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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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In re:

SOUND SHORE MEDICAL CENTER OF
WESTCHESTER,

Debtor.

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In re:

SOUND SHORE HEALTH SYSTEMS, INC.

Debtor.

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In re:

SOUND SHORE MEDICAL CENTER OF
WESTCHESTER,

Debtor.

-----X

In re:

THE MOUNT VERNON HOSPITAL, INC.

Debtor.

-----X

In re:

HOWE AVENUE NURSING HOME d/b/a
SCHAFER EXTENDED CARE

Debtor.

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In re:

NRHMC SERVICES CORPORATION

Debtor.

Chapter 11

Case No. 13-_____()

Chapter 11

Case No. 13-_____()

Chapter 11

Case No. 13-_____()

Chapter 11

Case No. 13-_____()

Chapter 11

Case No. 13-_____()

Chapter 11

Case No. 13-_____()

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In re:

M.V.H. CORPORATION,

Chapter 11

Case No. 13-_____ ()

Debtor.

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In re:

NEW ROCHELLE SOUND SHORE
HOUSING, LLC

Chapter 11

Case No. 13-_____ ()

Debtor.

(Joint Administration Pending)

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MOTION FOR ORDER DIRECTING JOINT ADMINISTRATION

Sound Shore Medical Center of Westchester ("**SSMC**"), and certain of its debtor affiliates, as Chapter 11 debtors and debtors in possession (each a "**Debtor**" and collectively, the "**Debtors**"), hereby move (the "**Motion**") for an order directing the joint administration of the Debtors' Chapter 11 cases (the "**Chapter 11 Cases**"). In support of the Motion, the Debtors rely upon the Affidavit of John Spicer Pursuant to Local Rules 1007-2 and in Support of First Day Motions, and respectfully represent as follows:

SUMMARY OF RELIEF REQUESTED

1. By this Motion, the Debtors seek entry of an Order pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the "**Bankruptcy Rules**"), consolidating their chapter 11 cases for procedural purposes only, and providing for joint administration thereof.

2. Joint administration of these cases will save valuable resources of the Debtors' estates and will avoid an unnecessary duplication of effort. It will also permit the Clerk of the Court to maintain a single general docket for the Debtors' Chapter 11 Cases and combine notices

to creditors and parties in interest. Ultimately, the Debtors, their estates, their creditors and all parties in interest will benefit.

BACKGROUND

3. On the date hereof (the “**Petition Date**”), each Debtor filed a voluntary petition for reorganization under chapter 11 of title 11 of the United States Code (the “**Bankruptcy Code**”).

4. The Debtors remain in possession and operation of their respective assets and continue to manage their businesses as debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. No trustee, examiner or creditors’ committee has been appointed in these cases.

JURISDICTION AND VENUE

5. This Court has jurisdiction over this Application pursuant to sections 157 and 1334 of title 28 of the United States Code (the “**Judicial Code**”). This is a core proceeding pursuant to section 157(b)(2) of the Judicial Code. Venue of these cases and this Application in this district is proper pursuant to sections 1408 and 1409 of the Judicial Code. The statutory predicate for the relief sought herein is Bankruptcy Rule 1015(b).

THE DEBTORS HISTORY AND BUSINESS

6. A significant portion of the Debtors’ core business is focused around Sound Shore Medical Center of Westchester (“**SSMC**”). SSMC is a not-for-profit 242-bed, community-based teaching hospital offering primary, acute, emergency and long-term health care to the working class residents of southern Westchester. Founded in 1892 and located in New Rochelle, New York, SSMC is a teaching affiliate of New York Medical College. SSMC is home to a comprehensive orthopedic program and stroke and bariatric centers of recognized excellence and

boasts the only trauma center in southern Westchester as well as a reputable level 3 perinatal hospital.

