

UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

In re:

LIFESTYLE LIFT HOLDING, INC., *et al.*¹,
Debtors.

No. 15-44839-WSD
Chapter 11
Jointly Administered

Judge Walter Shapero

EXHIBIT A

PATIENT CARE OMBUDSMAN'S PRELIMINARY FIRST REPORT

Deborah L. Fish, patient ombudsman (the "Ombudsman"), appointed by order dated April 10, 2015 (Docket #42), and in accordance with Section 333 of Title 11 of the United States Bankruptcy Code (the "Code"), submits this preliminary first report in the Chapter 11 case of Lifestyle Lift Holding, Inc., et al. (collectively, the "Debtors"). This report covers the period from April 11, 2015 to June 11, 2015.

INTRODUCTION

Founded in 2001, the Debtors operated a nationwide chain of over 50 cosmetic surgical centers, performing particular facial surgeries known as "lifestyle lifts" under local anesthesia. The Debtors employed 31 doctors full-time, utilized 47 doctors part-time as independent contractors, and had over 100 additional employees. The Debtors' website indicated that they had performed over 170,000 surgeries as of February 5, 2014. However, the Debtors were not operating when they filed their Chapter 11 petitions. On or about March 7, 2015, without notice to their patients or staff, the Debtors closed the doors of their leased surgical centers. Based on the reports from doctors, patients, and former staff, it was chaos from that date until the appointment

¹ The Debtors in these jointly administered cases include Lifestyle Lift Holding, Inc., Scientific Image Center Management, Inc., Scientific Image Center Properties, Inc., Pacific Seaboard Management, Inc., and Scientific Image Center Staffing, Inc.

of the Chapter 11 Trustee, Basil T. Simon (the "Trustee"). The manner in which the Debtors closed caused numerous issues for their patients, including, but not limited to, the following:

- How to obtain general information;
- How to contact their doctors;
- How to obtain surgery when it was prepaid in full;
- How to obtain follow-up care;
- How to obtain refunds; and
- How to obtain settlement payments.

At the time of the bankruptcy filings, the Debtors' website was down, calls from their patients were unanswered, the Debtors had been evicted from certain leased surgical centers, and no one knew what was happening. Accordingly, there was no ongoing patient care provided by the Debtors. Fortunately, at the time of the closing of the Debtors' surgical centers, many of the doctors transferred the phone numbers, secured their individual patient files, and printed lists of the upcoming appointments, which enabled the doctors to contact the Debtors' patients and provide follow-up care.

The Debtors' part-time doctors were able to follow-up with patients at their own offices. Some of the full-time doctors secured alternative space at other offices to provide follow-up care to the Debtors' patients.

An ad hoc committee of doctors created a website with doctors' names and contact information for the Debtors' patients.

DOCTORS

The Ombudsman obtained a list of doctors and surgical center locations from the Debtors. The Ombudsman then corresponded with all 78 of the Debtors' doctors, as well as certain office managers, about ongoing patient care, patient records, office status, landlord issues, office equipment and medical waste.

In particular, the Ombudsman had numerous discussions with the Debtors' doctors about the best approach to manage their concerns about patient care and patient charts, including ob-

taining access to the various leased surgical center locations to recover controlled substances and prescription pads remaining at the premises. The Ombudsman also had follow-up conversations with many of the doctors to assist the Trustee in the sale of some of the Debtors' furniture, fixtures, and equipment. Further, the Ombudsman coordinated the assignment of the patient charts stored at the various locations to the appropriate doctors, and arranged access from the landlords to allow the doctors entry into the various locations to obtain the charts.

The vast majority of the doctors have been responsive to patients, the Trustee, and to the Ombudsman:

- A number of doctors secured patient charts and photos from the surgical center from which they operated;
- Some doctors have sent a mailing to all prior patients providing new contact information;
- Some doctors were able to secure some of the Debtors' phone lines and forward the calls;*
- The doctors have reported that, while it was not easy, they were able to maintain and continue to provide patient care; and
- The vast majority of the doctors are honoring the \$400-\$500 deposits made by patients even though the doctors did not receive the deposit.

