

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE MIDDLE DISTRICT OF GEORGIA
MACON DIVISION**

In re:)	
)	Chapter 11
OCONEE REGIONAL HEALTH SYSTEMS, INC., <i>et al.</i> , ¹)	Case No. 17-51005-AEC
)	(Jointly Administered)
Debtors.)	
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**DEBTORS’ MOTION FOR AUTHORITY TO PAY CERTAIN
PREPETITION CLAIMS OF INDEPENDENT MEDICAL PROVIDERS**

Oconee Regional Health Systems, Inc., Oconee Regional Medical Center, Inc., Oconee Regional Health Services, Inc., Oconee Regional Emergency Medical Services, Inc., Oconee Regional Health Ventures, Inc. (sometimes d/b/a Oconee Neurology Services), Oconee Internal Medicine, LLC, Oconee Orthopedics, LLC, ORHV Sandersville Family Practice, LLC, and Oconee Regional Senior Living, Inc. (collectively, the “*Debtors*”) file this motion (the “*Motion*”) for an order, substantially in the form attached hereto, permitting the Debtors to honor certain pre-petition obligations to independent medical providers, as set forth below.

In support of this Motion, the Debtors respectfully represent as follows:

Background

1. On May 10 and 11, 2017 (the “*Petition Dates*”), the Debtors filed voluntary petitions with the United States Bankruptcy Court for the Middle District of Georgia, Macon Division under Chapter 11 of Title 11 of the United States Code (the “*Bankruptcy Code*”). Since

¹ The last four digits of the employer identification number for each of the Debtors follow in parenthesis: (i) Oconee Regional Health Systems, Inc. (9394), (ii) Oconee Regional Medical Center, Inc. (9398), (iii) Oconee Regional Health Services, Inc. (9397), (iv) Oconee Regional Emergency Medical Services, Inc. (3857), (v) Oconee Regional Health Ventures, Inc. (sometimes d/b/a Oconee Neurology Services) (8516), (vi) Oconee Internal Medicine, LLC (1712), (vii) Oconee Orthopedics, LLC (3694), (viii) ORHV Sandersville Family Practice, LLC (1236), and (ix) Oconee Regional Senior Living, Inc. (5613). The Debtors’ corporate mailing address is 821 North Cobb Street, Milledgeville, Georgia, 31061.

the Petition Dates, the Debtors have continued in possession of their properties and have operated and managed their businesses as debtors-in-possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code.

2. The Debtor Oconee Regional Health Systems, Inc. (“**ORHS**”) is a not-for-profit healthcare system that, through various affiliates, provides critical medical services to the citizens and communities of central Georgia. ORHS can generally be thought of as three legally separate, but closely affiliated, operations.

3. First, chief among the ORHS structure is the Debtor Oconee Regional Medical Center, Inc. (“**ORMC**”), a not-for-profit hospital located in Milledgeville, Georgia. ORHS owns the equity of ORMC. ORMC provides acute and skilled nursing services through a 140-bed general acute care hospital and 15-bed skilled nursing unit. ORMC is the only general acute-care hospital within a 30-mile radius and is the largest hospital in the ~4,400 square mile area between Macon, Augusta, and Atlanta, Georgia. Over the last twelve (12) months, ORMC had approximately 2,600 inpatient admissions with an average length of stay of 3.9 days, as well as over 33,000 emergency room visits and over 2,100 skilled nursing patient days.

4. Second, the Debtor Oconee Regional Health Ventures, Inc. (“**ORHV**”), a for-profit entity owned by ORHS, operates two wholly-owned clinics and one majority-owned outpatient clinic, all in and around Milledgeville, Georgia. These ORHV subsidiaries are Debtors Oconee Internal Medicine, LLC and Oconee Orthopedics, LLC, and non-Debtor Oconee Sleep & Wellness Center, LLC (which is 71% owned by ORHV). In addition, ORHV has certain operations of its own, as it sometimes does business as Oconee Neurology.

