

**IN THE UNITED STATES BANKRUPTCY COURT FOR  
THE MIDDLE DISTRICT OF PENNSYLVANIA**

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IN RE: )  
THE BUCKTAIL MEDICAL CENTER, d/b/a ) Case No. 4:15 bk-04297 JJT  
BUCKTAIL MEDICAL CENTER )  
Debtor ) Chapter 11  
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**DISCLOSURE STATEMENT IN SUPPORT OF  
PLAN OF REORGANIZATION OF DEBTOR-IN-POSSESSION  
DATED APRIL 6, 2017**

COMES NOW the above named Debtor-In-Possession, by and through its attorneys, Spence, Custer, Saylor, Wolfe & Rose, LLC and does file the within Amended Disclosure Statement In Support Of Plan Of Reorganization Of Debtor-In-Possession Dated April 6, 2017, upon a cause whereof the following is a statement, to wit:

**I. INTRODUCTION**

The instant case was commenced by the filing of a voluntary petition for relief by the Debtor, The Bucktail Medical Center, d/b/a Bucktail Medical Center ("Bucktail") pursuant to Chapter 11 of Title 11 of the U.S. Code, 11 U.S.C. Section 101. Said case was commenced on October 2, 2015.

As a debtor-in-possession, Bucktail has remained in control of its assets, subject to Court approval of outside of the ordinary course transactions and the "oversight" provided by the Office Of The United States Trustee.

Although creditors were solicited for the formation of an Official Committee of Unsecured Creditors (the "Committee"), insufficient interest was shown by the creditors, and as such, no Committee was appointed.

The goal of the filing was the formulation and development of a Plan Of Reorganization confirmable pursuant to 11 U.S.C. Section 1129.

Upon the commencement of the case, the Debtor sought and obtained authority to retain James R. Walsh, Esq. of Spence, Custer, Saylor, Wolfe & Rose, LLC to represent it and assist it in its Chapter 11 case.

This case has progressed to the point that the Debtor has proposed a Plan of Reorganization dated as of April 6, 2017 as well as a Disclosure Statement filed in accord with Section 1125 of the Code, in furtherance of said Plan, the provisions of said Plan and Disclosure Statement being incorporated herein.

The purpose of the within Disclosure Statement is to provide creditors with sufficient detail and information that a hypothetical creditor/ investor, typical of the holders of claims and interests in this case, can make a knowing and informed decision as to whether to vote in favor of or against the pending Plan of Reorganization Of Debtor-In-Possession Dated April 6, 2017

## **II. VOTING**

Creditors may vote to accept or reject Bucktail's Plan of Reorganization dated April 6, 2017. **ONLY the votes of creditors that actually vote in favor of or against the pending Plan will be considered in determining whether the Plan is accepted or rejected. A creditor that fails to vote to either accept or reject the Plan is making a decision to allow the decision of those creditors that vote to control the decision making process.**

A class of creditors shall be determined to have accepted the Plan if, in good faith, two-thirds (2/3) in amount and more than one-half (½) in number of the voting members of the Class vote to accept the Plan. The Plan shall be confirmed if each impaired class votes to accept the Plan.

In the event an impaired class of creditors does not vote to accept the Plan, the Court may nevertheless confirm the Plan if it finds the Plan meets the requirements of Section 1129 of the Code, specifically, that the Plan does not unfairly discriminate among Classes, that each holder of a non-accepting class shall receive at least what it would have received in a Chapter 7 liquidation, and that no holder of a junior claim or interest shall receive any distribution or retain any interest unless all senior classes/ interests are paid in full.

Even if a junior class or interest will receive a distribution or retain an interest despite non-payment in full of senior classes, and non-acceptance by the same, the Court may, under certain circumstances, confirm the Plan through the invocation of certain judicially created exceptions to the "absolute priority" rule set forth above.

**Remember, only those creditors that vote will participate in the decision making process.**

## **III. PRE-PETITION HISTORY OF DEBTOR**

As noted supra, this is a Disclosure Statement in support of a Plan Of Reorganization.

The Plan of Reorganization is premised upon the obtaining of an emergence loan from Santander Bank, NA ("Santander"), the Debtor's secured lender, which, as described below, in addition to consolidating its existing secured debt, is extending to the Debtor an additional revolving line of credit in the amount of \$500,000, which will be used for operations and to fund the amounts due unsecured creditors under the Plan. The Debtor's income streams from operations will be used to fund repayment arrangements that will service the

secured debt of Santander from the "Effective Date", as well as to satisfy the allowed administrative and priority claims, and to service the sums due to The United States of America, Department of Health and Human Services for overpayment under the Medicare Program, and amounts, if any, determined to have been overpaid under the HITECH Program.

Bucktail is a community hospital that provides in-patient and out-patient health care to the residents of Renovo, Clinton County, Pa. and surrounding communities requiring and desiring to utilize its services. In addition, it operates a nursing home for individuals requiring such services adjacent to the hospital.

The hospital is owned by and governed by a non-profit corporation that has been accorded tax-exempt status by the Internal Revenue Service under Section 501(c) of the Internal Revenue Code.

The hospital is governed by a community based Board of Directors who are not compensated for their services, and are elected by the members of the community that subscribe to the supporting group.

Unfortunately, despite a long history of meeting the needs of the community in a financially responsible manner, Bucktail, in the several years preceding 2015, suffered a series of financial setbacks. These setbacks were not unique to Bucktail, rather, they were the same setbacks and challenges that were being faced by the vast majority of hospitals in general and smaller community hospitals in particular.

These challenges included reduced reimbursement levels by Medicare and Medicaid, which pay for a substantial part of the hospital's patients health care services, given the aging and unemployed in the Debtor's service area (at the time of the drafting of this Plan Pa. was per a number of rating facilities, in the lower 40's in the states as to the amount of Medicaid reimbursement, (it is not affected by Medicare reimbursement due to its status as a Critical Access Hospital)); reimbursement by other third party payors not keeping pace with the rising costs of providing quality health care; the previously existing physician base being reduced due to retirements and relocations of physicians, and the inability to recruit new physicians to the area due to the decreasing number of new physicians v. the number of established physicians retiring or relocating to bigger cities to join Groups that require less time and hours as the physicians transition to retirement, which results in less admissions and out-patient testing at the hospital; the difficulty in recruiting younger physicians to locate to rural areas to practice due to their desire to remain in larger metropolitan areas and to practice at tertiary and/or teaching facilities, and to engage in specialty practices rather than primary care practices; the increasing costs of malpractice coverage in the Commonwealth of Pennsylvania; and the increasing costs of maintaining competitive salary structures for the nursing and other provider staff.

Bucktail is, as noted supra, classified as a Critical Access Hospital ("CAH"). It has 21 acute care hospital beds, and as noted, operates a nursing home that has 43 nursing home beds.

As a CAC, Bucktail is required to meet certain Condition of Participation set by the Department of Health and Human Services ("HHS") under the Medicare Program. Simply put, they principally

require that the facility has no more than 25 inpatient beds; it must maintain an average length of stay of no more than 96 hours for acute inpatient care; must offer 24/7 365 days emergency care; and be located in a rural area at least 35 miles away from any other hospital. The limited size and short length of stay is designed to encourage CAH's to focus on providing care for common conditions and outpatient care, while referring more serious and complex conditions to larger tertiary or quaternary care facilities.

Certification as a CAH allows Bucktail to receive cost-based reimbursement from Medicare, instead of Medicare more prevalent fixed reimbursement rates, and this methodology of reimbursement enhances the financial performance of small rural hospitals and has been shown to substantially reduce closure rates.

Bucktail is currently the smallest of the thirteen CAH's in Pennsylvania.

