

**UNITED STATES BANKRUPTCY COURT  
MIDDLE DISTRICT OF TENNESSEE**

In re: )  
)  
CURAE HEALTH INC., *et al.* ) Case No. 3:18-bk-05665  
) Chapter 11  
Debtors. ) Judge Charles M. Walker  
)  
) (Jointly Administered)  
)

**Objection deadline: March 26, 2019  
Hearing date: April 9, 2019, 10:00 a.m.,  
Courtroom 2, 701 Broadway, Nashville, TN**

**LIMITED OBJECTION OF CHS/COMMUNITY HEALTH SYSTEMS, INC.  
TO THE STATE OF MISSISSIPPI DIVISION OF MEDICAID’S MOTION TO (I)  
APPROVE ITS ADMINISTRATIVE EXPENSE, AND COMPEL PAYMENT THEREOF,  
AND (II) UPON ANY FAILURE TO PAY THAT THE DEBTOR(S) BE REQUIRED TO  
APPEAR AT A HEARING TO SHOW CAUSE AND FOR THE COURT TO HEAR AND  
CONSIDER WHETHER TO DISMISS OR CONVERT THE PROCEEDINGS**

CHS/Community Health Systems, Inc. (“CHS/”), by and through its undersigned counsel, hereby submits this limited objection (the “Limited Objection”) to the State of Mississippi Department of Medicaid’s Motion to (I) Approve its Administrative Expense, and Compel Payment Thereof, and (II) Upon Any Failure to Pay That The Debtor(s) Be Required to Appear at a Hearing to Show Cause and for the Court to Hear and Consider Whether to Dismiss or Convert the Case (the “Motion”) [Doc. No. 758]. In support of its Limited Objection, CHS/ states as follows:

1. CHS/ is the largest unsecured creditor in this case, with the Debtors owing CHS/ and its affiliates in excess of \$30 million. As set forth in several proofs of claim filed by CHS/ and its affiliates, CHS/’s claims arise out of, among other things, (1) promissory note, term loan, and guaranty obligations incurred by the Debtors in connection with the Debtors’ purchase of the Amory, Batesville, and Clarksdale hospitals from CHS/ in 2017; (2) obligations incurred by the

Debtors in connection with certain transition services agreements entered into between the Debtors and CHS/ and/or its affiliates; and (3) certain contractual guaranty obligations of CHS/ and/or its affiliates arising out the Debtors' default under leases, contracts or other agreements assigned to Debtors in connection with the Debtors' purchase of hospitals from CHS/.

2. In addition, on or around December 13, 2018, following a motion filed by Curae to shut down the Clarksdale hospital, CHS/ and its subsidiary, Clarksdale HMA, LLC, entered into an Interim Management Services Agreement ("IMA") pursuant to which Clarksdale HMA, LLC, as Manager, and CHS/, as Indemnitor, voluntarily agreed to take over operations of the Clarksdale hospital from the Debtors and to bear the financial risk associated with the Clarksdale hospital operations effective December 16, 2018 (the "IMA Effective Date"). The terms of the IMA, which was approved by the Court at Docket No. 558, are incorporated herein by reference.

3. Pursuant to Section 1.4 of the IMA, the Debtors and CHS/ agreed generally that CHS/ would own all revenues generated by the Clarksdale hospital pertaining to items and services rendered after the December 16, 2018 IMA Effective Date and would pay all expenses, invoices, accounts payable, and other obligations of the Clarksdale hospital attributable to the time period after the IMA Effective Date. Likewise, the parties agreed that Curae would own all revenues pertaining to items and services rendered prior to the IMA Effective Date and would pay all expenses, invoices, accounts payable, and other obligations of the Clarksdale hospital attributable to the time period prior to the IMA Effective Date.

4. In its Motion, the Mississippi Department of Medicaid ("DOM") alleges that the Debtors have failed to pay certain Disproportionate Share Hospital ("DSH") tax assessments, Mississippi Hospital Access Program ("MHAP") tax assessments, and Hospital Assessment Tax

(“HAT”) assessments for periods after August 24, 2018. According to the DOM’s Motion, the unpaid tax assessments attributable to the Clarksdale hospital are as follows:

DSH:	\$ 97,168.83
MHAP:	\$281,017.90
HAT:	<u>\$230,542.63</u>
Total:	\$608,729.36

5. Pursuant to the IMA, the Debtors bear responsibility for payment of the foregoing assessments as pre-IMA Effective Date expenses. Likewise, the Debtors should receive the benefit of any corresponding payments from DOM that are attributable to the time period prior to the IMA Effective Date.

6. Furthermore, in its capacity as Manager of the Clarksdale hospital under the IMA, CHS/ has made payments to DOM in excess of \$600,000 (the “CHS/ Funds”). Because the Clarksdale hospital provider number is still owned by Curae, CHS/ understands that DOM requires an Order from the Court to apply the CHS/ Funds to post-IMA Effective Date DSH, MHAP, and HAT assessments attributable to the Clarksdale hospital.

7. In light of the foregoing, CHS/ submits that any order entered on DOM’s motion should provide that (1) the Debtors shall be liable for all DSH, MHAP, and HAT assessments attributable to the pre-IMA Effective Date time period; (2) the Debtors shall have the right to retain all DSH, MHAP, and HAT payments received from DOM attributable to the pre-IMA Effective Date time period; (3) DOM shall apply the CHS/ Funds solely to DSH, MHAP, and HAT assessments attributable to the post-IMA Effective Date time period; and (4) the DOM shall make all DSH, MHAP, and HAT payments attributable to the post-IMA Effective Date time period solely to CHS/ or its designated affiliate (rather than to the Debtors) and CHS/ and/or

its designated affiliate shall have the right to retain all DSH, MHAP, and HAT payments attributable to post-IMA Effective Date time periods consistent with the IMA.

8. To the extent any relief sought in the DOM Motion or any objection thereto is inconsistent with the foregoing, CHS/ objects on the basis that any relief contrary to the relief requested herein would be inconsistent with the IMA previously approved by this Court.

Respectfully submitted,

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### **CERTIFICATE OF SERVICE**

I hereby certify that, on the 26<sup>th</sup> day of March, 2019, notice of the filing of the foregoing was served upon all parties on the electronic service list by operation of the Court's CM/ECF system.

/s/ Paul G. Jennings