

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

In re:)	Chapter 11
)	
MERCY HOSPITAL AND MEDICAL CENTER,)	Case No. 20-01805
<i>et al.</i> ¹)	
)	Honorable Timothy A. Barnes
Debtors-in-Possession.)	
_____)	(Joint Administration Requested)

DECLARATION OF CAROL GARIKES SCHNEIDER
IN SUPPORT OF FIRST DAY MOTIONS

I, Carol L. Garikes Schneider, being duly sworn, declare that the following is true to the best of my knowledge, information and belief:

1. I am the President and Chief Executive Officer (“CEO”) of Mercy Hospital and Medical Center (“Mercy Hospital”), an Illinois not-for-profit corporation. Mercy Hospital operates the general acute care hospital known as Mercy Hospital & Medical Center, located at 2525 South Michigan Avenue, Chicago, Illinois (the “Hospital”). I have served in this role since May of 2013.² I am familiar with Mercy Hospital’s day-to-day operations, business affairs, and books and records.

2. Mercy Health System of Chicago (“Mercy System”), an Illinois not-for-profit corporation, is the sole member of Mercy Hospital.³ Mercy Hospital and Mercy System shall be

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal identification number are: Mercy Hospital and Medical Center (0152) and Mercy Health System of Chicago (3327).

² Although I serve as President and CEO of Mercy Hospital, I am a full time employee of Trinity Health. Trinity Health is the sole member of Mercy System, and Mercy System is the sole member of Mercy Hospital. Trinity Health bills Mercy Hospital on a monthly basis for all of the costs associated with my position as President and CEO of Mercy Hospital. I understand that Trinity Health and Mercy Hospital intend to continue this practice post-petition.

³ Mercy System is also the sole member of Mercy Hospital Foundation, an Illinois not-for-profit corporation. Mercy Hospital Foundation has not filed for Chapter 11 protection.

collectively referred to as the “Debtors”. I am also the President and CEO of Mercy System. I have served in this role since May of 2013 and I am familiar with Mercy System’s day-to-day operations, business affairs, and books and records.

3. I submit this declaration (the “Declaration”) in support of the Debtors’ chapter 11 petitions and the first-day motions in the above-captioned case (collectively, the “First Day Motions”). Except as otherwise indicated herein, all facts set forth in this Affidavit are based on my personal knowledge, my discussions with other members of the Debtors’ senior management, my review of relevant documents, or my opinion, relying on my experience with and knowledge of the Debtors’ operations and financial condition. If I were called to testify, I could and would testify competently to the facts set forth herein. I am authorized to submit this Declaration.

4. Part I of this Declaration describes the Debtors’ business and the circumstances surrounding the commencement of its chapter 11 case. As detailed in Part II of this Declaration, I attest to the truth and accuracy of the relevant facts set forth in the First Day Motions filed concurrently herewith.

BACKGROUND

A. The Chapter 11 Filings

5. On February 10, 2021 (the “Petition Date”), the Debtors commenced with this Court voluntary cases (the “Chapter 11 Cases”) under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101 et seq. (the “Bankruptcy Code”) in an effort to preserve and maximize the value of their chapter 11 estates.

6. The Debtors intend to operate their businesses and to manage their property as debtors in possession under sections 1107(a) and 1108 of the Bankruptcy Code.

7. I am advised by counsel that this Court has jurisdiction over this Chapter 11 Case pursuant to 28 U.S.C. §§ 157 and 1334 and venue is proper in the United States Bankruptcy Court for the Northern District of Illinois pursuant to 28 U.S.C. §§ 1408 and 1409.

8. No request for appointment of a chapter 11 trustee or examiner has been made and, as of the date hereof, no official committee has been appointed.

B. Business and Corporate History of the Hospital and the Debtors

9. The Hospital has 412 authorized beds and offers inpatient and outpatient services.

10. Founded in 1852, the Sisters of Mercy converted an old rooming house into the Hospital, establishing the first chartered hospital in Chicago. The Sisters moved the Hospital south to the Loop in 1863 and then again in 1968 to 2525 South Michigan Avenue, the heart of the South Side of Chicago, where it has stayed for over 50 years.

