

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF TEXAS  
SHERMAN DIVISION

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IN RE:	§	
	§	
GAINESVILLE HOSPITAL DISTRICT	§	Case No. 17-40101
D/B/A NORTH TEXAS MEDICAL	§	
CENTER, <sup>1</sup>	§	Adv. No. 17-04072
	§	
DEBTOR.	§	Chapter 9
	§	

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**DEBTOR’S MOTION FOR VALIDATION AND APPROVAL OF  
THE UNCOMPENSATED CARE REIMBURSEMENT LIABILITY**

TO THE HONORABLE BRENDA T. RHOADES,  
UNITED STATES BANKRUPTCY JUDGE:

Gainesville Hospital District d/b/a North Texas Medical Center (the “District” or the “Debtor”) and the State of Texas, acting through the Health and Human Services Commission (“HHSC”, and together with the Debtor, the “Parties”) respectfully request entry of an order validating and approving the Notice of Overpayment of Demonstration Year 3 Uncompensated Care Funds and Demand for Refund of Overpayment Amount for Gainesville Memorial Hospital issued by the HHSC dated June 27, 2018 (the “Notice of Overpayment”).<sup>2</sup> In support of the Motion, the Parties submit the following:

1. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 1334 and 157. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

2. On January 17, 2017 (the “Petition Date”), the Debtor filed a voluntary petition for relief under chapter 9 of title 11 of the United States Code (the “Bankruptcy Code”) in the

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<sup>1</sup> The last four digits of the Debtor’s federal tax identification number are: 1664. The location of the Debtor’s principal place of business and the service address for the Debtor is: 1900 Hospital Blvd., Gainesville, TX 76240.

<sup>2</sup> A true and correct copy of the Notice of Overpayment is attached hereto as Exhibit A.

United States Bankruptcy Court for the Eastern District of Texas (the “Bankruptcy Court”), thereby commencing the above-captioned municipal debt adjustment case (the “Case”). The Bankruptcy Court held a hearing on February 28, 2017 on the Debtor’s qualification under the Bankruptcy Code, and on March 1, 2017, the Bankruptcy Court entered its Order for Relief.

3. The Debtor filed its bond validation suit (the “Validation Petition”) in the form of an adversary proceeding entitled the Original Complaint/Petition for Expedited Declaratory Judgment [Adv. Case No. 17-04072, Dkt. No. 1], on July 28, 2017 (the “Validation Petition Date”).

4. The Validation Petition sought to establish and validate the Debtor’s authority to issue limited tax general obligation refunding bonds, from time to time in one or more series as may be necessary (the “Bonds”), pursuant to Chapter 1207 of the Texas Government Code, to restructure and refinance the Debtor’s general or special obligations identified in the Validation Petition (the “Validated Obligations”).

5. After a hearing on the Validation Petition on August 21, 2017, the Court entered the Declaratory Judgment (the “Judgment”) [Adv. Case No. 17-04072, Dkt. No. 22] on August 22, 2017, authorizing the Debtor to issue Bonds to restructure and refinance the Debtor’s Validated Obligations. The Judgment provides, in pertinent part:

(hhh) Upon a satisfactory showing to this Court that the amounts the District is obligated to pay in satisfaction of one or more of the Obligations which, in whole or in part, do not qualify for immediate refunding at the time this Court signs its final judgment prayed for herein, are at that time (1) due and owing in the amounts submitted, (2) sufficiently definite to qualify for refunding under the Refunding Law, and (3) that such amounts do not exceed the “not to exceed” amounts set forth in the Petition, such amounts, by a signed and entered order of this Court, will be deemed legally binding, incontestable liabilities of the District, the District may issue Bonds that meet the requirements of the parameters heretofore established).

6. In connection with the Notice of Overpayment, the Debtor has agreed to pay to HHSC \$204,022.66 (the “Uncompensated Care Reimbursement Liability”).

7. In accordance with the Judgment, the Parties now submit this Motion for the court’s validation and approval of the Notice of Overpayment and the resulting Uncompensated Care Reimbursement Liability as Prepetition and Unpaid Postpetition Obligations.

