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UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF CALIFORNIA

UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF CALIFORNIA  
FRESNO DIVISION

In re ) Case No. 17-13797-B-9  
)  
**TULARE LOCAL HEALTHCARE** ) DC No. WJH-4  
**DISTRICT,** )  
)  
Debtor. ) Date: May 25, 2021  
) Time: 9:30 a.m.  
) Department B, Judge Lastreto  
) Fifth Floor, Courtroom 13  
) 2500 Tulare Street, Fresno, CA  
)

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**RULING ON OBJECTION TO CLAIM NO. 197**

**Before: René Lastreto II, Bankruptcy Judge**

Riley C. Walter, WANGER JONES HELSLEY, PC, Fresno, CA, for  
Tulare Local Health Care District, dba Tulare Regional Medical  
Center, Debtor.

Grant Lien, Deputy Attorney General of California, Sacramento,  
CA, for the Department of Health Care Services, Creditor.

RENÉ LASTRETO II, Bankruptcy Judge:

**FACTS**

On July 1, 2019, Tulare Local Healthcare District  
("District") objected to Proof of Claim No. 197 filed by the  
Department of Health Care Services ("DHCS") on April 6, 2018 in  
an unspecified amount. Doc. #1512.

1 District contended that the claim should be disallowed in  
2 its entirety for two reasons: (1) the claim does not specify an  
3 amount; and (2) District provided all necessary information for  
4 DHCS to reconcile reimbursement payments and liquidate its  
5 claim. *Id.*

6 District did not file a notice of hearing on its objection  
7 until several months later. Doc. #1948. The objection was  
8 filed, served, and set for hearing pursuant to Local Rule of  
9 Practice 3007-1(b)(2) and Fed. R. Bankr. P. 3007. DHCS's  
10 assigned counsel was changed and District agreed to continue the  
11 hearing on the objection. Doc. #2091

12 DHCS subsequently opposed the objection (Doc. #2130) and  
13 filed a motion to amend the claim to over \$5.5 million. See  
14 GL-1. The parties agreed to further continue the matter until  
15 DHCS's motion to amend was resolved. On April 27, 2021, the  
16 court issued a memorandum decision and denied DHCS's motion for  
17 leave to amend the claim. Docs. ##2418-19.

18 After several continuances, a status conference on the  
19 objection to claim was heard on May 25, 2021. Appearances were  
20 noted on the record. At the hearing, neither party asked for  
21 the opportunity to submit additional briefing or evidence to the  
22 court. The matter was taken under submission.

#### 23 24 **JURISDICTION**

25 The United States District Court for the Eastern District  
26 of California has jurisdiction over this proceeding since it  
27 arises in a case under Title 11 of the United States Code under  
28 28 U.S.C. § 1334(b). This court has jurisdiction to hear and

determine this matter by reference from the District Court under 28 U.S.C. § 157(a). This is a "core" proceeding under 28 U.S.C. §§ 157(b) (2) (A) and (B).

#### DISCUSSION

11 U.S.C. § 502(a) states that a claim or interest, evidenced by a proof of claim filed under section 501, is deemed allowed, unless a party in interest objects.

Fed. R. Bankr. P. 3001 provides that "[a] proof of claim is a written statement setting forth a creditor's claim. A proof of claim shall conform substantially to the appropriate Official Form." Fed. R. Bankr. P. 3001(a).

Fed. R. Bankr. P. 3001(f) states that a proof of claim executed and filed in accordance with these rules shall constitute *prima facie* evidence of the validity and amount of the claim. If a party objects to a proof of claim, the burden of proof is on the objecting party. *Lundell v. Anchor Constr. Specialists, Inc.*, 223 F.3d 1035, 1039 (B.A.P. 9th Cir. 2000).

Here, District argues that DHCS's claim should be disallowed in its entirety because DHCS did not specify any amount of alleged overpayments despite having all of the necessary information to estimate a claim. Doc. #1512.