7. SSMC's affiliate, Mount Vernon Hospital ("**MVH**"), is a voluntary, not-for-profit, 176-bed hospital located in Mount Vernon, New York. MVH also operates the Dorothea Hopfer School of Nursing, chartered by New York State since 1901. Since its founding in 1891, MVH has housed a full range of diagnostic and therapeutic medical and surgical services, specialty programs and ambulatory clinics. MVH also offers comprehensive inpatient and outpatient behavioral health programs consisting of psychiatric services designed specifically for individuals whose needs have not been met through traditional approaches

8. Howe Avenue Nursing Home d/b/a Helen and Michael Schaffer Extended Care Center ("**SECC**") is a 150-bed, comprehensive facility offering short-term rehabilitation/sub-acute care, as well as skilled long-term care. SECC dedicates 100-beds for long-term skilled medical management for individuals with chronic conditions or disabilities who are no longer capable to live independently. The remaining 50-beds are utilized for short-term stays and rehabilitation to accommodate patients recovering from heart surgery, heart attacks, strokes, and orthopedic surgery. (SSMC, MVH and SECC are sometimes collectively referred to as the "**Medical Centers**")

9. SSMC, MVH and SECC (with their affiliated Debtors) together comprise the Sound Shore Health System, Inc. ("**SSHS**" or the "**System**") which was formed in 1997 when the three affiliated healthcare institutions joined together to create one of the largest regional healthcare systems between New York City and Albany. Today, the System provides a range of specialized services, including orthopedic surgery, behavioral health, pediatrics, OB/GYN, continuing care facilities, a nursing home and community care clinics providing primary care

services for the indigent and uninsured. Their affiliation with the New York College of Medicine also enables the Debtors to provide a teaching environment in multiple disciplines to their community and patients.¹

10. As the largest “safety net” providers for southern Westchester County, the Medical Centers serve a disproportionate share of patients in the Medicaid and uninsured populations. Annually, they are responsible for approximately 13,000 acute discharges, 55,000 emergency department visits and 60,000 indigent care clinic visits.

11. As is true with many community hospitals serving a working class constituency, the Medical Centers have been beset by the financial pressures caused by cuts in Medicare and Medicaid funding, declining indigent pool payments, and a change in demographics. Commencing in 2006 and increasingly each year thereafter, the Debtors experienced a progressive decline in patient volume and discharges and a change in case mix. Operating revenues decreased, leading to significant losses in the years preceding these filings. Cash book balances were frequently negative, and vendor payables increased to over 225 days past due. With a substantial portion of their assets liened, the Debtors had limited ability to obtain sufficient working capital financing. Simultaneously, the System was faced with increased competition from other regional healthcare providers.

12. The Debtors sought to address one component of this liquidity crisis, vendor payables, through a voluntary restructuring and reduction of unsecured indebtedness and in 2008 effectuated a creditor compromise. More than \$20 million of unsecured indebtedness was wiped

¹ The remaining Debtors in these cases have limited or no operations. NRHMC Services Corporation (“NRHMC”) is a for-profit corporation and wholly owned subsidiary of NRHMC, Inc. Its business activities consist primarily of locating, negotiating and providing physicians and other healthcare entities with real estate rentals. M.V.H. Corporation (“MVHC”) is a not-for-profit corporation which owns the parking garage located adjacent to the MVH property. Its average revenues for the last three years have been less than \$25,000 per year. It does not have any current operations, existing debt or other liabilities.

from the balance sheet and, coupled with cost cutting measures, the Debtor was repositioned to improve financially.

13. Additionally, in order to increase overall efficiency in their operations, in October 2011, MVH and SSMC executed a conversion to a new electronic medical record and billing system. Multiple problems were encountered during the conversion process which still have not been fully remedied. Major delays in billing and cash collections resulting from the conversion led to increased patient account denials and bad-debt write offs. To avoid continued delays and losses, it became necessary to allocate additional resources to resolve the conversion issues, precipitating a further drain on available cash and resources. As a consequence, liquidity again became a pressing issue, this time preventing the Debtors from implementing critical system updates vital to improving its infrastructure and physical plant.

14. Liquidity delays have also extended vendor disbursements. The mounting trade payable liabilities led, in some cases, to the immediate termination of necessary service relationships. In other cases, the Debtors were forced to renegotiate existing terms and payment of outstanding liabilities. Simultaneously, the Debtors were facing a decrease in volume and a shift over the course of the last two years from the provision of inpatient care to increased ambulatory care at lower reimbursement rates. During this same period of time, provider costs continued to increase.

