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Bankrupt Miami Hospital Gets OK For Ch. 11 Auction Plans

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Nathan Hale

A shuttered Miami hospital in Chapter 11 stayed on track to be sold in auction in late June when a Florida bankruptcy judge gave her blessing to the sale process Monday after approving a settlement the parties reached to resolve objections from the unsecured creditors committee.

U.S. Bankruptcy Judge Laurel M. Isicoff said the agreement to pave the way for the sale of the assets of Miami International Medical Center LLC, which operated as The Miami Medical Center, was prudent given the costs in money and time that would result from litigating the committee's objections.

"This result makes absolute sense and is by far and away the best resolution for the estate," she said.

A date for the auction was not set during Monday's hearing, but there is urgency to complete it by late June to leave sufficient time to comply with regulations associated with the transfer of the hospital's valuable license from the Florida Agency for Health Care Administration, debtor's counsel Peter D. Russin of Meland Budwick, P.A. told the court.

The hospital, at 5959 N.W. Seventh St. in Miami, just south of Miami International Airport, was originally founded in 1963 by Cuban exile doctors as Pan American Hospital. In its latest incarnation, Miami International Medical Center renovated the hospital from a 150-bed facility into a high-end facility with just 67 rooms, offering concierge medical services.

But after entering into a $40 million loan agreement with MidFirst Bank to help finance the project, The Miami Medical Center struggled to attract a sufficient volume of patients to make ends meet, and it stopped taking new patients and asked for its state license to be suspended in October.

Under the approved bidding process, Variety Children's Hospital, which owns and operates Nicklaus Children's Hospital, will serve as a stalking horse bidder and will make a credit bid of about $30 million, consisting of $27.4 million of the debtor's secured debt it acquired from MidFirst Bank and a nearly $3.4 million debtor-in-possession loan it made to finance post-petition costs.

Would-be bidders will have to put up a $1.5 million deposit, demonstrate they have sufficient means to cover the full purchase amount and appear likely to qualify for transfer of the AHCA license, Russin said. There will be a requirement for a minimum bid of $150,000 over VCH's credit bid, which would cover the break-up fee with VCH, and bidding will increase in minimum increments of $100,000.

Russin said there have been some encouraging demonstrations of interest and that the debtor is hoping for participation by at least one or two qualified bidders.

The official committee of unsecured creditors previously raised concerns that the proposed bid procedures and proposed stalking horse asset purchase agreement "rush to unduly favor" VCH, which it said was also an "insider" as an affiliate of the debtor. In addition to VCH's acquisition of the portion of the MidFirst Bank debt and its issuing of the DIP loan, it also had served as a guarantor on the MidFirst Bank loan and the building lease, and more recently acquired the underlying property, which made it the hospital's landlord.

Under the settlement agreement, the creditors committee dropped its objections about VCH's bid and its secured debt claim, which will make up its credit bid.

In addition to that allowed secured claim, VCH will be granted an unsecured bid for a roughly $2.2 million loan it made Feb. 15, ahead of the March 9 bankruptcy filing, and just under $5.9 million in unpaid rent.

VCH will have Chapter 11 plan voting rights to the extent of those unsecured claims, but only as long as it and its affiliates do not receive any distributions related to those unsecured claims. Any funds that would have come its way through those claims will instead go to the unsecured creditor fund, helping the committee boost its return.

VCH will additionally make a $1.8 million settlement payment to the estate in exchange for a release of any claims against it and its related entities.

The U.S. Trustee's Office questioned VCH's ability to retain a vote in conjunction with waiving its claims, but Russin argued VCH should be allowed to be a party in interest because it has acted in good faith and made significant consideration to the estate through its settlement payment and waiver of its unsecured claims recovery.

"It is a very, very beneficial settlement to the estate," he told he court.

Robert M. Schechter of Porzio Bromberg & Newman PC, an attorney representing the unsecured creditors committee, endorsed the agreement, saying it "accomplishes really what the committee sought out to accomplish" by stipulating that the committee will be part of the sale process, helping to maximize returns for the unsecured creditors.

Explaining her approval of the settlement, Judge Isicoff said she concluded that everyone with a stake in the matter had been given an opportunity to be heard.

After issuing the order, she heard argument on a continued effort by Aquila NH Holdings LLC — which owns 25 percent of the debtor's majority owner, Miami Hospital Holdings LLC — to object to the sale process, but concluded it lacked standing on that issue.

Miami International Medical Center is represented by Daniel N. Gonzalez and Peter D. Russin of Meland Budwick, P.A.

The creditor committee is represented by Robert M. Schechter of Porzio Bromberg & Newman PC, and Jacqueline Calderin and Robert P. Charbonneau of Agentis PLLC.

VCH is represented by Rachel Nanes of DLA Piper.

Acquila is represented by Kennth B. Jacobs, Jason Burnett and Steven Soloman of GrayRobinson PA.

The physician creditors are represented by Peter V. Fullerton.

MidFirst Bank is represented by Paul Steven Singerman of Berger Singerman LLP.

The case is In Re: Miami International Medical Center LLC, case number 18- 12741, in the U.S. Bankruptcy Court for the Southern District of Florida.

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