results

- The two rehabilitation hospitals remained open through the completion of the sale and change of ownership, thereby insuring uninterrupted patient care, the maximum value to the secured and unsecured creditors, and continued employment for the work force
- Full compliance with all state and federal regulatory issues throughout the transition
- The sale was completed in less than four months from the date of filing for Chapter 11 bankruptcy

CASE STUDIES – LITIGATION SUPPORT AND EXPERT TESTIMONY

VERY LARGE COMMERCIAL LENDER – Testifying Expert on Asset-Based Lending to Finance the Acquisition and Operation of Nursing Homes

After the verdict and damages had been reached, and without any prior notice, one of the nation's top lenders to healthcare providers was wrongly impleaded as a defendant in a series of Medical Malpractice cases. In said cases, the manager of a nursing home where malpractice had allegedly occurred was a guarantor on loans made by the lender to other nursing homes which had no malpractice allegations against them. The individual jury awards for punitive and compensatory damages ranged from \$50 million to over \$1.5 billion; in total the lender was at risk for many billions in damages.

Issues

- The parent company of the guarantor management company owned or managed approximately 230 facilities at its peak
- The lender provided either real estate or working capital financing for a total of 28 homes (the "Borrowers"), but none of the facilities were the location of the alleged malpractice
- The total amount lent to the 28 Borrowers never exceeded \$55 million and had been repaid in full prior to the lender being aware that any of the malpractice cases in question even existed
- The Borrowers were in technical default for four of the six years the loans were outstanding
- During the last four years the loans were outstanding, they were subject to an orderly workout, including the sale of assets; the lender was ultimately paid in full without ever calling on any of the guarantors for payment

- The Plaintiff alleged that the Lender’s actions (accepting repayment of the amounts due, combined with the restrictions imposed by the loan documents and a series of forbearance agreements) constituted “effective management control” of the organization that enabled the Lender to get funds that should have been available to pay the malpractice awards to the injured parties or their families

Approach

- Obtained all of the loan documents of this very complex loan structure and flow charted each of the loan structures, which illustrated the role of its Borrowers in the larger organization
- Reviewed all payments received by the lender and determined that they were in accordance with the terms of the loan agreements, were reasonable, and reflected market rates for similar loans in effect at that time
- Reviewed all of the Plaintiff’s pleadings and their expert reports
- Read or attended more than 40 depositions taken in the case
- Prepared an expert report which rebutted the allegations of the Plaintiff and its experts

Results

- After three years and millions of dollars in defense costs, the Lender was successful in securing a summary judgment against the Plaintiff on all counts

“BIG FOUR” ACCOUNTING FIRM – Expert Testimony

A “Big Four” public accounting firm was the named defendant in a certified class action lawsuit filed by the shareholders of a large public hospital management company for allegedly failing to conduct its examination of the company’s financial statements in accordance with generally accepted auditing standards (GAAS), in that the audited financial statements failed to adequately disclose alleged overbilling of Medicare by the company. HMP was engaged as the defendant accounting firm’s healthcare industry and accounting expert.

Issues

- The company which was originally named in the suit had already settled the case with the class actors for several hundred million dollars
- Additionally, the company had made substantial settlement on the same or related issues with CMS and the SEC; these two settlements aggregated almost \$1 billion
- The alleged misconduct by the company took place at more than 100 hospitals over a four-year period
- The accounting firm was aware of the Medicare reimbursement practices followed by the company and strongly maintained that their presentation in the company’s financial statements was in accordance with then existing generally accepted accounting principles (GAAP) for hospitals and healthcare providers

Approach

- Using publicly available hospital data and HMP’s expertise in Medicare reimbursement and hospital finance, HMP developed a proprietary statistical model to analyze more than 50,000 Medicare cost reports filed during an eight-year period to definitively determine if other hospitals or health systems had engaged in Medicare reimbursement strategies similar to those employed by the company
- Through its statistical modeling, HMP determined that the alleged overbilling of Medicare by the company was in fact commonly practiced by approximately 20% of all hospitals during the relevant period
- HMP then selected the “Top 200” hospitals that it identified as having practiced the alleged overbilling and examined their audited financial statements, and/or SEC Form 10K in the case of publicly traded hospital

management companies, to determine if their independent accountants had treated the matter differently than the company; a total of almost 800 sets of financial statements were examined

