



Health Care

# North Philadelphia Health System, unsecured creditors & IBC reach bankruptcy debt agreement

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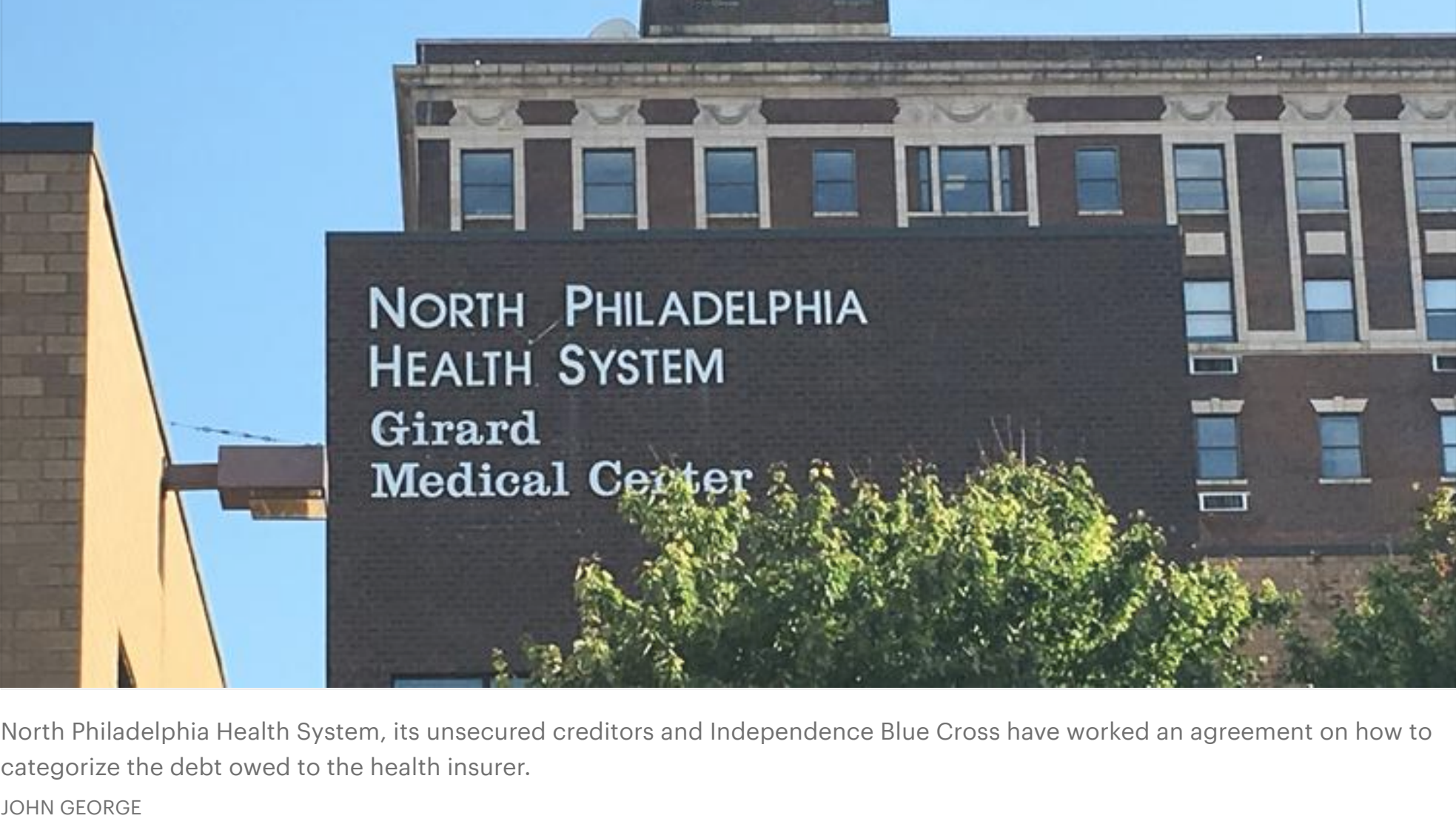
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North Philadelphia Health System, its unsecured creditors and Independence Blue Cross have worked an agreement on how to categorize the debt owed to the health insurer.

