

HEYWOOD HOSPITAL CHAPTER 11 FAQs
Hotline 855-316-3719 (toll-free in North America) or
949-620-6343 (outside of North America)

General

1. What did the Company announce?

On October 1, 2023 (the “Petition Date”) Heywood Healthcare, Inc. (“Heywood Healthcare”) and certain of its affiliates (the “Debtors”) announced that they have filed voluntary petitions for relief under Chapter 11 in the United States Bankruptcy Court for the District of Massachusetts. The Debtors have filed a series of motions with the Bankruptcy Court to ensure a seamless transition into chapter 11 and have sought the approval of the Bankruptcy Court to continue paying prepetition employee wages and salaries and to provide employee benefits without interruption. The Debtors continue to work closely with their patients, staff, suppliers and partners to ensure they meet ongoing obligations and that they can continue to provide core healthcare services without interruption.

2. What is Chapter 11?

The Chapter 11 process is designed to allow companies like the Debtors to continue to operate as usual, while they work to restructure and achieve their financial or operational goals. In our case, this means using the process to renegotiate historic and unsustainable contracts, business arrangements, and out of market leases, allowing the Debtors to get better provider rates, return to fiscal stabilization and look for potential partners.

3. Does this mean Heywood Healthcare and its affiliates are going out of business?

No. the Debtors will operate as usual, continuing to provide all core healthcare services.

The Debtors have requested Court approval of a series of customary motions enabling it to continue operating as usual and uphold commitments to valued patients, employees, and other stakeholders during this process. Approval of these “first day” motions will help to facilitate a smooth transition into Chapter 11.

4. How did we get here?

As one of the lowest commercially reimbursed hospitals in the Commonwealth, workforce, supply chain and revenue shortfalls caused by the pandemic have significantly impacted our health system.

Additionally, a costly and lengthy EMR transition took place, causing billing disruption and revenue cycle issues. Our aging infrastructure continues to require significant capital investment.

The surgical pavilion project was also significantly impacted by the economic landscape, and associated costs have grown beyond the original scope of the project.

Overcoming one of these challenges is difficult for a health system of our size. Overcoming all of them at the same time requires a comprehensive and strategic approach.

5. What entities are included in the Chapter 11 filing?

Heywood Healthcare, Inc. (“Heywood Healthcare”), Henry Heywood Memorial Hospital, Inc. (“Heywood Hospital”), Athol Memorial Hospital (“Athol Hospital”), Heywood Affiliated Medical Group, Inc. (“Heywood Medical Group”), Athol Memorial Hospital NMTC Holdings, Inc. (“Athol NMTC”), Quabbin Healthcare, Inc. (“Quabbin”) and Heywood Hospital Realty Corp. (“Heywood Realty” and collectively with Heywood Healthcare, Heywood Hospital, Athol Hospital, Heywood Medical Group, Athol NMTC and Quabbin, the “Debtors”).

6. Who are your legal / financial advisors?

The Debtors are advised in this matter by Foley & Lardner LLP ("Foley"), as legal counsel, Huron Consulting Group, Inc. ("Huron"), as restructuring support advisor, and John Flick of Flick Law Group, P.C. ("Flick Law") as local legal counsel.

7. Have you secured financing during the Chapter 11 cases? How can you be sure you have the financial resources to continue to pay creditors (vendors/suppliers)?

Heywood Hospital entered into an arrangement with the Commonwealth of Massachusetts to provide to Heywood Hospital with funding to be used to fund working capital and general corporate purposes of Heywood Hospital.

Additionally, the Debtors successfully negotiated and finalized the terms of their consensual use of cash collateral during these chapter 11 cases with certain of their prepetition secured parties.

The State Funding will enable the Debtors to fund a substantial portion of the payroll at Heywood Hospital while deploying their Cash Collateral to fund the balance of operations, fulfill commitments to their valued employees, customers, and suppliers, run these Chapter 11 Cases, and provide the Debtors the necessary time to either reorganize or, if it would be more advantageous, look for potential partners.