In developing the proposed Plan Of Reorganization, Bucktail consulted with a number of resources. These included, but were not limited to the administrator of a similar facility that successfully reorganized, the Pennsylvania Office of Rural Health, CPA's from a firm specializing in health care, and consultants provided by Santander from Stroudwater Associates, which is a consulting firm specializing in assisting healthcare providers.

Bucktail believes that, in reviewing the Plan, a brief history of its service and existence may be of benefit.

The first hospital in Renovo, which is a rural community in northcentral Pa., was built in 1910. Prior to that date, legend has it that medical care was provided in the basement of the local jail when needed. In February of 1928 the Hospital was closed for the first time due to two cases of scarlet fever. The Hospital had also started and maintain a nursing schools to supply it was nurses, however, the last nursing class graduated in 1929.

In 1937, the Board approved a two story addition to the then existing facility. However, even then, a review of the minutes from November of 1938 showed the Board was informed the Hospital was operating at a deficit.

Despite its problems, the Hospital continued to grow and serve the area. In 1942, it was accepted into the Blue Cross Hospital Association of Northeast Pa., which allowed members of the Plan to receive treatment and their charges to be paid for by the Plan. In 1944, the Hospital was designated as a blood bank by the Pa. Dept. of Health. This was followed, in 1946, by what is now Bucktail establishing its own medical laboratory and X-Ray department.

In 1979, the current hospital facility was constructed in South Renovo, and it was built to include the long term care nursing facility. In 2001, that facility was expanded to include additional long term care beds, new therapy rooms, a great room, dining room, conference, room, and related office space.

Today, the Bucktail facility serves as the center for healthcare services in Western Clinton County.

A summary of the services provided is believed appropriate.

The Long Term Care center provides both short term skilled care and long term custodial care in a 43 bed unit, with 15 semi-private rooms, 3 four bed suites, and 1 private room. All beds are dual licensed for Medicare and Medicaid. Nursing levels are maintained at 3 hours of care per patient per day or higher, which exceeds the federal requirements of 2.77 hours per resident per day.

The hospital division of Bucktail consists of 21 licensed acute care beds. All beds are dual certified for acute care and swing beds (beds for patients to transition from hospital care to nursing care or to treat more acute conditions of a nursing home resident. There is also 1 isolation room with a separate shower and area to put on and remove protective equipment if needed.

Bucktail operates its own medical laboratory, which is staffed and operates 14 hours per day, with staff on call if needed so it can function 24 hours per day when and if needed. The lab can perform most routine testing, but if more specialized testing is required, the required specimens are drawn, and sent to a more advanced laboratory for analysis.

The Hospital has a radiology department, which is staffed 14 hours per day, with staff on call 24 hours per day so radiology services can be provided 24 hours per day when and if needed. Bucktail has contracted with a service that has Pa. licensed and board certified radiologists available to evaluate and read its films 24/7, 365, allowing for quick diagnosis and treatment, generally resulting in a written report being received at Bucktail within 10 minutes of the sending of the film.

Bucktail also has an Emergency Room with 2 treatment beds, and a procedure room that can, if needed, accommodate 2 additional patient beds. The Emergency Room is staffed 24/7, 365, with licensed physicians and registered nurses. The ER averages in excess of 2,200 visits per year, with the cases varying from pneumonia, to cuts and bruises, to broken limbs and accident injuries, to cardiac arrest. Patients who require specialized or more complex care can be life-flighted from Bucktail, once stabilized, to Williamsport or Geisinger Hospitals, using Bucktail's lighted 24 hour available campus heli-pad.

Given the Hospital's rural location and the distance to other facilities, Bucktail provides physical therapy, occupational therapy, and speech therapy to in-patient, nursing home residents, and out patients 5 days per week. Outpatient services average more than 900 visits per annum.

Bucktail also offers primary care physician services 5 days per week for appointment scheduled and walk-in visits. The clinic has over 4,200 visits per annum, and in addition, provides Wrap-Around psychological services to the community for low income families and children requiring such services.

In addition, Bucktail provides Basic Life Support Ambulance Services to the residents of the area requiring such services. This service responds to calls and provides initial treatment, and when needed, provides transportation to other facilities for patients requiring more specialized care.

Equally as important, as noted supra, acquiring and retaining health care professionals to provide rural health care is becoming more and more difficult. To seek to help to address these issues, Bucktail serves as a training site for physicians, X-Ray technicians and laboratory technicians to allow them to become acclimated to and hopefully dedicated to rural health care.

Bucktail is also vital to the community and all of Western Clinton County. It has over 100 employees, and probably an equal number of contracted individuals. It serves as a lifeline for the community, with, as noted, over 2,200 ER visits per annum and over 4,000 clinic visits per annum, in addition to the in-patient and nursing home care provided. It allows residents of the area to receive treatment locally, with the support and availability of relatives being there, without the need for traveling over 30 miles to the nearest other facility, often in inclement weather, and having to use mountain roads in bad weather.

The financial issues of Bucktail, despite its providing the above services and benefits to the community, began to come to a crisis in the fall of 2015.

In April of 2015, Craneware Inc. ("Craneware") filed an action alleging breach of contract against Bucktail before a District Magistrate Judge, seeking damages of \$4,465.00, plus interest and costs. A default judgment was subsequently obtained, and on August 6, 2015, the judgment was filed in the Prothonotary's Office of Clinton County, at 2015-01073 in the amount of \$4,763.30.

In May of 2015, Encore Rehabilitation Services, LLC filed an action against Bucktail alleging a breach of contract action arising out of a contract under which Encore was to provide physical therapy, occupational therapy, speech-language pathology and audiology services to patients of Bucktail. This resulted in the entry of a default judgement in Clinton County on July 15, 2015, at 2015-701, in the amount of \$234,506.64.

In addition, W.W. Grainger, Inc., c/o Burton, Neil & Associates filed an action for breach of contract against Bucktail before a District Magistrate Judge in May of 2015. That resulted in a default judgment being entered in the amount of \$3,585.34. That judgment was then filed in the Office of the Prothonotary of Clinton County on August 6, 2015, in the amount of \$3,585.34.

During this time period and leading up to it, Bucktail experienced a series of management setbacks.

On April 14, 2014, the CEO, CFO and Skilled Facility of Nursing all resigned from their position, essentially leaving the facility without its top management.

On April 15, 2014, an Interim Administrator was hired. However, that did not work out, and in May of 2014, a second Interim Administrator was hired.

On June 1, 2014, the Hospital defaulted on the payment of a \$250,000 loan to Santander that had been taken out in February of 2014. Because of cross default language, that resulted in a default on all obligation due Santander. Thankfully, Santander agreed to and has

continued working with Bucktail to resolve its financial issues, and as discussed below, is working with Bucktail to emerge from Chapter 11 and actually providing the emergence funding.

On June 2, 2014, George Gerber, who continues to service as CFO to date and will remain under the Plan, was hired by Bucktail.

Upon his retention, Mr. Gerber identified a number of financial challenges facing the facility. The unaudited financial statement showed a loss of over 1 million dollars for the year. The Hospital's line of credit was fully drawn. Bills due were unpaid.

Again, thankfully, Santander agreed to and did make an additional loan of \$155,000 to allow Bucktail to meet its immediate needs.

On July 14, 2014, a new administrator was hired. However, on August 8, 2014, that Administrator resigned.

On August 11, 2014, an Interim Administrator was hired.

On August 15, 2014, Tim Reeves, the current Administrator and who will remain as Administrator under the Plan, was hired.

Upon Mr. Reeves being hired as Administrator, he and Mr. Gerber began the process of attempting to right the sinking ship and determine where the "holes" were.

They determined that the losses for FY 2014 were \$1.282 million dollars.

In October of 2014, Encore Rehabilitation Services terminated its contract, was not a "traditional" type contract. It was not willing to enter into a "traditional" contract. Bucktail therefore hired its own physical, occupational and speech therapists to assure that these much needed healthcare services were continuing to be available to the resident of the service area without having to travel long distances to obtain the same.