15. As the Debtors' financial condition continued to deteriorate, the Debtors began to actively search for a viable healthcare partner or other affiliation for the Medical Centers. The Debtors recognized that a merger or affiliation with a strong healthcare partner was critical to their ability to maintain operations and their charitable mission, achieve administrative efficiencies and reduce overhead costs, attract and retain quality physicians, gain increased

access to much needed capital, make necessary capital improvements and implement long overdue technological upgrades.

16. A proposed transaction was discussed with several major hospitals and healthcare institutions, including: Montefiore Medical Center ("**MMC**"), Yale-New Haven Health System, North Shore-LIJ Health System, NYU Medical Center and Westchester County Health Care Corporation ("**WCHCC**"). In November, 2012, a memorandum of understanding which contemplated a full asset merger between SSHS and WCHCC was entered into and several months of negotiations followed. However, a transaction at sufficient purchase consideration could not be finalized. As a result, discussions commenced among the Debtors and MMC. At the conclusion of these efforts, the Debtors and MMC entered into an asset purchase agreement (the "**Purchase Agreement**"). As part of their restructuring strategy, the Debtors intend to sell all of their Owned Real Property, Furniture, Fixtures, Inventory, Assigned Contracts and related operating assets, which collectively comprise the Acquired Assets (all as defined in the Purchase Agreement), to MMC which will thereafter continue operations at the Debtors' current facilities.

17. It is a condition of the Purchase Agreement that the Sale Transaction be consummated pursuant to the provisions of section 363 of the Bankruptcy Code, and subject to higher and better offers. In furtherance of that effort, the Debtors' respective Boards voted to approve the filing of Chapter 11 petitions for the Debtors.

RELIEF REQUESTED

18. By this Motion, the Debtors seek an order pursuant to Rule 1015(b), directing joint administration of the Chapter 11 Cases.

19. Bankruptcy Rule 1015(b) provides, in relevant part, that if two or more petitions are pending in the same court by or against a debtor and an affiliate, the court may order the joint administration of the estates of the debtor and such affiliates. *See* Fed. R. Bankr. P. 1015(b).

20. Each of the Debtors operate as separate, distinct entities. However, due to the affiliated nature, the Debtors anticipate that notices, applications, motions, other pleadings, hearings and orders in these cases may affect each of the Debtors. If each Debtor's case was administered independently, there would be a great deal of duplication of effort as well as duplicative filings in each case. This would result in a waste of the Debtors' resources and an unnecessary expenditure of fees and expenses.

21. Joint administration will permit the Clerk of the Court to use a single general docket for the Debtors' Chapter 11 Cases and to combine notices to creditors and other parties in interest of the Debtors' respective estates, thus avoiding duplicative notices, orders and maintaining duplicative files. Joint administration also will protect parties in interest by ensuring that all parties in interest will be apprised of the various matters before the Court in each of the Debtors' cases. The rights of creditors will not be adversely affected because this Motion requests only administrative, and not substantive consolidation of the estates. Moreover, creditors may still file claims against each separate estate. In fact, the rights of all creditors will be enhanced by the reduced costs that will result from the joint administration of these Chapter 11 cases. Finally, supervision of the administrative aspects of the Chapter 11 Cases by the United States Trustee for the Southern District of New York (the "U.S. Trustee") will be simplified.

22. Based on the foregoing, the joint administration of these Chapter 11 Cases is in the best interests of the Debtors, their creditors, and all parties in interest. Accordingly, the Debtors request that the official caption to be used by all parties in all pleadings in the jointly administered cases be as follows:

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re:

Chapter 11

SOUND SHORE MEDICAL CENTER
WESTCHESTER, et al.

Case No. 13-_____ ()

Debtors.

(Jointly Administered)

-----X

23. The Debtors also request that a docket entry reflecting the joint administration of the Debtors' cases be made in each of the Debtors' cases as follows:

An order has been entered in this case directing the procedural consolidation and joint administration of the chapter 11 cases commenced by: Sound Shore Medical Center of Westchester, The Mount Vernon Hospital, Inc., Howe Avenue Nursing Home d/b/a Schaffer Extended Care, NRHMC Services Corporation, M.V.H. Corporation and New Rochelle Sound Shore Housing, LLC.

24. The Debtors also ask authority to file monthly operating reports on a consolidated basis if the Debtors determine, after consultation with the U.S. Trustee, that consolidated reports would further administrative economy and efficiency, do not prejudice any party in interest, and accurately reflect the Debtors' consolidated business operations and financial affairs.

