

Melanie L. Cyganowski, Esq.
OTTERBOURG P.C.
230 Park Avenue
New York, New York 10169
Telephone: (212) 661-9100
Facsimile: (212) 682-6104

Patient Care Ombudsman

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

In re: § Chapter 11
§
4 West Holdings, Inc. *et al.*, § Case No. 18-30777 (HDH)
§
Debtors. § (Jointly Administered)
§

SECOND REPORT OF PATIENT CARE OMBUDSMAN

I am the Patient Care Ombudsman (the “PCO”) appointed in the above-captioned chapter 11 cases (the “Cases”) of 4 West Holdings, Inc., *et al.*, (collectively, the “Debtors” or the “Company”) and respectfully submit this second report (the “Second Report”) in accordance with the *Agreed Order Directing Appointment of a Patient Care Ombudsman Pursuant to 11 U.S.C. § 333*, dated March 28, 2018 (the “PCO Order”).¹ [Dkt. No. 180]

PRELIMINARY STATEMENT

1. To date, I have found no indication that the Debtors’ bankruptcy filings have adversely impacted operations or the quality of treatment and care provided to the patients. I have observed no evidence that patient care has suffered. To the contrary, it is my observation

¹ I presented the first report orally before the Court at a hearing held on May 30, 2018.

that patients continue to receive at least the same quality of treatment and care from dedicated professionals that they experienced prior to the commencement of these Cases.

2. It is my understanding that Orianna Health Systems, previously known as Covenant Dove, has been guided by the principle of providing quality and compassionate care at the highest level. This includes the Company's commitment to providing a holistic and patient-focused approach in an effort to personalize the care for its patients as much as possible. My visits to the facilities and my conversations with staff, administrators and patients support this belief.

3. Both staff and administrators have told me that senior management provided frequent communication regarding the pre- and post-bankruptcy process. Consequently, staff and administrators at the local levels have not panicked or been troubled by the bankruptcy case filing. A common theme throughout all of my interviews has been open communication with management. For this reason, both administrators and staff at the facilities have felt comfortable in being able to respond to inquiries from patients and their respective family members.

4. Overall, as described in greater detail below, I observed during my visits to several of the facilities located in South Carolina and Georgia (i) clean, professional, welcoming and calm environments at each of the facilities that I visited; (ii) aides and nurses (reflecting all years of experience) dedicated to their work and their patients; (iii) staff that is friendly and responsive; (iv) management and administrators who knew the history and personnel at the facilities under their supervision; (v) patients who did not appear distressed by the Company's bankruptcy filing; and (vi) overall patient and staff morale appeared stable with no visible tension or unease.

5. I have reviewed the census for the facilities in South Carolina and Georgia, and spoken with senior management and administrators about it. For the most part, the Debtors have not experienced (i) any “out of the ordinary” decline in overall patient volume (whether measured by patient number or patient days) since the commencement of these Cases²; or (ii) any adverse impact on employee retention.

6. In brief: Based upon what I observed thus far concerning the facilities and level of patient care, I do not believe that the bankruptcy has negatively impacted operations at the patient level.

BACKGROUND

A. General

7. The Company has a corporate office in Nashville, Tennessee. Prior to the bankruptcy filing, the Company and its affiliates operated 43 skilled nursing centers located in seven U.S. states with almost 4,500 beds. It partners with over 5,000 employees, including independents physicians, contractors, suppliers, vendors and consultants to provide the varied services for its patients.

B. Services and Programs

8. Following the belief of “treating the whole person, not just the illness,” the Company offers a range of services, including (i) specialized services, such as physical therapy, occupational therapy, speech therapy and outpatient rehab services; (ii) clinical services, such as memory care for Alzheimer’s and dementia, cardiac and pulmonary care, cancer care, Diabetes

² It is my understanding that the facilities experienced a slight decrease in overall census but that such a decrease is not atypical and is historically related to summer trends. For example, the Cobblestone Rehabilitation and Healthcare Center facility (“Cobblestone”) in Moultrie, GA services a predominant farming community. During my visit, I learned that it is not atypical for farmers to delay elective surgery until the fall/winter months so as to not interfere with their farming. As a result, the census at Cobblestone is historically higher during those months than in the spring/summer.

management, orthopedic care, pain management, post surgical care, wound care, and stroke rehabilitation; (iii) palliative services; and (iv) long term – skilled nursing care. The Company is committed to being at the forefront of the healthcare industry while also staying true to traditional values of compassion, honesty, accountability, integrity and respect.

