IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE

In re:

CENTER CITY HEALTHCARE, LLC d/b/a HAHNEMANN UNIVERSITY HOSPITAL *et al.*,¹ Chapter 11

Case No. 19-11466 (KG)

(Jointly Administered)

Debtors.

Re: Docket No. 681

STATUS REPORT REGARDING STAY PENDING APPEAL OF HAHNEMANN SALE ORDER ENTERED BY DISTRICT COURT

The United States of America (the "United States"), on behalf of the Department of Health and Human Services ("HHS"), acting through its designated component, the Centers for Medicare & Medicaid Services ("CMS"), submits this status report to notify the Court that, on September 16, 2019, the United Stated District Court for the District of Delaware ("district court") issued a stay pending appeal of the *Order Under 11 U.S.C. § 105, 106, 363, 365, 503, 507, and 525 (A) Approving Asset Purchase Agreement with Thomas Jefferson University Hospitals, Inc., (B) Authorizing Sale of Certain of Debtor's Assets Free and Clear of Interests, (C) Authorizing Assumption and Assignment of Certain of the Debtor's Executory Contracts, and (D) Granting Related Relief* (the "Sale Order"). Dkt. 681.

¹ The Debtors in these jointly administered cases, along with the last four digits of each Debtor's federal tax identification number, are: Center City Healthcare, LLC (3341), Philadelphia Academic Health System, LLC (8681), St. Christopher's Healthcare, LLC (8395), Philadelphia Academic Medical Associates, LLC (8165), HPS of PA, L.L.C. (1617), SCHC Pediatric Associates, L.L.C. (0527), St. Christopher's Pediatric Urgent Care Center, L.L.C. (6447), SCHC Pediatric Anesthesia Associates, L.L.C. (2326), StChris Care at Northeast Pediatrics, L.L.C. (4056), TPS of PA, L.L.C. (4862), TPS II of PA, L.L.C. (5534), TPS III of PA, L.L.C. (5536), TPS IV of PA, L.L.C. (5537), and TPS V of PA, L.L.C. (5540). The Debtors' mailing address is 230 North Broad Street, Philadelphia, Pennsylvania 19102.

BACKGROUND

1. On September 5, 2019, the Court ruled orally that it would approve the sale to Jefferson, and shorten execution of the order from the fourteen days ordinarily required under Fed. R. Bankr. P. 6004(h) to seven days.

2. During the September 5, 2019 hearing, the United States moved orally for a stay pending its appeal of the to-be-entered Sale Order, and Debtors opposed. The Court denied the United States' oral motion.

3. This Court entered the Sale Order on September 10, 2019.

4. On September 12, 2019, the United States filed a Notice of Appeal of the Sale Order.

5. On September 12, 2019, the United States moved the district court, pursuant to Rules 8007(b) and 8013(d) of the Federal Rules of Bankruptcy Procedure, for an emergency stay pending appeal of the Sale Order. Debtors, Jefferson and the Official Committee of Unsecured Creditors filed written oppositions to the United States' motion.

6. On September 16, 2019, the district court held a hearing on the United States' motion and, after argument by the parties, orally granted a stay pending appeal.

7. Later on September 16, 2019, the district court entered a written order granting a stay pending appeal "for the reasons set forth on the record."

STATUS REPORT

The United States hereby notifies the Court of the district court's issuance of a stay pending appeal of the Sale Order. The United States attaches the district court's oral ruling (Tr. 58:13 – 70:3) as Exhibit 1. The district court's written order is attached as Exhibit 2.

Dated: September 23, 2019

Respectfully submitted,

JOSEPH H. HUNT Assistant Attorney General

DAVID C. WEISS United States Attorney

ELLEN SLIGHTS Assistant United States Attorney

<u>/s/ Marc S Sacks</u> RUTH A. HARVEY MARGARET M. NEWELL MARC S. SACKS

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ATTORNEYS FOR THE UNITED STATES

CERTIFICATE OF SERVICE

I hereby certify that on this 23rd day of September 2019, I caused a true and correct copy of the foregoing objection to be served via electronic mail upon all parties receiving electronic notice under the Court's CM/ECF system.