- HMP produced an expert report supporting its findings, including providing a detailed explanation of the applicable Medicare rules and regulations in layman's terms
- An HMP Managing Director attended the depositions of the plaintiff's experts and was himself examined by plaintiff's counsel

Results

- Almost 2,000 different hospitals, including some of the best known in the country and many owned by publically traded hospital management companies, were documented to have practiced the same billing practices as those of the company
- Of the almost 800 sets of audited financial statements examined by HMP and audited by national accounting firms other than our client, none reported on the matter differently than our client accounting firm
- During the relevant period, not a single publically traded hospital management company which participated in like conduct was found to have disclosed the matter differently in its form 10K filed with the SEC
- The client and its outside counsel successfully negotiated the matter out of court for a fraction of estimated defense costs

COUNTY HOSPITAL – Damages Expert Regarding a Matter of Professional Malpractice by a National Hospital Management Company

A previously profitable, rural county hospital with approximately \$55 million in net patient revenues initiated a suit against a national hospital management company to recover damages resulting from the management company's gross negligence. Under the management company, the hospital's financial condition had dramatically deteriorated to the point that it was ultimately required to seek protection from its creditors and file for bankruptcy. As a result, the hospital lost key physician practices and market share to a nearby competitor. HMP was engaged to document the management company's gross negligence and to determine the precise amount of operating profits lost as a direct result of the management company's failure to perform.

Issues

- The alleged gross negligence took place over an eight-year period; detailed financial records and models for that period had to be reconstructed
- The effects of the market shift and patient migration due to the alleged management malpractice had to be quantified
- The marginal cost and revenues that would have been associated with the lost volume also needed to be determined
- The hospital had been engaging in very poor revenue cycle management
- Improper accounting for patient revenues had been alleged
- There were significant corporate compliance issues associated with physician contracting
- The political sensitivity of litigation conducted by a public hospital had to be considered

Approach

- Using HMP Metrics™, HMP built a database of inpatient admissions for the entire state for the relevant eight-year period
- Using this database, HMP was able to determine actual patient admission patterns by hospital and DRG
- Each physician on staff whose admitting patterns were documented to have changed during the relevant period was interviewed by an HMP Managing Director with extensive experience as a hospital CEO to confirm the specific reasons for the change in referral patterns, which were then documented
- HMP developed a statistical model to establish the mathematical relationship between individual physician's inpatient utilization and outpatient utilization
- A HMP's Hospital Operating Model was used to model financial performance for a ten-year period; the model was loaded with the hospital's actual general ledger and payroll data for the period, and all data was reconciled to the Hospital's audited financial statements
- The documented lost inpatient and outpatient volumes by payor were input into HMP's Hospital Operating Model to determine an accurate assessment of lost net patient revenue, marginal cost, and marginal profit for the relevant ten-year historical period
- A ten-year Cash Realization Study was prepared using 100% of all patient bills by payor and matching 100% of patient cash receipts for the bills in question; in total, more than 2,000,000 separate transactions were analyzed
- All business relationships with and payments to physicians were reviewed for compliance with applicable statutes and regulations

Results

- We were able to document multiple instances of gross negligence, including alleged corporate compliance problems, material and repeated accounting irregularities, apparent bond fraud, and frequent false communications by the management company or its employees to the hospital's board of directors
- The client secured an eight figure settlement in compensation for lost operating profits

NATIONAL LONG-TERM CARE PROVIDER – Damages Expert

The nation's largest privately-owned provider of long-term care, with over 200 facilities located in 29 states, engaged HMP to evaluate the economic damages associated with an identified long term pattern of pricing errors for drugs supplied by the company's institutional pharmacy vendor.

Issues

- The dispute revolved around the interpretation of contract terms, as well as the inconsistent application of those terms across more than 200 nursing homes located in 29 states over an eight-year period
- Because of the nature of the pharmaceutical business and its complicated pricing structures across state Medicaid programs, the assignment was very data intensive and involved the statistical sampling of millions of individual pharmacy records and a detailed review of those samples
- The institutional pharmacy had completed numerous acquisitions of small or regional competitors over the relevant period, resulting in many different accounting systems being used

Approach

- HMP engaged a forensic economist from one of its corporate partners, and together created a new pricing database utilizing the contract terms and the published pharmaceutical pricing per industry guidance
- Developed a damage calculation using accepted statistical algorithms applied to the new data base

Results

- The client and its outside counsel successfully negotiated the matter out of court

NOT-FOR-PROFIT MULTI-HOSPITAL SYSTEM – Damages Expert Regarding a Matter of Professional Malpractice by a Hospital Management Company

A successful multi-hospital system, located entirely in a highly competitive state with no certificate of need (CON) requirements, had initiated a suit against a national hospital management company to recover damages resulting from the management company's gross negligence. Under the prior contract manager's supervision, the system's financial condition had dramatically deteriorated and the system was unable to gain access to long term debt financing to fund a planned hospital expansion in an important and rapidly growing market. As a result, the hospital lost key physician practices and market share to a large, nearby competitor. HMP was engaged to determine the precise amount of operating profits lost as a direct result of the management company's failure to perform.

