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Debtors In Possession

8 **UNITED STATES BANKRUPTCY COURT**
9 **CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION**

10 In re,
11 VERITY HEALTH SYSTEM OF
CALIFORNIA, INC., *et al.*,
12 Debtors and Debtors In Possession.

- 13 Affects All Debtors
14 Affects O'Connor Hospital
15 Affects Saint Louise Regional Hospital
16 Affects St. Francis Medical Center
17 Affects St. Vincent Medical Center
18 Affects Seton Medical Center
 Affects O'Connor Hospital Foundation
 Affects Saint Louise Regional Hospital
Foundation
 Affects St. Francis Medical Center of
Lynwood Foundation
 Affects St. Vincent Foundation
 Affects St. Vincent Dialysis Center, Inc.
21 Affects Seton Medical Center Foundation
22 Affects Verity Business Services
 Affects Verity Medical Foundation
23 Affects Verity Holdings, LLC
 Affects De Paul Ventures, LLC
24 Affects De Paul Ventures - San Jose
Dialysis, LLC

25
26 Debtors and Debtors In Possession.

Lead Case No. 2:18-bk-20151-ER

Jointly administered with:

- Case No. 2:18-bk-20162-ER;
Case No. 2:18-bk-20163-ER;
Case No. 2:18-bk-20164-ER;
Case No. 2:18-bk-20165-ER;
Case No. 2:18-bk-20167-ER;
Case No. 2:18-bk-20168-ER;
Case No. 2:18-bk-20169-ER;
Case No. 2:18-bk-20171-ER;
Case No. 2:18-bk-20172-ER;
Case No. 2:18-bk-20173-ER;
Case No. 2:18-bk-20175-ER;
Case No. 2:18-bk-20176-ER;
Case No. 2:18-bk-20178-ER;
Case No. 2:18-bk-20179-ER;
Case No. 2:18-bk-20180-ER;
Case No. 2:18-bk-20181-ER;

Chapter 11 Cases

Hon. Judge Ernest M. Robles

**OMNIBUS REPLY TO CERTAIN OBJECTIONS
TO CONFIRMATION OF SECOND AMENDED
JOINT CHAPTER 11 PLAN (DATED JULY 2,
2020) OF THE DEBTORS, THE COMMITTEE,
AND PREPETITION SECURED CREDITORS**

**[RELATES TO DOCKET NOS. 4993, 4997, 5326,
5337, 5341, 5385, 5417]**

Hearing Date and Time:

Date: August 12, 2020

Time: 10:00 a.m.

Place: Courtroom 1568

255 E. Temple Street, Los Angeles, CA 90012



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1 Verity Health System of California, Inc. (“VHS”) and the affiliated debtors, the debtors
2 and debtors in possession in the above-captioned chapter 11 bankruptcy cases (each a “Debtor”
3 and, collectively, the “Debtors”), with the support of the Official Committee of Unsecured
4 Creditors (the “Committee”), UMB Bank, N.A., as Master Indenture Trustee and Wells Fargo
5 Bank, National Association, as Indenture Trustee for the 2005 Bonds, U.S. Bank National
6 Association solely in its capacity, as the note indenture trustee and as the collateral agent under the
7 note indenture relating to the 2015 Working Capital Notes and the 2017 Working Capital Notes,
8 Verity MOB Financing, LLC and Verity MOB Financing II, LLC (collectively, the “Plan
9 Proponents”), hereby file this omnibus reply in support of the *Second Amended Joint Chapter 11*
10 *Plan of Liquidation (Dated July 2, 2020) of the Debtors, the Prepetition Secured Creditors, and*
11 *the Committee* [Docket No. 4993], as may be amended and supplemented from time to time (the
12 “Plan”) and reply to the objections filed by various creditors [Docket Nos. 5326, 5337, 5341,
13 5417] (collectively, the “Objections”)¹ to confirmation of the Plan, and, in support hereof refer,
14 and incorporate by this reference, the arguments and evidence set forth in the *Memorandum of*
15 *Law in Support of Confirmation of Second Amended Joint Chapter 11 Plan (Dated July 2, 2020)*
16 *of the Debtors, the Committee, and Prepetition Secured Creditors* [Docket No. 5385] (the
17 “Confirmation Brief”),² filed on August 5, 2020, and the *Declaration of Richard G. Adcock* and
18 the *Declaration of Peter C. Chadwick* filed in support of the Confirmation Brief, and respectfully
19 state as follows:
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25 ¹ The Plan Proponents have received additional objections [Docket Nos. 5339] from a limited
26 number of creditors subject to stipulated extensions of the confirmation objection deadline. The
Plan Proponents reserve all rights to respond to such objections, or any other objections.