<u>s/ Marc S Sacks</u> MARC S. SACKS

IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE

In re:

CENTER CITY HEALTHCARE, LLC d/b/a HAHNEMANN UNIVERSITY HOSPITAL *et al.*, Chapter 11

Case No. 19-11466 (KG)

(Jointly Administered)

Debtors.

Re: Docket No. 681

STATUS REPORT REGARDING STAY PENDING APPEAL OF HAHNEMANN SALE ORDER ENTERED BY DISTRICT COURT

EXHIBIT 1

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE	Case 19-11466-KG Doc 761 Filed 09/23/19 Page 6 of 23	1
CENTER CITY HEALTHCARE, LLC d/b/a HAHNEMANN UNIVERSITY HOSPITAL, et al., Debtors, Debtors, C.A. No. 19-1711(UNA) UNITED STATES OF AMERICA, Appellant, v. CENTER CITY HEALTHCARE, LLC, d/b/a) HAHNEMANN UNIVERSITY HOSPITAL, And THOMAS JEFFERSON UNIVERSITY HOSPITALS, INC., Appellees. Monday, May 16, 2019 3:00 p.m. Teleconference 844 King Street Wilmington, Delaware EEFORE: THE HONORABLE MARYELLEN NOREIKA United States District Court Judge APPEARANCES: U.S. DEPARTMENT OF JUSTICE BY: MARCUS S. SACKS, ESQ.		
CENTER CITY HEALTHCARE, LLC d/b/a HAHNEMANN UNIVERSITY HOSPITAL, et al., Debtors, Debtors, C.A. No. 19-1711(UNA) UNITED STATES OF AMERICA, Appellant, v. CENTER CITY HEALTHCARE, LLC, d/b/a) HAHNEMANN UNIVERSITY HOSPITAL, And THOMAS JEFFERSON UNIVERSITY HOSPITALS, INC., Appellees. Monday, May 16, 2019 3:00 p.m. Teleconference 844 King Street Wilmington, Delaware EEFORE: THE HONORABLE MARYELLEN NOREIKA United States District Court Judge APPEARANCES: U.S. DEPARTMENT OF JUSTICE BY: MARCUS S. SACKS, ESQ.		
HAHNEMANN UNIVERSITY HOSPITAL,) et al.,) Debtors,) , C.A. No. 19-1711(UNA) UNITED STATES OF AMERICA,) Appellant,) v.) CENTER CITY HEALTHCARE, LLC, d/b/a) HAHNEMANN UNIVERSITY HOSPITAL,) And THOMAS JEFFERSON UNIVERSITY) HOSPITALS, INC.,) Appellees.) Appellees.) Monday, May 16, 2019 3:00 p.m. Teleconference 844 King Street Wilmington, Delaware BEFORE: THE HONORABLE MARYELLEN NOREIKA United States District Court Judge APPEARANCES: U.S. DEPARTMENT OF JUSTICE BY: MARCUS S. SACKS, ESQ.)	
C.A. No. 19-1711(UNA) UNITED STATES OF AMERICA, Appellant, V. CENTER CITY HEALTHCARE, LLC, d/b/a) HAHNEMANN UNIVERSITY HOSPITAL, And THOMAS JEFFERSON UNIVERSITY) HOSPITALS, INC., Appellees. Monday, May 16, 2019 3:00 p.m. Teleconference 844 King Street Wilmington, Delaware BEFORE: THE HONORABLE MARYELLEN NOREIKA United States District Court Judge APPEARANCES: U.S. DEPARTMENT OF JUSTICE BY: MARCUS S. SACKS, ESQ.	HAHNEMANN UNIVERSITY HOSPITAL,)	
UNITED STATES OF AMERICA,) Appellant,) v.) CENTER CITY HEALTHCARE, LLC, d/b/a) HANNEMANN UNIVERSITY LL,) And THOMAS JEFFERSON UNIVERSITY) HOSPITALS, INC.,) Appellees.) Appellees.) Monday, May 16, 2019 3:00 p.m. Teleconference 844 King Street Wilmington, Delaware BEFORE: THE HONORABLE MARYELLEN NOREIKA United States District Court Judge APPEARANCES: U.S. DEPARTMENT OF JUSTICE BY: MARCUS S. SACKS, ESQ.) Debtors,))	
<pre>v.) CENTER CITY HEALTHCARE, LLC, d/b/a) HAHNEMANN UNIVERSITY HOSPITAL,) And THOMAS JEFFERSON UNIVERSITY) HOSPITALS, INC.,) Appellees.) Appellees.) Monday, May 16, 2019 3:00 p.m. Teleconference 844 King Street Wilmington, Delaware BEFORE: THE HONORABLE MARYELLEN NOREIKA United States District Court Judge APPEARANCES: U.S. DEPARTMENT OF JUSTICE BY: MARCUS S. SACKS, ESQ.</pre>		IA)
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United States District Court Judge APPEARANCES: U.S. DEPARTMENT OF JUSTICE BY: MARCUS S. SACKS, ESQ.		
U.S. DEPARTMENT OF JUSTICE BY: MARCUS S. SACKS, ESQ.		
BY: MARCUS S. SACKS, ESQ.	APPEARANCES:	
Counsel for the Appellant		
	Counsel for the Appellant	

