



AMERICAN
BANKRUPTCY
INSTITUTE

2022 Winter Leadership Conference

Health Care Bankruptcy 101: Factors to Consider When Filing a Health Care Bankruptcy Case

*Hosted by the Health Care and Financial
Advisors & Investment Banking
Committees*

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Health Care Bankruptcy 101: Factors to Consider When Filing a Health Care Bankruptcy Case



With you today



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Learning Objectives

- Learn about the state of the healthcare provider sector and why it's relevant to restructuring and insolvency professionals
- Learn about the diverse array of stakeholders involved in financially distressed healthcare situations, and what factors may be important to those constituents when contemplating a bankruptcy
- Learn about certain complexities unique to healthcare bankruptcies, including the involvement of the government (in various capacities), patients / residents, and tax-exempt lenders



Agenda

1. Relevance of healthcare to this audience
2. Importance of and diversity of stakeholders in healthcare cases
 - a. Government
 - b. Patients
 - c. Lenders
3. What does the future hold?



Why are we talking about healthcare today?

Investment in the healthcare sector has soared over the last decade...

Private Equity Healthcare Transactions



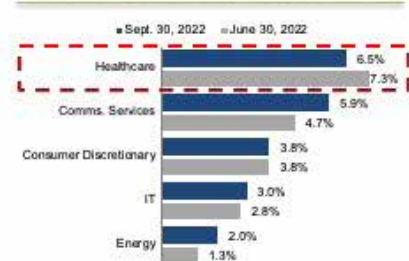
...driving a record amount of outstanding non-investment grade debt...

Healthcare Debt Outstanding (U.S.)



...in an industry with challenges that make it ripe for restructurings

1-Yr Default Probability – Top 5 Sectors





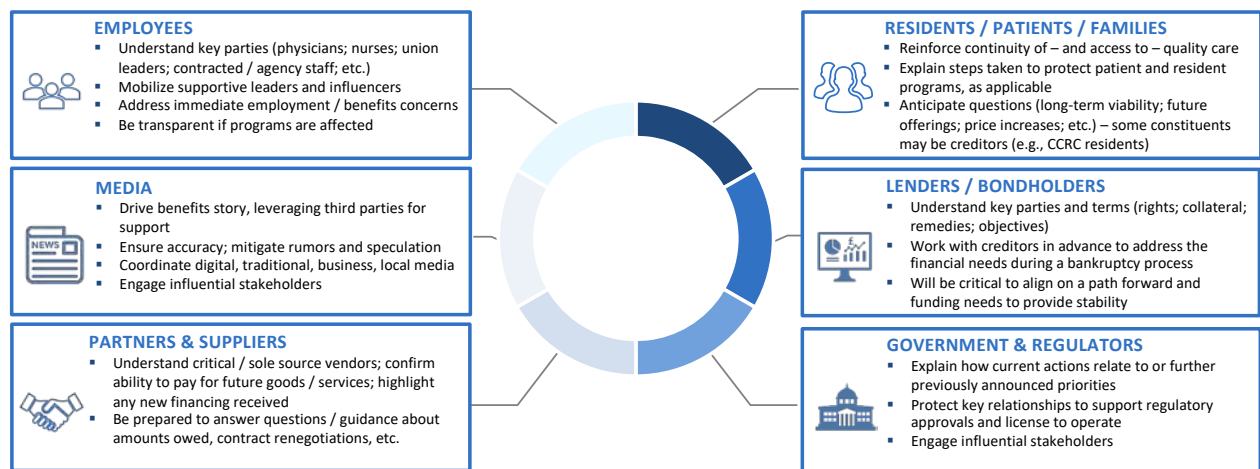
Why are we talking about healthcare today?

Select Distress Drivers / Challenges

- Changes in care delivery (e.g., inpatient vs outpatient)
- Continuing COVID-19 impact on volumes/behavior
- Slowdown in government stimulus / assistance
- High inflation (e.g., labor, equipment, supplies)
- Difficulty recruiting and retaining employees
- Company- or industry-specific litigation
- Increasing competition (industry consolidation)
- Aging infrastructure / capital investment demands (increasingly an “arms race”)
- Reimbursement pressure (e.g., rate cuts; value-based care)



Who are primary constituents?





What does the future hold?