Issues

- The effects of the market shift and patient migration due to the resulting lack of capacity at the hospital in question had to be quantified
- Marginal cost that would have been associated with the lost volume also had to be determined
- The physicians involved required political sensitivity

Approach

- Using publicly available data sources, HMP built a database of all inpatient admissions for the entire state for the relevant six-year period
- Using this database, HMP was able to determine actual patient admission patterns by hospital, physician, payor and DRG
- Each physician on staff whose admitting patterns were documented to have changed during the relevant period was interviewed by an HMP Managing Director with extensive experience as a hospital CEO to confirm the specific reasons for the change in referral patterns, which were then documented
- HMP developed a statistical model to establish the mathematical relationship between individual physician's inpatient utilization and outpatient utilization
- The documented lost inpatient and outpatient volumes by payor were input into HMP's Hospital Operating Model to determine an accurate assessment of lost net patient revenue, marginal cost, and marginal profit for the relevant six-year historical period, as well as projected losses for an additional four years

Results

- The client secured an eight figure settlement in compensation for lost operating profits

POST-ACQUISITION PURCHASE PRICE DISPUTE -- Arbitrator

The buyer and seller of a new community hospital were unable to reach an amicable settlement of a dispute regarding the purchase price working capital adjustment. The working capital adjustment was to be based on the hospital's audited financial statements and a separate Working Capital Agreement. Rather than rely on an arbitration panel that might not be familiar with the nuances of the hospital industry or hospital accounting issues, both parties chose to have their case heard and decided by HMP.

Issues

- Valuation of patient accounts receivable had to be calculated
- Amounts due to Medicare related to overpayment for Medicare Outliers had to be classified on the balance sheet
- A very large equipment lease had to be reclassified from an operating lease to a capital lease, resulting in a negative impact on reported working capital
- A long-term note that was in default as of the audit date was improperly classified

Approach

- Developed a working knowledge of the relevant contracts and agreements
- Organized the arbitration process, including establishing the calendar for discovery, exchange of expert reports, etc.
- Ruled on various pre-hearing motions by the parties
- Presided over a two-day hearing in which both sides presented testimony

Results

- Based on expert knowledge, HMP rendered a reasoned opinion of the accounting and healthcare industry issues raised by the parties

DISTRESSED TAX EXEMPT BOND FUND – Fraud Investigator

A very large, distressed, tax-exempt bond fund purchased all of the outstanding bonds issued on behalf of a then defunct urban nursing home chain for less than 1.5% of par. The bonds had been issued to finance the purchase of three large nursing homes by a university hospital system. All of the nursing homes were closed within three years of the acquisition. Prior to selling the bonds, the bond trustee had tried unsuccessfully to build a legal case to hold the university hospital system directly responsible for repaying the bonds. HMP was engaged to assist counsel in building a case demonstrating that the university hospital system was directly responsible for the failure of the nursing homes through its gross negligence.

Issues

- All of the nursing homes had been closed for more than three years at the time HMP was retained
- Over two million pages of documents that were produced as part of the original suit by the bond trustee were available, but in a highly disorganized manner
- Each of the homes had been effectively closed by state regulators for failure to meet basic patient care and life safety standards

Approach

- HMP engaged a geriatrician and other geriatric clinical experts to assist in the investigation
- HMP staff and legal counsel used multiple methods, including advertisements in the local media, to locate former managers, members of the medical and nursing staffs, state regulators who inspected the facilities, and former patients and members of their families
- HMP conducted several hundred interviews with former staff, management, patients, and state inspectors to document their perception of conditions within the facilities and the causes for their rapid decline and ultimate failure
- An HMP Managing Director with extensive experience at the C-Level with both university and multi-hospital health systems closely examined the sponsoring system's direct role in the management and governance of the nursing homes

- HMP collaborated with counsel to combine the clinical aspects of the facilities' decline with parallel management and governance failures to create a compelling argument as to the specific causes for the facilities' failure

Results

- The bond fund and the university hospital system reached a settlement out of court that yielded a return in excess of 50% of par

CREDITOR'S LITIGATION TRUST – Damages Expert Regarding a Matter of Professional Malpractice by a Hospital Turnaround Management Firm

The creditor's litigation trust (the "Trust") for the estate of a bankrupt not-for-profit multi-hospital system (the "System") engaged HMP to provide advice and expert testimony in support of its corporate malpractice litigation against the former turnaround management firm, the members of that firm who served as officers of the System, and the former special bankruptcy counsel to the System.