01:12:40

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1				
2	APPEARANCES CONTINUED:			
3				
4	SAUL EWING ARNSTEIN & LEHR, LLP			
5	BY: MARK MINUTI, ESQ.			
6	Counsel for the Debtor			
7	DRINKER BIDDLE & REATH, LLP			
8	BY: PATRICK A. JACKSON, ESQ. BY: ANDREW KASSNER, ESQ.			
9	Counsel for the Appellee			
10				
11	FOX ROTHSCHILD BY: THOMAS HORAN, ESQ.			
12	-and-			
13	SILLS CUMMIS & GROSS			
14	BY: ANDREW SHERMAN, ESQ.			
15	Counsel for the Official Committee of Unsecured Creditors			
16				
17 18	-0			
10	- 000 - PROCEEDINGS			
20	(REPORTER'S NOTE: The following telephone			
21	conference was held in chambers, beginning at 3:05 p.m.)			
22				
03:05:1923				
03:05:30 24	THE COURT: Good afternoon, counsel. Who is			
03:05:3325	there, please?			

04:20:41 1 need for tail coverage that would permit an illegal sale. 04:20:45 2 In the sale were legal, it wouldn't matter if there was no justification for it. At the same time, if the sale is not 04:20:48 3 legal, it doesn't matter what the justification is. 04:20:51 4 On St. Christopher, the bidding procedures of 04:20:53 5 St. Christopher says, that was just altered today by the 04:20:57 6 04:21:00 7 debtors, that they come in two days, the auction is in three days and the St. Christopher sale hearing on September 23rd, 04:21:04 8 04:21:09 9 one week. If there is really a need to continue to operate 04:21:11 10 St. Christopher until it's sold, we're talking about seven days. That does not require \$55 million. 04:21:15 11 04:21:17 12 Thank you, Your Honor. THE COURT: Okay. Thank you, counsel, for the 04:21:18 13 04:21:2314 arguments today. They were very helpful to me. I have carefully reviewed the proceedings in the Bankruptcy Court 04:21:31 15 04:21:3216 as well as all of the briefs and declarations submitted. 04:21:35 17 And I have considered the arguments presented today. The parties agree that there is a chance that if the case is not 04:21:38 18 04:21:41 19 stayed, the close of the sale of the resident program assets pursuant to the Bankruptcy Court's Sale Order could take 04:21:44 20 place as of 12:01 a.m. tomorrow. That's less than eight 04:21:47 21 hours from now. Thus, in the interest of time, I am going 04:21:51 22 04:21:5523 to rule orally on the government's motion to stay. 04:21:5824 I am granting the motion. 04:22:01 25 Initially, there is no dispute that the Court

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has jurisdiction to consider this motion under 28 United States Code Sections 158(a) and 1334.

