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# Hospital Debt Is Hurdle

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By JOSEPH DE AVILA

September 30, 2011

Hoboken officials are hoping to salvage the sale of one of New Jersey's oldest hospitals to avoid shuttering the 350-bed facility and being left holding \$52 million in debt.



Hoboken University Medical Center in 2010 Getty Images

The nonprofit that operates Hoboken University Medical Center filed for bankruptcy protection in August to facilitate a \$65 million sale to HUMC Holdco LLC, changing the hospital to a for-profit model. Most of the money from the sale would go to repaying \$52 million in city-guaranteed bonds that were raised when Hoboken purchased the ailing hospital in 2007.

But the hospital still needs to reach a settlement with creditors owed \$34 million before the sale can go through. Earlier this week, Mayor Dawn Zimmer said that negotiations to settle debt were progressing.

Creditors, however, say there still isn't a deal and there are no clear signs that a settlement will be reached soon.

"It's anybody's guess," said Virginia Treacy, director of the nurses union, which is a member of the creditors committee. "There

are so many parts to such a deal."

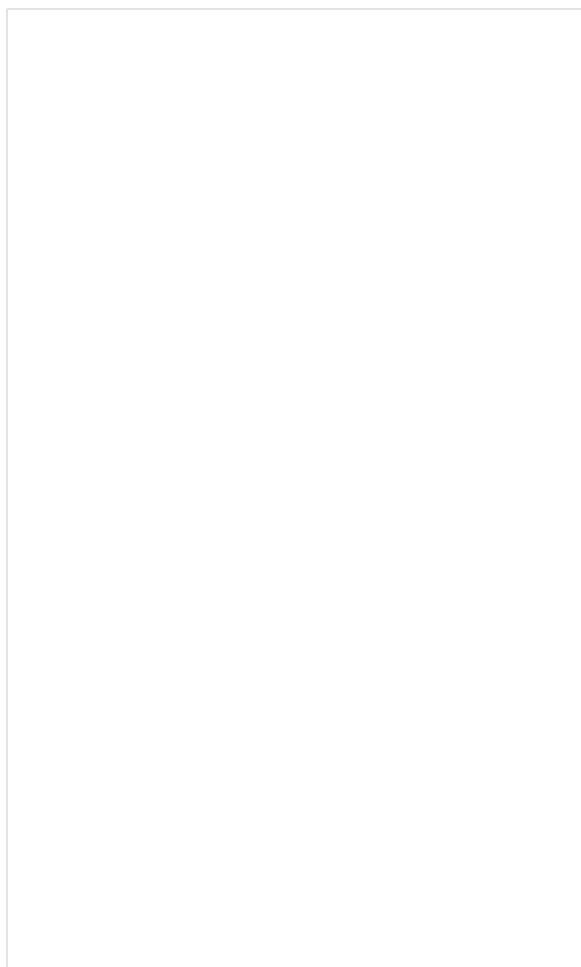
Ms. Zimmer couldn't be reached for comment. On Tuesday, she said in a statement: "Negotiations are going very well, but there are still some outstanding issues that need to be resolved."

Hoboken University Medical Center was established in 1863 under the name of St. Mary Hospital. In 2006, the city created the Hoboken Municipal Housing Authority, which later acquired the hospital with \$52 million in Hoboken-backed debt.

Officials with the Hoboken Municipal Housing Authority couldn't be reached for comment on Thursday.

More recently, declining state aid and lower Medicaid payments added further strain to the hospital's finances, again threatening the institution, according to court documents filed by nonprofit that currently runs the hospital. In July 2010, the Hoboken Municipal Housing Authority issued a request for proposals in search of partner to take over the hospital.

HUMC Holdco, which operates the Bayonne Medical Center, won the bid in April to take over the hospital with its 1,200 employees.



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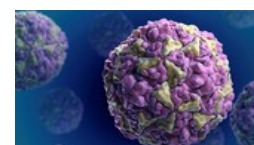
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"We hope that reason prevails," said Phil Schaengold, chief transition officer of HUMC Holdco. "We believe that this transaction benefits all parties involved."

Last week, Gov. [Chris Christie](#) said the state would provide \$5 million to help settle the debt due to the creditors. Mr. Christie's announced the funds availability after the Hoboken City Council shot down Ms. Zimmer's proposal to raise \$5 million in bonds.

If the hospital and its creditors can't come to an agreement, Hoboken University Medical Center doesn't have to close, said Bill Colgan, a managing partner with Community Healthcare Associates. "We can step in," he said.

Community Healthcare Associates, along with Jersey City Medical Center, submitted a rival bid to buy the Hoboken hospital, but that bid passed over for HUMC Holdco.

Mr. Colgan said his company and Jersey City Medical Center are still willing to buy the hospital, should the bankruptcy settlement efforts fail.

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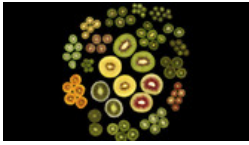
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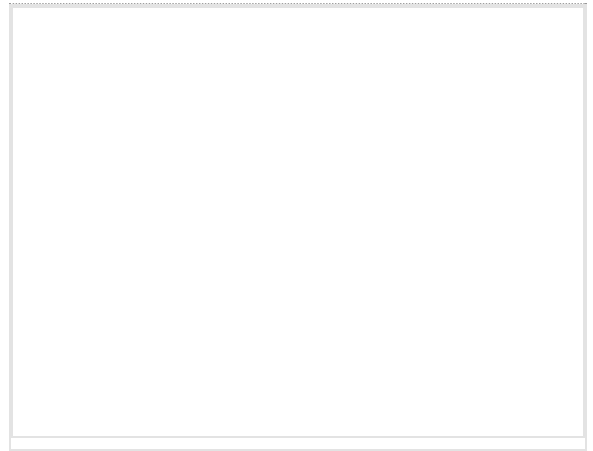
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