

Mercy Iowa City's Bankruptcy Proceedings Face Scrutiny Over Law Firm Fees



The impending sale of Mercy Iowa City to the University of Iowa has provided some financial relief amid its bankruptcy proceedings. However, objections from Acting U.S. Trustee Mary R. Jensen raise concerns about the exorbitant fees incurred by the law firm McDermott Will & Emery of Chicago. The firm's fees, totaling \$922,897.50 in just the first three weeks of the bankruptcy case, have been labeled as shocking and warranting a closer examination.

Initial Case Presentation and Complexities

Jensen points out that the case's initial presentation as a straightforward sale became more complex over time. Despite the evolving nature of the proceedings, the objection highlights that the initial presentation did not align with the subsequent complexities that arose during the bankruptcy case.

Scrutiny on Attorney Fees

With Mercy employing two law firms, a financial adviser, and a restructuring agency, Jensen emphasizes the need to examine attorney fees carefully. Given the substantial debts owed to creditors and pensioners, she contends that the court must assess whether the legal services provided were reasonable and necessary.

Overbilling and Lack of Teamwork

Jensen's objection reveals instances of overbilling by McDermott, citing a significant amount of conferencing, reviewing, and revising work. The objection criticizes the lack of teamwork within the firm, noting instances where multiple attorneys attended hearings, contributing to duplicated efforts and overstaffing.

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Concerns Raised During Hearings

The objection highlights U.S. Bankruptcy Judge Thad Collins' caution during the initial hearing about reviewing fees. Jensen notes examples, such as a telephonic hearing attended by four Mercy attorneys, three of whom were from McDermott, billing a total of \$5,509 for a single hearing. Another instance involved information unrelated to the case being announced during a hearing.

Examination of Fee Application

Jensen points out discrepancies in McDermott's fee application, contrasting the listed six professionals in the retention application with the 24 individuals who worked on the case. The objection stresses a lack of teamwork and questions the necessity of the extensive team's involvement.

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Billing Discrepancies and Unreasonable Charges

The objection further dissects billing entries, suggesting that attorneys who performed certain tasks could have been better suited for paralegals, who bill at a substantially lower rate. Jensen emphasizes instances where charges for routine tasks exceeded reasonable rates and calls for a demonstration of how McDermott's work has benefited Mercy.

Multiple Entities Seeking Compensation

Apart from McDermott, other entities, such as Nyemaster Goode and H2C Securities, seek compensation. Jensen's objections extend to Nyemaster Goode's \$67,869.62 request and H2C Securities' \$49,157 application for September, seeking more time to file an objection against the latter.

Financial Burden on Mercy

Despite the University of Iowa's \$28 million purchase agreement for most of Mercy's assets, attorney fees for the hospital's restructuring and bankruptcy are not covered. This places the financial burden on Mercy's dwindling assets, raising concerns about its ability to meet these mounting costs.

As the bankruptcy case unfolds, the objections underscore the need for a thorough review of legal fees and a more transparent and justified billing process.

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