JOHN GEORGE

By John George – Senior Reporter, Philadelphia Business Journal  
Oct 8, 2018, 12:41pm EDT

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A U.S. Bankruptcy Court Judge has approved a settlement agreement involved North Philadelphia Health System, Independence Blue Cross and the Committee of Unsecured Creditors for the health system.

Independence Blue Cross, the region's largest health insurer, previously filed a priority claim for \$10.4 million representing what it said was unpaid health insurance premiums it was owed by NPHS. NPHS filed for U.S. Bankruptcy Court protection in December 2016.

Once the operator of both Girard Medical Center and St. Joseph Hospital, NPHS closed St. Joseph in early 2016 after the health system could not secure sufficient state supplemental funding to keep the hospital – which historically has served a high volume of poor and uninsured patients – financially viable.

NPHS has spent several months negotiating with IBC about the amount owed – a claim objected to by the unsecured creditor's committee – and whether that amount could be reduced. If the full \$10.4 million priority claim stood, NPHS attorneys said in court filings earlier this year, it would likely mean no proceeds from the sale of the health system's assets, now being held in escrow, would remain to pay unsecured creditors.

The health system's dozens of unsecured creditors say they are owed more than \$28 million, according to court records.

Earlier this year, NPHS entered into a deal to sell Girard Medical Center to Philadelphia-based Iron Stone Real Estate Partners for \$8.45 million. Iron Stone is leasing the property to the city for \$2.9 million in order for the medical center's behavioral health and substance abuse treatment programs to continue. A restructured NPHS management team is, for now, running the hospital under a \$1 per year sublease deal with the city. That lease deal was established after Iron Stone's original plan to contract with NHS, a Montgomery County-based nonprofit provider of education and health care services, to run the hospital fell apart. It is set to expire at the end of next month.

Girard Medical Center and its methadone clinic provide care to about 1,000 patients each day. The hospital had about 525 employees in June, but that same month it filed a notice with the Pennsylvania Department of Labor and Industry that it was contemplating terminating “in excess of 100 full-time, part-time and flex employees” at Girard as it looked for ways to lower costs.

Under the terms of the settlement agreement, outlined in court records:

- IBC will be deemed to have an allowed class 2 secured claim in an amount equal to the greater of 60 percent of the net amount in escrow or \$550,000.
- Up to \$300,000 of the remaining escrow funds will be distributed to holders of class 3 unsecured claims.
- IBC will retain an unsecured claim in the amount of \$9 million, which will be treated as an allowed class 3 unsecured claim.

In addition, NPHS will waive, on behalf of itself and any successor under the reorganization plan, any claims against IBC.

Asked about the deal, IBC released a statement that read: “The parties involved, which include Independence Blue Cross and North Philadelphia Health System, entered into an amicable settlement relating to the treatment of Independence's priority claim. We believe the settlement benefited all parties and are pleased to have a resolution.”

Martin Weis, an attorney representing NPHS, said with the court approving the plan to settle the Independence Blue Cross claim, he anticipates court approval for the final reorganization plan “shortly.”

PHOTOGRAPH BY JEFFREY M. HARRIS

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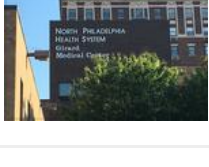
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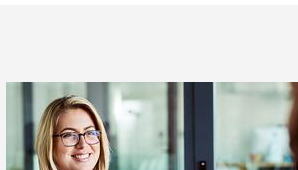


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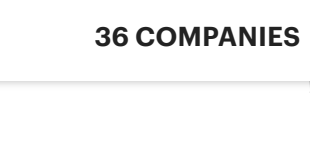
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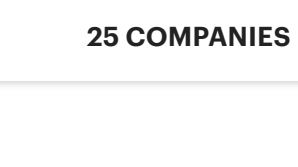
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