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## Interfaith Medical Center files plan to exit bankruptcy

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It was only months ago that the board of Interfaith Medical Center filed a closure plan with the state Department of Health. Now the bankrupt Brooklyn hospital has filed a plan with the court to emerge from Chapter 11, with luck, by May 14. The proposal calls for new management and restructuring to avoid closure.

Interfaith, its major creditors and officials from the state health department and the Dormitory Authority of New York State have spent the past few weeks hammering out a deal to save the hospital and preserve jobs. After a court-ordered mediation, the new plan is seen as the best chance for saving the hospital in some form, perhaps as a downsized facility that is part of a broader health care network. Specifically, the plan envisions reorganizing Interfaith's business by designing programs "to manage or divest assets, improve operations, reduce costs, and restructure." The restructuring plan, which was filed with the bankruptcy court on Friday, hints that Interfaith, based in the Bedford-Stuyvesant neighborhood, will try to tap money from the state's \$8 billion Medicaid waiver. Although the waiver's approval is still being negotiated with the federal government, the bulk of the money in the waiver is set aside for an initiative meant to cut hospital admissions and use of the emergency room. It is formally known as the Delivery System Reform Incentive Payment program. Interfaith said in the filing that it would reform its operations to reduce avoidable hospitalizations, better coordinate patient care and help patients transfer from a hospital to an outpatient setting. The hospital also hinted at its intention to partner, probably with other Brooklyn hospitals and doctors. Its goal is to develop a medical system that coordinates medical care with mental health and social services. The hospital would also cut down on avoidable use of the emergency room by expanding primary care and support services. The road to recovery, if the court approves the plan, would be led by two people who

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have the backing of the hospital's unions, creditors and regulators. Melanie Cyganowski is the new chief restructuring officer. She is a partner at Otterbourg in its creditors' rights and insolvency group, and is a former United States Bankruptcy Judge for the Eastern District of New York. Steven Korf, Interfaith's chief executive officer, will take a break from his current posting as Brookdale's chief operating officer. With Mark Toney, Brookdale's president and chief executive, he is a founding partner of ToneyKorf, a consulting firm that provides interim and turnaround management. The latest proposed debtor-in-possession financing--Interfaith's financial lifeline-- could not be finalized until new leadership was in place. Interfaith has had a parade of leaders in recent years. Last June, Luis Hernandez stepped down as Interfaith's chief executive. Patrick Sullivan, the hospital's senior vice president and chief operating officer since December 2010, took over. Mr. Sullivan announced in early January that he was resigning as chief executive by Jan. 31. The end of Mr. Sullivan's tenure was rocky. In court documents, DASNY wrote that the chief executive's decision was influenced by "the trashing of his office and threats to his personal safety." Mr. Korf, who will report to Ms. Cyganowski, presumably is anticipating a smoother tenure than Mr. Sullivan. For years it was run by Kurrion Shares of America, a consulting firm that has come under criticism for potential conflicts of interest and for mismanagement.