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Genesis Health approved to sell nursing home in \$1 bln bankruptcy deal

By **Dietrich Knauth**

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A sign is seen outside the U.S. District Bankruptcy Court for the Southern District of New York in Manhattan, New York, U.S., January 9, 2020. REUTERS/Brendan McDermid [Purchase Licensing Rights](#)

Summary Companies

- New bidder NewGen will acquire 175 nursing homes
- Insider bid was rejected in court last month
- Sale could provide personal injury claims with 30% recovery

Jan 20 (Reuters) - Bankrupt Genesis Health received court approval on Tuesday to sell its nursing homes to an outside buyer for \$1 billion, just over a month after a U.S. bankruptcy judge rejected a previous offer from company insiders.

U.S. Bankruptcy Judge Stacey Jernigan approved the sale of the company's 175 nursing homes to NewGen Health, a California-based healthcare provider, at a court hearing in Dallas, Texas, bankruptcy court.

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The company's latest auction of its assets had included several "unusual" steps aimed at addressing creditors' questions about the fairness and transparency of an earlier auction, Jernigan said. To resolve those concerns, Genesis produced a public transcript of the auction proceedings and created a more active role for creditors' representatives and a mediator, Jernigan said.

"I cannot imagine a process that would bring in more integrity than all of this combined," Jernigan said.

Genesis, which operates 175 skilled nursing facilities and assisted living facilities in 18 U.S. states, filed for bankruptcy on July 9 with more than \$2.3 billion in debt. The company blamed its bankruptcy on high debt that it racked up during a period of expansion and acquisition, difficulty in retaining nursing staff, and a growing number of lawsuits over the quality of healthcare at its facilities.

Jernigan previously [rejected](#) a proposed sale that would have allowed Genesis' insiders, including controlling shareholder Joel Landau and his private equity firm ReGen Healthcare, to maintain control of the company's nursing homes while using Chapter 11 to slash debts and [medical malpractice claims](#).

Several creditors, including people who had sued Genesis, had argued that the company's previous auction was "skewed" to favor the insider bid, and Jernigan agreed, ordering a new auction that gave Genesis' creditors more control over the process.

John Anthony, an attorney who represents 345 people who have sued Genesis, said at the court hearing that the sale would allow junior creditors like his clients to receive up to 30% of the value of their claims. Junior creditors would have received only 17% under the insider sale that fell apart in December, Anthony said.

Genesis faces hundreds of lawsuits alleging malpractice, wrongful death or other injury. At the time of its bankruptcy, the company said it owed \$259 million to plaintiffs, including verdicts and settlements that the company had agreed to pay, while plaintiffs have argued the company owes far more.

Jernigan said in December that the new sale would not release legal claims against company insiders, including Genesis' current private equity owners.

NewGen did not participate in the previous auction, and it bid under the name 101 West State Street at the new auction on January 13. NewGen's chief financial officer Shawn Zhou testified Tuesday that Landau and other Genesis insiders were not involved in NewGen's acquisition of the company.

The case is Genesis Healthcare Inc, U.S. District Court for the Northern District of Texas, No. 25-80185.

For Genesis: Daniel Simon of McDermott Will and Schulte

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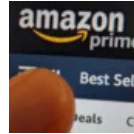
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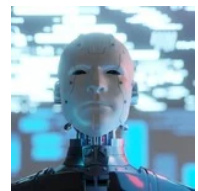
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