

## PALM DRIVE GETS OK TO EXIT BANKRUPTCY: FEDERAL JUDGE'S DECISION ALLOWS

Published on June 13, 2009

© 2009- The Press Democrat

BYLINE: ROBERT DIGITALE, THE PRESS DEMOCRAT PAGE: B1

After two years in bankruptcy, Sebastopol's Palm Drive Hospital won a federal judge's permission Friday to sell bonds and pay off its creditors.

With the simple words, "The plan is confirmed," U.S. Bankruptcy Judge Alan Jaroslovsky concluded a brief hearing Friday that will allow the publicly owned hospital district to exit bankruptcy.

The district soon will sell \$10 million to \$12 million in bonds, officials said. A portion of the proceeds will pay off about 160 creditors to whom Palm Drive originally owed about \$3.6 million.

The hospital will pay 75 cents on the dollar to creditors owed less than \$10,000 and 55 cents to those owed more. The bonds also will be used to repay a \$3 million loan provided by Sonoma County supervisors.

"It's a great day for the district," said Palm Drive CEO James Russell.

He called the judge's action an important milestone for the hospital's turnaround.

Palm Drive entered bankruptcy in April 2007.

Since then the public hospital district has reopened its intensive-care unit, hired Russell as chief executive officer and opened a primary care outpatient center. It also has added facilities to conduct more complex surgeries, and more recently it began offering medical consulting and diagnosis via robotics and video conferences to other small hospitals.

This year, the hospital, with annual revenues of \$25 million, is operating in the black for the first time since it was purchased by the community in

1999, officials said. The patient census for the 37-bed facility this year has increased about 15 percent over 2008.

Henry Kevane, attorney for the creditors, told Jaroslovsky that all his clients had agreed to the hospital's plans. Later he said the creditors are "very supportive of the district" and want to see it succeed.

"Everybody recognizes these are extremely difficult times for rural hospitals," Kevane said.

Jan Emerson, a vice president with the California Hospitals Association, said half the state's 430 hospitals last year were operating in the red. A large reason is hospitals provided \$10.8 billion in uncompensated care, most of it for services under the state MediCal and federal Medicare systems.

About 72 acute-care hospitals have closed since 1996.

Given such facts, Emerson considered it noteworthy that Palm Drive is able to exit bankruptcy.

"The hospitals in this state are nowhere near stability," she said. "And rural hospitals feel it more acutely because they're not part of larger systems."

Community leaders called Friday's court action extremely good news.

"It's a testament to the community out there fighting for what they believe in," said Efren Carrillo, county supervisor for the west county.

Linda Kelley, Sebastopol's vice mayor and a registered nurse, noted that west county residents have shown they are willing to pay more in taxes to keep Palm Drive alive.

"The community has several times at the election box voiced their support of the hospital continuing," Kelley said.

David Heaslett, Palm Drive's attorney, said the hospital has made a successful turnaround in part by using technology, such as the robotics and a new spine surgery table. Such steps have helped bring in more patients.

Western Sonoma County "is plenty big to support the district, if people use it," he said.

You can reach Staff Writer Robert Digitale at 521-5285 or [robert.digital@](mailto:robert.digital@)