UNITED STATES BANKRUPTCY COURT SOUTHERN DISTRICT OF FLORIDA FORT LAURDERDALE DIVISION www.flsb.uscourts.gov

In re: Chapter 11 Cases

DELPHI BEHAVIORAL HEALTH PDR GROUP LLC, et al.,¹ Case No. 23-10945 (PDR)

Debtors.

FIRST REPORT OF JOSEPH J. TOMAINO AS PATIENT CARE OMBUDSMAN

I, Joseph J. Tomaino, the duly appointed Patient Care Ombudsman ("PCO") appointed by the United States Trustee pursuant to an order of the Court entered in the above-captioned bankruptcy cases, file this first report pursuant to 11 U.S.C. § 333 (b)(2). This case involves Delphi Behavioral Health Group, LLC, et. Al. ("Delphi") a provider of residential and outpatient services for persons with substance use disorder in multiple states. Delphi filed for Chapter 11 bankruptcy on February 6, 2023 (Doc. 1)

On February 17, 2023, the Bankruptcy Court entered an order directing the appointment of a Health Care Ombudsman (Doc. 105). On the same date, the United States Trustee appointed Joseph Tomaino to serve as Patient Care Ombudsman (Doc. 107, 108).

On April 3, 2023, a notice of the first patient care ombudsman report was filed (Doc. 334).

¹ The address of the Debtors is 1901 West Cypress Creek Road, Suite 500, Fort Lauderdale, FL 33309. The last four digits of the Debtors' federal tax identification numbers are: (i) Delphi Behavioral Health Group, LLC (2076), (ii) 61 Brown Street Holdings, LLC (0007), (iii) Aloft Recovery LLC (6674), (iv) Banyan Recovery Institute, LLC (6998), (v) Breakthrough Living Recovery Community, LLC (5966), (vi) California Addiction Treatment Center LLC (7655), (vii) California Vistas Addiction Treatment LLC (8272), (viii) DBHG Holding Company, LLC (6574), (ix) Defining Moment Recovery Community, LLC (3532), (x) Delphi Health BuyerCo, LLC (2325), (xi) Delphi Health Group, LLC (0570), (xii) Delphi Intermediate HealthCo, LLC (6378), (xiii) Delphi Management LLC (6474); (xiv) Desert View Recovery Community, LLC (7437), (xv) DR Parent, LLC (2700), (xvi) DR Sub, LLC (8183), (xvii) Las Olas Recovery LLC (9082), (xviii) Maryland House Detox, LLC (1626), (xix) New Perspectives, LLC (0508), (xx) Next Step Housing LLC (6975), (xxi) Ocean Breeze Detox, LLC (7019), (xxii) Ocean Breeze Recovery, LLC (9621), (xxiii) Onward Living Recovery Community, LLC (4735), (xxiv) Palm Beach Recovery, LLC (4459), (xxv) Peak Health NJ, LLC (7286), (xxvi) QBR Diagnostics, LLC (7835), (xxvii) Rogers Learning, LLC (1699), (xxviii) SBH Haverhill, LLC (0971), (xxix) SBH Union IOP LLC (4139), (xxx) Summit at Florham Park, LLC (8226), (xxxi) Summit Behavioral Health Limited Liability Company (3337), (xxxii) Summit Health BuyerCo, LLC (2762), (xxxiii) Summit IOP Limited (4567), and (xxxiv) Union Fresh Start LLC (6841).

Approach

On February 23, 2023, the PCO had an introductory call with debtor and debtor's counsel. During this call, he reviewed the PCO role and established which sites remained in operation, and how the sites which were no longer in operation were closed. The Delphi staff who participated in the call described how operations were decreased over a period of weeks at each of the sites and that care was completed before closure. After-care arrangements were made. Medical records were mostly in electronic format, with some paper records as well as some legacy paper records. Delphi staff reported that arrangements are being made for archiving the records and pre-payment for required storage period and for making records available to patients. These plans remain under development and finalization. Delphi staff also reported that it maintained departmental personnel to handle medical records through the transition.

A process was set up for arranging site visits with the three locations which continue to be in operation—two in New Jersey and one in Massachusetts. Delphi staff agreed to post the PCO contact information in each of these operating locations.