25. Finally, the Debtors propose and request that all future entries for the Debtors' cases be made under the SSMC case number: 13-_____.

WAIVER OF MEMORANDUM OF LAW

26. Based on the authority provided herein, the Debtors respectfully request that the Court waive the requirement that the Debtors file a memorandum of law in support of this Motion pursuant to Local Bankruptcy Rule for the Southern District of New York 9013-1(b).

NOTICE

27. Notice of this application has been given to the (a) United States Trustee, (b) Debtors' material pre-petition lenders and post-petition secured lenders, (c) Office of the United States Attorney, (d) Office of the Attorney General, (e) the New York State Department of

Health, (f) the IRS, and (g)holders of the 30 largest unsecured claims on a consolidated basis. Inasmuch as no trustee, examiner or creditors' committee has been appointed in this case, Applicant submits that no further notice need be given.

NO PRIOR REQUEST

28. No previous application for the relief sought herein has been made by Applicant to this or any other Court.

WHEREFORE, the Debtors respectfully request that the Court enter an order substantially in the form of the proposed Order Directing Joint Administration of the Debtors' Cases, a copy of which is attached hereto, and grant such other and further relief as is just and proper.

Dated: May 28, 2013
Great Neck, New York

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By: 

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*Proposed Attorneys for Debtors
and Debtors in Possession*

Exhibit A

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

----- X
In re:

SOUND SHORE MEDICAL CENTER
OF WESTCHESTER, et al.

Chapter 11
Case No. 13-_____ ()

Debtors.

(Joint Administration Pending)

-----X

ORDER DIRECTING JOINT ADMINISTRATION OF THE DEBTORS' CASES

Upon the Motion (the "**Motion**") of Sound Shore Medical Center of Westchester ("**SSMC**"), and certain of its debtor affiliates, as Chapter 11 debtors and debtors in possession (each a "**Debtor**" and collectively, the "**Debtors**")² in the above captioned Chapter 11 cases (the "**Chapter 11 Cases**"), for entry of an Order Directing Joint Administration, filed May __, 2013; and the Court having considered the Motion and having determined that joint administration of these Chapter 11 Cases is in the best interests of the Debtors, their respective estates, creditors and shareholders; and it appearing that notice of the Motion was good and sufficient under the particular circumstances and that no other or further notice need be given; and the Court having reviewed the Motion, the Spicer Affidavit, and having heard the statements in support of the relief requested therein at a hearing before the Court (the "**Hearing**"), and cause existing for the relief granted therein, and upon the record herein; and after due deliberation thereon; and good and sufficient cause appearing therefor; it is hereby:

ORDERED that the Motion is GRANTED; and it is further

² The debtors in these chapter 11 cases, along with the last four digits of each debtor's federal tax identification number include: Sound Shore Health System, Inc. (1398), Sound Shore Medical Center of Westchester (0117), The Mount Vernon Hospital, Inc. (0115), Howe Avenue Nursing Home d/b/a Helen and Michael Schaffer Extended Care Center (0781), NRHMC Services Corporation (9137), The M.V.H. Corporation (1514), and New Rochelle Sound Shore Housing, LLC (0117). There are certain additional affiliates of the Debtors who are not debtors and have not sought relief under Chapter 11.

ORDERED that the above-captioned Chapter 11 Cases are consolidated for procedural purposes only and shall be jointly administered by the Court; and it is further

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In re:	Chapter 11
SOUND SHORE MEDICAL CENTER	Case No. 13-_____ ()
WESTCHESTER, <u>et al.</u>	
Debtors.	(Jointly Administered)
-----X	

ORDERED that a docket entry shall be made in each of the above captioned as follows:

An order has been entered in this case directing the procedural consolidation and joint administration of the chapter 11 cases commenced by: Sound Shore Medical Center of Westchester, The Mount Vernon Hospital, Inc., Sound Shore Health System, Inc., Howe Avenue Nursing Home d/b/a Schaffer Extended Care , NRHMC Services Corporation, M.V.H. Corporation and New Rochelle Sound Shore Housing, LLC. The docket in Case No. 13-_____ should be consulted for all matters affecting this case.

Date: May _____, 2013
New York, New York