

## Allegheny fees eat big part of payoff

Lawyers are among those who seek \$5.9 million more. That means less for other creditors.  
Associated Press

**PITTSBURGH** - Lawyers and other professionals in the Allegheny Health, education and Research Foundation's bankruptcy case have collected fees of \$42.7 million, or 256 percent more than planned - and now they want \$5.9 million more, court records show.

Last year's court-approved settlement allowed \$12 million for legal, auditing, accounting and consulting services out of a total of \$93.7 million for creditors of the defunct nonprofit hospital chain.

U.S. Bankruptcy Judge M. Bruce McCullough of Pittsburgh will consider the fee requests at a hearing Tuesday. If they are approved, the lawyers and other professionals will have consumed more than half the pot.

Allegheny's Chapter 11 bankruptcy filing in 1998 represented the largest collapse of a nonprofit organization in U.S. history. At the time, its 14 hospitals, mostly in the Philadelphia and Pittsburgh areas, made it the largest health-care chain in the state. Its nine Philadelphia-area hospitals included Hahnemann and St. Christopher's Hospital for Children. Most now are owned by Tenet Healthcare Corp.

Bankruptcy trustee William Scharffenberger of New York said the professional fees meant that other Allegheny creditors, who already were likely to recoup just pennies on the dollar, would get even less.

So far, a Cleveland law firm representing unsecured creditors has gotten the most in legal fees. The firm, Jones Day Reavis & Pogue, has received \$11.7 million - about what was set aside for all lawyers in the case, court records show.

The hospital system failed because mismanagement resulted in the \$1.4 billion debt that sent it into a tailspin.

Allegheny's former chief executive officer, Sherif Abdelhak, pleaded guilty to misusing \$30 million in the foundation's charitable endowments to paper over Allegheny's debts. He once made \$2 million a year, but is now serving an 11 1/2-to-23-month term in alternative housing in Beaver County.

Under the February 2002 settlement, about \$56 million was to be placed into an estate for creditors, \$22 million was to be returned to charitable endowments, and a group of doctors was to get about \$4 million. The rest was to be used for legal and other fees.

The money for the settlements came mostly from Allegheny's insurers, who paid \$56.45 million. Mellon Bank, Allegheny's assets, and Allegheny General Hospital contributed the rest.

The only Allegheny lawsuit still pending is one filed by unsecured creditors against the accounting firm PricewaterhouseCoopers L.L.P. The creditors contend that the accountants didn't properly disclose Allegheny's executive misconduct before the bankruptcy was filed.