11. Unfortunately, in the 1990s, the Hospital began to experience financial turmoil. On the brink of closure, the Hospital engaged turnaround experts which implemented a number of short term fixes to keep it open. Nevertheless, the Hospital continued to decline over the next decade as the census at the Hospital decreased, the Hospital's reimbursements decreased, and as the facility aged the capital needs of the Hospital increased exponentially.

12. On April 1, 2012, after being independent for nearly 160 years, the Debtors joined the Trinity Health Corporation ("Trinity") ministry.

13. Trinity, an Indiana nonprofit corporation, is the sole member of Mercy System. Trinity has not filed for Chapter 11 protection.

14. Since its purchase of the Hospital, Trinity: (i) has invested nearly \$130 million in infrastructure improvements at the Hospital; (ii) has provided approximately \$150 million in funding so the Hospital could meet its short-term operating needs; and (iii) has suffered financial statement impairments of more than \$190 million because of the Hospital.

15. Despite all of this support, inpatient discharges at the Hospital have continued to decline as the population served by the Hospital has declined and healthcare has shifted from inpatient services to outpatient services. Inpatient care is being replaced by outpatient care due to advancements in medicine and payor demands. Further, the communities served by the Hospital disproportionately suffer from chronic diseases which can be effectively addressed by creation of more resources for early detection and diagnosis of illnesses and diseases, better care coordination among a multitude of providers to better treat chronic diseases, and more cost effective and accessible urgent care and other outpatient services. The COVID 19 pandemic has further highlighted these disparities.

16. In addition, the large healthcare systems and academic medical centers to the north, south and west of the Hospital adapted by making material investments in outpatient services which, along with new and updated facilities, allowed them to dominate positive consumer opinions in the market and siphon off commercial patients, Medicare patients and outpatients.

17. Conversely, the Hospital has not had the resources to adapt and, as a result, the average daily census at the Hospital has dropped.

18. As of February 9, 2021, there were only 74 inpatients at the Hospital.

C. Events Leading to Chapter 11 Filings

19. Given the financial challenges faced by the Hospital, Trinity began a formal process to identify and assess options to save it. In June of 2016, Trinity and the Board of Directors for the Hospital initiated a comprehensive assessment of Mercy Hospital's service lines, patient perceptions, competitors, payors, and the potential for economic growth. Financial models evaluated sustainability and the capital investment needed to maintain the Hospital's long-term viability and financial modeling was used extensively to determine the Hospital's sustainability under a variety of service reductions and/or reconfigurations. No scenario was financially viable.

20. After Trinity determined that it could not develop a financially sustainable reconfiguration, Trinity began exploring the option of selling or transferring the Hospital to a third party or affiliating with another health system. This work included a comprehensive RFP process that involved over 20 potential partners over an eighteen-month period. Ultimately, none expressed an interest in Mercy Hospital.

21. Guided by the aforementioned realities, the Community Health Needs Assessment compiled by the Alliance for Health Equity, and its own community health needs assessment, the Mercy Hospital Board of Directors, in collaboration with Trinity, ultimately concluded that Mercy Hospital needed to completely transform its care delivery model from an inpatient model to an outpatient model.

22. To that end, in August of 2019, senior management from the Hospital approached the Illinois Department of Healthcare & Family Services (the “Department”) to discuss closure of Mercy Hospital and the transformation of Mercy Hospital to an outpatient care center that will offer preventative and urgent care, diagnostic services, and care coordination. These conversations led the Department to convene a group with Mercy Hospital, St. Bernard Hospital, Advocate Trinity Hospital and South Shore Hospital (collectively, the “South Side Coalition”).

23. In January of 2020, the South Side Coalition members signed a non-binding memorandum of understanding to create an independent health system and build one to two new, state-of-the-art hospitals and three to six outpatient centers to ultimately replace the four hospital facilities.

24. The South Side Transformation Plan was to be funded with public and private commitments over ten years for a total investment of \$1.1 billion. The South Side Transformation Plan was to include a medical group with 140 employed providers (from Mercy Hospital and

Advocate Trinity Hospital) and would have maintained 3,445 jobs in the Community (with retraining and reassignment of health care workers to work in the new centers). Critically, the South Side Transformation Plan requested that the State commit \$520 million over five years as part of the Illinois Hospital Transformation Program funding.