On February 28, 2023, the PCO participated in a hearing during which the status of the medical records was discussed. The PCO reported that he has been and will continue to be engaged with debtor's counsel as retention of medical records is planned to ensure that they are kept secure and will be accessible to patients for required time periods depending on applicable laws.

A summary of the closed and open facilities at the time of initiation of PCO services is listed below:

Closed Facilities Summary:

State: Florida

Name of Program: Ocean Breeze Detox, LLC

Address: 8401 South Palm Drive, Pembroke Pines, FL. 33205

Types of Services Provided: Residential Level 1 Mental Health Services

Licensure (State, Agency, Number): 1045968; Florida Department of Children and Families

Capacity of Program: 36 Beds

Date program ceased operations (if applicable): By time of PCO appointment.

Disposition of medical records: Secure and final disposition planning in process.

State: Florida

Name of Program: Ocean Breeze Detox, LLC

Address: 8401 South Palm Drive, Pembroke Pines, FL. 33205

Types of Services Provided: Inpatient Detoxification

Licensure (State, Agency, Number): 1046163; Florida Department of Children and Families

Capacity of Program: 28 Beds

Date program ceased operations (if applicable): By time of PCO appointment.

Disposition of medical records: Secure and final disposition planning in process.

State: Florida

Name of Program: Palm Beach Recovery, LLC

Address: 310 10th Street; West Palm Beach, FL 33401-3318

2 Sites: Palm Beach Institute, Site 310 and Site 314

Types of Services Provided: Day or Night Treatment

Licensure (State, Agency, Number): 1046224; Florida Department of Children and Families

Capacity of Program: n/a

Date program ceased operations (if applicable): By time of PCO appointment.

Disposition of medical records: Secure and final disposition planning in process.

State: Florida

Name of Program: Palm Beach Recovery, LLC

Address: 1017 N. Olive Avenue, West Palm Beach, FL 33401

Site: Palm Beach Institute 1017

Types of Services Provided: Inpatient Detoxification

Licensure (State, Agency, Number): 1045309; Florida Department of Children and Families

Capacity of Program: Bed capacity: 7 for license expiration 9/29/2023 and 9

for license expiration 9/29/2020

Date program ceased operations (if applicable): By time of PCO appointment.

Disposition of medical records: Secure and final disposition planning in process.

State: Florida

Name of Program: Palm Beach Recovery, LLC

Address: Sites: 1. Palm Beach Institute Site 310.

310 10th Street, West Palm Beach, FL. 33401-

3318

2. Palm Beach Institute Site 314

314 10th Street, West Palm Beach, FL. 33401

3. Family Recovery Specialist

9350 SW 72 Street, Ste 175, Miami, FL 33173

Types of Services Provided: Intensive Outpatient Treatment

Licensure (State, Agency, Number): 1045584; Florida Department of Children and Families

Capacity of Program: n/a

Date program ceased operations (if applicable): By time of PCO appointment.

Disposition of medical records: Secure and final disposition planning in process.

State: Florida

Name of Program: Palm Beach Recovery, LLC

Address: 1017 N. Olive Avenue, West Palm Beach, FL 33401

Site: Palm Beach Institute 1017

Types of Services Provided: Residential Level 1

Licensure (State, Agency, Number): 1045308; Florida Department of Children and Families

Capacity of Program: Bed capacity: 31 for license expiration 9/29/2023 and

23 for license expiration 9/29/2020

Date program ceased operations (if applicable): By time of PCO appointment.

Disposition of medical records: Secure and final disposition planning in process.

State: Florida

Name of Program: Palm Beach Recovery, LLC

Address: 9350 SW 72nd Street, Ste 175

Site: Family Recovery Specialist

Types of Services Provided: Outpatient Treatment

Licensure (State, Agency, Number): 1046581; Florida Department of Children and Families

Capacity of Program: n/a

Date program ceased operations (if applicable): By time of PCO appointment.

Disposition of medical records: Secure and final disposition planning in process.

State: California

Name of Program: California Addiction Treatment Center, LLC

Address: California Highlands Addiction Treatment, 15986 S. Highland Springs

Ave.