04:22:103Pursuant to Rule 8007 of the Federal Rules of04:22:144Bankruptcy Procedure, a party may move to stay the effect of04:22:185a bankruptcy court order pending a resolution on appeal.04:22:216The factors for the court to balance regarding whether to04:22:247issue a stay are:

04:22:25 8 (1) whether the stay applicant has made a strong
04:22:28 9 showing that it is likely to succeed on the merits; (2)
04:22:3110 whether the applicant will be irreparably injured absent a
04:22:3511 stay; (3) whether issuance of the stay will substantially
04:22:3912 injure the other parties interested in the proceeding; and
04:22:4013 (4) where the public interest lies.

 04:22:4114
 And that's from the Hilton v. Braunskill, 481

 04:22:4615
 U.S. 770, 776 (1987).

04:22:5116 Here, the government presented its motion to 04:22:5317 stay orally to the Bankruptcy Court at the end of a long hearing. The Bankruptcy Court did not expressly apply the 04:22:57 18 04:22:5919 four factor test for evaluating whether to grant a stay. The entirety of the Bankruptcy Court's ruling on the motion 04:23:0320 was "I am going to deny the motion.... I do believe, 04:23:0621 04:23:0922 frankly, balancing the harm to the government versus the 04:23:1223 harm to the debtors, it falls clearly within the debtors' 04:23:1624 square here that the harm would occur if I do stay pending 04:23:1925 appeal." The Bankruptcy Court then noted that the

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government had been given seven days to appeal to this court, which the government has done.

04:23:253The District Court applies a clearly erroneous04:23:294standard to the Bankruptcy Court's findings of fact and a04:23:325plenary standard to its legal conclusions.

04:23:346In order to determine whether a stay should04:23:367issue, I consider the four-factor test that has just been04:23:408referenced, and that was presented in the briefing submitted04:23:439and argued here today.

04:23:45 10 As to the first factor, in the Third Circuit, a 04:23:47 11 sufficient degree of success for a strong showing exists if there is "a reasonable chance, or probability, of winning." 04:23:50 12 That's In re Revel AC, Inc., 802 F.3d 558, 568-69 (3d Cir. 04:23:54 13 2015) (quoting the Third Circuit's en banc decision in 04:24:0314 Singer Mgmt. Consultants, Inc. v. Milgram, 650 F.3d 223, 229 04:24:12 15 (3d Cir. 2011). It "is not enough that the chance of 04:24:1716 04:24:18 17 success on the merits be 'better than negligible,'" but that being said, the likelihood of winning on appeal need not be 04:24:20 18 04:24:2319 "more likely than not." That's also from In re Revel AC, Inc., 802 F.3d at 569. The question the Third Circuit asked 04:24:28 20 04:24:31 21 in Revel was "did the applicant make a sufficient showing that...it can win on the merits" by a showing "significantly 04:24:35 22 04:24:3923 better than negligible but not necessarily greater than 50 percent." That's In re Revel AC, Inc., 802 F.3d at 571. 04:24:42 24

Here I find that the government has made a

sufficient showing that it has a "reasonable chance" of 04:24:48 1 04:24:50 2 succeeding on appeal under the Third Circuit standard. In making this finding, I note that the issues on appeal are 04:24:56 3 complex and difficult. The Bankruptcy Court agreed, 04:24:59 4 observing the complexity of the issues on a number of 04:25:02 5 occasions, and offering that they were the type to keep a 04:25:05 6 04:25:09 7 judge awake at night and that the court was at times treading on thin ice. 04:25:13 8

04:25:159Here, the government has asserted at least six04:25:1710bases upon which it asserts that the Bankruptcy Court erred.04:25:2111In the interests of time, I will address two:

04:25:2212The first issue relates to whether the hospital04:25:2413has ceased to provide services to the community under the04:25:2814statute. According to 42 CFR Section 489.52(b)(3), a04:25:3615cessation of business is a termination effective on the date04:25:3916it stopped providing services to the community.