25. During the last few hours of the Spring Legislative Session in May of 2020, however, the Illinois Legislature changed course and elected not to fund the South Side Transformation Plan as part of the funding for the Illinois Hospital Transformation Program. On May 25, 2020, the South Side Coalition notified the Department that there was no path forward. The Coalition subsequently disbanded at the end of May in 2020.

26. Upon the consideration of the foregoing, the Debtors and Trinity made the decision to discontinue the Hospital's categories of service and all of its authorized inpatient beds. The Debtors and Trinity also concluded that an outpatient care center was needed in the community. The care center would offer diagnostic services (including CT, MRI, X-Ray, ultrasound, mammography, echo, bone densitometry), urgent care (non-emergent on-demand medical services), and care coordination (to connect patients with specialty providers, develop care plans, and facilitate access to community services).

27. This care center would have the potential to serve more than 50,000 patients annually, provide access to preventive and early diagnostic services, and help local residents avoid expensive emergency room visits and hospitalizations.

28. On July 30, 2020, the Debtors and Trinity submitted a notice of intent to file an Application for Permit ("Application") with the Illinois Health Facilities and Services Review Board ("Review Board") to discontinue current services at the Hospital, effective as early as

February 1, 2021 and no later than May 31, 2021. The Application was ultimately filed on August 31, 2020.

29. On December 15, 2020, the Review Board issued a Notice of Intent to Deny the Hospital's Application. The Hospital submitted a response on December 18, 2020 setting forth its intent to appear before the Review Board again and to submit additional information about the closure.

30. The Debtors and Trinity are scheduled to appear in front of the Review Board again on March 16, 2021.

31. Since the Debtors and Trinity first filed the Application, losses at the Hospital have accelerated from \$4 million a month to nearly \$9 million in January of 2021. The Hospital has also suffered staffing losses since the Application was filed.

32. The Debtors intend to use the bankruptcy process to reduce the monthly losses at the Hospital, wind-down services, and ultimately close the Hospital on or about May 31, 2021, in a manner that protects the health and safety of the Hospital's patients (all in compliance with State law). The Debtors also intend to continue the various severance, retention, and placement programs for their employees that are currently in place (with Court permission as needed) and to continue their efforts to find medical homes for their patients by working with other area healthcare providers.

33. Assuming the Debtors are able to close the Hospital on or about May 31, 2021, the Debtors intend to file a plan (or make other arrangements to effectuate a transaction) that pays each and every creditor with an allowed claim in full (with the necessary financial support coming from Trinity).

FIRST DAY MOTIONS⁴

34. The relief sought in each First Day Motion (a) enables the Debtors to operate in chapter 11 with minimum disruption to its business or loss of productivity or value and (b) constitutes a critical element in achieving the Debtors' goals of a successful wind-down of operations at the Hospital. Factual information in support of the First Day Motions is provided below and in the Motions filed concurrently herewith. I have reviewed each First Day Motion (including the exhibits thereto) and can attest to the veracity of the facts set forth therein.

A. Administrative and Procedural Matters

1. Debtors' Motion For Extension Of Time To File Schedules And Statement Of Financial Affairs (the "Extension Motion")

35. By the Extension Motion, the Debtors seek an order extending the time by which to file the Schedules and Statements for an additional 21 days to and including March 17, 2021.

36. The Debtors have over 200 creditors and hundreds of other parties in interest. Given the broad reach of the Hospital, the Debtors have not had a sufficient opportunity to gather the necessary information to prepare and file their Schedules and Statements.

37. Although the Schedules and Statements were not filed with the Debtors' petitions, attached to the Debtors' petitions was a list containing the names and addresses of their thirty largest, unsecured, creditors. The Debtors also filed their creditor matrix along with their petitions.

38. The Debtors have already commenced the extensive process of gathering the necessary information to prepare and finalize the Schedules and Statements, but believes that the fourteen-day period to file the Schedules and Statements provided by Bankruptcy Rule 1007(c) will not be sufficient to permit completion of the Schedules and Statements.

⁴ Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the respective First Day Motion.