Inspections and investigation by management disclosed that there were substantial Life Safety issues with the testing of the emergency lighting system, fire alarm systems, sprinkler systems, exhaust systems, and required inspections not having been completed properly. As the result of management's efforts, all problems were corrected within 99 days.

In November of 2014, the maintenance, housekeeping and laundry contract, which had been outsourced by previous management, was terminated due to the above identified issues.

Again, throughout this period, Santander continued to work with new management.

A new, "traditional" contract was entered into with a vendor to provide physical, occupational and speech therapy. Dietary services that been outsourced were brought back "in-house."

As the result of management's efforts, the financials for FY 2015, ending 6/30/15, were reduced from the \$1.282 million loss in FY 2014 to \$400,000 for FY 2015, and more importantly, a positive cash

flow was now present. Vendors were current to within 30-45 days, and, using funds from the cost-report reimbursements and Disproportionate Share funds, the Debtor was able to, in essence, create a self-funded line of credit for operations.

Management then embarked on efforts to improve services.

In July of 2015, the Out-Patient wrap around clinic was added. A physician suite was added in the hospital complex for specialty physicians, which was begun being used by a cardiologist and a podiatrist to provide services in the community. Efforts were begun to, working with Lock Haven Hospital, provide general surgery, OB/GYN, GI and Orthopedic services.

However, despite the progress and improvements made by the new (which remain as the current) management, the entry of the above judgements, together with other claims being asserted as the result of ill-advised arrangements entered into by former management, led current management to evaluate the medical center's status and ability to function without reorganization occurring.

After consulting with the members of the community and the Board, Bucktail, facing the fiscal challenges that are described above, therefore referred to reorganization counsel, James R. Walsh, Esquire, of Spence, Custer, Saylor, Wolfe & Rose, L.L.C., to seek his input as to the options and alternatives available to it.

After considering all options available, the Board, upon the recommendation of management, elected to seek protection under Title 11 of the U.S. Code, and commenced the instant proceeding under Chapter 11 of the Code on October 2, 2015.

#### **IV. POST-PETITION HISTORY OF DEBTOR**

Having sought and obtained relief under the provisions of Title 11, Bucktail and its management and Board immediately began formulating what would evolve into the Plan of Reorganization as proposed herein. The efforts of the Board and management were focused upon emerging from Chapter 11 with a Plan of Reorganization that was feasible and could be performed, and also, which would assure that Bucktail could and would continue to provide needed community hospital based in and out-patient services to the residents of Renovo and the surrounding communities for years to come.

As it has evolved, Bucktail's plan to emerge from bankruptcy focuses on the increasing of its patient activity over a period of years, restructuring service lines, and providing additional services that will provide much needed healthcare services for the community, and allow Bucktail to retain patients that are now having to be transferred to other facilities to obtain said services

A number of matters have occurred post-petition to improve the financial position of the hospital and its prospects for a successful reorganization.

As provided for under the Code in a case involving a health care provider, the Court, upon the commencement of the case, issued a Rule To Show Cause why a patient ombudsman should not appointed to



represent the interests of patients in this case. The Office of the United States Trustee ("UST") filed pleadings supporting the appointment of an individual to fill the position. The Debtor filed pleadings opposing the appointment, asserting that there was no need for the position, as between the Pa. Dept. of Health, the Joint Commission On The Accreditation Of Hospitals, inspections and reviews by third party payors, and the absence of citations regarding patient care, that the functions of the position were effectively being met by the said organizations/entities, and the costs of the position would unnecessarily deplete Bucktail's assets.

After hearing and argument, the Court ruled that an Ombudsman should be appointed per the mandate of the Code, and one was so appointed. Laura W. Patt was appointed as the Ombudsman, and has served as such to date. She has filed her periodic reports, as required by the statute, and has, in the opinion of management and bankruptcy counsel, indicated that there were no issues adversely affecting patients and that the Hospital and Nursing Home were providing quality care and services for their respective patients.

Under the new management team, the CMS rating of the nursing home has progressed from a "1" star to a "3" star, which management believes is admirable. The Ombudsman consistently finds that the quality of care is high, and the residents are happy with care being provided.

The facility has received national recognition for quality outcomes in the service area it provides.

Bucktail has been twice recognized by its referring quaternary healthcare facility for cardiac events, Geisinger Medical Center, which itself is a nationally recognized quality healthcare facility, for Bucktail's responses to cardiac events and its ability to stabilize and care for patients, and when necessary, have them life flighted to Geisinger.

Since the filing, with the improvements in service, there has been a 17.21% increase in hospital census and a 3.87% increase in the nursing home census.

In the last several years, a major issue for hospitals has been the reclassification of patients admitted from being in-patients and the hospital being reimbursed as such for the patient, to the patient being "reclassified" by the insurance carrier, Medicare/Medicaid or otherwise to an "Observation" patient, which drastically affects the reimbursement rate. Despite these obstacles, Bucktail has, with the service improvements noted above, increased the hospital census 17.21% and increased the observation dates by a corresponding 17.05%, all of which contribute to Bucktail's improved financial performance and its ability to meet its Plan obligations and continue to meet its obligation to meet and service the healthcare needs of the community and the residents of its service area.

Bucktail has and is continuing to work with Santander, which has gone above and beyond its obligations to support the facility and assure it is able to remain a viable and functional facility able to meet the healthcare needs of the community.

Bucktail has, since the commencement of the case, been current in

paying its post-petition obligations, its taxes, its employees, its independent contractors, its vendors, and most importantly, to Santander, its secured lender.

Noteworthy is that one pre-petition unsecured creditor, Carl Smith, who asserts a general unsecured claim not entitled to priority for multiple millions of dollars as the result of alleged malpractice by physicians contracted with Bucktail, sought and obtained Relief From Stay to proceed with his claim in the Court of Common Pleas of Clinton County. However, it is significant that the agreed upon Order For Relief From Stay provided that, with the Movant's consent, his recovery, if allowed by the Court of Common Pleas after a Final Judgment, was limited to available insurance coverage, and could not come from assets of the Debtor, the Reorganized Debtor, or the Estate.

Also of significance is the arrangements reached with two of the Debtor's principal unsecured creditors.

EmCare is a corporation that provides the Debtor with its ED physicians under a contractual arrangement. Under former management, arrearages totaling \$59,066.16 had accrued. EmCare and Bucktail have agreed that Bucktail will assume the contract, and remain current on all post-petition obligations, which Bucktail has done, but that Bucktail need not "cure" the arrearages that had accrued pre-petition. Rather, those arrearages will be treated as general unsecured claims not entitled to priority, and will accorded the same treatment as all other general unsecured creditors not entitled to priority.

Similarly, Healthland, Inc. is the Debtor's IT provider and servicer, principally including but not limited to its Electronic Health Care Record system that was installed to comply with the HITECH and "Meaningful Use" requirements.

Issues had developed that resulted in disputes between the parties, and Healthland had asserted (and asserts at Proof of Claim # 27) a prepetition balance due it of \$343,095.28. Bucktail was concerned that despite its belief in the merits of its defenses of entitlement to set-off and recoupment, that said dispute could lead to the loss of Healthland's services and Bucktail having to obtain replacement systems, which would have been cost prohibitive for Bucktail.

As with EmCare, Healthland has agreed that Bucktail will assume the contract, and remain current on all post-petition obligations, which Bucktail has done, but that Bucktail need not "cure" the arrearages that had accrued pre-petition. Rather, those arrearages will be treated as general unsecured claims not entitled to priority, and will accorded the same treatment as all other general unsecured creditors not entitled to priority.

As noted supra, Bucktail had 3 creditors obtain judgments against it which as the judgements were filed in the Prothonotary's Office of Clinton County, became judicial liens against the Debtor's real estate. All were filed within the 90 days period preceding the date of the commencement of this case.