04:25:4317The Debtor argues that the Bankruptcy Court's04:25:4618determination that the hospital was still providing services04:25:4919to the community is a factual finding that will be entitled04:25:5120to deference on appeal under the clearly erroneous standard,04:25:5621and therefore the government is less likely to prevail on04:25:5822the merits of this issue.

04:26:00 23It is undisputed, however, that no doctors and04:26:03 24no patients remain at Hahnemann. All of the former04:26:06 25Hahnemann residents have gone to new hospitals eligible for

temporary funding through the end of their residencies. 04:26:10 1 04:26:11 2 Additionally, the portions of the transcript 04:26:13 3 cited by the Debtor in a footnote in their papers and here on the phone to support its argument that the hospital is 04:26:17 4 still providing services to the community state only that 04:26:20 5 the hospital was providing referral services, forwarding 04:26:24 6 04:26:28 7 copies of medical records, and subletting to other testing 04:26:31 8 services. There is no case law or regulation cited 04:26:35 9 supporting the assertion that such activities meet the 04:26:40 10 "services" of the statutory requirement. And there is a significant question as to whether that is what is covered 04:26:4311 04:26:45 12 in "providing services to the community" in the statute. Thus, I find that CMS has demonstrated substantial 04:26:4913 likelihood that the Bankruptcy Court's finding that the 04:26:5314 04:26:5615 hospital is still providing services to the community was 04:26:5916 clearly erroneous.

04:27:0017The second issue that I will address involves04:27:0218the question of whether the provider agreement is a04:27:0619statutory right that the Debtors are entitled to sell under04:27:0920section 363 or whether it is an executory contract subject04:27:1221to section 365.

04:27:1422The government asserts that the Bankruptcy Court04:27:2023erred in that the Sale Order improperly authorizes the sale04:27:2024of the resident program under the provider agreement free04:27:2325and clear pursuant to section 363 of the Bankruptcy Code,

04:27:27 1 when the provider agreement is an executory contract that 04:27:30 2 cannot be assigned without satisfying the requirements of section 365 to cure defaults, provide adequate assurance of 04:27:33 3 future performance and obtain the consent of CMS. 04:27:38 4 In response, Debtors cite to cases from the 11th 04:27:41 5 Circuit and the 9th Circuit referring to certain Medicare 04:27:44 6 04:27:47 7 agreements as statutory rights. And also the case from the district court in Florida. 04:27:51 8 04:27:52 9 In the Third Circuit, however, in In re 04:27:5610 University Medical Center, 973 F.2d 1065, 1075 (3d Cir. 1992), a Medicare provider agreement was treated as an 04:28:0211 04:28:06 12 executory contract that may be assumed and assigned pursuant to section 365 of the Bankruptcy Code. While in that case, 04:28:10 13 the Third Circuit did not squarely address whether the 04:28:1314 provider agreement was an executory contract, it repeatedly 04:28:1615 04:28:2016 referred to the provider agreement as an executory contract, 04:28:2317 and the entirety of the Court's reasoning as to whether section 365 requirements were met was based on its 04:28:27 18 04:28:31 19 understanding that the provider agreement was an executory 04:28:34 20 contract.

04:28:34 21Moreover, while the Debtor focuses on whether04:28:38 22statutory rights are assignable as a general matter, the04:28:40 23applicable statutes make the reassignment of residency spots04:28:45 24CMS's responsibility to determine based on community need.04:28:48 25And the parties have cited to me no case where the



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assignment of these particular rights or similar ones to them have been approved by a Bankruptcy Court.

04:28:583I thus find that CMS has raised a substantial04:28:594question of whether the Bankruptcy Court erred in applying04:29:025section 363.

04:29:046As to the second factor of the stay analysis,04:29:077the applicant for a stay must "demonstrate that irreparable04:29:128injury is likely in the absence of the stay." That's04:29:179Winters v. Natural Resources Defense Council, Inc., 555 U.S.04:29:21107, 22 (2008).