5. Third and finally, ORHS owns the equity of Oconee Regional Healthcare Foundation, Inc. (the “**Foundation**”), a small, non-profit entity that raises money to support

certain charitable, educational, and scientific goals and missions of ORHS. The Foundation is not a Debtor.

6. The last four of the Debtors are Oconee Regional Health Services, Inc., Oconee Regional Emergency Medical Services, Inc., Oconee Regional Senior Living, Inc., and ORHV Sandersville Family Practice, LLC, all of which discontinued their operations some time before the Petition Dates. These companies have no material assets or liabilities, other than intercompany items or miscellaneous guarantees.

7. A separate non-debtor affiliate, Jasper Health Services, Inc., operates its own 17-bed critical access hospital (Jasper Memorial Hospital) and a 55-bed skilled nursing facility (The Retreat), neither of which operations are debtors in these cases and both of which continue to operate in the ordinary course of their business.

8. Further information about the Debtors and these Chapter 11 cases, a corporate chart showing the structure of the Debtors and non-debtors, and additional facts that may pertain to this Motion can be found in the Declaration of Steven M. Johnson in Support of Chapter 11 Filings and Certain Initial Relief Requested (Doc. No. 2).

9. On May 16, 2017, an official committee of unsecured creditors was appointed in these Chapter 11 cases (the “*Creditors’ Committee*”). As of the date hereof, no request has been made for the appointment of an examiner or trustee.

Jurisdiction, Venue, and Statutory Predicate

10. This Court has jurisdiction over these cases pursuant to 28 U.S.C. §§ 157 and 1334. Venue of these cases is proper in this District pursuant to 28 U.S.C. §§ 1408 and 1409. This Motion is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A), (B) and (M).

11. The statutory predicates for the relief requested in this Motion are Sections 105 and 507 of the Bankruptcy Code.

Relief Requested

12. The Debtors utilize the services of various local independent physicians, primarily in ORMC's so-called "Emergency Department" (which to lay persons is known as the emergency room).

13. On May 10, 2017, the Debtors filed their Motion to Authorize Payment of Pre-Petition Wages, Payroll Taxes, Certain Employee Benefits and Related Expenses to Employees (the "***Wage Motion***") (Doc. No. 5) for authority to pay their Employee Obligations (as defined in the Wage Motion) that had accrued prepetition and were unpaid as of the Petition Date (but only to the extent of the applicable statutory cap for each employee under Sections 507(a)(4) or 507(a)(5) of the Bankruptcy Code, and to the extent included in any budget approved by this Court as part of the Debtors' motion to use cash collateral and incur postpetition financing). On May 17, 2017, the Court entered the Order Granting Debtors' Motion to Authorize Payment of Prepetition Wages, Payroll Taxes, Certain Employee Benefits and Related Expenses to Employees (the "***Wage Order***") (Doc. No. 55).

14. Since entry of the Wage Order the Debtors have determined that certain doctors who provide on-call Emergency Department coverage and related services at ORMC are not necessarily included within the group of parties described by the Wage Motion and the Wage Order. While the argument could be made, the interests of candor and the need for all parties (and this Court) to closely police any payment of prepetition claims, both require this Motion to be filed.

The Obligations at Issue

15. Approximately \$80,000 is owed to various doctors which provided “on call” or “as needed” prepetition services to the Debtors. All of these amounts were incurred in the month of April 2017 and the first several days of May, 2017, in the ordinary course of business. Postpetition, the Debtors have paid for their postpetition services, but various of these parties have requested that they be paid for prepetition services as well.

16. The Debtors very much need the services of these physicians. When a patient arrives in the emergency room, the Debtor ORMC must immediately know if it can provide critical care, or if it cannot. In the ordinary course of business, the Debtors have historically arranged for these services to be provided by doctors, surgeons, and other medical personnel in and around Milledgeville, Georgia. If the Debtors cannot know, with certainty, that they can provide such services immediately, then rules of ethics (and basic human decency) require the Debtors to transfer the patient to another competitor hospital.