39. Consequently, the Debtors estimate that, at this juncture, it will require an additional 21 days (for a total of 36 days), to and including March 17, 2021, by which to file their Schedules and Statements. The Debtors thus request that the Court establish March 17, 2021 as the date on or before which each must file their Schedules and Statements, without prejudice to the Debtors' right to seek any further extensions from this Court, or to seek a waiver of the requirement of filing certain schedules.

40. For the foregoing reasons, the Debtors submit, and I believe, that the relief requested in the Extension Motion is in the best interest of the Debtors, their estates and their creditors, and therefore should be approved.

2. Debtors' Motion For Entry of An Order Directing Joint Administration of Related Chapter 11 Cases (the "Joint Administration Motion")

41. By the Joint Administration Motion, the Debtors request entry of the Proposed Order, pursuant to section 105(a) of the Bankruptcy Code and Bankruptcy Rule 1015, directing the joint administration and consolidation of the Chapter 11 Cases for procedural purposes only.

42. Many of the motions, applications, hearings, and orders that will arise in these Chapter 11 Cases will jointly affect the Debtors. More importantly, the Hospital and Mercy Health's finances are intertwined. For these reasons, the joint administration of these Chapter 11 Cases – for procedural purposes only – would best serve the interests of the Debtors, their creditors, and other parties in interest, and will allow for an efficient and economical administration of the Chapter 11 Cases.

43. For the foregoing reasons, the Debtors submit, and I believe that the relief requested in the Joint Administration Motion is in the best interest of the Debtors, their estates and their creditors, and therefore should be approved.⁵

B. Business Operations

1. Debtors' Motion For Order (A) Prohibiting Utilities From Altering, Refusing Or Discontinuing Services On Account Of Prepetition Invoices, (B) Deeming Utilities Adequately Assured of Future Payment And (C) Establishing Procedures For Determining Requests For Additional Adequate Assurance (the "Utility Motion")

44. By the Utility Motion, and to ensure continued provision of utility services (the "Utility Services") to the Hospital, the Debtors seek entry of an order prohibiting utility providers from altering or discontinuing service on account of prepetition invoices, deeming utilities adequately assured of future payment and establishing procedures for determining adequate assurance of payment for future utility payments. The Debtor proposes to establish a segregated account into which the Debtors will deposit a sum equal to approximately half of the Debtors' estimated monthly costs for Utility Services (collectively, the "Utility Deposit") and, additionally, has proposed procedures to address any request made by the Utility Companies for additional adequate assurance (as set forth in the Utility Motion, the "Procedures").

45. In the normal conduct of its business operations, the Debtors incur utility expenses for water, sewer service, electricity, natural gas, telephone service, internet service, waste management service and other services (collectively, "Utility Costs"). Approximately 12 utility providers (as such term is used in section 366 of the Bankruptcy Code, collectively, the "Utility

⁵ For the same reasons, Debtors submit, and I believe that the relief requested in the Motion For Entry Of An Order (I) Authorizing Consolidated Creditors Lists, (Ii) Authorizing Redaction Of Certain Personal Identification Information, (III) Limiting The Scope Of Notice, And (IV) Approving The Form And Manner Of Notifying Creditors Of The Commencement Of The Chapter 11 Cases And Other Information is in the best interest of the Debtors, their estates and their creditors, and therefore should be approved.

Providers”) provide these services. The Utility Providers are listed on Exhibit A of the Utility Motion and incorporated by reference herein (the “Utility Service List”).⁶ The Utility Providers do not include parties that are obligated to provide services to the Debtors pursuant to the terms of a contract.

46. On average, the Debtors spend approximately \$298,875 each month on Utility Costs.

47. Uninterrupted utility services are essential to the Debtors’ ongoing hospital operations and the provision of care to its patients and, therefore, to the success of this Chapter 11 Case. Simply put, without utility services, the Debtors’ operations will shut down.

48. Based upon cash flow from operations and liquidity under its proposed postpetition financing arrangement with Trinity, the Debtors expect to have ample liquidity to pay timely all postpetition obligations owed to their Utility Providers.