04:29:2311Irreparable harm is an injury that "cannot be04:29:2512redressed by a legal or equitable remedy following a trial."04:29:3013That is from Novartis Consumer Health, Inc. v. Johnson &04:29:3514Johnson-Merck Consumer Pharms. Co., 290 F.3d 578 at 595 (3d04:29:4115Cir. 2002).

04:29:4216Here, the Court concludes that the government04:29:4417has demonstrated that it will likely suffer irreparable harm04:29:4818in the absence of a stay.

04:29:5019Section 5506 of the ACA requires the Secretary04:29:5620to redistribute the residency slots upon a hospital's04:30:0021closing. The sale here, if closed, however, is likely to04:30:0322prevent the Secretary from exercising that statutory04:30:0623authority and thus violate the Medicare Program laws and04:30:0924regulations.

Moreover, despite the arguments that the

04:30:13 1 government's asserted injuries can be compensated with 04:30:17 2 money, that ignores that the CMS-funded residency slots are 04:30:21 3 limited by statute, making the slots a limited resource that 04:30:23 4 CMS may permanently lose the ability to distribute.

04:30:265And CMS has established that the precedent set04:30:316by the Sale Order - even if not binding in other circuits -04:30:347likely irreparable harms CMS by undermining its authority to04:30:388carry out its responsibilities in redistributing residency04:30:429slots upon the closing of a hospital. Even the Debtors here04:30:4510assert that it should create persuasive authority for other04:30:4911courts to follow.

04:30:50 12 Finally, "where the denial of the stay pending appeal risks mooting any appeal of significant claims of 04:30:5313 04:31:0014error, the irreparable harm requirement is satisfied." 04:31:0315 That's Williams v. Republic (In re Cujas), 376 B.R. 480, 487 04:31:1116 from the Eastern District of Pennsylvania Bankruptcy Court 04:31:15 17 2007. I understand that the risk of mootness is not, by itself, sufficient to demonstrate irreparable harm to 04:31:18 18 04:31:22 19 justify a stay, this risk is a factor that courts may 04:31:2320 consider. As the Third Circuit has stated in Republic of 04:31:2921 Philippines v. Westinghouse Electric Corp., 949 F.2d, 653, 658 (3d Cir. 1991), however, "certainly, the fact that the 04:31:33 22 04:31:3623 decision on the stay may be dispositive of the appeal ... is 04:31:3924 a factor that an appellate court must consider" in determining whether irreparable harm will result from the 04:31:4325

04:31:45 1 **denial of a stay.**

04:32:5625

04:31:462Here, there appears to be a substantial risk of04:31:493mootness.

If the sale goes through, CMS will likely lose 04:31:50 4 its right to pursue an appeal on an important issue 04:31:53 5 affecting the Medicare trust fund and its funding of the 04:31:56 6 04:31:59 7 training of doctors under the residency program. Under the test for mootness in the Third Circuit, absent a stay, the 04:32:01 8 04:32:05 9 vacation of the Sale Order would almost certainly affect the 04:32:0810 validity of the sale. Indeed, even the Debtors have not argued that CMS's rights would be unaffected if the sale is 04:32:11 11 04:32:15 12 permitted to close.

04:32:1613CMS thus has demonstrated that, in the absence04:32:1914of a stay, its appeal on complex and important issues may be04:32:2015rendered moot by events and the passage of time. That04:32:2416favors the grant of a stay.

04:32:2617Having found that the government has made a04:32:2818sufficient showing as to the first two factors, I will turn04:32:3119to the third factor - balancing the equities. This factors04:32:3520calls for "assessing the harm to the opposing party." That04:32:3921is from Nken v. Holder, 556 U.S. 418, 435 (2009).

04:32:4622To do this, the Court must weigh the likely harm04:32:4923to the movant absent a stay against the likely harm to the04:32:5224stay opponent if the stay is granted.