27 ² Unless otherwise provided herein, all capitalized terms have the definitions set forth in the
28 Confirmation Brief.

I.

RESPONSES TO OBJECTIONS AND PROPOSED RESOLUTION

A. Payor Objections

On August 3, 2020, UnitedHealthcare Insurance Company (collectively, with its affiliates, subsidiaries and parents, “United”), filed an objection to confirmation of the Plan [Docket No. 5326] (the “United Objection”). On August 3, 2020, SCAN Health Plan (“SCAN”) filed an objection to confirmation of the Plan [Docket No. 5337] (the “SCAN Objection”). On August 7, 2020, California Physicians’ Service dba Blue Shield of California, and Blue Shield of California Promise Health Plan f/k/a Care 1st Health Plan (collectively, “Blue Shield,” and together with United and SCAN, the “Payors”) filed an objection to confirmation of the Plan [Docket No. 5417] (the “Blue Shield Objection,” and together with the United Objection and the SCAN Objection, the “Payor Objections”). The Payors and certain of the Debtors are parties to various fee-for-service, capitation or other facility participation agreements under which the Debtors are compensated for covered medical services provided to patients enrolled under the health benefit plans offered or administered by each Payor under the applicable agreement (collectively, the “Payor Agreements”).

Generally, the Payors raise similar limited objections to the Plan based on recoupment and setoff arguments. In order to resolve the Payor Objections, the Debtors will agree to include certain language in the order confirming the Plan (the “Confirmation Order”) to address the Payors’ objections contingent on the Payors withdrawing the Payor Objections and agreeing to identify and finally liquidate any overpayments made on account of all covered medical services provided by the Debtors’ hospital(s) under the applicable Payor Agreements prior to the closing date of the sale of the applicable hospital within 120 days following such closing date, provided the Debtors submit any such claims no later than 60 days after closing of the applicable sale. The Debtors intend to work with the Payors to informally resolve the Payor Objections prior to the hearing on confirmation of the Plan (the “Confirmation Hearing”), but file the instant Reply in the abundance of caution.

1 **B. GRM Objection**

2 On August 3, 2020, GRM Information Management Services Inc. (“GRM”), filed an
3 objection to confirmation of the Plan [Docket No. 5341] (the “GRM Objection”). GRM raised
4 two objections: (i) that administrative claims must be paid in full to confirm the Plan, and (ii) that
5 GRM’s asserted administrative claim should be allowed pursuant to 11 U.S.C. § 503(b)(1)(A).
6 Following discussions with the Debtors, GRM has acknowledged and agreed that the \$2 million
7 reserve set forth in Section 15.3 of the Plan is sufficient to resolve its first objection. While
8 GRM’s objections have been addressed in the Confirmation Brief in connection with two similar
9 objections, the Debtors and GRM are working collaboratively to resolve any remaining issues in
10 the GRM Objection and anticipate reaching an agreement prior to the Confirmation Hearing.

11 **II.**

12 **RESERVATION OF RIGHTS**

13 The Plan Proponents reserve the right to further amend the Plan and to submit additional
14 documents, declarations, exhibits and other supporting documents and evidence in connection
15 with confirmation of the Plan or any Amended Plan, or otherwise. While the objections to
16 confirmation of the Plan are limited to those timely raised in the written Objections filed by the
17 objection deadline, to the extent any additional or modified objections are raised in connection
18 with the confirmation hearing, the Plan Proponents reserve the right to respond to the same and/or
19 to argue they are untimely. Nothing contained herein shall constitute a limitation or waiver of
20 rights with respect to any objection filed after the confirmation objection deadline pursuant to a
21 stipulation extending such deadline.

22 **III.**

23 **CONCLUSION**

24 WHEREFORE, the Debtors respectfully request that the Bankruptcy Court enter an order
25 substantially in the form of the Confirmation Order, attached to the Confirmation Brief as Exhibit
26 “A,” (i) confirming the Plan, (ii) overruling the Objections for the reasons stated in the
27 Confirmation Brief, unless otherwise resolved by the parties prior to the Confirmation Hearing,
28 and (iii) granting such other and further relief as the Bankruptcy Court deems just and proper.

1 Dated: August 9, 2020

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By: /s/ Tania M. Moyron

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