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Acute-Care Hospital Owner Enters Chapter 11

Acadiana Management Group blames its bankruptcy on 'stringent' regulations

By Andrew Scurria

Acadiana Management Group LLC, which runs post-acute-care hospitals across several U.S. states, filed for bankruptcy protection in Louisiana on Friday, blaming a recent tightening of federal reimbursement rules.

The private company, based in Lafayette, La., can't repay more than $50 million owed to creditors after the U.S. Centers for Medicare and Medicaid Services began enforcing new regulations on federal health care spending in September that reduced Acadiana's cash flows, according to bankruptcy documents filed on Friday.

The regulations placed new restrictions on who can qualify as a long-term acute-care patient, while reducing reimbursement rates for nonqualifying individuals, Acadiana co-

owner August J. Rantz IV wrote in a declaration filed with the court. The company cut costs to try to cope with the new federal rules, but it can't continue operating without reducing its long-term debt load, he said.

Before the new regulations went into effect, federal reimbursement practices for long-term acute care had been relatively attractive for those providers, according to an S&P Global Ratings report last year. Doctors had broad discretion to discharge patients for ongoing acute-care treatment such as ventilators, physical rehabilitation or cardiac monitoring. A 25-day patient stay at an acute-care facility yielded an average reimbursement of around $41,000, the report notes.

Now, to curb spiraling Medicare spending on acute care, CMS has imposed new eligibility criteria to qualify for the "attractive" 25-day reimbursement rate, S&P said. Its report predicted that "a material portion" of the 435 long-term acute-care facilities nationwide would close over the next few years as a result.

Acadiana is co-owned by Mr. Rantz and Timothy W. Howard. The company owes $28.8 million to four different lenders under a mortgage loan, $11 million under a second real estate loan and $15 million under bank lines of credit, according to bankruptcy documents. It operates 19 facilities and employs over 1,700 people in states including Indiana, Kansas, Louisiana, New Mexico and Nevada, according to its website.

Mr. Rantz didn't detail the company's strategy for emerging from court protection other than saying that it would involve restructuring Acadiana's long-term debt "to fit the current cash flow" it now receives.

U.S. Bankruptcy Judge Robert Summerhays scheduled a Tuesday morning hearing to consider Acadiana's requests to use its cash to keep payments flowing to employees, insurers and essential vendors. Law firm Gold Weems Bruser Sues & Rundell is acting as counsel in the bankruptcy case, numbered 17-50799.

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