49. Nevertheless, to provide additional assurance of payment for future services to the Utility Providers, the Debtors will deposit \$149,437.50 (the “Utility Deposit”) into a newly created, segregated account within 20 days of the Petition Date (the “Utility Deposit Account,” and together with the proposed postpetition financing and cash flow from operations, the “Proposed Adequate Assurance”). This amount represents a sum equal to 50% of the Debtors’ estimated aggregate monthly cost of utility service. The Debtors submit that the Proposed Adequate Assurance provides protection well in excess of that required to grant sufficient adequate assurance to the Utility Providers.

⁶ Although the Debtors believe that the Utility Service List includes all of the Hospital’s Utility Providers, the Debtors reserve the right, without the need for further order of the Court, to supplement the Utility Service List if any Utility Provider has been omitted. Additionally, the listing of an entity on the Utility Service List is not an admission that such entity is a utility within the meaning of section 366 of the Bankruptcy Code, and the Debtors reserve the right to contest any such characterization in the future.

50. Notwithstanding the Proposed Adequate Assurance, if a Utility Provider is not satisfied that the establishment of the Utility Deposit Account provides adequate assurance of future payment, the Debtors propose the following procedures (the “Procedures”) under which the Utility Provider may make additional requests for adequate assurance:

- a. If a Utility Provider is not satisfied with the assurance of future payment provided by the Debtors, the Utility Provider must serve a written request setting forth the location at which the given utility services are provided, the account number(s) for such location, the outstanding balance for each account and a summary of the Debtors’ payment history in each account (each, a “Request”).
- b. The Request must be served upon the Debtors’ counsel at the following addresses: Foley & Lardner LLP, 321 N. Clark Street, Suite 2800, Chicago, Illinois 60654-5313, Attn.: Edward J. Green so that it is actually received within thirty (30) days of the date of the order granting this Motion (the “Request Deadline”).
- c. Without further order of the Court, the Debtors may enter into agreements granting additional adequate assurance to a Utility Provider serving a timely Request if the Debtor in its discretion determines that the Request is reasonable or if the parties negotiate alternate consensual provisions.
- d. If the Debtors believe that a Request is unreasonable, the Debtors shall file a motion pursuant to section 366(c) of the Bankruptcy Code (a “Determination Motion”) within 30 days after the Request Deadline. The Determination Motion shall seek a determination from the Court that the Utility Deposit account, plus any additional consideration offered by the Debtors, constitutes adequate assurance of payment. Pending notice and a hearing on a Determination Motion, the Utility Provider that is the subject of the Determination Motion may not alter, refuse or discontinue services to the Debtor or recover or set off against a prepetition deposit.
- e. Any Utility Provider that fails to make a timely Request shall be deemed to be satisfied that the Debtors’ Adequate Assurance provides adequate assurance of payment to such Utility Provider within the meaning of section 366 of the Bankruptcy Code, and shall further be deemed to have waived any right to seek additional adequate assurance during the course of this Chapter 11 Case.

51. To the extent the Debtors subsequently identify additional providers of utilities, the Debtors seeks authority, in its sole discretion, to amend the Utility Service List to add or remove any Utility Provider. The Debtors will serve a copy of this Motion, along with the applicable portion of the amended Utility Service List and any order entered in connection with this Motion

to those Utility Providers that are subsequently added to the Utility Service List. Any subsequently added Utility Provider that objects to the Debtors Adequate Assurance will be subject to the Procedures and must file a Request within 30 days of being served with the relevant order

52. The proposed Procedures are necessary in these Chapter 11 Cases. If they are not approved, the Debtors could be forced to address numerous requests by their Utility Providers in a disorganized manner during the critical first weeks of the case. Moreover, the Debtors could be blindsided by a Utility Provider unilaterally deciding—on or after the 30th day following the Petition Date—that it is not adequately protected and discontinuing service or making an exorbitant demand for payment to continue service. Discontinuation of Utility Service could essentially shut down operations, and any significant disruption of operations could put these Chapter 11 Cases in jeopardy.

53. For the foregoing reasons, the Debtors submit, and I believe, that the relief requested in the Utility Motion is in the best interest of the Debtors, their estates and their creditors, and therefore should be approved.