8. Where can I learn more about the restructuring?

Additional information about the Debtors' Chapter 11 cases can be found at:
<https://cases.stretto.com/heywood>

Employees

9. Does this mean I've lost my job? Do you anticipate any layoffs as a result of the Chapter 11 filing?

No. The Chapter 11 process is designed to allow the healthcare system to continue operating as usual while working to achieve their goals, including the continuation of employment of existing employees and contracted employees as well as payment of wages and continuation of benefits.

The Debtors are also filing a *Motion for Entry of an Order (I) Authorizing the Assumption of Certain Executory Contracts of its Medical Providers*, wherein the Debtors are seeking to assume their physician and other medical provider contracts to continue delivering necessary health care services to the community.

It is important that all employees continue to report to work and fulfill your daily responsibilities as you normally would – and you should expect to be paid accordingly.

10. Will there be any changes to compensation or benefits? Is my 401(k) secure? Will vacation time, sick leave, and holiday programs continue? Will I still be able to take vacation that I have earned to date? Will I still be reimbursed for business expenses?

The Debtors have already filed the appropriate motions with the Court that, once approved, will allow us to continue paying our employees on our regular schedule and providing our pre-existing medical, dental, and vision insurance; 401(k) plans; life, workers compensation, short-term and longterm disability insurance; and paid time off. These motions are typical of the process and are generally granted in the first days of the case.

11. Will my role or responsibilities at Heywood change?

No. It is critical that we continue offering our patients and employees the highest quality of service throughout the process, just as we always have. Accordingly, it is important that all employees continue to report to work and fulfill your daily responsibilities as you normally would – and you should expect to be paid accordingly.

12. What should I say if I'm asked about the Chapter 11 filing? What if I receive questions from patients or vendors that we work with regularly?

If you are asked about our Chapter 11 filings, you should say that the filing allows us to continue operating as usual. We will continue providing core healthcare services for our patients as usual, without interruption. On a similar note, we will continue working with vendors and will pay them in the ordinary course of business for goods and services delivered after the Petition Date.

Patients will receive a letter in their patient portal advising them of the bankruptcy filing and assuring them that core health services will not be impacted.

If you receive any inquiries from the media or other interested third parties, please do not comment and direct any and all media inquiries to communityrelations@heywood.org, who will have the latest information about the case and can give timely and accurate answers.

13. How will employees be kept informed during this process? Where can I go if I have additional questions?

We will keep you informed as there is new information to share.

The executive team will be rounding to all departments on all shifts, to provide time to talk with you directly and to address questions you may have.

Town Hall forums are scheduled for October 2 and 3. These sessions will be held in person on both the Athol and Heywood Campuses, in the Hillis and Pierce Boardrooms respectively, and also offered via Zoom. As always, questions may be directed any member of the senior leadership team.

- Tuesday, October 2nd - 2:15 pm
- Tuesday, October 2nd - 3:45 pm
- Wednesday, October 3rd - 7:00 am

Vendors

14. We have a contract with you. Are you going to be able to satisfy it?

We expect to meet our obligations to vendors and partners on a go forward basis during these Chapter 11 cases.

15. How will the restructuring affect Debtors relationship with vendors?

Our goal is to use the Chapter 11 process to position Heywood for long-term success. We fully expect to pay vendors in the ordinary course of business for all goods and services delivered to any of the Debtor entities on or after October 1, 2023, the time of the Chapter 11 filings.

16. Why should I continue doing business with you now?

Our hope is that our vendors will be able to continue to support our patients and services to our community with a stronger financial foundation. With an improving cash position, as well as support from the Commonwealth of Massachusetts and our existing lenders, we fully expect to pay vendors in the ordinary course of business for all goods and services delivered to any of the Debtor entities on or after October 1, 2023, the time of the Chapter 11 filings.

17. Can I change the terms of my current contracts?

No. There is no reason to change the terms of your contract. We fully expect to pay vendors in the ordinary course of business for all goods and services delivered to any of the Debtor entities on or after October 1, 2023, the time of the Chapter 11 filings. In addition, the automatic stay imposed in the Chapter 11 cases prohibits vendors or suppliers from taking such actions.