Issues

- Determination of whether the turnaround management firm was grossly negligent in the conduct of its responsibilities
- Determination of whether the parties actively withheld vital information from the System board of directors solely to protect their private economic interests
- The Trust which was created as part of the approved plan of reorganization in the bankruptcy had limited resources to investigate the matter

Approach

- HMP reviewed all reports produced by the turnaround firm during its 21-month tenure at the System, including all board and board committee minutes for the period
- HMP reviewed the work plans executed by the turnaround firm and the resulting written work product to determine if they met with acceptable standards for the professional turnaround management of a complex health care provider
- HMP worked closely with counsel and the Trust's damages experts to quantify the damages resulting from the defendant's gross negligence

Results

- The Trust secured an eight-figure, out-of-court settlement with the defendants

NATIONAL TOP TEN MEDICAL COLLEGE – Testifying Expert

In the course of terminating a fifty-year academic affiliation, a prominent hospital system and a medical college were caught in a dispute over the ownership of certain faculty practice, endowment, and research funds held by the parties that totaled more than \$150 million. HMP was retained by the medical college to research the source and uses of those funds and opine as to the ownership of each individual fund.

Issues

- Because of the length of the relationship, many of the funds had little formal documentation governing the ownership of the funds or the distribution of the funds in the event that the relationship was terminated

- Because a number of the funds had evolved over many years as both parties expanded their respective operations, the source and use of cash flowing through the funds over the years had become difficult to analyze

Approach

- HMP utilized its accounting knowledge and expertise in the inner workings of hospital finance to determine the flow of funds and ultimately the ownership of those funds
- Our approach was to “follow the money” to its source and determine what actions generated the funds, what the intent of the payor or donor was, and how the funds were historically accounted for by both parties
- HMP prepared an expert report and one of its Managing Directors testified for two days and attended all fifteen days of the arbitration proceeding, where he assisted counsel

Results

- The matter was settled for an undisclosed amount

MULTI-HOSPITAL NOT-FOR-PROFIT SYSTEM – Consulting Expert in Medicare Fraud and Abuse

The heart hospital of a regional multi-hospital system was under government investigation stemming from a qui tam action alleging violations of the anti-kickback statute. The cardiologists on staff were being scheduled time at the diagnostic unit (heart station) based on case volume admitted to the hospital. HMP was asked to review the available information to assess any trends or patterns and advise the hospital and counsel in the course of the litigation and provide expert testimony as needed.

Issues

- The relator was a former cardiologist who had been terminated by the group
- The perception of wrong doing was high because for a long period, access to the heart station was mathematically based on the invasive cardiology volume referred to the hospital by individual cardiologists or their group practice
- Basing coverage of the heart station on volume is not unusual because this assigns the work to the physicians that are most likely to be in the hospital
- Determination of whether the assignment to the heart station actually changed any cardiologist’s hospital referral patterns

Approach

- HMP obtained a database of admissions for the years in question
- Using its extensive data mining capabilities, HMP was able to evaluate competitor patterns, compare alternate methods of allocating time at the diagnostic unit, and review the more than 86,000 individual claims

Results

- The system and the government successfully negotiated a settlement out of court

NATIONAL INVESTOR-OWNED LONG-TERM ACUTE CARE MULTI-HOSPITAL COMPANY – Internal Medicare Fraud Investigator

During an internal review of the Medicare cost reports for two of its hospitals, the company noted a very unusual and material increase in reported telemetry charges. The increase in telemetry charges resulted in more than a \$10 million increased Medicare outlier payments for a single year. HMP was engaged by the hospital's regulatory counsel and asked to review the medical necessity and documentation of the charges to ensure that they would be supported in the event of an audit or review.