Banning, California 92220

Types of Services Provided: Inpatient Detoxification, Incidental Medical Services, Recovery

and Treatment Services

Licensure (State, Agency, Number): 330135AP, State of California Department of Health

Services

Capacity of Program: 16

Date program ceased operations (if applicable): By time of PCO appointment. Disposition of medical records: Secure and final disposition planning in process.

State: California

Name of Program: California Addiction Treatment Center, LLC

Address: California Vistas Addiction Treatment, 3875 Peony Drive

Fallbrook, California 92028

Types of Services Provided: Inpatient Detoxification, Incidental Medical Services, Recovery

and Treatment- (Low Intensity Residential Services; Residential

Withdrawal Mgt, High Intensity Residential Services)

Licensure (State, Agency, Number): 370168AP, State of California Department of Health

Services

Capacity of Program: 6

Date program ceased operations (if applicable): By time of PCO appointment. Disposition of medical records: Secure and final disposition planning in process.

State: California

Name of Program: California Addiction Treatment Center, LLC Address: Desert View Recovery, 70-115 Highway 111

Rancho Mirage, California 92270

Types of Services Provided: Outpatient Services and Intensive Outpatient

Licensure (State, Agency, Number): 330135BP, State of California Department of Health

Services

Capacity of Program: n/a

Date program ceased operations (if applicable): By time of PCO appointment. Disposition of medical records: Secure and final disposition planning in process.

State: Maryland

Name of Program: Maryland House Detox, LLC

Address: 817 South Camp Meade Road, Linthicum Heights, MD. 21090

Types of Services Provided: Outpatient Services and Intensive Outpatient

Licensure (State, Agency, Number): 190204974, Withdrawal Management Service

190204976, Residential – Intensive Inpatient Program

Capacity of Program: 16

Date program ceased operations (if applicable): By time of PCO appointment.

Program Director and contact information (if operating): n/a

Disposition of medical records: Secure and final disposition planning in process.

State: New Jersey

Name of Program: Summit at Florham Park

Address: 83 Hanover Avenue, Ste 140-160, Florham Park, NJ 07932 Types of Services Provided: Outpatient Substance Abuse Treatment Facility

(Co-occurring treatment, outpatient treatment, intensive

outpatient treatment, partial care services)

Licensure (State, Agency, Number): 2000536

Capacity of Program: n/a

Date program ceased operations (if applicable): By time of PCO appointment. Disposition of medical records: Secure and final disposition planning in process.

State: New Jersey

Name of Program: SBH Union IOP, LLC

Address: 2780 Morris Avenue, Suite 2D, Union, NJ 07083

Types of Services Provided: Outpatient Substance Abuse Treatment Facility

(Partial care, intensive outpatient, outpatient, co-occurring

treatment)

Licensure (State, Agency, Number): 2000591

Capacity of Program: n/a

Date program ceased operations (if applicable): By time of PCO appointment. Disposition of medical records: Secure and final disposition planning in process.

II. Facilities Which Are in Operation

State: New Jersey

Name of Program: Serenity at Summit

Address: 1000 Galloping Hill Road, Union, NJ 07083

Types of Services Provided: Medical Detox, Residential Treatment, Family Programs

Licensure (State, Agency, Number): 1000094, NJ Department of Health

Capacity of Program:

Date program ceased operations (if applicable):

Program Director and contact information (if operating):

Disposition of medical records:

Description of Care Model (if operating):

Continuum of Care, Holistic Addiction Treatment, Behavioral Therapy, Group/Family

Therapy, Life Skill Training, Stress Management, Acupuncture

Description of Staffing Model (if operating): Mix of physician/ mid-level providers, nurses, and counselors

State: **New Jersey**

Name of Program: Serenity at Summit

Address: 4065 Quakerbridge Road, Princeton Junction, NJ 08550 Types of Services Provided: Outpatient Treatment, Intensive Outpatient

(Behavioral Therapies, Dual Diagnosis, 12 Step Programs, Adolescent Treatment Program), Client Care Coordination

Licensure (State, Agency, Number): 2000448, NJ Department of Health

Capacity of Program:

Date program ceased operations (if applicable):

Program Director and contact information (if operating):

Disposition of medical records:

Description of Care Model (if operating):