As such, Bucktail has prepared and is filing adversary actions against each of the judgment creditors, to wit, Encore Rehabilitation Services, W.W. Granger, Inc., and Craneware, Inc., to avoid the

judicial liens as preferential transfers under and pursuant to 11 U.S.C. Section 547 of the Bankruptcy Code.

Bucktail has also reviewed the Proof's Of Claim filed in this case, and has determined to and prepared Objections to certain of the claim seeking to have the same disallowed.

The disputed claims are as follows:

(i) Claim # 11- Thomas Foster- asserts a claim for \$39,461.11. Foster was a former administrator, and asserts he is due said sums under his contract for wrongful termination. The Debtor objects to the claim, as Foster sought unemployment benefits and was denied the same as the result of a finding that he decision was not appealed and is believed to be res judicata as to the claim.

(ii) Claim # 19- Capozzi Adler, P.C.- asserts claims for \$12,164.88. Per the Debtor's records, the claim should only be for \$8121.62.

(iii) Claim # 24- Direct Energy Business Marketing, LLC- asserts claim for \$9,223.67. Per the Debtor's records, the claim should only be for \$1,843.20.

(iv) Claim # 30- Judith Keller- asserts a claim for \$48,390.31. This is a claim for workmen's compensation benefits and is being paid by and is covered by the Debtor's workmen's compensation coverage.

(v) Claim # 32- Commonwealth of Pa., Unemployment Compensation, Department of Labor & Industry- asserts a priority claim of \$3,471.83, of which 3,321.00 is for post-petition periods. The Debtor's records indicate that all post-petition charges were paid, leaving a pre-petition balance of \$420.83.

(vi) Claim # 44- Carl Smith- asserts a claim for \$3,000,000 for alleged medical malpractice. As noted supra, Mr. Smith sought and received Relief From The Automatic Stay to pursue his claim in the Court of Common Pleas of Clinton County, however, it was conditioned upon his agreement that his claim was limited to available insurance coverage and his agreement he could not recover from the Debtor, its assets, the estate, its assets, or the Reorganized Debtor, or its assets.

(vii) Claim # 47- Ann Sanford- asserts a claim of \$4,048.73. Ms. Sanford was and is an employee of the medical center. The claim represents earned time off. 1 weeks' worth of the time has already been paid, and the balance will be honored under the Plan.

(viii) Claims #48 and 49- Omnicare, Inc. and Neighborhood Pharmacy, Inc., c/o Omnicare, Inc.- These claims asserts claims of \$54,394.58 and \$170,830.85. Per the Debtor's records, at the time of the filing, the Debtor owed Omnicare for invoices from 7/1/15 through 10/2/15, which totaled \$44,595.30.

No additional matters of significance have occurred to date.

A. Summary of Assets, Debts and Liabilities  
As Of Commencement of Case

As of the commencement of the case, the known assets of the Debtor consisted, inter alia, of the following assets, specifically:

ASSET	INTEREST VALUE
Undeveloped mountain land in Chapman Township, Clinton County, Pa., consisting Of 9.71 acres, DBV 2001, at page 5557	\$3,300.00
Undeveloped mountain land in Chapman Township, Clinton County, Pa., consisting Of 18.16 acres, DBV 301, page 372	\$2,310.00
Undeveloped mountain land in Chapman Township, Clinton County, Pa., consisting Of 542.84 acres, 298, page 648	\$43,560.00
Annex Building and land located on Huron Ave., Renovo, Pa., 980 acres, DBV 864, page 276	\$50,000.00
Main campus of Medical Center, parcel 1 being 3.47 acres at DBV 2001, page 5557, and parcel 2 being 6.81 acres at DBV 2001, page 5557, Together with all improvements erected thereon	\$650,000.00
Woodlands Bank checking account ending In 7616	\$335,865.00
Santander Bank Money Market Account ending In 5403	\$14,059.10
Santander Bank payroll account, ending in 0691	\$1,315.51
Santander Bank, operating account ending in 0685	\$103,389.70
230 shares of Wells Fargo Stock, held in a trust, Value \$51.26 per share as of 10/2/15	\$11,789.80
Accounts receivable, before contractual allowances, And bad debt allowance,	\$430,052.01
1992 Chevy Silverado k-1500 pickup, 108,062 miles	\$300.00
2011 Ford E-350 Omnibus with wheelchair lift, 69,402 miles	\$10,365.00

2001 Ford Basic E-450 Life Support Ambulance, 264,682 miles	\$9,500.00
Unity trailer and carry on trailer	\$911.24
Office equipment	\$31,147.24
Medical equipment	\$17,040.00
Additional equipment and medical equipment	\$18,824.01
Patient equipment	\$6,870.59
M/S Materials per 6/30/15 valuation	\$21,904.01
Dietary inventory 6/30/15	\$3,183.24
Pharmacy inventory 6/30/15	\$34,100.59
Clinic inventory 6/30/15	\$10,226.69

**YOU ARE ADVISED THAT THE VALUATIONS PLACED ON THE ASSETS OF THE DEBTOR AT THE TIME OF THE COMMENCEMENT OF THE CASE ARE THE VALUES OF THE ASSETS IN THE OPINION OF THE DEBTOR'S MANAGEMENT, BASED UPON ITS FAMILIARITY WITH THE ASSETS AND THEIR COSTS, AS WELL AS THEIR SALE VALUE.**

**TO THE EXTENT ANY CREDITOR BELIEVES THAT KNOWLEDGE OF THE FAIR MARKET VALUE OF THE ASSETS AS OF THE COMMENCEMENT OF THE CASE IS REQUIRED FOR HIS/HER/ITS EVALUATION OF THE PLAN, AND HIS/HER/ITS VOTING THEREON, HE/SHE/IT SHOULD AND MAY OBTAIN AN INDEPENDENT APPRAISAL OF THE ASSETS AT ISSUE AT HIS/HER/ITS COST.**

The debts against the Debtors were:

(A) Secured Claims-

Santander Bank, NA. Santander is the debtors principal secured creditor. It holds a first mortgage against all of the Debtor's real estate, as well as a perfected first position security interest against all of the Debtor's personalty, both tangible and intangible, including all of the Debtor's accounts, accounts receivable, equipment, and other personalty. Santander was, per Proof of Claim filed 2/29/16 owed, as of the date of the commencement of the case, \$2,159,362.77. The Debtor has made all required payments to Santander subsequent to the commencement of the case, and acknowledges that Santander, as an oversecured creditor, is entitled to interest, costs and counsel fees and costs that have accrued since the commencement of the case.

Craneware Inc. ("Craneware") filed an action alleging breach of contract against Bucktail before a District Magistrate Judge, seeking damages of \$4,465.00, plus interest and costs. A default judgment was subsequently obtained, and on August 6, 2015, the judgment was filed in the Prothonotary's Office of Clinton County, at 2015-01073 in the amount of \$4,763.30. As noted supra, this claim is the subject of an adversary proceeding to be avoided as a preferential transfer pursuant to 11 U.S. C. Section 547.

Encore Rehabilitation Services, LLC filed an action against Bucktail alleging a breach of contract action arising out of a contract under which Encore was to provide physical therapy, occupational therapy, speech-language pathology and audiology services to patients of Bucktail. This resulted in the entry of a default judgement in Clinton County on July 15, 2015, at 2015-701, in the amount of \$234,506.64. As noted supra, this claim is the subject of an adversary proceeding to be avoided as a preferential transfer pursuant to 11 U.S. C. Section 547.