Issues

- The hospitals had both been acquired the preceding year and converted from general acute care to long-term acute care hospitals
- The charge master in use at the time of the acquisition was not changed when the hospital was converted to an LTACH
- The hospital rapidly expanded its telemetry capacity during the period in question

Approach

- HMP engaged a geriatrician and other geriatric clinical experts to assist in the investigation
- The geriatrician performed a detailed chart audit of 50 randomly selected medical records to evaluate the clinical appropriateness of the use of telemetry
- HMP performed a 100% review of all patient medical records to determine if telemetry was documented as medically necessary in the medical record
- HMP then used this information to recalculate the outlier payment to determine the amount (if any) of overpayment
- HMP determined that the majority of the telemetry charges were either medically unnecessary or not clinically supported in the patient's medical record. HMP further determined that the amount of the telemetry charge was similarly unsupportable on any basis other than as a means to maximize Medicare outlier revenues

Results

- The information was submitted to hospital counsel for further investigation and proper disposition
- Documentation issues were reviewed with management to discuss additional training and procedures to ensure strict compliance with documentation requirements

GENERAL ACUTE CARE HOSPITAL – Expert Testimony in Accounting Malpractice

The hospital brought suit against its former “Big Four” accounting firm for failing to conduct its examination of the hospital's financial statements for three consecutive years in accordance with Generally Accepted Auditing Standards (GAAS).

Issues

- Valuation of patient accounts receivable had to be determined
- Accounting treatment and financial statement disclosure of a material subsequent event
- Required communications to the hospital's board of directors by its independent accountants

Approach

- HMP reviewed the accounting firm's work papers for the years in question
- Interviewed members of hospital management

- Reviewed selected work papers and analysis prepared by the hospital's successor auditors
- Prepared an expert report, which hospital counsel elected to voluntarily provide to the accounting firm's legal counsel

Results

- After reviewing HMP's report, the accounting firm requested non-binding mediation, at which a negotiated settlement was promptly reached

MULTI-HOSPITAL SYSTEM VS. NATIONAL INSURANCE CARRIERS - Expert Testimony and damages computation

A large "hub and spoke" multi-system hospital serving residents across a patient service area of more than 23 counties took legal action against four of the largest commercial health insurance carriers in the country. For nearly twenty years, the insurers kept the hub hospital out of network, but not its spoke facilities or any other regional hospital. HMP was engaged to render expert opinions regarding the permanent injury to the provider's financial, operational and reputational status due to the carriers' actions.

Issues

- Provider excluded for nearly twenty years from a fair opportunity to participate in the insurer's Preferred Provider Organization (PPO) network, as required by state law.
- Anticompetitive behavior of the commercial insurers created a tacit oligopoly that excluded the hub hospital from all PPO networks.
- Exclusion of the hub hospital over such an extended time period resulted in patient migration patterns being permanently altered
- The Irreversible disruption to patient referral patterns that coupled with lost demand put the hospital on a path of significant financial loss

Approach

- Use of a proven statistical method, Coarsened Exact Matching ("CEM"), to measure significant changes in patient utilization patterns at the payer level in a defined market
- Created and prepared a detailed damages calculation that incorporated the CEM results into a complex economic model of the hospital's operational and financial system
- Leveraged nearly 25 years of Healthcare Cost Report Information System (HCRIS) data as well as 15 years of statewide all-payer data
- Incorporated detailed audited financial statements and Universal Billing (UB) data collected by the hospital for more than 15 years
- Conducted a series of statistical and financial analyses to demonstrate the longitudinal, market-wide effects to the hospital as a result of the carrier's actions
- Computed damages resulting from the carriers' conduct were in excess of \$675 million

Results

- Favorable settlement of the case before trial
- Hospital was permitted entry into all of the carriers' PPO networks
- Joint marketing effort on behalf of the hospital and the largest carrier to announce the hospital's status change

- Analyses conducted for the case held a dual purpose of providing sophisticated, comprehensive financial and operational assessment of the hospital for internal planning and operational improvement

CASE STUDIES – FINANCIAL ADVISORY

180-BED COMMUNITY HOSPITAL – Financial Advisor, Sale of the Hospital

A financially struggling, rural community hospital operating in competition with another financially successful hospital and unable to access capital markets due to declining demand for patient services engaged HMP to sell the hospital.