Therapies include Cognitive Behavioral, Dialectical Behavioral, Art Therapy, EMDR, Family, Mindfulness, Trauma-focused)

Description of Staffing Model (if operating): Mix of physician/ mid-level providers, nurses, and counselors

State: **Massachusetts**

Name of Program: Serenity at Summit New England Address: 61 Brown Street, Haverhill, MA 01830

Types of Services Provided: Inpatient-Residential, Medical Detox, Clinical Stabilization,

Acute Treatment, Family Programs

Licensure (State, Agency, Number): 0394, Commonwealth of MA, Dept. of Public Health

Capacity of Program:

Date program ceased operations (if applicable):

Program Director and contact information (if operating):

Disposition of medical records:

Description of Care Model (if operating):

Treatment: Drug Rehab; Addiction Therapy, Dual Diagnosis

Behavioral Therapies (e.g., Cognitive, Trauma-Informed, Mindful-based, Dialectical); 12 Step

Programs

Description of Staffing Model (if operating): Mix of physician/mid-level providers, nurses, and

counselors

Findings

Below is a summary of the monitoring activities of the PCO and his staff during the first reporting period.

March 6, 2023

DBHG operating procedures and protocols were reviewed relating to quality assurance, staff training, environment of care assessments, and 2020 data reports (incidents, client satisfaction surveys, complaints, quality performance). Materials appear to be satisfactory with respect to meeting regulatory standards and management of quality of care. Interviews with Quality Improvement and Compliance personnel indicate no issues with respect to staffing or quality of care issues.

March 8, 2023

Current Open Sites: Inpatient- Serenity at Summit NJ (Union); Outpatient- Summit BH (Princeton Junction); Inpatient-Serenity at Summit New England)

No red flag issues reported with respect to staffing, incidents, purchasing/supplies and quality of care at NJ and NE open facilities.

Financial issues (meeting payroll obligations, supplies, medications impacting operations):

• None reported.

Complaints:

• None reported.

Site Specific:

NJ Detox Facility—with Management Services Agreement, DBHG is bringing in new leadership and making sure staffing aligns with state requirements.

Other:

Medical Records:

- DBHG will be using Vital Records Control for records management- proposal under review.
- Notice for alerting patients and providers on medical records access in process. Received content approval for newspaper ad notifying patients.
- DBHG approved employment and salary for person to handle medical records department through transition.
- Exploring providing information on facility/program websites but noted that websites would have to be maintained for 7 years.

•

March 15, 2023

All Open Sites:

No red flags reported with respect to personnel, operations and quality of care at the open facilities in NJ and NE.

• Incidents: None

• Complaints: None

• Budgetary issues affecting payroll, purchasing and operations: None

Site Specific:

NJ: Detox Facility:

- Joseph Tomaino, PCO, visited Princeton Junction site (3/15/23) to examine topics included in check list provided to DBHG (e.g., staffing, purchasing and supplies, care delivery). Select staff and patients were interviewed to see if the bankruptcy was impacting clinical operations. No issues were identified.
 - Director of Quality Improvement and Compliance (Nicole Kirson) to conduct Quality Improvement meeting to review incident reports and client satisfaction surveys.

NE: A Quality Improvement meeting is scheduled next week for the New England facility.

Other:

Medical Records:

- Vital Records Control Contract: COO (Linda Earhart) will reach out to vendor this week. Provisions of contract address state regulatory issues re: # of years for record retention: i.e., MA requires 10 years vs 7 years for other states.
- Noticing patients and providers in newspapers: Interim Compliance Consultant (Dr. Mary Lynn Rapier) will check on publication status and will provide to GHA when published.
- Patient access to medical records: No issues reported.

March 22, 2023

All Open Sites:

No significant issues reported regarding staffing changes or levels affecting patient care delivery or operations affecting purchasing and supplies at NJ and NE sites; procurement proceeding as usual.

Incidents: None notable Complaints: None notable

Site Specific:

New Jersey:

Princeton Junction:

Quality Improvement meeting/reviews of Incident Reports and Client Satisfaction Surveys reported as satisfactory.

New England:

Quality Improvement meeting/call held:

Client Satisfaction surveys reviewed- 86% compliance rate; stats for October were up over earlier months.