9. The Company has received Silver and Bronze National Quality Awards for a number of its facilities over the years. These awards are given through the National Quality Award Program, and are presented by the American Health Care Association and The National Centers for Assisted Living. It highlights selected centers nationwide that serve as models of excellence in providing high quality long term care.

10. The Company offers a number of quality of life programs/amenities, which vary at each facility, but all are dedicated to aid in the well-being and recovery of the patients. Some of the facilities provide access to a movie theater and/or community rooms with televisions for socialization. All provide dining programs with patients having the option of eating in their rooms or in the dining halls. All facilities provide a physician’s office, chapel, salon and secure yard space and most also offer spa services. Patients also have access to on-site physical therapy, speech therapy, professionals and equipment seven days a week.

C. Appointment of the PCO

11. On March 29, 2018, the Office of the United States Trustee for Region 6 filed its *Notice of Appointment of Patient Care Ombudsman Under 11 U.S.C. § 333* appointing me as the Patient Care Ombudsman for these Cases. [Dkt. No. 185].

12. In accordance with Section 333(b)(2) of Title 11 of the United States Code, §§ 101 *et seq.* (the “Bankruptcy Code”), a patient care ombudsman shall:

(1) monitor the quality of patient care provided to patients of the debtor, to the extent necessary under the circumstances, including interviewing patients and physicians;

(2) not later than 60 days after the date of this appointment, and not less frequently than at 60 day intervals thereafter, report to the court after notice to the parties in interest, at a hearing or in writing, regarding the quality of patient care provided to patients of the debtor; and

(3) if such ombudsman determines that the quality of patient care provided to patients of the debtor is declining significantly or is otherwise being materially compromised, file with the court a motion or written report, with notice to the parties in interest immediately upon making such determination.

11 U.S.C. § 333(b).

13. The PCO Order provides that unless otherwise agreed to by the U.S. Trustee and the PCO, the PCO's report on the quality of patient care is due within 45 days after the date of her appointment, and not less frequently than at 45 day intervals thereafter. *PCO Order*, at Decretal ¶ 2.

14. The PCO Order also required that the first report be given in the form of a status conference. *PCO Order*, at Decretal ¶ 2. As agreed upon between the U.S. Trustee and the PCO, the status conference for the PCO's first report was held on May 30, 2018. *Notice of Status Conference for First Report By Patient Care Ombudsman*, at p. 2. [Dkt. No. 380]. As agreed upon between the U.S. Trustee and the PCO, the due date for the Second Report was extended to July 23, 2018. [Dkt. No. 727].

15. Since my appointment as PCO, I have conducted multiple interviews, both telephonically and in person, with the Debtors' management, certain facility administrators, staff and patients. I have also spoken with the counsel for the Debtors and the Official Committee of Unsecured Creditors, as well as the U.S. Trustee concerning these Cases.

16. Specifically, I have spoken or met with Louis E. Robichaux, IV (Chief Restructuring Officer of the Debtors), Mikki Meer (President), Christy Teater (Regional Vice President), Administrators Tracy Pollard, Michele Addison, Kimberly Mangrum, Bethany Baynard, Zac Woods, Lindsay Cottingham, Ann Smallen, and Joann Sloan, as well as certain social workers.

17. Based on my preliminary discussions with Mr. Robichaux and counsel for the Debtors and my understanding of the Debtors' division of its portfolio of facilities into the "Restructuring Portfolio" and the "Transfer Portfolio," I determined to make site visits to the facilities in South Carolina and Georgia, which the Debtors propose to retain as opposed to being transferred to a third-party operator.