Issues

- The other hospital in the market did not have the physical capacity to absorb the patient volumes of the hospital in question if it was forced to close due to rapidly accelerating financial losses
- The sale needed to be completed to ensure continuity of access within the community
- The bond debt guaranteed by local government needed to be repaid

Approach

- Developed a comprehensive financial model and financial forecast statements for the hospital
- Prepared patient migration studies to document the scope of the opportunity present in the market
- Prepared a comprehensive sale process with all of the associated sales materials
- Marketed the hospital to 91 identified qualified buyers
- Conducted the sales process in a manner that would permit, under existing anti-trust guidelines, for the local competitor to purchase the hospital if no other qualified buyer could be identified

Results

- Hospital was successfully sold to the local strategic buyer on favorable terms under the circumstances
- Defeasance of the bonds guaranteed by the local government upon closing of the sale
- Clinical services at the hospital continued on an uninterrupted basis

ERICKSON RETIREMENT COMMUNITIES, INC. (NATIONAL SENIOR CAMPUSES) – Financial Advisor to the Senior Secured Lender

In the matter of the bankruptcy and ultimate sale of Erickson Retirement Communities, Inc. (ERC), HMP was engaged as financial advisor to National Senior Campuses (NSC), the not-for-profit counterparty at eighteen of the twenty ERC managed communities. At the time of the ERC bankruptcy, the NSC communities had over 22,000 residents and total assets in excess of \$4 billion. The NSC communities were located in twelve different states, each with a unique regulatory environment.

Issues

- NSC was paying ERC over \$40 million per year to manage its communities; these contracts represented the most valuable asset in the ERC estate
- At the time of the ERC bankruptcy, NSC had advanced to ERC over \$1.2 billion in “Community Loan Obligations” to fund the continuing construction of twelve NSC communities which were then under development

- Additionally, three NSC communities had advanced ERC an aggregate of over \$600 million in tax-exempt bond proceeds as a purchase deposit to be applied against the ultimate purchase of the real property
- Excluding amounts owed to the NSC communities, ERC had commercial debt totaling more than \$1.2 billion, which was spread across multiple overlapping banking syndicates with a total of 59 separate participants
- For the twelve NSC communities then under development by ERC, each community's claims were legally subordinated to those of the banks and bond holders. Also, the community's licenses and resident and care agreements were pledged as collateral under its development agreements with ERC
- The ERC obligations, including "Resident Purchase Refund Rights" could be rejected or modified in a foreclosure or bankruptcy proceeding

Approach

- HMP terminated and renegotiated management contracts at all NSC communities into 30 day contracts which must be affirmatively renewed each month by each community to be extended for another 30-day period
- Created an option for an "NSC-Owned Management Company" as an alternative to ERC and secured a commitment from the eighteen community boards of directors to move forward if favorable terms could not be secured in the ERC bankruptcy and sale
- Met with state regulators and secured commitment for a "resident-centric" approach to any restructuring
- Developed new master management and development contracts, which would be acceptable to the NSC communities as long-term contracts; this approach was designed to communicate to ERC's creditors and the potential buyers of ERC that the communities would be willing to commit to valuable long term agreements, provided that they had a prominent role in the process

Results

- Services were provided during the bankruptcy and sale on an uninterrupted basis for the 22,000 NSC residents
- NSC was able to dictate the terms of sale of ERC, in exchange for entering into ten-year management contracts with the buyer
- The new contracts included substantial new protections for the communities and their residents, including the right to terminate the agreements if stringent financial performance and employee and resident satisfaction criteria are not met by the new buyer
- Designed and implemented a new business model for the financing of developing communities, which provides a very specific guarantee of the individual resident's rights under the existing "Residence and Care Agreement" and obligates the developer to provide and repay working capital for the developing community prior to the collection of any cash rents
- Reinstated all \$1.2 billion of the community loan obligations

BEHAVIORAL HEALTH MANAGED CARE COMPANY – Strategic Assessment and Sale of the Company

In the notoriously difficult field of behavioral health managed care (BHMCO), one not-for-profit, provider-owned organization grew into a major player in the Northeast by developing and executing an innovative care management model for behavioral health and developmental disabilities in partnership with government and commercial payers. Eager to reach more patients by expanding nationally, the BHMCO brought in Healthcare

Management Partners as its financial and strategic advisor to examine its market position and capital structure and develop a plan for expanding nationally.