Incidents – nothing out of norm (e.g., typical ACA/AMA; medical-related discharge)

Other:

Medical Records:

Medical Records Contract:

• DBHG is still negotiating with vendor company on more cost-effective options for storing records electronically. Final response expected this week.

Noticing of Patients and Providers in Newspapers:

• Awaiting final script from attorneys—to be finalized by next week.

March 30, 2023

All Open Sites:

No red flag issues were reported regarding staffing changes or levels affecting patient care delivery or operations affecting purchasing and supplies at NJ and NE sites.

Site Specific:

NJ Union Detox Site Visit:

- Joseph Tomaino, PCO, visited the site on March 29, 2023. Select staff and patients were interviewed to see if the bankruptcy was impacting clinical operations. No issues were identified.
- During this visit, he was informed that the company who anticipated winning the bid for sale of the operations was not selected and therefore withdrew as contracted operator. It was reported to PCO that current Delphi administrators were being redeployed to serve in administrative roles. It was also explained that since the interim administrator had not made any policy or procedure changes, there was no expected disruption.
- Recruitment is underway for two clinical staff positions and a nursing position. Staff at site reported to be welcoming of the management change.

Other:

Medical Records:

Medical Records Contract:

• DBHG is still negotiating with vendor (Iron Mountain), currently has a verbal agreement and is close to finalizing contract; DBHG also is enhancing its own Medical Records Department.

Closed Sites:

Medical Record Access Notification:

- Florida sites ran notices for four consecutive weeks advising patients of discontinuation of operations and where they can access records.
 - o Arete Recovery newspaper run dates: March 5, 2023, March 12, March 19 and March 26.
 - o Palm Beach Institute run dates: March 7, 14, 21 and 28.
 - o PCO was provided with copy of ads.
- Dr. Rapier will discuss with COO, Linda Earhart, noticing at the closed sites in CA, MD and NJ.

Management Services:

- DBHG decision to select alternative Management Services Organization in March 2023 was due to the company being better funded and positioned for the transition compared to the company named at the bankruptcy filing in January.
- It was reported that many of the original staff are still in place; some of the Medical Records staff went to the management service organization but remain on DBHG's payroll; Admissions staff also under DBHG payroll.
- Some staff will be invited back to work as they have not found other positions.

April 5, 2023

All Open Facilities:

No red flag issues reported with respect to staffing, incidents, purchasing/supplies and quality of care at NJ and NE open facilities.

Site Specific:

New Jersey:

Personnel:

• NJ Inpatient:

No coverage gap as newly hired clinician replaced a clinician who resigned on same day.

Director of Quality Improvement and Compliance (Nicole Kirson) will be working two hours per day at IP facility on Fridays to provide support and assure that environment of care is optimal.

• NJ Outpatient:

In process of hiring part time medical assistant for MAT Transition of Leadership: Administrator and Director of Substance Abuse approved by NJ State Department of Health

New England:

PCO staff made site visit on March 30, 2023. PCO participated by Zoom and gave presentation of role of PCO. On site PCO staff interviewed select staff and patients to see if the bankruptcy was impacting clinical operations. No issues were identified.

Other:

Medical Records:

Medical Records Contract:

Regulations related to privacy and substance use treatment (42 CFR Part 2) submitted to Operations Chief, Linda Earhart, for inclusion in the medical records contract with Iron Mountain that is in process of being finalized.

Patient Notices/Closed Sites:

As required by Federal Bankruptcy Law, DBHG will run newspaper notices in CA, MD and NJ closed sites advising patients of discontinuation of operations and where they can access records; there had been some confusion about state versus federal requirements. April 12, 2023

All Open Sites:

No red flag issues reported with respect to personnel, incidents, purchasing/supplies and quality of care at NJ and NE open facilities.

Site Specific:

New Jersey:

Personnel: One night shift position at the IP facility is being recruited

Staff at facility pleased that other MSA is in place.

Patient Census/LOS: 143 patients in March, 58 in April. Length of stay increased from 13.56 to 15.20; less AMAs (reported decrease of 5%). Dr. Rapier noted that with prior MSA, AMAs were at 30%.

New England:

Personnel: Two nursing positions were offered and filled

Patient Census/LOS: 150 patients in March, 58 in April. Length of stay increased from 15.37 to 16.88.

