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Judge Whitman L. Holt  
Chapter 11

8 **UNITED STATES BANKRUPTCY COURT**  
9 **EASTERN DISTRICT OF WASHINGTON**

10 In re  
11 ASTRIA HEALTH, *el al.*,  
12 Debtors and  
13 Debtors In Possession<sup>1</sup>

Lead Case No. 19-01189  
Jointly Administered  
STATE OF WASHINGTON  
HEALTH CARE AUTHORITY'S  
OBJECTION TO  
CONFIRMATION

14  
15 COMES NOW the State of Washington Health Care Authority (HCA) and  
16 objects to confirmation of the debtors' Second Amended Chapter 11 Plan of  
17 Reorganization, Docket No. 1986, on the grounds that without further  
18 clarification, it does not appear that the plan is feasible within the meaning of 11  
19 U.S.C. §§ 1129(a) (9) and (a)(11). The plan does not appear feasible because  
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24 <sup>1</sup> The Debtors, along with their case numbers, are as follows: Astria Health (19-01189), Glacier Canyon,  
25 LLC (19-01193), Kitchen and Bath Furnishings, LLC (19-01194) Oxbow Summit, LLC (19-01195), SHS Holdco,  
26 LLC (19-01196), SCH Medical Center – Toppenish (19-01190), SCH Medical Center – Yakima (19-01192),  
Sunnyside Community Hospital Association (19-01191), Sunnyside Community Hospital Home Medical Supply,  
LLC (19-01197), Sunnyside Home Health (19-01198), Sunnyside Professional Services, LLC (19-01199),  
Yakima Home Care Holdings, LLC (19-01201), and Yakima HMA Home Health, LLC (19-01200).



1 although the debtors purport to assume two executory contracts with the Health  
2 Care Authority, neither of the contracts are identifiable as Medicaid Core  
3 Provider Agreements and Medicaid Core Provider Agreements are necessary if  
4 the hospitals intend to continue participating in the Medicaid fee-for-service and  
5 other Medicaid reimbursement programs. Additionally, the process described in  
6 the Order (I) Fixing the First Interim Bar Date for Filing Certain Post-Petition  
7 Administrative Expense Claims and (II) Approving the Form of Notice of the  
8 Administrative Expense Claims Bar Date may have left unaccounted for post-  
9 petition claims that were not required to be noted for hearing.

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13 1. Medicaid Core Provider Agreements. On November 25, 2020,  
14 Debtors filed a Notice of Filing of Certain Plan Supplements to the Second  
15 Amended Joint Chapter 11 Plan of Reorganization of Astria Health and Its  
16 Debtor Affiliates (“Plan Supplement”). Exhibit A to the Plan Supplement is a  
17 four page Schedule of Assumed Agreements. There are only two entries  
18 respecting contracts held with HCA. One entry describes a contract held by  
19 Debtor SCH Medical Center – Toppenish as: “10\_17\_18 Final Draft Contract  
20 10 19 18.docx Professional Services Contract” and indicates an Effective Date  
21 of 9/1/2018 and a Cure Amount of \$2,823,612.00. Docket No. 2013 at Exhibit  
22 A, page 8. The other entry describes a contract held by Debtor Astria Health  
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1 (which is not itself a hospital), as: “BasicHealth.pdf Health Care Authority  
2 Basic Health” and indicates an Effective Date of 8/20/2007 and a Cure Amount  
3 of \$775,430.00. Id.  
4