8. The Parties further submit that the Uncompensated Care Reimbursement Liability is sufficiently definite to qualify for refunding under Article 717k-3 of Vernon’s Annotated Texas Civil Statutes (“717k-3”), which was later codified under Chapter 1207, Texas Government Code (together with its predecessor statute, 717k-3, the “Refunding Law”).

9. The Parties further submit that the Uncompensated Care Reimbursement Liability, hereby classified as Prepetition and Unpaid Postpetition Obligation, does not exceed the “not to exceed” amount set forth for such category in the Judgment.

WHEREFORE, the Parties respectfully request that the Court (a) grant the Motion for validation and approval of the Overpayment Notice and the resulting Uncompensated Care Reimbursement Liability in the amount of \$204,022.66 and (b) order that such amount is deemed a legally binding, incontestable liability of the District and that the District may issue Bonds in a principal amount sufficient to satisfy the Uncompensated Care Reimbursement Liability of \$204,022.66 plus an amount necessary to pay costs of issuance related to such Bonds, that meet the requirements of the parameters established in the Judgment.

Dated: July 10, 2018  
Dallas, Texas

Respectfully submitted,

**NORTON ROSE FULBRIGHT US LLP**

By: /s/ William R. Greendyke,  
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AND

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**COUNSEL FOR THE DEBTOR AND  
DEBTOR-IN-POSSESSION**

**CERTIFICATE OF SERVICE**

The undersigned attorney hereby certifies that a true and correct copy of the foregoing Application was served upon the counsel and parties of record, electronically through the Bankruptcy Court's Electronic Case Filing System on those parties that have consented to such service.

*/s/ Julie Goodrich Harrison*



June 27, 2018

**Certified Mail      7016 1970 0000 8932 8788**

Attention: Joe Thomason, Interim CEO  
Gainesville Memorial Hospital  
1900 Hospital Blvd  
Gainesville, TX 76240-2002

Subject: Notice of Overpayment of Demonstration Year 3 Uncompensated Care Funds and Demand for Refund of Overpayment Amount for Gainesville Memorial Hospital (TPI 121777003)

Dear Mr. Thomason:

The Health and Human Services Commission (HHSC) annually completes a reconciliation of Section 1115 Transformation Waiver Uncompensated Care (UC) payments to allowable costs for each hospital. The reconciliation is required under the Standard Terms and Conditions of the Waiver and ensures that UC payments to a hospital do not exceed the hospital's eligible uncompensated costs of providing services to Medicaid patients and the uninsured. If UC payments exceed eligible costs in the program year of reconciliation, HHSC must recoup the amount of the overpayment.

**Notice of Overpayment of Demonstration Year 3 Uncompensated Care Funds**

The reconciliation of payments to costs in UC Demonstration Year 3 (DY3) indicates that Gainesville Memorial Hospital received payments in excess of allowable UC costs resulting in an overpayment of \$347,627.63.

Since Gainesville Memorial Hospital funded the state share, your hospital will need to return the federal share only of \$204,022.66.

All Funds Amount:	\$347,627.63
State Share:	\$143,604.97
<b>Federal Share:</b>	<b>\$204,022.66</b>

**REMITTANCE:**

Within thirty days of the receipt of this letter, your facility should send a check, payable to Texas HHSC, to one of the following addresses:

**Regular Mail**

HHSC-ARTS  
P.O. Box 149055  
Austin, TX 78714-9055

**Overnight Mail**

HHSC-ARTS  
1106 Clayton Lane, Suite E-240  
Austin, TX 78723

Please let us know if you have any questions or need additional information. Rhonda Hites serves as lead staff on this matter and can be reached at (512) 707-6068 or [rhonda.hites@hhsc.state.tx.us](mailto:rhonda.hites@hhsc.state.tx.us).

Sincerely,



Victoria Grady  
Deputy Director, Rate Analysis Department  
Texas Health and Human Services Commission