2. Debtors' Motion For An Order (A) Authorizing The Debtors To Pay Pre-Petition Wages, Salaries, Employee Benefits And Other Pre-Petition Employee Obligations And (B) Directing All Banks To Honor Pre-Petition Checks For Payment Of Pre- Petition Employee Obligations (the "Employee Wage Motion")

54. By the Employee Wage Motion, the Debtors are seeking authority to (i) pay, in their sole discretion, the various prepetition employee obligations of the Debtors including, but not limited to, the Employee Compensation and Reimbursement Claims, the Employee Benefit Claims and the Payroll Taxes (each as defined in the Employee Wage Motion, and collectively, the "Employee Obligations") and all costs incident to such obligations; and (ii) continue providing post-petition the programs and employee benefit plans described in the Employee Wage Motion. To effectuate such relief, the Debtors also seek an order authorizing and directing all banks to

honor all checks issued and transfers requested with respect to the Employee Obligations to the extent sufficient funds are on deposit and authorize the Debtors to issue new post-petition checks, or to effectuate new post-petition transfer requests, to replace any dishonored or rejected pre-petition check issued or transfer requested on account of such obligations.

55. As a healthcare provider, the Debtors' employees are essential to the success of its business and the welfare of its patients. Mercy Hospital prides itself on the excellent service provided to its patients, and critical to its operations are its employees. The employees, which are integral to every aspect of its business, may include doctors, nurses, radiology technicians, dieticians, pharmacists, security personnel, housekeeping staff, material management personnel, engineers, information technology specialists, financial and accounting personnel, medical record keepers, human resource personnel, administrators and staff (the "Employees").

56. On the Petition Date, Mercy Hospital owed its Employees wages that were earned within 180 days of the Petition Date. The Debtors believe that it is absolutely vital that they pay the pre-petition wages and business expenses of their Employees, honor other employee benefits and continue to contribute to the Employees' benefit plans to adequately incentivize the Employees and deter defections to other medical offices. The Debtors believe that if this Motion is not granted, their efforts to maximize value for creditors, and possibly the care of their patients, could be placed in jeopardy.

57. As of December 31, 2020, the Hospital employed 1,350 employees of which 1,024 were full time employees. Mercy Hospital also has contracts and/or service relationships with physician groups and practices.

58. Debtors estimates that they incur approximately \$12,637,356.00⁷ a month in Employee Obligations. An itemized list of these obligations is attached to the Employee Wage Motion as Exhibit A and incorporated herein by reference. The Employee Obligations include, without limitation, the following:

i. Wages and Salaries

59. Mercy Hospital meets its payroll obligations on a bi-weekly basis, paying all employees every other Friday. The Employees were last paid on February 5, 2021 for the bi-weekly pay period ending on January 30, 2021. Mercy Hospital believes it only owes one individual Employee in excess of \$13,650 in pre-petition wages.⁸

60. There may also be additional prepetition obligations of the Hospital resulting from checks that were previously issued to Employees but which have not yet been presented for payment or may not have cleared through the Trinity banking system. Accordingly, the aggregate amount of Prepetition Wages that have not yet been paid to the Employees would include all pay periods prior to the Petition Date.

61. The Debtors' Employee Obligations also include obligations to physician contractors. The continued services of these contractors are critical to the Mercy Hospital's continued operation and to its ability to provide patient care. Indeed, without the continued service of these contractors, Mercy Hospital would not be able to operate, and patients' lives would be at risk.

62. By this Motion, the Debtors seek an order authorizing them to pay all outstanding prepetition wages, salaries, and other compensation owed to the Employees, and to direct the bank to recognize and honor such checks and direct deposits.

⁷ Trinity processes payroll for Mercy Hospital.

⁸ One of the Physicians has a net pay slightly over this amount.

ii. Overtime, Holiday Pay, Flexible Spending and Paid Leave

63. Non-exempt, hourly employees are subject to the minimum wage and overtime provisions of the Fair Labor Standards Act. Under these provisions, non-exempt Employees are paid one-and-one-half times their regular rate for hours worked in excess of weekly and/or daily limits as defined by applicable state regulations, holiday pay, hours worked remotely, and hours worked when called-in at times not ordinarily scheduled. In addition, Employees receive shift differentials for shifts worked during the evenings, at night, on weekends and based on other criteria.