17. The Debtors have no practical way to compel local doctors to provide postpetition services to them. Although the parties subject to this Motion have contracts in place to provide “on call” services from time to time, Doctors always retain the discretion to refuse to respond to a call, such as if they are busy, not well rested, or otherwise occupied. All of these doctors have continued to respond postpetition in good faith to each and every after hours or emergency call, but the Debtors are very concerned that this will not take place in the future, absent the relief sought in this Motion.

18. Section 507(a)(4) of the Bankruptcy Code would likely render these some or all of these claims as priority, as Section 507(a)(4) is not limited to actual employees, and Section 507(a)(4) covers “wages,” which is exactly what these parties are owed. Thus, the same

rationale set forth in the Wage Motion and adopted by this Court in the Wage Order is implicated here. As set forth in the Wage Motion, courts have routinely used this priority claim status (and the Supreme Court has adopted the use of this, in *see Czyzewski v. Jevic Holding Corp.*, 137 S. Ct. 973, 985 (2017)) as support for payment of prepetition claims. *See* Wage Motion at ¶ 27.

19. Aside from the priority nature of these claims, it would be economically disastrous to the Debtors if they cannot maintain the use of these independent physicians postpetition. Without these physicians, many patients seeking emergency medical treatment would have to be diverted to other facilities, causing a tremendous financial loss to ORMC. Indeed, just a single emergency room visit by one patient postpetition could cover the entire costs of this Motion. Thus, even aside from the risk posed to patients, there is a sound financial basis for this Motion.

20. Granting the relief sought in this Motion will not affect the Debtors' budget (with which the Debtors must comply under their postpetition financing arrangements). Specifically, all of the amounts sought to be paid by this Motion are already in the budget.

21. Finally, the proposed Order provides that if any party accepts payment under the Order, and then refuses, without adequate justification, to provide postpetition services to the Debtors, then the Debtors may seek to avoid and have returned to them any payments made to such party, under Section 549 of the Bankruptcy Code or otherwise. Thus, the Debtors' estates will obtain the benefit of their bargain for the payment of any prepetition amounts.

No Prior Request

22. This request supplements Debtors' original motion, but the relief sought herein has not previously been sought by Debtors from this or any other court.

Notice

23. Notice of this Motion has been given to the following parties, or to their counsel: (a) the Office of the United States Trustee for the Middle District of Georgia; (b) the Creditors' Committee, (c) counsel to U.S. Bank National Association, as Bond Trustee, (d) the office of the Georgia Attorney General; (e) counsel to Prime Healthcare Foundation, Inc., (f) Navicent Health, Inc., (g) counsel to Jasper Health Services, Inc., and (h) all parties that have requested notice in these cases under Bankruptcy Rule 2002. In light of the nature of the relief requested, the Debtors respectfully submit that no further notice is necessary.

Conclusion

WHEREFORE, the Debtors respectfully request that the Court enter an order granting the relief requested herein and granting Debtors such other and further relief as the Court deems just and proper.

Dated: June 1, 2017

BRYAN CAVE LLP

/s/ Mark I. Duedall

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*Proposed Counsel for the Debtors and
Debtors-in-Possession*

EXHIBIT A
PROPOSED ORDER

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE MIDDLE DISTRICT OF GEORGIA
MACON DIVISION**

In re:)	
)	Chapter 11
OCONEE REGIONAL HEALTH)	
SYSTEMS, INC., <i>et al.</i> , ¹)	Case No. 17-51005-AEC
)	(Jointly Administered)
Debtors.)	
_____)	

**ORDER GRANTING DEBTORS' MOTION FOR AUTHORITY TO PAY CERTAIN
PRE-PETITION CLAIMS OF INDEPENDENT MEDICAL PROVIDERS**

¹ The last four digits of the employer identification number for each of the Debtors follow in parenthesis: (i) Oconee Regional Health Systems, Inc. (9394), (ii) Oconee Regional Medical Center, Inc. (9398), (iii) Oconee Regional Health Services, Inc. (9397), (iv) Oconee Regional Emergency Medical Services, Inc. (3857), (v) Oconee Regional Health Ventures, Inc. (sometimes d/b/a Oconee Neurology Services) (8516), (vi) Oconee Internal Medicine, LLC (1712), (vii) Oconee Orthopedics, LLC (3694), (viii) ORHV Sandersville Family Practice, LLC (1236), and (ix) Oconee Regional Senior Living, Inc. (5613). The Debtors' corporate mailing address is 821 North Cobb Street, Milledgeville, Georgia, 31061.