Other:

Medical Records:

Medical Records Contract:

Dr. Rapier reported that the medical records contract with Iron Mountain is still being negotiated to assure it is cost effective and optimal for patients. She noted that the contract ultimately could not go to Iron Mountain.

<u>Administration</u> of patient medical records access is proceeding appropriately. By example, Dr. Rapier mentioned a subpoena for records made by an attorney to another party and how communication with the patient on the matter was smoothly handled.

Patient Notices/Closed Sites:

Dr. Rapier reported that the DBHG Board is finalizing which newspapers and locations will be used for patient noticing of the discontinuation of operations/record access at closed sites in CA, MD and NJ.

Complaints

During the meeting with debtor, the PCO provided a PCO contact information sheet which he asked to be posted in each facility still in operation. During each site visit, the posting of this contact information was verified. In addition, a web site was set up by the PCO where patients, staff or interested persons could report an issue for investigation. The address of this web site is https://www.grassicpas.com/services/advisory/healthcare-advisory/patient-care-ombudsman/delphibehavioralhealthgroup/.

Since appointment, the PCO has received no calls or emails with patient or employee complaints. No complaints have been voiced when interviewing patients or staff during the site visits as well.

Risk Assessment

This PCO assesses each debtor he is appointed to monitor for level of risk. Based on this level of risk, he plans an appropriate level of monitoring. The PCO assigns the debtor to one of three categories of risk-- low, medium, or high. The level is based on data collected and interviews with management, patients, and staff. This initial determination of level of risk may be adjusted as findings either improve or deteriorate. These three potential levels are outlined below:

- Low-level risk evidenced by transparent reporting, and no observable staffing, supply or quality of care issues that are not readily resolved.
- Mid-level risk evidenced by transparent reporting with some significant observable staffing, supply, or quality issues, or lack of transparent reporting.
- High-level risk evidenced by significant staffing, supply, or quality issues observed, or risk of partial or full closing of services.

Healthcare debtors can move between levels of risk over the course of the bankruptcy, and the risk level will continue to be reassessed with each encounter between the PCO and the facility.

In the case of this debtor, there appears to be no difficulty currently meeting payroll obligations, nor with obtaining supplies, medications, vendor services, etc. There are no reported or observable staffing, medical records, or quality of care issues. The debtor and management have been cooperative, and communication with the PCO appears to be transparent.

The only significant risk of note is the ongoing issues to ensure that medical records of the closed facilities will be available for the required period of time.

Based on the above findings made during this monitoring period, the risk level at this time is determined to be low to medium.

Monitoring Plan

Based on the low-level risk determination, the PCO will implement the following monitoring plan for the next 60-day period:

- On-site tour of the operating facilities and interviews with key staff and residents every four to six weeks.
- Review of quality assurance reports from each facility
- Maintain phone and email hotline posted in each facility and investigate any complaints from patients, families, or staff.
- Monitoring of operating reports and other filings in the case for potential red flags
- Monitor status conferences with attendance periodically as needed or requested by parties.
- Written report to court submitted at the end of the two months.
- Continue to monitor the finalization of procedures to ensure medical record access by patients.

Consistent with requirements outlined in Federal Rule of Bankruptcy Procedure 2015.1-1, notice of this report will be served on each entity that issues licenses or regulates the debtor.

The PCO will make his next report in sixty (60) days or sooner, if circumstances warrant.

Dated: April 17, 2023 New York, New York

> JOSEPH J. TOMAINO, SOLELY IN HIS CAPACITY AS THE COURT APPOINTED PATIENT CARE OMBUDSMAN

_/<u>s/ Joseph J. Tomaino</u>____ JOSEPH J. TOMAINO DATED this 17th day of April, 2023.

MAYNARD NEXSEN PC

/s/Mya M. Hatchette

Mya M. Hatchette, Esquire

FL Bar No.: 380120

Primary: mhatchette@maynardnexsen.com Secondary: lshelnut@maynardnexsen.com

200 E. New England Ave., Suite 300

Winter Park, Florida 32789 Phone: (407) 647-2777

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing was served on April 17, 2023, by electronic mail on all parties registered to receive CM/ECF electronic notices in these cases.