64. Mercy Hospital also provides its Employees with a health care flexible spending account. With the flexible spending account, Employees can pay for their out of pocket medical expenses for medical services that are incurred during the plan year. Mercy Hospital also offers a dependent care reimbursement account.

65. All full-time and part-time non-union Employees who work at least 16 hours per pay period earn paid time off (“PTO”). These Employees accrue a certain amount of PTO based on the duration of their employment. The Debtors plan to honor current policies in place regarding approving PTO and paying out time to Employees who resign or are terminated. Employees also have an extended illness benefit (also referred to as a “sick bank”). Debtors seek Court approval to allow these types of policies to remain intact.

iii. Expense Reimbursement

66. In the ordinary course of their duties on the Hospital’s behalf, various Employees may have, prepetition, incurred certain business expenses for which they are customarily reimbursed by the Debtors. The Debtors seek authority to reimburse Employees for the prepetition Reimbursement Expenses.

iv. Health Insurance, Union and Retirement Obligations

67. In the ordinary course of business, the Debtors deduct certain amounts from Employees' paychecks in each pay period (the "Deductions").

68. Mercy Hospital offers its Employees a comprehensive health insurance program. The Hospital also offers long-term disability group insurance as well as related benefits.

69. The deductions are made from the Employees' paychecks and transferred directly to the third-party benefit providers and/or government agencies in accordance with the payment schedules established by such providers and/or agencies. The Debtors seek authority to pay these Deductions to government agencies or third-party benefit providers as necessary.

70. Mercy Hospital also has two collective bargaining agreements covering approximately 143 union employees between the International Union of Operating Engineers, Local 399 and the Health Care, Professional, Technical, Office, Warehouse and Mail Order Employees Union, Local 743. In the ordinary course of business, the Debtors deduct union dues from the pay of certain eligible Employees. The Debtors remit the dues deducted from the eligible Employees' pay to the union.

v. Workers' Compensation

71. The Debtors provide workers' compensation benefits to the Employees. Each month, Mercy Hospital pays for workers' compensation coverage. It is critical that the Hospital is permitted to continue its workers' compensation program and to pay pre-petition claims, assessments and premiums because alternative arrangements for workers' compensation coverage would certainly be more costly and the failure to provide coverage may subject the Debtors to harsh remedies

vi. Payroll Taxes

72. The Debtors are required by law to withhold from their Employees' wages amounts related to federal, state, and local income taxes, as well as social security and Medicare taxes

(collectively, the “Withholding Taxes”), and to remit the same to the appropriate taxing authorities (collectively, the “Taxing Authorities”).

73. In addition, the Debtors are required to make matching payments from their own funds on account of social security and Medicare taxes, and to pay, based on a percentage of gross payroll and subject to state-imposed limits, additional amounts to the Taxing Authorities for, among other things, state and federal unemployment insurance (collectively, the “Employer Payroll Taxes” and, together with the Withholding Taxes, the “Payroll Taxes”).

vii. Physician Contracts

74. The Debtors seek authority to satisfy the recently incurred prepetition claims of these contractors.

viii. Authority for Banks to Honor and/or Reissue Checks

75. To the extent necessary, the Debtors also request entry of an Order directing financial institutions to honor all outstanding checks and electronic wire transfer requests evidencing obligations described above.

76. For the foregoing reasons, the Debtors submit, and I believe, that the relief requested in the Employee Wage Motion is in the best interest of the Debtors, their estates and their creditors, and therefore should be approved.⁹

CONCLUSION

77. In conclusion, for the reasons stated herein and in each of the First Day Motions filed concurrently or in connection with the commencement of this case, I respectfully request

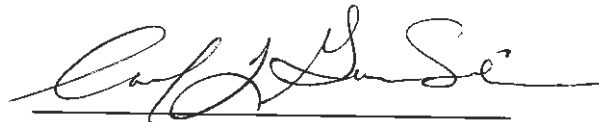
⁹ Nothing contained herein shall be deemed to be an admission regarding the existence or amount of liability for any obligations described herein.

that each of the First Day Motions be granted in its entirety, together with such other and further relief as this Court deems just and proper.

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Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

Chicago, Illinois
Dated: February __, 2021



Carol L. Garikes Schneider
President and Chief Executive Officer
Mercy Hospital and Medical Center