W.W. Grainger, Inc., c/o Burton, Neil & Associates filed an action for breach of contract against Bucktail before a District Magistrate Judge in May of 2015. That resulted in a default judgment being entered in the amount of \$3,585.34. That judgment was then filed in the Office of the Prothonotary of Clinton County on August 6, 2015, in the amount of \$3,585.34. As noted supra, this claim is the subject of an adversary proceeding to be avoided as a preferential transfer pursuant to 11 U.S. C. Section 547.

Siemens Diagnostic Finance Co., LLC also has a security interest in a CA-540 Coagulation Analyzer. Siemens has not filed a Proof of Claim but the Debtor has remained current since the commencement of the case on the "lease" payments.

(B) Priority Claims Under 507(a) (1)-

The Debtor has incurred administrative claims for professionals retained by it with Court approval. It has incurred \$144,705.07 in counsel fees and costs to Spence, Custer, Saylor, Wolfe & Rose, LLC as of April 1, 2017, and can be projected to incur an additional \$25,000 to \$30,000 in such fees through the Effective Date of the Plan.

In addition, the Court had approved the retention of Donald F. Hoerl as a consultant to assist the debtor in filing its Medicare cost reports and assisting it in contesting any challenges to the same. Mr. Hoerl has been approved, periodically, for Interim Fee payments, but is due as of the date of the preparation of the Plan, \$6,421.92 for the preparation of the 6/30/16 Medicare Costs Report and the 6/30/16 MA11 cost report, and \$750.00 for the preparation of the 6/30/16 MA 336 cost reports.

The Court had also approved the retention of Sickler, Tarby & Associates to serve as the accountant for the Debtor. It has sought and been approved for the payment, periodically, of Interim Compensation. As of the date of the preparation of the Plan, it is due \$650.00 for the preparation of the 2015 Deferred Compensation Returns, and \$15,650.00 for the year-end audit and accounting services through 12/31/16.

(C) Priority Claims Under Section 507(a) (4)-

At the time of the commencement of the case, the Debtor duly scheduled all amounts due employees for accrued vacation, sick pay, time off, and similar benefits that had accrued and were due and owing. These amounts totaled \$248,379.41. The Medical Center acknowledged the accrued vacation and sick days, and has allowed the employees to utilize their accrued vacation and sick days in the ordinary course of their employment, and the Plan provides that they may continue to do so, so no payments are provided for for these

claims.

(D) Priority Claims Under Section 507(a) (7)-

At the time of the commencement of the case, the Debtor duly scheduled all amount due patients for refunds that qualified for allowance as priority claims under Section 507(a) (7). Those claims totaled \$2,902.61

(E) General Unsecured Claims Not Entitled To Priority-

At the time of the commencement of the case, Bucktail scheduled \$911,495.56 in general unsecured claims not entitled to priority.

As the result of the filing of Proofs of Claim, there are asserted \$1,027,333.98 in general unsecured claims not entitled to priority.

Attached as Ex. "1" is the schedule of general unsecured claims not entitled to priority, showing the scheduled unsecured claims and their amounts, the creditors that filed Proofs of Claim and their amount, and the current allowed amount of the general unsecured claims not entitled to priority.

(F) Executory Contracts-

The Debtor is a party to numerous executory contracts. These include:

- |  |   |
|--|---|
| (i) Third party payors-                | All being assumed, none rejected  |
| (ii) AFSMC-                            | Collective Bargaining Agreement.  |
| (iii) Amanda Jones-Sutliff-            | Clinic PA   |
| (iv) Center Home Care-                 | Registered Dietician  |
| (v) EmCare-                            | ED Physician contract, being assumed as noted supra, with pre-petition amounts due being treated as general unsecured claims not entitled to priority, per agreement of the parties |
| (vi) Healthland                        | IT Contract. Being assumed, as noted supra, with pre-petition amounts due being treated as general unsecured claims not entitled to priority, per agreement of the parties          |
| (vii) ISS                              | Medical Equipment Maintenance   |
| (viii) LW Consulting                   | Temporary NHA's   |
| (ix) Lycoming Therapeutics Wrap-Around |   |
| (x) Michelle Mader-                    | Lab Consultant  |
| (xi) Rapid Temps                       | Temporary Lab Staff   |

(xii) RT Temps	Temporary employees
(xiii) Southerncare Hospice-	Hospice Services
(xiv) Webroot	IT services
(xv) HHS	Medicare contract
(xvi) HHS	HITECH grant program claim

All of the above contracts will be deemed assumed and any arrearage will be cured, except as otherwise provided specifically provided as to the HHS, EmCare and Healthland contracts and set forth infra. The following contracts have either been rejected, terminated or shall be deemed rejected and terminated, to wit:

- (i) Healthcare Services Group      former maintenance and dietary contract
- (ii) Keystone Community Network      IT services
- (iii) Omnicare/ Neighborhood Pharmacy      Pharmacy services
- (iv) Jersey Shore Hospital      Lab Services

G. Status of Assets and Liabilities as of Drafting Date of Plan, April 6, 2017

With the exception of the administrative expenses for professionals outlined above, and the "assumption expenses" for the HHS contracts, the EmCare Contract and the Healthland Contract, all of which are noted and set forth supra and infra there has been no substantial changes in the assets or liabilities of the Debtor, other than as noted in Ex. "1", which shows the difference between the scheduled and filed Proofs of Claim.

As noted infra, the financials of the Debtor as of 4/11/17 are attached as Exhibits.

There has also been changes in the Debtor's Bank accounts.

As of 3-31-2017, the balances were:

- (i) Santander Bank, General account, \$167,179.88;
- (ii) Santander Bank, payroll account, \$1,330.51;
- (iii) Santander Bank, capital campaign Money Market, \$14,080.19;
- (iv) Woodlands Bank, general account, \$55,000.00;

That makes for \$237,590.58 for operations as of 3-31-2017. On April 5, 2017, an additional deposit was made into the operations account as the result of the receipt of \$568,135.00 from Pa., in Disproportionate Share funds, which are needed to sustain operations going forward to cover the costs to Bucktail of providing a disproportionate share of care to the Medicaid population of the service area.

In addition, there are \$114,803.81 in the donations account at Woodlands Bank, and \$61,224.24 at Woodlands Bank in a restricted use donations account.



The disputed claims are noted above, and will be pursued, as will the claims sought to be avoided as preferential transfer. To the extent objected to claims are allowed, they will increase the amount of general unsecured claims. To the extent that asserted preferential claims are avoided pursuant to Section 547 of the Code, the same to the extent they are allowed as general unsecured claims, the same shall be allowed as general unsecured claims not entitled to priority.

**YOU ARE ADVISED THAT THE VALUATIONS PLACED ON THE ASSETS OF THE DEBTOR AT THIS TIME ARE THE VALUES OF THE ASSETS IN THE OPINION OF THE DEBTOR'S MANAGEMENT, BASED UPON THEIR FAMILIARITY WITH THE ASSETS AND THEIR COSTS, AS WELL AS THEIR REPLACEMENT VALUE.**

**TO THE EXTENT ANY CREDITOR BELIEVES THAT KNOWLEDGE OF THE FAIR MARKET VALUE OF THE ASSETS IS REQUIRED FOR HIS/HER/ITS EVALUATION OF THE PLAN, AND HIS/HER/ITS VOTING THEREON, HE/SHE/IT SHOULD AND MAY OBTAIN AN INDEPENDENT APPRAISAL OF THE ASSETS AT ISSUE AT HIS/HER/ITS COST.**

**V. SUMMARY OF PLAN OF REORGANIZATION  
DATED APRIL 6, 2017**

The Plan of Reorganization of the Debtor, as set forth below, is a Plan where the Debtor is obtaining a line of credit from its Secured Lender, Santander Bank, N.A. to allow for a one time lump sum distribution to its general unsecured creditors holding claims not entitled to priority, which is projected to be 5% of the allowed amount of the general unsecured claim, as well as payment of the consumer claims and, together with the Debtor's Bankruptcy Reserves, the payment the administrative fees of professionals, and the amounts needed to cure the arrearages of than the assumed contracts of HHS, EmCare and Healthland. Bucktail will then utilize the remainder of the line working capital and required capital investments of around \$85,000.00 in FY 2017 and \$385,000.00 in FY 2018, and will utilize the cash flow from operations to fund its Plan obligations to Santander Bank, NA.

