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Uric Dufrene



Bob Hall, Charlestown mayor

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St. Catherine Hospital files Chapter 11

By BRADEN L.
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CHARLESTOWN — St. Catherine Regional Hospital has filed for bankruptcy protection in U.S. Bankruptcy Court Southern District of Indiana.

According to court records, the Charlestown hospital at 2200 Market St. filed for Chapter 11 bankruptcy protection Tuesday and claimed more than \$8.3 million in unpaid debts.

An emergency hearing was held via telephone Thursday morning and several motions were granted on an interim basis to allow the hospital to remain open. The motions granted included a motion to use emergency cash collateral, a motion to provide continued utility service, a motion to pay pre-petition employee wage claims and a motion to obtain credit under bankruptcy restructuring.

Charlestown Mayor Bob Hall, who also serves as a board member for St. Catherine Hospital, said the economy is affecting a lot of institutions, including the hospital. St. Catherine is the second hospital in Clark County to declare for bankruptcy protection recently, as Kentuckiana Medical Center filed for Chapter 11 bankruptcy protection in September 2010, but recently announced it has secured \$40 million in funding which will bring it out of bankruptcy.

Uric Dufrene, Sanders Chair in Business at Indiana University Southeast, said the recession has had an impact, especially on smaller hospitals.

“Despite some improvements to the economy, we continue to have an elevated number of unemployed,” he said in an email. “So, hospitals have likely served more uninsured patients and this could have also impacted a revenue stream.

“Smaller hospitals do not have the size or economies of scale to easily absorb these costs or lost revenues,” he said. “Any increasing costs imposed on health care institutions also might impact smaller hospitals more severely.”

In addition to being more vulnerable to swings in the economy, the glut of competition in Southern Indiana and Louisville may also be affecting the smaller hospitals.

“As medical advancements continue, hospitals must continue to make investments in capital expenditures in order to remain competitive,” Dufrene said. “Smaller hospitals might face greater challenges in making the capital investments that allow them to offer the latest and greatest medical technologies. Failure to do so can then result in a lost of patients to the larger hospitals.”

But Hall was encouraged even though the hospital filed for bankruptcy.

“I think this is the right step and it will allow them to restructure and stay open,” he said. “It’s a key component of any growing community,” he said, referring to the hospital.

Hall added that there have been no discussions between the hospital and city officials on purchasing or floating bonds for St. Catherine.

“There is nothing on the table for the city to buy the hospital,” he said.

The next hearing in the Chapter 11 proceedings has been set for July 23 in U.S. Bankruptcy Court Southern District of Indiana in New Albany.

Messages left with St. Catherine Regional Hospital President Merlyn Knapp were not returned as of press time.



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Bankrupt Saint Catherine Hospital Sold at Auction

Highest Bidder May Not Become Owner

Despite being sold at auction, the battle over who owns Saint Catherine's Regional Hospital in Charlestown, Indiana isn't over yet.

After filing for Chapter 13 bankruptcy protection in 2012, [Saint Catherine Regional Hospital](#) went up for auction in January 2015. The highest bidder was Miami-based Rialto Capital Management. However, their bid of \$3 million, according to the attorney for the hospital's trustee, came with some contingencies. Other companies that also bid on the hospital are challenging the decision to award the sale to Rialto Capital. So the final owner of the hospital is not yet determined.

Hospital Needs Operating Capital Immediately

The decision on the hospital auction was brought before Judge Basil H. Lorch III in the U.S. Bankruptcy Court for the Southern District of Indiana in New Albany. The Judge said that the appointed hospital trustee wants to keep the facility operating, but also has the obligation to address the hospital's debt. Judge Lorch said he doesn't know if the hospital has enough money to continue operating for the next 30 to 45 days. "This hospital owes a lot of debt," said Judge Lorch.

At the time of filing for Chapter 13 bankruptcy protection in 2012, the hospital's filing showed it owed at least \$8.3 million.

Sale of the Hospital is the Smartest Move

In the case of Saint Catherine, it has reached a point where new ownership would be in the best interests of the hospital and the entire Charlestown community. Officials from the city are making it known that they want the hospital to stay in Charlestown.

"I think the hospital is a critical resource for the community, and we want to keep it here," Charlestown Mayor Bob Hall told the News and Tribune. "The bankruptcy and the process of Chapter 13, is to get the hospital in a position where it can be sold."

Clark County has two other hospitals which has made the financial stability of Saint Catherine Regional an issue. They are Clark Memorial Hospital in Jeffersonville and Kentuckiana Medical Center in Clarksville. Louisville, Kentucky hospitals also are not very far away. There is also Floyd Memorial Hospital & Health Services in New Albany, Indiana, which is not far away.

City Trying to Keep Saint Catherine Regional Open

Saint Catherine Regional Hospital, with 130 employees, has served the Charlestown community since 1976. The local community wants to keep the facility, and in turn, the city has been helping to ease the financial burden upon Saint Catherine.

In November 2014, a federal bankruptcy court appointed Lyen Crews CEO and trustee. "The Charlestown City Council has provided \$450,000 to keep the hospital running until a new owner can take over," said Crews.

"I'm appointed by the bankruptcy court to maximize the value of the hospital and attempt to ensure that all creditors get paid," said Crews. "A lot of my duties have been making sure the hospital stays in operation, because an operating hospital is of greater value than a hospital that is closed."

Positive Feelings Looking to the Future

Crews feels very confident that a suitable entity will buy the hospital, and ensure the continued operation of the local medical center.

"I just have a very positive feel for the hospital and for what is going on here," he said. "I have found this to be a great little hospital that meets the needs of the community. The staff are extremely dedicated. This bankruptcy has been going on since 2012, and a lot of them have stuck with it."

Rialto Capital Management, the highest bidder, also owns Kentuckiana Medical Center in Clarksville, Indiana. The other prominent bidder is People's Choice Hospital based in Oak Brook, Illinois.

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