1. Closure?
2. Consolidation?
3. Contraction?

Faculty

Brian Bonaviri, CIRA is a managing director in Grant Thornton LLC's Advisory practice in Charlotte, N.C., where he specializes in corporate bankruptcy advisory, strategic planning and review, business plan development and assessment, and financial modeling. He has 15 years of advisory experience, with a focus on health care, and his primary responsibilities have included advising on financial distress, developing 13-week cash flows, developing three statement-integrated financial models, assisting clients during restructurings and bankruptcies, and assisting with the development of bankruptcy reporting. Mr. Bonaviri has advised numerous health care providers, as well as other stakeholders, such as lenders and unsecured creditor committees. His clients include Casa Grande Regional Medical Center, Oconee Regional Medical Center, Morehead Memorial Hospital, and several behavioral health organizations and senior living communities. Mr. Bonaviri is a member of the Turnaround Management Association and ABI, and serves as Director of Education for ABI's Health Care Committee. He received his B.S.B.A. and M.B.A. from the Kenan-Flagler Business School at the University of North Carolina at Chapel Hill.

Andrew C. Helman is a partner in the Restructuring, Insolvency and Bankruptcy practice group at Dentons in Portland, Maine, where he focuses his practice on bankruptcy and insolvency matters and works to restructure all types of businesses, including those in the health care sector. He has served as lead counsel to debtors, trustees, secured parties and others in chapter 11 cases, including having served as independent counsel to a state attorney general in several chapter 11 cases in New England and Delaware. Mr. Helman has particular experience as lead counsel representing rural hospitals in chapter 11 cases, and has successfully confirmed chapter 11 plans that have allowed rural hospitals to continue operating with restructured balance sheets. His practice also includes commercial and insolvency-related litigation. He successfully obtained three temporary restraining orders and a permanent injunction against the U.S. Small Business Administration due to the agency's decision to exclude debtors from participating in the federal Paycheck Protection Program. Mr. Helman frequently writes articles for national insolvency publications and teaches seminars on bankruptcy and fraudulent transfer law. In addition, he co-chairs ABI's Health Care Committee and was honored in ABI's 2019 class of "40 Under 40." Mr. Helman was selected as one of 40 attorneys nationally to participate in the National Conference of Bankruptcy Judges' 2016 NextGen Program. He is ranked in *Chambers* for bankruptcy and restructuring and has been listed in the 2015-20 issues of *Super Lawyers* as a "Rising Star." Mr. Helman received his B.A. *cum laude* from the University of Massachusetts and his J.D. *summa cum laude* from the University of Maine.

Benjamin Ilhardt is a senior vice president in Houlihan Lokey's Financial Restructuring Group and is based in the firm's Chicago office. He has more than a decade of experience advising companies, investors and other parties-in-interest to special situations across a wide range of industries, and his transaction experience spans a variety of engagement types, from large multi-constituent in-court restructurings (such as Hexion, Momentive Performance Materials and Residential Capital) to reorganizations and recapitalizations of nonprofit organizations (such as the Daughters of Charity Health System, Lifespace Communities and Oconee Regional Health System). Mr. Ilhardt previously worked for Bain & Co., where he performed analysis and research to support the decision-making of senior management at Fortune 500 and private-equity clients across a variety of sectors.

He received his B.S.B. *summa cum laude* in finance from the Carlson School of Management at the University of Minnesota.

Jan Naifeh is a senior managing director with FTI Consulting, Inc. in Brentwood, Tenn., and a member of the firm's Turnaround & Restructuring Services practice. She has more than 25 years of experience working with clients to develop and implement solutions designed to minimize credit exposure and maximize asset recovery. Ms. Naifeh's has worked across the spectrum of different types of health care companies, ranging from ambulatory surgery centers, rehabilitation facilities, physician practice management and skilled nursing facilities to acute hospitals. Her experience includes resolving disputes via refinancings, secondary marketing transactions and in-court proceedings, including § 363 sales and liquidations. Beyond health care, Ms. Naifeh also has managed syndication of loans across diverse industries, including energy, government contractors, manufacturing, distribution and telecommunications. Prior to joining FTI Consulting, she was a senior vice president of the Corporate and Investment Banking Special Assets Division at SunTrust Bank and also served as the executive vice president of Credit Risk Management for the Nashville region. Ms. Naifeh received her B.S. in finance from the University of Tennessee and is a graduate of the Scarlett Leadership Institute.