Bucktail will further continue to meet its obligation to Siemens on the CA-540 Coagulation Analyzer.

As noted supra, EmCare and Healthland have agreed to allow their contracts to be assumed prospectively, and Bucktail has remained current on said obligations post-petition, with the pre-petition arrearages being placed in the general unsecured creditor's class and treated as all other pre-petition general unsecured claims not entitled to priority.

Bucktail also has 4 claims due the United States, Dept. of Health and Human Services, and CMS. It owes Part A SNF claims as self-reported overpayments for Oct.-Dec. of 2016 in the amount of \$2,518.08. It owes Part A hospital claim adjustments as self reported overpayments for March 2016 to date in the amount of \$14,369.04. There is also a claim for Part A Hospital funds for adjustments initiated by CMS and its intermediary from a review of Bucktail's 6-30-16 costs report, in the amount of \$72,358.42 (which includes \$1,142.42 in inter Bucktail must assume the Medicare Contract with HHS/CMS to be able to

continue operations, and under the Third Circuit's decision in **In Re University Medical Center**, 973 F.2d 1065 (3<sup>rd</sup> Circ., 1992), upon assumption, HHS/CMS is permitted to require recoupment of all sums due it as an administrative claim, which under the Medicare Contract of Bucktail and CMS/HHS, total \$89,245.54.

Given the negative effect and impact the immediate recoupment of the \$89,245.54 would have upon Bucktail's operations, Bucktail is proposing that the Medicare Obligation, to the extent not reduced after further review of Bucktail's challenges to the cost report adjustments, be recouped by CMS/HHS over a period of 36 monthly "recoupements", with interest to accrue at 3.25% (subject to further adjustment over a like period if additional amounts are determined due for the pre-effective date period due to further audits).

Likewise, given the negative effect and impact the immediate recoupment of the \$30,120.48 would have upon Bucktail's operations, Bucktail is proposing that the HITECH/ "Meaningful Use" obligation, to the extent not reduced after further review of Bucktail's challenges to the cost report adjustments and the applicability of **In Re University Medical Center**, be recouped by CMS/HHS over a period of 36 monthly "recoupements", with interest to accrue at 3.25% (subject to further adjustment over a like period if additional amounts are determined due for the pre-effective date period due to further audits).

Should the case be converted, or should the Debtor (Reorganized Debtor) cease operations, HHS/CMS shall be permitted to immediately recoup all remaining amounts due it.

Bucktail reserves the right to challenge the amounts claimed due from the cost report review.

HHS/CMS also asserts a claims for alleged overpayments to Bucktail under HITECH/ "Meaningful Use" program as the result of their review of the 6-30-2016 cost report for that program. That is in the amount of \$30,120.48 (which includes \$707.97). Bucktail reserves the right to challenge the amounts claimed due from the cost report review, and to assert that the HITECH/ "Meaningful Use" Program is a program

In this manner, repayment will be consistent with the Debtor's cash flow, thereby allowing the Debtor to continue operations and meet the needs of the community and the Code as to its creditors, and the meet its obligations to its secured creditors Santander and Siemens, as well as to make the specified lump sum payments for the benefit of the holders of allowed general unsecured claims not entitled to priority, consumer claims, and its administrative and priority claims.

The treatment being provided to the various classes parallels the treatment that the claims would receive in a Chapter 7 case.

The claims have been classified according to their nature, as permitted by Section 1122 of the Code, however the classification and treatment is parallel to the treatment the same would receive in a Chapter 7 case, except as to the assumed contractual claims, the post-petition claims of EmCare and Healthland, the claims of the assumed

contract claims, and claims of HHS/CMS.

1. CLASS 1- Class 1 shall be the allowed secured claims of Santander Bank, N.A., both pre-petition secured and the additional claim that will result from the advanced to Bucktail at emergency of the additional revolving line of credit. Said claims are and shall remain secured by superior first mortgage liens against all of the realty owned by the Debtor and first position security interests that are all duly perfected against all personalty of Bucktail, tangible and intangible, and wheresoever situate, including equipment, accounts, accounts receivable, records, and insurance policies and their proceeds.

2. CLASS 2- Class 2 is the allowed secured claim of Siemens Diagnostic finance Co., LLC, secured by a duly perfected security interest against a reconditioned CA-540 Coagulation Analyzer.

3. CLASS 3- Class 3 is the judicial lien of Encore Rehabilitation Services, LLC entered in the Office of the Prothonotary of Clinton County, Pa., on July 15, 2015, at # 701-2015, evidenced by Proof of Claim # 3, in the amount of \$237,552.09.

4. CLASS 4- Class 4 is the judicial lien of W.W. Grainger, Inc., c/o Burton Neil & Associates, P.C. entered in the Office of the Prothonotary of Clinton County, Pa., on August 6, 2015, at # 995-2015, evidenced by Proof of Claim # 5, in the amount of \$3,585.84.

5. CLASS 5- Class 5 is the judicial lien of Craneware, Inc. entered in the Office of the Prothonotary of Clinton County, Pa., on August 27, 2015, at # 1073-2015, evidenced by Proof of Claim # 2, in the amount of \$4,763.30.

6. CLASS 6- Class 6 consists of the administrative claims allowable as Section 503(b)(1) claims, excluding professional fees to professionals retained by the Debtor-In-Possession and/or the Committee with Court approval.

7. CLASS 7 - Class 7 consists of the administrative expenses under Section 503 of the Code to professionals, specifically James R. Walsh, Esq., Debtor's counsel, Donald F. Hoerl as a consultant to assist the debtor in filing its Medicare cot reports and assisting it in contesting any challenges to the same, Sickler, Tarby & Associates to serve as the accountant for the Debtor, and any other such professionals hereafter retained with Court approval, to the extent the same shall be allowed by the Court, after notice and hearing as required by law.

8. Class 8 - Class 8 consists of the agreed upon administrative claim(s) of the Department of Health and Human Services resulting from the assumption by the Debtor of the Medicare Provider contract and the resulting transformation of overpayments for the pre-petition overpayments into administrative claims by virtue of the assumption on the Effective Date of the Medicare provider Agreement and the overpayments resulting from post-petition services.

9. CLASS 9 - Class 9 consists of the claim of HHS/CMS for the asserted overpayment of amount under the HITECH/ "Meaningful Use" program, to the extent that said amounts are not reduced or eliminated

on appeal, and that **In Re University Medical Associates** is determined to be applicable thereto.

10. Class 10- Class 10 consists of the executory contract of EmCare for providing ED physicians for the post-petition and post-effective date periods in accord with the terms of its assumed contract, except for arrearages that had accrued pre-petition, which are not part of the assumed obligation and are specifically excepted from assumption per agreement of the parties, and which total \$59,066.16.

11. Class 11- Class 11 consists of the executory contract of Healthland for providing IT services for the post-petition and post-effective date periods in accord with the terms of its assumed contract, except for arrearages that had accrued pre-petition, which are not part of the assumed obligation and are specifically excepted from assumption per agreement of the parties, and which total \$343,095.28.

