

TABLE OF CONTENTS

FOREWORD	1
CHAPTER 1: THE HEALTH CARE INDUSTRY	3
A. <i>Bankruptcy Abuse Prevention and Consumer Protection Act of 2005</i>	5
B. <i>Health Care Delivery Systems</i>	6
1. Managed Care Organization (MCO)	6
2. Accountable Care Organization (ACO)	8
3. Independent Practice Association (IPA) and Independent Practice Organization (IPO)	9
4. Shared Lease/Staff Arrangement	9
5. Traditional Integrated Practice Group	10
6. Physician Practice Management (PPM)	10
7. Physician Hospital Organization (PHO)/ Physician Organization (PO)	10
C. <i>Overview of Federal and State Agencies, Health Care Laws and Medicare and Medicaid</i>	11
1. PPACA	11
2. The Agencies	12
3. The Medicare Program	14
4. The Medicaid Program	16
5. Conclusion	18
CHAPTER 2: INTRODUCTION TO THE BANKRUPTCY SYSTEM	19
1. The Bankruptcy Code and the Bankruptcy Rules	19
2. Types of Bankruptcy Cases	19
3. Commencement of a Bankruptcy Case	20
4. Property of the Estate	20
5. The Automatic Stay	21
6. The Proof of Claim	23
7. Executory Contracts and Unexpired Leases	24
8. Operation of a Debtor’s Business in Chapter 11	25

9. Appointment of a Chapter 11 Trustee	26
10. Appointment of an Examiner	27
11. The Patient Care Ombudsman.....	28
12. The Chapter 11 Plan.....	28
13. Effect of Confirmation	31
14. Plan Implementation	32
15. Final Decree.....	32

CHAPTER 3: HEALTH CARE PROVIDERS’ ELIGIBILITY FOR BANKRUPTCY..... 33

1. General Rules of Eligibility	33
2. Is an HMO Eligible for Bankruptcy Protection?	34
3. Is a PHO or PO Eligible for Bankruptcy Protection?	35
4. What Health Care Entities Are Eligible for Chapter 9 Bankruptcy?	37
5. Under What Circumstances Are Nonprofits Eligible for Bankruptcy Protection?	38

CHAPTER 4: PATIENT CARE OMBUDSMAN..... 41

1. Introduction to and Appointment of the PCO.....	41
2. The Statutory Role of the PCO	45
3. Confidentiality of Patient Information and Records.....	46
4. The PCO Report.....	47
5. Special Reports Covering a Change in the Quality of Patient Care	48
6. Notice Requirements Related to PCO Reports.....	49
7. Professionals Supporting the PCO	49
8. The PCO Compensation Process.....	52
9. Termination of the PCO Appointment.....	53

CHAPTER 5: LEASES, EXECUTORY CONTRACTS AND OTHER AGREEMENTS 55

1. Section 365 of the Bankruptcy Code.....	56
2. Executory Contracts.....	56
3. Deadlines for the Assumption of Executory Contracts and Unexpired Leases	57
4. Treatment of Executory Contracts and Unexpired Leases during the Bankruptcy Proceeding.....	58

5. Assumption of Executory Contracts and Unexpired Leases: Some General Rules.....	59
6. Assignment of Executory Contracts and Unexpired Leases.....	61
7. State “Certificate of Need” Laws and Assignment of Owned Real Estate or Real Estate Leases.....	62
8. Rejection of Executory Contracts and Unexpired Leases	62
9. Termination of Executory Contracts and Unexpired Leases	64
10. Enforceability/Nonenforceability of Automatic Termination Provisions.....	64
11. Employment Agreements, First-Day Orders and Priority Claims	65
12. Collective Bargaining Agreements and Retiree Benefits Programs	67
13. Intellectual Property Licenses	68
CHAPTER 6: BANKRUPTCY ACQUISITIONS/DIVESTITURES	69
<i>A. Bankruptcy Sales</i>	<i>70</i>
1. Section 363 Sales Process.....	71
2. Plan Sale Process	73
3. Pre-Packaged and Pre-Negotiated Plans of Reorganization.....	74
4. Factors to Consider When Structuring an Asset Sale	76
<i>B. Special Considerations for Health Care Sales.....</i>	<i>81</i>
1. Assumption and Assignment of Executory Contracts and Provider Agreements	82
2. Successor Liability.....	84
3. Medicare and Medicaid Reimbursement on Sale	86
4. Licenses and Regulatory Approvals.....	87
5. Special Rules Involving Nonprofit Conversions	91
6. Antitrust Considerations	94
CHAPTER 7: BANKRUPTCY ALTERNATIVES: WORKOUT, RECEIVERSHIP AND/OR FACILITY OR PRACTICE CLOSURE.....	99
1. The Workout	100
2. Assignment for the Benefit of Creditors.....	104
3. Receiverships.....	109
4. Foreclosure	116