Oconee Regional Health Systems, Inc., Oconee Regional Medical Center, Inc., Oconee Regional Health Services, Inc., Oconee Regional Emergency Medical Services, Inc., Oconee Regional Health Ventures, Inc. (sometimes d/b/a Oconee Neurology Services), Oconee Internal Medicine, LLC, Oconee Orthopedics, LLC, ORHV Sandersville Family Practice, LLC, and Oconee Regional Senior Living, Inc. (the “*Debtors*”), filed a motion (the “*Motion*,” Doc. No. ____) for entry of an order authorizing them to honor and pay certain prepetition obligations owed to independent physicians or with regard to its on-call emergency physicians.

The Court has jurisdiction to consider the Motion and the relief requested in the Motion pursuant to 28 U.S.C. §§ 157 and 1334. Venue of these cases in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409. The Motion and the relief requested in the Motion constitute a core proceeding pursuant to 28 U.S.C. § 157(b).

The Court has considered the Motion. This Court has determined that the relief requested in the Motion is in the best interests of Debtors, their estates, creditors, and other parties in interest. Debtors gave due and proper notice of the Motion and the Court has determined that additional or further notice of the Motion is not necessary. The Court has determined that the legal and factual bases set forth in the Motion establish just cause for the relief granted in this Order, and after due deliberation, and sufficient cause appearing therefor,

IT IS ORDERED THAT:

1. The Motion is **GRANTED**.
2. The Debtors are authorized (but not directed) to honor and pay up to \$80,000 in unpaid, prepetition wages owed to independent physicians, incurred during the period from April 1, 2017 through the Petition Dates in the ordinary course of business.

3. The Debtors' banks and financial institutions are hereby authorized to honor and pay any checks issued, and to make other transfers, in respect of the Employee Obligations.

4. Any payments pursuant to this Order shall only be made to the extent allowed by any orders authorizing the Debtors to incur postpetition financing or use cash collateral, including any budget approved by such orders.

5. Notwithstanding the possible applicability of Bankruptcy Rules 6004(a) and 6004(h) or otherwise, the terms and conditions of this Order shall be immediately effective and enforceable upon its entry and the requirements of Bankruptcy Rules 6004(a) and 6004(h) are hereby waived.

6. If any party accepts payment under this Order, and then refuses, without adequate and documented justification, to provide postpetition services to the Debtors, then the Debtors may seek to avoid and have returned to them any payments made to such party, under Section 549 of the Bankruptcy Code or otherwise.

7. This Court shall retain jurisdiction with respect to any matters, claims, rights, or disputes arising from or related to the implementation of this Order.

8. The Debtors are directed, within two business days of the entry of this Order, to serve a copy of this Order upon all the parties which were served with the Motion, along with any parties that have filed notice of appearance in these cases.

***** END OF DOCUMENT *****

Prepared and presented by:

BRYAN CAVE LLP

/s/ Mark I. Duedall

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CERTIFICATE OF SERVICE

This is to certify that on the date set forth below, I have electronically filed the foregoing Debtors' Motion For Authority To Pay Certain Prepetition Claims Of Independent Medical Providers and proposed form of order using the Court's CM/ECF filing system, which sent a notice of this filing and an accompanying link to this filing to all parties who have filed notices of appearance in these cases under the Court's CM/ECF system. I also caused the foregoing to be served on the following parties by email:

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I further certify that I caused the parties set forth below to be served with the foregoing
by United States First Class mail, postage pre-paid:

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This 1st day of June, 2017.

BRYAN CAVE LLP

/s/ Mark I. Duedall

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*Proposed Counsel for the Debtors and Debtors-
in-Possession*