12. Class 12- Class 12 consists of the executory contract of the following entities which be assumed as of the Effective Date, to wit,

(i) Third party payors-	All being assumed, none rejected
(ii) AFSMC-	Collective Bargaining Agreement.
(iii) Amanda Jones-Sutliff-	Clinic PA
(iv) Center Home Care-	Registered Dietician, \$1,300.00
(vi) ISS	Medical Equipment Maintenance, \$2,313.50
(vii) LW Consulting	Temporary NHA's
(viii) Lycoming Theraputics Wrap-Around	
(ix) Michelle Mader-	Lab Consultant, \$800.00
(x) Rapid Temps	Temporary Lab Staff
(xi) RT Temps	Temporary employees, \$2,680.00
(xii) Southerncare Hospice-	Hospice Services
(xiii) Webroot	IT services
(xiv) Dr. Frank Conly	Physician, \$2,000

for a total cure amount of \$9,098.00

All of the above contracts will be deemed assumed and any arrearage will be cured, except as otherwise provided specifically provided as to the HHS, EmCare and Healthland contracts and set forth supra.

13. Class 13 - Class 13 consumers, primarily patients, for refunds due them. The Class aggregates 39 scheduled claims totaling \$2,902.61

14. Class 14 - Class 14 consists of allowed pre-petition priority wage claims, if any, that remain due and owing as of the "Effective Date". These had been scheduled as consisting of 82 claimants for wages, vacation time, and sick pay through October 2, 2017, and aggregated \$262,537.39.

15. Class 15 - Class 15 consists of the allowed pre-petition priority claims for Section 507(a)(8) taxes. 1 such claim was filed, for Pa. U.C. funds alleged due, by the Department Of Labor & Industry, in the amount of \$3,471.83. Another was scheduled for Keystone Central School District, in the amount of \$9,227.23.

16. Class 16 - Class 16 consists of the allowed timely filed or deemed timely filed general unsecured claims not entitled to priority, which are duly scheduled on Ex. "1". It is noted that Ex. "1" does not include within the subject scheduled claim the claims of Classes 3, 4 and 5, for \$257,550.09, \$3,585.84, and \$4,763.30, for an aggregate of \$245,550.09. As such, if all objected to secured claims are allowed as Class 16 claims, that would increase the allowed Class 16 claims to \$1,273,233.21.

17. Class 17 - Class 17 consists of untimely filed claims, to the extent, if any, that any are asserted and allowed.

The Class 1 Obligations due Santander Bank, N.A., together with the additional revolving credit agreement to be advanced by Santander are described in the Term Sheet dated November 14, 2016, which is Attached hereto as Ex. "2."

Class 2 Obligations due Siemens will continue to be paid per the terms of its agreement until satisfied.

Class 3 is the subject of an avoidance action, as the judicial lien securing the Class 3 Claim was entered within the 90 day period preceding the date of the commencement of the case, and as such is believed avoidable pursuant to Section 547 of the Code, and upon avoidance, shall become and be treated as a Claim within Class 16.

Class 4 is the subject of an avoidance action, as the judicial lien securing the Class 4 Claim was entered within the 90 day period preceding the date of the commencement of the case, and as such is believed avoidable pursuant to Section 547 of the Code, and upon avoidance, shall become and be treated as a Claim within Class 16.

Class 5 is the subject of an avoidance action, as the judicial lien securing the Class 5 Claim was entered within the 90 day period preceding the date of the commencement of the case, and as such is believed avoidable pursuant to Section 547 of the Code, and upon avoidance, shall become and be treated as a Claim within Class 16.

The claims of Class 6 are being paid per the terms of the obligations as and when the same become due, and the same shall continue to be paid as such, per the terms of the post-petition incurred obligation(s).

Upon the Court's determination of the allowability of the Class 7 claims, the same shall be paid by the Reorganized Debtor, using the Reorganized Debtor's cash reserve, within not more than ten (10) days of the Order Allowing the same becoming final.

As noted above, the provisions of which are incorporated herein, the Department of HHS has asserted claims against the debtor for pre and post-petition claims as the result of the asserted overpayment of Medicare payments, including pre-petition claims arising from the assumption of the Medicare Provider Agreement entered into pre-petition, which claims are elevated to administrative claim status upon the Effective Date, as well as the administrative claims resulting from agreed upon post-petition administrative claims resulting from post-petition overpayments.

After reviewing the Debtor's financial abilities and recognizing the importance of allowing the Debtor to remain in business, maintain the employment opportunities provided by the Debtor, and provide the health care services for the residents of the Community that would be lost if Bucktail would be compelled to close, Bucktail is proposing the following treatment for the HHS Class 8 and 9 Claims.

Bucktail must assume the Medicare Contract with HHS/CMS to be able to continue operations, and under the Third Circuit's decision in **In Re University Medical Center**, 973 F.2d 1065 (3<sup>rd</sup> Circ., 1992), upon assumption, HHS/CMS is permitted to require recoupment of all sums due it as an administrative claim, which under the Medicare Contract of Bucktail and CMS/HHS, total \$89,245.54.

Given the negative effect and impact the immediate recoupment of the \$89,245.54 would have upon Bucktail's operations, Bucktail is proposing that the Medicare Class 8 Obligation, to the extent not reduced after further review of Bucktail's challenges to the cost report adjustments, be recouped by CMS/HHS over a period of 36 monthly "recoupements", with interest to accrue at 3.25% (subject to further adjustment over a like period if additional amounts are determined due for the pre-effective date period due to further audits).

Likewise, given the negative effect and impact the immediate recoupment of the \$30,120.48 would have upon Bucktail's operations, Bucktail is proposing that Medicare Class 9 HITECH/ "Meaningful Use" obligation, to the extent not reduced after further review of Bucktail's challenges to the cost report adjustments and the applicability of **In Re University Medical Center**, be recouped by CMS/HHS over a period of 36 monthly "recoupements", with interest to accrue at 3.25% (subject to further adjustment over a like period if additional amounts are determined due for the pre-effective date period due to further audits).

Should the case be converted, or should the Debtor (Reorganized Debtor) cease operations, HHS/CMS shall be permitted to immediately recoup all remaining amounts due it on the Class 8 and/or the Class 9 Obligation.

The Class 10 and 11 claimants have agreed upon the treatment to be accorded their Obligations. In each case, pre-petition arrearages will be classified as Class 16 claims and treated as such. Both claims will be deemed assumed effective as of the date of filing, so that all post-petition amounts due must be treated as administrative claims. The Debtor has remained current post-petition, and is assuming the post-petition portion of the contracts with the consent of EmCare and Healthland.

Class 12 represent the other executory contracts to be assumed by the Debtor as of the effective Date that are identified supra. The total cure amount for the contracts within Class 12 are per the Debtor's records \$9,098.00

All of the above contracts will be deemed assumed and any arrearage will be cured within 30 days of the Effective Date of the Plan.

Class 13 consumers claims, primarily patients, for refunds due them, aggregate 39 scheduled claims totaling \$2,902.61. The same shall be paid in full within 30 days of the effective Date.

Class 14 consists of allowed pre-petition priority wage claims, if any, that remain due and owing as of the "Effective Date". These had been scheduled as consisting of 82 claimants for wages, vacation time, and sick pay through October 2, 2017, and aggregated \$262,537.39. These claims have been being paid through allowing the employees to take accrued vacation days, according employees to take accrued sick days, and any unpaid but due and owing wages, will be honored.

The Class 15 claims consist of 2 claims. One is to Keystone Central School District. It is \$9,227.23. The other is to Pa. U.C. funds alleged due, by the Department Of Labor & Industry, in the amount of \$3,471.83. To the extent that the claim of Keystone has not been paid out of withholding taxes (it did not assert a separate claim, rather it was a scheduled claim), it will be paid in full within 30 days of the Effective Date. The Debtor is disputing the claim of Labor & Industry. To the extent, if any, it is allowed, it will be paid in full within 30 days of allowance by Final Order.

Class 16 are the general unsecured creditors with allowed claims set forth on Ex. "1". Upon the Santander restructuring occurring, and the revolving loan becoming available, using cash on hand that would otherwise have been required to fund continued operation, the holders of allowed Class 16 claims will receive a 1 time distribution as payment in full of the allowed claim equal to 5% of the allowed amount of the Class 16 claim, however, the total distribution to Class 16 allowed claims is "capped" at \$60,000.00.