5 Because it is not clear that the Medicaid Core Provider Agreements are  
6 being assumed, HCA must assume that, pursuant to 11 U.S.C. § 365(b)(1), the  
7 Medicare Core Provider Agreements that SCH Medical Center – Toppenish and  
8 Sunnyside Community Hospital Association currently hold with HCA are  
9 rejected. Unless the hospitals negotiate new Medicaid Core Provider  
10 Agreements with HCA, they will not be eligible to participate in Medicaid fee-  
11 for-service and other reimbursement programs related to being a Medicaid Core  
12 Provider and stand to recover significantly less in reimbursement than they had  
13 been recovering as providers of Medicaid services.  
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17 2. Description of Administrative Expense Process Conflicts with  
18 Instructions Set Forth in The Administrative Claims Bar Date Order. Debtors’  
19 plan states:  
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21 Holders of Administrative Claims incurred during the period from and  
22 after the Petition Date until the date of entry of the Administrative  
23 Claims Bar Date Order were required to File and serve a request for  
24 payment of such Administrative Claims and those that did not File and  
25 serve such a request by the Administrative Claims Bar date are forever  
26 barred, estopped, and enjoined from asserting such Administrative  
Claims against the Debtors or their Estates, and such Administrative

1 Claims shall be deemed discharged as of the Effective Date, except as  
2 provided in the Plan.

3 Docket No. 1986 at Section II (D)(1)(b).

4 However, the Order (I) Fixing the First Interim Bar Date for Filing  
5 Certain Post-Petition Administrative Expense Claims and (II) Approving the  
6 Form of Notice of the Administrative Expense Claims Bar Date (Docket No.  
7 1416) did not require that parties file and serve a request for payment of  
8 administrative expense claims. Rather, it required that parties file a pleading,  
9 supported by documentary evidence. Moreover, it specified that creditors are not  
10 required to set the matter for hearing. Specifically, per the Order,  
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14 Each person or entity (including, without limitation, each individual,  
15 partnership, joint venture, limited liability company, corporation,  
16 estate, trust or governmental unit) asserting a claim as defined in §  
17 101(5) against the Debtors that constitutes and Administrative Expense  
18 Claim (other than holders of Excluded Claims) is required to file a  
19 pleading with the Bankruptcy Court on or before the Administrative  
20 Expense Claims Bar Date, in which the creditor indicates the amount  
21 of its asserted Administrative Expense Claim and attaches as an exhibit  
22 all documentary evidence in support of its asserted Administrative  
23 Expense Claim and serve that pleading on counsel for the Debtors. The  
24 creditor is not required to set the matter for hearing.

25 Docket No. 1416 at page 3.

26 Moreover, the instructions in the Notice are that:

In order to assert a timely Administrative Expense Claim, a creditor must  
file a pleading with the Bankruptcy Court at the following address: U.S.  
Bankruptcy Court, P.O. Box 2164, Spokane, WA 99201-2164 via U.S.

1 Mail, in person, or by other hand delivery system, or electronically via the  
2 CM/ECF system at <https://ecf.waeb.uscourts.gov/>, on or before the  
3 Administrative Expense Claims Bar Date, in which the creditor indicates  
4 the amount of its asserted Administrative Expense Claim and attaches as  
5 an exhibit all documentary evidence in support of its asserted  
6 Administrative Expense Claim and serve that pleading on counsel for the  
7 Debtors, whose names and addresses appear in the upper, left-hand corner  
8 of the first page of this Notice. The creditor is not required to set the  
9 matter for hearing.

10 Id. at page 13.

11 Although 11 USC § 503 contemplates that allowance of administrative  
12 expenses entails notice and a hearing, in this case, the court's order specified that  
13 matter need not be set for hearing. As instructed, HCA timely filed its pleadings  
14 by means of proofs of claim designating 11 U.S.C. § 507 (a)(2) as the basis for  
15 administrative priority. Accompanying each of HCA's administrative expense  
16 claims were a Declaration In Support of Washington Health Care Authority's  
17 Administrative Expense Claim and numerous exhibits documenting unpaid  
18 invoices. See Claim No. 95-1 filed in jointly administered case number 19-  
19 01192 and Claim No. 70-1 together with docket number 15, which is the  
20 Supplement to Claim 70-1 filed in jointly administered case number 19-01190.

21 Given that both the Order and the Notice of First Interim Bar Date For  
22 Filing Administrative Expense Claims instructed creditors with administrative  
23 expense claims that they need only file a pleading supported by documentary  
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