PATIENTS

The Ombudsman has spoken with and received emails and/or letters from hundreds of the Debtors' patients. Most of the patient complaints related to non-refunded deposits, unfunded settlement payments, and an inability to obtain surgeries because of the closure of the surgical centers even though thousands of dollars were paid to the Debtors in advance. The Ombudsman has also been directing the Debtors' patients to doctors to ensure surgical and post-surgical care, and has ensured that the patients understand the bankruptcy process and the associated claims filing procedure.

Since the appointment of the Ombudsman and the Trustee, the Debtors' main phone line has been maintained and, when possible, the messages have been responded to by an employee

* The Ombudsman and Trustee are still working with AT&T to get additional lines transferred.

of the Debtors retained by the Trustee. In addition, the Trustee and the Ombudsman re-activated the Debtors' website and modified it such that it now provides information about the bankruptcy case, the related claims process, and doctors' contact information. Periodic updates about the bankruptcy case status will be added. The Ombudsman developed a claim form to make it easier for patients to file a claim. Those patients with internet access are directed to the website for the claim form and those without internet access or printer are sent claim forms by the Ombudsman. All claims are being submitted to the Ombudsman's office for processing. Moreover, the Trustee and the Ombudsman developed this process to protect patient confidentiality.

PATIENT CHARTS

At the time of the filing, the patient charts for the last 2 – 3 years were located at the surgical centers located throughout the country. All historical patient charts are located in a storage unit at the headquarters in Troy, Michigan.

The Ombudsman has worked diligently with landlords and doctors throughout the country to ensure that the Debtors' patients charts (in both paper and electronic format) located at the leased surgical centers have been or will be secured, either by the doctors obtaining and safeguarding such records or by arranging for the placement of the records in long-term storage for the required statutory period, with destruction of the records after expiration of that period.

The Ombudsman and the Trustee toured the Debtors' headquarters and viewed the onsite storage unit containing over 2,500 boxes of patient records. The Ombudsman directed the assessment of those records for both immediate destruction and statutorily required storage. The Ombudsman also consulted with the Debtors' risk management personnel on the state by state statutory storage requirements and confirmed same. Specifically, the Ombudsman is arranging the shredding of all patient charts that can be destroyed under applicable law, and the long term storage and ultimate destruction of all remaining patient charts stored at the headquarters facility.

As for the patient charts remaining at the various leased facilities, the Ombudsman contacted the doctors assigned to each location to determine if such doctor was going to maintain possession of their patient charts. If not, or if there were remaining charts from prior doctors, the Ombudsman arranged for all remaining records to be boxed and shipped to the Debtors' headquarters for long term storage. The process required numerous calls with landlords, facility personnel, packaging, and moving companies to make all necessary arrangements.

MEDICAL WASTE

The Ombudsman was advised that the Debtors had arranged for a final pickup of all medical waste at each location by Stericycle, a medical waste company. However, when the Ombudsman followed up with the landlords, she determined that approximately 30 locations did not receive a final pickup. Although Stericycle was dispatched to such locations, they were unable to obtain access to the premises. The Ombudsman is therefore working with Stericycle and the landlords to schedule a final pickup of medical waste at those locations.

CONCLUSION

The Ombudsman will file a more detailed report when the patient charts have all been moved from the leased surgical centers.

ALLARD & FISH, P.C.

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Dated: June 11, 2015

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CERTIFICATE OF SERVICE

I, Regina Drouillard, hereby certify that on June 11, 2015, I electronically filed the following:

- Notice of Filing Patient Care Ombudsman's Report Pursuant to Bankruptcy Code Section 333

with the Clerk of the Court using the ECF and I hereby certify that the Court's ECF system has served all registered users.

ALLARD & FISH, P.C.

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Dated: June 11, 2015
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