It is disclosed that if the Debtor is successful in having the Class 3, 4 and 5 claims reclassified as Class 16 Claims, and is not successful in its claims Objections to Class 16 claims, that the Class 16 allowed claims could reach \$1,273.233.21. If so, the projected 5% distribution would not occur, as that would require \$63,661.61. As such, the projected distribution of the \$60,000.00 would result in a distribution of 4.71% rather than 5%.

No distribution will occur to Class 17 claimants, and as of the drafting of the Plan, no claimants were in said Class.

In the event that the parties cannot agree upon the amount, if any, needed to cure the arrears on assumed executory contracts, within thirty (30) days of the Effective Date, then the non-debtor party shall have a period of fifteen (15) days to file a Motion Seeking A Determination Of Amount Of Arrears Required To Be Paid To Cure And Assume Executory Contract, which shall be adjudicated by the Court in due course, and the amount, if any, determined by Final Order Of Court to be the cure amount shall be paid in full within thirty (30) days of the entry of a Final Order determining the amount(s) of the arrearages required to be paid. The failure of the non-debtor party to the executory contract to have filed the referred to Motion Seeking A Determination Of Amount Of Arrears Required To Be Paid To Cure And Assume Executory Contract shall irrevocably constitute an agreement that the amounts as averred by the Debtor/Reorganized Debtor are correct and the amount required to be paid.

Holders of executory contracts that are rejected shall, per the Rule of Bankruptcy Procedure, have the specified time period to file a claim for rejection damages, and all parties in interest, including the Debtor/Reorganized Debtor reserve all rights to object thereto. To the extent, if any, a claim for rejection damages is timely filed and allowed, the same shall fall into and be a Class 16 claim.

The disbursing agent shall be entitled to compensation for the disbursing agent's services at his/her/its prevailing rate(s), and said compensation and reimbursement for costs advanced shall come from the fund and earnings thereon after approval by the Court after notice and hearing. If the Reorganized Debtor is the Disbursing Agent, it shall not receive additional compensation. If the Disbursing Agent is Debtor's counsel or a third party chosen and appointed by the Court, he/she it shall be entitled to the stated compensation for professional services.

Whenever used in this Plan, the "effective date" or "Effective Date" of the Plan shall be 30 days from the date the Order of Confirmation becomes final, and not subject to further appeal.

## **VI. COMPARISON WITH CHAPTER 7 CONVERSION/ LIQUIDATION**

The pending Plan of Reorganization, if submitted, produces a substantially greater return to creditors than a Chapter 7 liquidation.

In a Chapter 7 liquidation, the Debtor's assets would likely be liquidated by a Trustee. Experience has shown that such a liquidation rarely brings the "highest and best price", rather, since the sales are "distress" type sales, the prices are usually below what could be obtained via orderly negotiated sales.

Collecting amounts due from third party payors could become burdensome, as the third party payors contracts generally require notice periods before service to those covered by the third party payor are required to seek alternate health care providers. In a conversion, it is unlikely a Trustee would operate the facility, and therefore claims for set-off and/or recoupment could be asserted against the receivables, and moreover the Trustee would have to hire employees or contract with agencies process and collect the receivables.

Additionally, it is noted that the principal building was constructed for use as a hospital. Its design and layout make it extremely difficult and costly to convert it to another use, especially in a rural area such as Renovo, and "used hospital" equipment rarely brings value near the cost.

While in a Chapter 7 case, it is projected that there would be little if any distribution to unsecured creditors, under the Plan, if the United States consents to its Class 8 and 9 treatment, those claims would be paid over time.

In a conversion, it is unlikely HHS would not insist on recoupment or set-off of the post-petition obligations.

Most importantly, in a conversion, Santander Bank, N.A. Most



assuredly would not advance the \$500,000 revolving line of credit for operations, and the added costs of the Chapter 7 Trustee, the Chapter 7 Trustee's counsel, accountant, and various consultants would be incurred and would come off the top, after payment of Santander's secured claims, assuming arguendo that even they would be paid in full.

However, given the secured debt, and the projected administrative costs of litigating the numerous issues that would arise in the Chapter 7 case, as well as the difficulties inherent in collecting receivables in a Chapter 7, the Debtor feels it is likely that little, if any, distribution would occur to the holders of general unsecured claims not entitled to priority in a Chapter 7, particularly when the amounts due HHS for Medicare overpayments would, as to the post-petition periods, be entitled to immediate payment rather than payment over the agreed upon time frame.

Classes 9 through 16 are projected to receive nothing in a Chapter 7.

Moreover, in a Chapter 11, distributions commence within a relatively short time after the "effective date", whereas in a Chapter 7 case, no distribution occurs until the approval of the Final Accounting And Distribution Schedules, which, given the nature of the assets in this case, and the anticipated litigation regarding claims and the liquidation of the assets, would be expected to take at least 48 to 52 months, to complete.

As such, it is submitted that the return to creditors is substantially greater in a Chapter 11 under the pending Plan than would result in a Chapter 7 case.

## **VII. FEASIBILITY OF THE PLAN**

Feasibility regarding the Plan involves an analysis of the probabilities that the Debtor will be able to comply with the terms of the Plan and fulfill its obligations.

It is submitted that the Plan, as proposed, is feasible.

The Plan contemplates the distribution of proceeds from available funds for payment of administrative, priority and unsecured creditors, and the acquisition of an emergence revolving line of credit for operations and capital improvement needs.

Attached as Ex. "1" is the Summary of Scheduled, filed, and allowed General Unsecured Claims without the inclusion of the Class 3, 4 and 5 claims.

Attached as Ex. "2" is the Term Sheet for the Bucktail Emergence Financing including the additional revolving Line Of Credit.

Attached as Ex. "3" is the Income Statement from 7/1/2015 through 5/31/2016.

Attached as Ex. "4" is the Initial Emergence Financial Statements from 2014 through 201 prepared by KCP, the Consultant retained to assist Bucktail by Santander.

Attached as Ex. "5" are the Preliminary Unaudited Financial Statements for the period ending 2/28/17 for 2017.

Attached as Ex. "6" are the Preliminary Unaudited Financial Statement Projections For Bucktail for the period ending February 28, 2017.

Attached as Ex."7" are the Financial Projections For Chapter 11 Emergence noting the factors considered and contingencies factored into the emergence Planning.

Attached as Ex. "8" are the Financial Projections though 2018, updated through 4/6/2017, going through 2018, for emergence.

Attached as Ex. "9" are the 5 year statistics, by month and year to date, for the period through January of 2017, for services provided by Bucktail.

It is submitted that the forecasts are reasonable as to improvements in the Debtor's performance, particularly when the post-petition performance is considered.

To the extent that any creditor desires the same, the Debtor's business plan and projections are available for inspection and review by contacting debtor's counsel in writing and requesting the same.

Based upon the above, it is therefore believed that the Plan is feasible.

#### **VIII. CONCLUSION**

This Disclosure Statement has been prepared on behalf of the Debtor in accordance with Section 1125 of the Bankruptcy Code, and has been determined by the Court, after notice and hearing, to contain information to allow creditors entitled to vote on the Plan to make an informed decision regarding the advisability of approving or rejecting the Plan, as proposed. All creditors should carefully review the schedules, pleadings in the case, monthly financial reports, and the Plan and related Disclosure Statement and attachments to determine whether their best interests and those of similarly situated creditors will be best served by confirmation of the proposed Plan or rejection of the same, and the possibility of conversion and liquidation.

If after reviewing the relevant information questions remain as to the terms of the Plan and/or their effect, it is recommended that the creditor contact counsel of his/her/its choice knowledgeable in bankruptcy matters.

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