18. How do I know whether I am affected by the filing? How do I know if my claim is considered pre- or post-petition? What's the difference?

Goods and services delivered to any of the Debtor entities *on or after* October 1, 2023, date of the Chapter 11 filings, are "post-petition," and we fully expect to pay for them in the ordinary course of business.

Goods and services that were delivered *prior* to our filing will be settled as part of the Chapter 11 process, as we cannot pay any of these "pre-petition" claims without specific approval from the bankruptcy court. Suppliers who have pre-petition claims will be provided with a proof-of-claim form to be completed and filed with the court. This form can also be found online at <https://cases.stretto.com/heywood>

19. Do the Debtors have the necessary financial resources to pay vendors while undergoing the Chapter 11 process?

Yes. We are committed to continuing our relationships with vendors throughout this process. Heywood Hospital will be receiving certain funding from the Commonwealth of Massachusetts during the Chapter 11 process to fund on-going operations, and the Debtors successfully negotiated their consensual use of cash collateral during these Chapter 11 cases with their prepetition secured parties. The State Funding, combined with the cash on hand and positive cash flows will help to ensure we are able to meet our commitments to you, as well as our employees, and continue to provide all core healthcare services throughout the process.

20. When will I be paid for goods and services delivered before the Debtors' Chapter 11 filing? Is there anything I can do to expedite this process?

Goods and services that were delivered prior to our filing must be settled as part of the Chapter 11 process, as we cannot pay any of these "pre-petition" claims without specific approval from the bankruptcy court.

21. Are there any forms I need to complete or any other actions I need to take now to file my claim?

Vendors who have pre-petition claims will be provided with a proof-of-claim form to be completed and filed with the court. This form can also be found online at <https://cases.stretto.com/heywood>

22. Will I be paid in full for my claim and when? Where do I stand in the order for repayment?

We cannot make any specific commitments on pre-petition claims at this stage. The process must be administered by the bankruptcy court in the repayment order dictated by U.S. bankruptcy law.

23. My company issued an invoice *after* the filing date for goods or services provided *prior* to the filing. Is it pre-petition or post-petition?

The determination of whether the claim is pre- or post-petition is based on the date of delivery, not on the date of the invoice. If goods or services were delivered to the Debtors before October 1, 2023, the claim is considered pre-petition and will be settled as part of the Chapter 11 case. Payments for all other deliveries will be made in the normal course.

24. Can my company reissue an invoice to be dated after the filing to expedite payment?

No. The determination of whether the claim is pre- or post-petition is *based on the date of delivery, not on the date of the invoice*. If goods or services were delivered to the Debtors before October 1, 2023, the claim is considered pre-petition and will be settled as part of the Chapter 11 case. Payments for all other deliveries will be made in the normal course.

25. Can I cancel my contract with the Debtors?

No. Vendors, suppliers and other creditors for which there is a contract in place with one of the Heywood Debtors cannot terminate their contract or refuse to perform on that contract once the bankruptcy case has filed. Any attempt to terminate or failure to provide goods or services as required under the contract is a violation of the automatic stay.

26. Can I take back my equipment?

No. Equipment lessors cannot repossess or make any efforts to take back their equipment from the Debtors' possession or premises after the bankruptcy filing date without relief from the Bankruptcy Court. Any efforts to do so are violations of the automatic stay.

Patients

25. How will the Chapter 11 filing affect the Debtors' relationship with their Patients?

We highly value our relationship with our patients and the community and want you to be among the first to know about the decisive actions we are taking today to give our business – and all of you who depend on our services – the best possible future.

26. Why should I continue utilizing Heywood Healthcare and affiliates now? What are you doing to ensure there is no deterioration in quality of service during this process?

We know how much our patients depend on our services and have taken all of the necessary steps to ensure that we are able to provide excellent healthcare services to you throughout this transition. We are continuing to operate our businesses as usual, maintaining appropriate staffing so that we can continue providing the same critical services to all of our patients and the community.

29. How will patients be kept informed during this process? Where can we go if we have additional questions?

We appreciate your continued confidence in our team throughout this process. If you have any questions at all, please reach out to your normal contacts.