Here, I conclude that entry of a stay will not

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cause Debtors to suffer significant harm.

The Debtors and the Official Committee of 04:33:04 3 Unsecured Creditors argue that a stay would harm them because the Outside Closing Date for the Sale is September 04:33:06 4 19, 2019 and after that date the deal may fall apart. 04:33:09 5 That date, however, appears to be an artificial deadline set by 04:33:14 6 04:33:18 7 the parties to the deal. If the sale is not closed by that 04:33:20 8 date, the parties are not required to abandon it. Neither 04:33:23 9 party, here, has asserted that it will walk away from the 04:33:2610 sale if the September 19 date slips. Jefferson has indicated that it would consider extending the date if it is 04:33:30 11 04:33:34 12 necessary to do so. As the government pointed out in its reply papers, the Asset Purchase Agreement previously filed 04:33:3813 in the Bankruptcy Court defines "Outside Closing Date" as 04:33:41 14 04:33:45 15 "September 6, 2019 or such other date as Seller and 04:33:4616 Purchaser may agree." And the parties have already moved 04:33:50 17 the outside date once.

04:33:5218 Moreover, it appears that Jefferson cannot fill 04:33:5519 any of the residency slots until sometime in 2020. And there is no evidence that the residency slots - which are 04:33:5820 04:34:0121 the asset at issue - will lose value if the stay is granted. 04:34:05 22

The Debtors also claim that the Pennsylvania 04:34:0823 Department of Health may revoke Hahnemann's license, which 04:34:1224 would irreparably harm the Debtors. If the Department of 04:34:15 25 Health, however, is entitled to terminate Hahnemann's

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license because Hahnemann no longer operates, the
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termination of Hahnemann's license by the Pennsylvania
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Department of Health in bankruptcy would not be a
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preventable harm, but merely a state enforcing the law
04:34:32 5
because the hospital does not meet the state's requirements.

04:34:356The Debtors also claim that they are harmed04:34:377because they must continue to provide services at Hahnemann.04:34:408The Bankruptcy Court, however, concluded in the Sale Order04:34:439that Hahnemann is deemed to be doing business as long as the04:34:4610sale is closed within a week of the order becoming effective04:34:4911- which presumably could occur after the stay is lifted.

04:34:5312 Lastly, in balancing the equities, the Debtors 04:34:5613 and the Committee claim that the sale would provide "much-needed liquidity" to market and sell other assets and 04:34:5914 This however is the nature of a bankruptcy 04:35:00 15 pay creditors. proceeding and essentially true in all cases in which a stay 04:35:0416 04:35:0817 of a sale is sought. I am sympathetic to the Debtors' desire to monetize its assets, but there do remain here 04:35:13 18 04:35:17 19 significant issues as to whether it can sell the particular 04:35:20 20 assets at issue.

04:35:2121Finally, the fourth factor that the court04:35:2522considers in a stay analysis is where the public interest04:35:2823lies. Here, the government has demonstrated that the public04:35:3124interest favors granting a stay.

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This case presents substantial issues involving

04:35:381complex regulations and novel arguments. The end result04:35:432could go either way. The Bankruptcy judge recognized this -04:35:493noting as I said before that it was a difficult case and at04:35:504times he was treading on thin ice. Essentially, preserving04:35:545the status quo and giving the parties time to ensure that04:35:596the result is correct is in the public interest.

04:36:007Additionally, as I stated earlier, section 550604:36:048of the Affordable Care Act provides the Secretary with the04:36:089authority to redistribute a closed hospital's permanent04:36:1410Residency Slots by "establishing a process" to "increase the04:36:1711otherwise applicable resident limit...for other hospitals."

04:36:20 12 Thus, by statute, Hahnemann's closure should 04:36:25 13 allow other hospitals to participate in the redistribution 04:36:2914 process. Other hospitals would have an opportunity to increase their own number of resident by applying for 04:36:2915 Residency Slots and articulate why they should be able to 04:36:3316 04:36:3617 expand their respective training programs. It is in the public's interest that other hospitals serving critical 04:36:3818 04:36:42 19 needs have that opportunity.