District notes that Official Form 410, Box 7, requires the creditor to state the amount of the claim. DHCS instead stated the amount was "[u]ndetermined at this time" in Box 7. DHCS included a declaration from Shiela Mendiola stating:

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1 Final reconciliations are still pending for this  
2 provider for all program years beginning in State Fiscal  
3 Year 2002-03 until the bankruptcy filing in September  
4 2017. A final reconciliation may result in a  
5 determination of overpayment or additional reimbursement  
6 (underpayment) for a particular year. The potential  
overpayment or underpayment determination amounts and  
timing for completion associated with the final  
reconciliations are unknown at this time.

7  
8 Claim #197, Ex. A.

9 DHCS's response does not address District's objection to  
10 claim, instead focusing on the Ninth Circuit's "liberal" claim  
11 amendment standard. Doc. #2130. DHCS's motion to amend claim  
12 was heard and denied on April 27, 2021. Docs. ##2418-19. DHCS  
13 has not presented any evidence in support of its opposition to  
14 this objection, nor cited applicable authority supporting its  
15 contention that a claim filed without a specified amount should  
16 be allowed.

17 Moreover, DHCS concedes that that it had the information  
18 available to calculate an estimated amount of its purported  
19 claim in April 2018. "Since April 6, 2018, DHCS has audited the  
20 cost reports for FY 2002-03 through FY 2015-16, using the  
21 methodology described in paragraph 3, and can now estimate the  
22 final reconciliation amount for that period to be an overpayment  
23 of \$5,520,423.33." Doc. #2128, Ex. A-1.

24 DHCS could have amended its claim prior to the statutory  
25 bar date for government claims. DHCS did not do so, instead  
26 waiting until after the chapter 9 plan was confirmed, and after  
27 its effective date had passed before filing its motion for leave  
28 to amend.

1 District has established that Claim #197 does not comply  
2 with Fed. R. Bankr. P. 3001(a) because no amount of the claim is  
3 stated in Box 7. See *In re Milton*, 1990 Bankr. LEXIS 952  
4 (Bankr. S.D. Cal. 1990) (finding that the IRS's proof of claim  
5 is legally insufficient under Fed. R. Bankr. P. 3001 because it  
6 fails to state an amount). So, the claim is not *prima facie*  
7 evidence of the validity or the amount of the claim. Fed. R.  
8 Bankr. P. 3001(f). The claim is deficient to assert a right to  
9 payment. No amount is stated and DHCS had District's  
10 information about an alleged claim much earlier. The claim does  
11 not meet the requirements of a formal proof of claim.

12 Even under the informal proof of claim doctrine, Claim #197  
13 is insufficient because it does not state the nature of the  
14 claim nor an intent to hold District liable. To constitute an  
15 informal proof of claim, the claim must include: (1) an explicit  
16 demand showing the nature of the claim; (2) the amount of the  
17 claim against the estate; and (3) an intent to hold the debtor  
18 liable. *In re Sambo's Restaurant, Inc.*, 754 F.2d 811, 815 (9th  
19 Cir. 1985); *Perry v. Certificate Holders of Thrift Sav.*, 320  
20 F.2d 584, 590 (9th Cir. 1963); *In re Franciscan Vineyards, Inc.*,  
21 597 F.2d 181, 183 (9th Cir. 1979) (per curium), *cert. den.*, 445  
22 U.S. 915 (1980). Since the amount of the claim is unspecified  
23 and there is no unequivocal intent to hold District liable,  
24 DHCS's claim fails to satisfy the requirements under the  
25 informal proof of claim doctrine.

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1 **CONCLUSION**

2 DHCS's claim is insufficient to constitute *prima facie*  
3 evidence of the amount of the claim under Fed. R. Bankr. P.  
4 3001(f). DHCS's claim contains inadequate information to be  
5 allowed as an informal proof of claim. The court's ruling  
6 denying DHCS's motion to amend the claim is now final.  
7 Therefore, Claim #197 filed by the Department of Health Care  
8 Services on April 6, 2018 shall be disallowed in its entirety.

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10 Dated: May 26, 2021

By the Court

11 /s/ René Lastreto II  
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