



Health Care

\$8.5M sale of Philadelphia hospital gets tentative approval

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Girard Medical Center is changing hands.
JOHN GEORGE

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Ironstone Real Estate Partners will acquire most of the assets of the North Philadelphia Health System for \$8.5 million, under an agreement that received tentative approval Tuesday night by the U.S. Bankruptcy Court.

The assets consist primarily of Girard Medical Center and its methadone clinic, which provide care to about 1,000 patients each day, according to court filings.

U.S. Bankruptcy Court [Judge Madeline D. Coleman](#) said following a two-hour hearing that she was prepared to approve the agreement pending a final review of the proposed transaction.

The Tuesday hearing was delayed by more than five hours while final details of the sale were worked out to satisfy creditors and the property owner.

The deal calls for NHS of Lafayette Hill, Pa., to take over as the operator of the behavioral health care hospital that focuses primarily on patients with substance abuse and mental health issues. NHS, through a network of subsidiaries, provides care and services to almost 40,000 adults and children with special needs throughout Pennsylvania, New Jersey, Virginia, New York, Maryland, Delaware, Louisiana and Michigan.

In addition, the city agreed to enter into a one-year lease with Philadelphia-based Ironstone, for \$2.9 million, for the hospital property.

“Our goal is to negotiate a long-term plan to keep the facility as a behavioral health care hospital,” said [Jason E. Friedland](#), an Ironstone partner. “The reality is there were other potential buyers out there who wanted to shut down the hospital and turn it into housing. We want to keep it as a viable medical facility.”

▪ [North Philadelphia hospital to close](#)

Friedland said Ironstone's lease deal with the city is a short-term arrangement that will give his company time to enter into an agreement with NHS, another tenant or tenants to provide services at the 8th Street and Girard Avenue site.

Separately, Project HOME, entered into a deal to pay \$1.75 million for four nearby parcels, owned by the health system, which it plans to use for a \$13 million project to create LGBTQ-friendly housing.

The Ironstone bid was selected over a [conditional \\$10 million offer](#) made by Meridian Behavioral Health Systems, a Tennessee-based operator of behavioral health centers. Meridian's deal was contingent on getting a 6 percent rate increase from Community Behavioral Health, which contracts with the city of Philadelphia to provide managed mental health services to Medicaid recipients, and other provisions such as amendments to the collective bargaining agreements with unions representing hospital workers, \$5 million from the state and city for capital improvements to the hospital [which the company would have matched], and the transfer of 24 psychiatric beds by the state from Norristown State Hospital in Montgomery County to the North Philadelphia Health System.

Ironstone has experience with hospital projects in the past, having taken over the former Medical College of Pennsylvania Hospital campus in the East Falls section of the city. That site is now a mixed-use development whose tenants include Thomas Jefferson University [as a result of its merger with Philadelphia University], the Elwyn Institute and the Visiting Nurse Association of Greater Philadelphia.

▪ [North Philadelphia Health System files for bankruptcy](#)

Iron Stone's deal for North Philadelphia Health System's assets included provisions that:

- The city of Philadelphia waives its claims, principally for water and sewer obligations, of about \$600,000.
- Community Behavioral Health agrees to waive its claim for \$3.8 million
- Pennsylvania waives its pre-petition judgements and any related claims and liens related to labor issues in the amount of about \$1.6 million.

As a provider of services to prevent and treat drug abuse, Friedland said, Girard Medical Center plays an important role in the city's ongoing efforts to deal with the opioid addiction crisis.

Friedland was pleased to see how the city, Community Behavioral Health, the creditors and all the other stakeholders in the bankruptcy proceeding sat around the table for hours to reach a deal that would keep the hospital open.

“It took a lot of collaboration, “ he said, “which in Philadelphia is not always the norm.”

The transaction is expected to close by Sept. 30.

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