04:36:44 20In sum, I find that each of the four factors04:36:47 21weighs in favor of granting a stay, and I will grant the04:36:50 22government's motion. Effective immediately, the04:36:52 23effectiveness of the Bankruptcy Court's Sale Order is stayed04:36:56 24pending final resolution of the government's appeal of that04:37:01 25Sale Order.

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So that's my ruling. We will issue a separate 04:37:01 1 04:37:05 2 order should the parties wish to take further action, but is there anything else that we need to address at this moment? 04:37:12 3 MR. SACKS: Not for the United States, Your 04:37:19 4 04:37:21 5 Honor. Thank you. 04:37:23 6 MR. MINUTI: Nothing from the Debtor. Thank you 04:37:25 7 for your time. 04:37:25 8 THE COURT: Okay. 04:37:31 9 MR. SHERMAN: Your Honor, Andrew Sherman for the 04:37:3210 Committee. If Your Honor because of the timing of this would consider expedited nature of the appeal and expedited 04:37:34 11 04:37:40 12 schedules, is that appropriate now, Your Honor or in a 04:37:41 13 separate motion? 04:37:41 14 THE COURT: So the way this works is I have this 04:37:4315 motion because I was the duty judge last week. The case 04:37:4616 will be assigned either to me or to another district court 04:37:4917 judge on Wednesday. So I think that's an issue that should be addressed with the judge that receives the case on 04:37:54 18 04:37:5819 Wednesday. 04:38:00 20 MR. SHERMAN: Thank you, Your Honor. 04:38:0321 THE COURT: Okay. With that, then we'll get the 04:38:07 22 order issued. 04:38:0723 Thank you very much. 24 (Teleconference ended at 4:38 p.m.) 25

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1	I hereby certify the foregoing is a true and accurate transcript from my stenographic notes in the
2	proceeding.
3	/s/ Dale C. Hawkins
4	Official Court Reporter U.S. District Court
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IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE

In re:

CENTER CITY HEALTHCARE, LLC d/b/a HAHNEMANN UNIVERSITY HOSPITAL *et al.*, Chapter 11

Case No. 19-11466 (KG)

(Jointly Administered)

Debtors.

Re: Docket No. 681

STATUS REPORT REGARDING STAY PENDING APPEAL OF HAHNEMANN SALE ORDER ENTERED BY DISTRICT COURT

EXHIBIT 2

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE

N RE: CENTER CITY HEALTHCARE,) LLC, d/b/a HAHNEMANN UNIVERSITY) HOSPITAL, <i>et al.</i> ,)		Chapter 11 Bankruptcy No. 19-11466 (KG)
Debtors.)	(Jointly Administered)
UNITED STATES OF AMERICA,)	
Appellant,)	
v.)	C.A. No. 19-1711 (UNA)
CENTER CITY HEALTHCARE, LLC,		
d/b/a HAHNEMANN UNIVERSITY	ý	
HOSPITAL and THOMAS JEFFERSON)	
UNIVERSITY HOSPITALS, INC.,)	
)	
Appellees.)	

ORDER

At Wilmington this 16th day of September 2019, for the reasons set forth on the record, it is HEREBY ORDERED that:

1. The United States' Emergency Motion for Stay Pending Appeal (D.I. 4) is GRANTED.

2. The Bankruptcy Court's Order Under 11 U.S.C. §§ 105, 106, 363, 365, 503, 507, and 525 (A) Approving Asset Purchase Agreement with Thomas Jefferson University Hospitals, Inc., (B) Authorizing Sale of Certain of Debtor's Assets Free and Clear of Interests, (C) Authorizing Assumption and Assignment of Certain of the Debtor's Executory Contracts, and (D) Granting Related Relief, dated September 10, 2019 (B.D.I. 681) ("Sale Order"), is STAYED pending final resolution of the United States' appeal (D.I. 1) of that Sale Order.

The Honorable Maryellen Noreika United States District Judge