5. Special Issues: HMOs	118
6. Closing a Health Care Facility	121
7. Conclusion	124
CHAPTER 8: FRAUD AND ABUSE.....	127
1. Introduction.....	127
2. Fraud and Abuse Laws Impacting Providers.....	129
3. Effect of Fraud and Abuse Actions on Bankruptcy Proceedings.....	136
4. Issues Involving Successor Liability and Fraud and Abuse Laws	145
5. Other Fraud and Abuse Laws Impacting Providers.....	146
6. Conclusion	149
CHAPTER 9: MEDICARE AND MEDICAID FUNDAMENTALS	151
1. History of the Medicare and Medicaid Programs.....	151
2. Overview of the Medicare Program	153
3. Overview of the Medicaid Program	156
4. Program Administration and Funding	157
5. Eligibility	167
6. Conditions of Participation	169
7. Other Private Accreditation Organizations.....	169
8. Participating Physician and Supplier Program and Assignment of Payment.....	170
9. Licensure	171
10. Coverage and Reimbursement: Medicare Part A Covered Services and Reimbursement.....	171
11. Coverage and Reimbursement: Medicare Part B Covered Services and Reimbursement	179
12. Coverage and Reimbursement: Part C Medicare Advantage Plans	186
13. Part D Medicare Prescription Drug Coverage.....	187
14. Medicaid-Covered Benefits.....	188
CHAPTER 10: THE INTERPLAY BETWEEN MEDICARE AND MEDICAID AND BANKRUPTCY	191
1. Introduction.....	191
2. Recoupment and Setoff.....	191

3. Attempts to Limit the Government’s Right of Recoupment	197
4. Jurisdiction of Bankruptcy Court versus Exhaustion of Administrative Remedies	203
5. Interplay between Post-Sale Bankruptcy Costs and Medicare’s Cost-Reimbursement System	207
6. Medicare’s Requirement that It Will Only Reimburse Costs that Are Actually Paid in Fact versus the Bankruptcy Code Permitting Discharge of Debts at a Payment of Less than Face Value of a Claim	214
CHAPTER 11: HEALTH CARE RECEIVABLES FINANCING.....	219
1. Health Care Accounts Receivable	219
2. Impact of Health Care Business Bankruptcy on a Health Care Receivables Lender	226
3. Debtor-in-Possession Financing to Health Care Providers	235
4. Conclusion	246
CHAPTER 12: TAX-EXEMPT BOND FINANCING.....	249
1. Legal Overview.....	249
2. Financing Structure.....	251
A. <i>Unique Aspects of Bankruptcy and Workouts Involving Tax-Exempt Bond Financing</i>	253
1. The Indenture or Bond Trustee	253
2. Collateral Securing the Bonds.....	254
3. The Management Consultant	255
4. Committees	255
5. Voting Issues	256
6. Preserving Tax-Exempt Status	256
7. Role of the Issuer	257
8. Securities Law Issues	257
9. Chapter 9 Bankruptcies.....	258
CHAPTER 13: ENDOWMENTS, WARN ACT OBLIGATIONS AND CONFIDENTIALITY IN BANKRUPTCY	259
1. The Treatment of Endowments under the Bankruptcy Code.....	259
2. WARN Act Obligations in Bankruptcy	264