18. As of this Second Report, I have personally visited eight skilled nursing homes in South Carolina and Georgia. Collectively, those facilities have a capacity of 952 beds. I anticipate visiting an additional 4-8 locations in the next few weeks.

19. This Second Report describes my visits to facilities in South Carolina and Georgia and sets forth my overall observations.

SUMMARY OF SITE VISITS

20. To date, I have visited the following facilities in South Carolina:

- a. Patewood Rehabilitation and Healthcare Center, located at 2 Griffith Road, Greenville, South Carolina 29607;
- b. Poinsett Rehabilitation and Healthcare Center, located at 8 North Texas Avenue, Greenville, South Carolina 2961;
- c. Simpsonville Rehabilitation and Healthcare Center, located at 807 South East Main Street, Simpsonville, South Carolina 29681;
- d. Greenville Rehabilitation and Healthcare Center, located at 661 Rutherford Rd., Greenville, South Carolina 29609;

- e. Greer Rehabilitation and Healthcare Center, located at 401 Chandler Rd., Greer, South Carolina 29651; and
- f. Brushy Creek Rehabilitation and Healthcare Center, located at 101 Cottage Creek Circle, Greer, South Carolina 29650.

21. I also visited the following two facilities in Georgia:

- a. Macon Rehabilitation and Healthcare Center, located at 505 Coliseum Drive, Macon, Georgia 31217; and
- b. Cobblestone Rehabilitation and Healthcare Center, located at 101 Cobblestone Trace SE, Moultrie, Georgia 31788.

22. Mr. Robichaux spent extensive time speaking with me early in the case, providing the history and background of the Debtors. In addition, Administrators and Senior Staff Teater, Pollard, Addison, Mangrum, Baynard, Cottingham, Smallen, Sloan and Woods did not hesitate to answer all my questions and engage in candid conversations, educating me on the types of patients (e.g., short term, long term) their respective facilities cared for and guiding me through their respective facilities. It was apparent to me that they all take a “hands on” approach to their facility and have a genuine interest in providing quality care to the patients and surrounding communities and are intimately familiar with the operations and personnel at their facility, greeting all of the employees and patients by name and clearly being known in return. All of the other personnel at the facilities I visited were similarly informative and helpful to me in answering my inquiries.

OBSERVATIONS

23. In carrying out my duties as PCO, I was careful not to interfere or distract the personnel from their work or intrude on the daily activities/routine of patients.

A. Facilities

24. During each of my visits, I interviewed personnel and toured all parts of each facility for approximately 60 to 90 minutes.

25. While the facilities I visited varied in quality and appearance – from Patewood and Brushy Creek (which have newer buildings and equipment) to Cobblestone (which has a partially refurbished building and some newer equipment) to Poinsett (which was among the oldest) – each of the facilities, overall, was clean and orderly.

26. Among other things, each facility provided on-site physical and speech therapy for patients. The physical therapy was available seven days a week and was provided by Halcyon, an outside agency. The dedicated space for the physical therapy was impressive and the therapy services appeared to be well received from the patients.

27. Morale of patients and staff appeared fine. Indeed, by all appearances, everyone seemed unconcerned with the bankruptcy. During my conversations, facility administrators uniformly praised management for keeping them informed of any news concerning the bankruptcy. They felt prepared to handle any questions or concerns expressed by the patients and their families, as well as from staff. Overall, there were only a few patients/families who had any questions, and I am told that those questions were generally answered to the satisfaction of the patients/families.

28. In addition, Debtor's management, facility administrators and staff uniformly stated to me that the day-to-day operation of the facilities was business as usual. In some instances, I learned that the facilities experienced general improvement in its dealings with vendors due to the facilities' financial wherewithal to pay its post-petition bills without

difficulty. Each facility also had adequate supplies and showed no discernible change or interruption as a result of the bankruptcy filing.