Issues

- The organization was corporately organized as a charitable not-for-profit cooperative, which could not be sold or merged into another entity
- Changing the corporate form would require the unanimous consent of the 48 existing members of the cooperative and the state attorney general

Approach

- Analyzed critical trends in behavioral health, especially behavioral health managed care and the applicable Medicaid and Medicare rules and regulations
- Converted the company from the not-for-profit, provider-owned Pennsylvania Cooperative Corporation, to a for-profit stock corporation
- Conducted a sales process to find a national strategic partner with a proven record for working with state Medicaid programs, delivering quality patient care to the developmentally disabled, and ready access to the capital and appropriate insurance licenses necessary to facilitate rapid expansion across state lines

Results

- The company was successfully converted to a for profit stock company
- The company was sold to the largest provider of Medicaid managed care in the nation for an above market price
- The small group of community-based provider organizations, which were the original owners of the company, received \$40 million in exchange for their stock—which they in turn could invest in continuing their own charitable missions

GOVERNMENT HOSPITAL – Financial Advisor to the Senior Secured Lender

A county-owned hospital with approximately \$100 million in annual revenues defaulted on approximately \$50 million in secured debt after becoming embroiled in a medical malpractice scandal involving the surgical implantation of unapproved medical prosthetics in unsuspecting patients. The scope and gravity of the scandal forced the hospital to seek bankruptcy protection so that it would have a forum to address the matter in a structured manner. Before the malpractice scandal, the hospital had a long history of profitable operations.

Issues

- Role of the hospital's national management company and board of directors in the events leading up to the scandal and the proposed settlement structure to exit bankruptcy
- Potential participation by the Senior Secured Lender in the proposed exit financing needed by the hospital to implement its filed plan of reorganization

Approach

- Assigned a very experienced hospital CEO and HMP Managing Director to subjectively evaluate the situation on the ground at the hospital
- Using HMP Metrics™ and other tools, evaluated the financial feasibility of the proposed plan of reorganization
- Reviewed the current and proposed debt structures for the hospital

Results

- Based in part on our analysis and recommendations, the Senior Secured Lender elected not to participate in the proposed exit financing and was repaid in full for the existing debt at the exit, which was financed by another lender

PUBLICLY TRADED HOSPITAL SYSTEM – Healthcare Accounting Expert to Public Accounting Firm Conducting the Initial Audit and Form 10K

A publicly-traded shell company, which recently acquired four general acute care hospitals in southern California, chose new independent accountants. The accounting firm was experienced in the audit of publicly traded companies but had never audited a healthcare provider. The new accounting firm engaged HMP to assist it in conducting the initial audit of the company and in preparation and review of the initial SEC Form 10K.

Issues

- Recruitment, training, and supervision of the accounting firm's professional staff
- Application of Generally Accepted Accounting Principles (GAAP) and Generally Accepted Auditing Standards (GAAS) to the engagement
- Timely completion and filing of the Form 10K

Approach

- Developed and documented a specific plan for the audit of the hospital-specific components of the engagement
- Assisted in the recruitment and training of all assigned professional staff
- Directed the fieldwork for the hospital-specific components of the audit engagement on site

Results

- Significant accounting issues related to the misclassification of an over \$300 million per year patient accounts receivable factoring operation were identified and addressed in the audit report and Form 10K filing
- Audit was completed timely and the Form 10K filed

300-BED COMMUNITY HOSPITAL – Financial Advisor, Long Term Debt Refinancing

A struggling community hospital, unable to access the capital markets due to outdated and cumbersome tax-exempt bond covenants, engaged HMP to assist it in developing and implementing a strategy to secure sufficient capital to invest in new programs and facilities.

Issue

- Existing bond covenants tied up significant cash in a debt service reserve fund and severely limited additional borrowing

Approach

- Evaluated the hospital's existing financial condition and documented the potential financial impact of the proposed strategic capital investment
- Documented and secured board approval for a proposed new capital structure for the hospital
- Solicited proposals from commercial banks to refinance the existing tax-exempt debt and provide the needed additional capital

- Advised the hospital on the proposals received and assisted in negotiating the final loan terms

Results

- Hospital closed on the required borrowing on favorable terms and in a timely manner
- The hospital is now the most profitable in its market

TWO HOSPITAL SYSTEM – Financial Advisor, Strategic Planning Consultant and Interim CEO

A suburban, two hospital system with approximately 300 beds and \$200 million in net patient revenue engaged HMP to assist it in the acquisition of two other hospitals operating in its market.