29. To my knowledge, there have not been any changes in administrative practices. There have been no discernible changes in regulatory inspections and oversight. There have been no changes in the number of patient grievances or any increase in HIPAA compliance violations. In fact, certain of the facilities (some of which I visited) reported the following positive outcomes from recently completed state and federal surveys:

Location	Survey Date	Result ³
Capstone Rehabilitation and Healthcare Center (South Carolina)	State – May 24, 2018	Three Minor Tags
Cobblestone Rehabilitation and Healthcare Center (Georgia)	State – June 14, 2018	One Minor Tag
Iva Rehabilitation and Healthcare Center (South Carolina)	State – June 1, 2018	Deficiency Free
Iva Rehabilitation and Healthcare Center (South Carolina)	Federal – June 26, 2018	Deficiency Free
Linley Park Rehabilitation and Healthcare Center (South Carolina)	State – June 27, 2018	One Minor Tag
Macon Rehabilitation and Healthcare Center (Georgia)	State – May 17, 2018	One Minor Tag
River Falls Rehabilitation and Healthcare Center (South Carolina)	State – June 11, 2018	Deficiency Free
Simpsonville Rehabilitation and Healthcare Center (South Carolina)	State – April 13, 2018	Two Minor Tags

³ For perspective, according to Mikki Meer, President of Orianna Health Systems, the CMS average number of tags in South Carolina and Georgia is 6.7 and 3.2, respectively.

30. The facilities I visited were peaceful and provided a welcoming atmosphere for the patients and their families. There were waiting rooms for visitors, with some having large aviaries for small, quiet birds, thus creating a serene and calming environment for everyone to enjoy. Family rooms, which were open to patients and families, were spacious and relaxing. Employees were friendly, social and interactive with the patients.

B. Communications and Inquiries Concerning the Bankruptcy

31. I inquired about the level of concern raised by patients and employees concerning the bankruptcy filing. In speaking with the administrators at the facilities, they reported that they have received very few direct inquiries from patients and/or their families concerning the bankruptcy filing. To the extent they received inquiries, it is usually a result of patients receiving periodic bankruptcy notices that are sent to a patient master list (*e.g.*, notice of bar date) or from the beginning days after the bankruptcy filing when there had been greater media attention. The Debtors have also tried to stay ahead of these inquiries by providing information to the administrators ahead of time, so that they can better respond to any patient inquiries.

32. Management has been proactive and appears to have done an excellent job of keeping the administrators apprised of the bankruptcy process to address any concerns, maintain calm, and communicate the message that “it is still business as usual, the bankruptcy is intended to fix the Debtors’ balance sheet problems, and that the bankruptcy will not impact operations.” Some of the administrators were also able to rely upon past experiences in other nursing home bankruptcy filings to manage expectations and address concerns, if any, in connection with these Cases.

33. In sum, the Debtors’ management’s concerted effort to keep its employees informed provides the administrators with the tools needed to answer any questions of

employees, patients and their families, and allay fears that may have existed at the onset of these Cases.

C. Patient Volume and Referrals

34. The facilities have not noticed any unusual negative trends in patient volume since the filing. As expected, there are the normal ups and downs in volume, but census remains generally consistent with historical trends.

D. Employees

35. By all accounts, staff seemed engaged in their work and any concerns that they may have had regarding the bankruptcy were not apparent in any way with respect to their continued commitment to the patients. I repeatedly observed a strong rapport between the staff and the patients that was both professional and friendly.

36. The Debtors have not seen any out of the ordinary changes in employee retention since the bankruptcy filing. The bankruptcy filing, and robust communications from management, seems to have provided a greater sense of stability.

CONCLUSION

37. Notwithstanding the bankruptcy filing of these Cases, patient care at the Debtors' facilities has not been impacted in any noticeable, negative manner. The Debtors' operations have been carried on in seemingly normal fashion since the bankruptcy filings, due in large measure to the efforts of its management, administrators and staff, as well the Debtors' counsel and advisors, to minimize on all fronts any ramifications from the bankruptcy filing on the patient level.

38. I intend to visit certain other facilities that will be retained by the Debtors in the next few weeks and will report on such visit in my next report.

Dated: New York, New York
July 23, 2018

**MELANIE L. CYGANOWSKI, SOLELY IN
MY CAPACITY AS THE COURT
APPOINTED PATIENT CARE OMBUDSMAN**

By: /s/ Melanie L. Cyganowski
Melanie L. Cyganowski