Issues

- Due to poor operating outcomes resulting from the failure to properly integrate the recent acquisition of hospital and other investments, the hospital's cash reserves were declining at a rate of approximately \$1 million per month
- The hospital did not have a strategic vision as to how it was going to both get its current house in order and proceed with the planned additional hospital acquisitions
- Exclusive of finance, the hospital did not have effective executive management in place

Approach

- Evaluated the hospital's existing financial condition and documented the potential financial impact of the proposed acquisition of the two hospitals
- Recommended to the board that it was not in a position to undertake the proposed acquisitions at that time and that it must first provide a comprehensive strategic and operating planning structure to inform the decision process
- At the board's direction, organized and led the comprehensive strategic planning process for the hospital

Results

- The board unanimously adopted the strategic and operating plans developed through the planning process
- The hospital declined to go forward with the proposed two additional acquisitions
- An integration plan for the hospital acquired previously was developed and adopted by the board
- Shortly after the close of the planning process the CEO resigned and HMP was asked to provide an Interim CEO to direct the continuing implementation of the approved strategic plan
- In the first three months of the interim management assignment, the hospital system returned to profitable operations.

DEUTSCHE BANK'S HOME HEALTH CARE SERVICES GROUP – Customized Data Analysis of the Home Health Sector

With the Centers for Medicare and Medicaid Services (CMS) proposing to cut home health spending by more than \$6 billion over five years, Deutsche Bank's Home Health Care Services Group needed to assess the impact on investor-owned home health provider companies that it tracks for investors. Deutsche Bank enlisted the expertise of HMP to analyze the highly complex proposed changes.

Issues

- Determine how to model the proposed changes in the federal payment system
- Complete the process in a timely manner so that it provides investors with information that has strategic value

Approach

- Developed a multi-year data base of all Home Health Agency Medicare Cost Reports filed with CMS; this approach equipped the bank and HMP with the same data set being used by the regulators
- HMP sorted and organized the data to analyze it by investor-owned company and then developed regional peer groups from this information
- HMP and Deutsche Bank team pulled together hundreds of data elements for the analysis, with a focus on such key metrics as episodes, visits, and unit revenue; in turn, it modeled the financial impact of the proposed rule changes

Results

- Deutsche Bank was able to develop revised earnings estimates for the home health sector and beat its banking competitors in issuing a highly focused report to investors

SECURED COMMERCIAL LENDERS TO HOSPITALS AND HOSPITAL SYSTEMS – Financial Advisor to the Lender in the Workout of Distressed Debt Obligations

HMP has been retained by a number of large commercial lenders to act as their advisor in the workout of secured obligations owed by both investor-owned and not-for-profit hospitals and health systems. These assignments have included debt restructurings, both in and out of bankruptcy.

Issues

- Debt covenant compliance
- Adequacy of the debtor hospitals' business plans and management, and their potential impact on the institutions' ability to service the debt in question
- Quality of clinical operations, including the adequacy of medical and nursing staff
- Medicare and/or Medicaid fraud and abuse

Approach

- Review the current situation with the secured lender's workout team
- Have a Managing Director who is also an experienced hospital CEO tour the facility; interview key members of the Hospital management, medical staff, and board of directors; and evaluate current business plans and financial performance
- Prepare a written assessment of the current situation for the secured lender, including specific action steps to collect or better secure the funds loaned

Results

- In every engagement to date, the secured lender has made a full recovery

INDIVIDUAL NURSING HOMES AND SMALL HEALTHCARE PROVIDER ORGANIZATIONS – Court-Appointed Trustee or Receiver

HMP has been recommended by a number of large commercial lenders to act as the Trustee or Receiver in the liquidation or sale of financially distressed nursing homes and other similarly-sized healthcare providers. Most of the assignments have involved entities with a market value between \$5 and \$10 million.

Issues

- Legal compliance with the required Trustee or Receiver statutory duties and requirements
- Protection of patients and patient records during the process
- Continuation of quality of clinical operations, including the adequacy of medical and nursing staff
- Medicare and/or Medicaid fraud and abuse

Approach

- Review the current situation with the secured lender's workout team
- Assemble an appropriate team for the assignment (i.e., legal, accounting)
- Have a Managing Director who is also an experienced healthcare executive tour the facility; interview key members of the management, medical, and nursing staff; and evaluate current operations and financial performance
- Prepare a written assessment of the current situation for the secured lender and the court, including specific action steps to optimize the value of the entity while also continuing cost-effective and clinically effective operations

Results

- We generally produce a report and action plan within 30-45 days of being appointed
- Once approved we have consistently implemented the approved plan of action, including conducting the sale of the entity as necessary