

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re: Pipeline Health System, LLC, <i>et al.</i> Debtors.	Chapter 11 Case No. 22-90291 (MI) Jointly Administered
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**OBJECTION OF CIGNA TO DISCLOSURE STATEMENT FOR THE
AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION OF
PIPELINE HEALTH SYSTEM, LLC AND ITS DEBTOR AFFILIATES**
[Relates to Docket Nos. 318 and 319]

Cigna Health and Life Insurance Company and certain of its affiliates¹ (collectively, “Cigna”) hereby object to the *Disclosure Statement for the Amended Joint Chapter 11 Plan of Reorganization of Pipeline Health System, LLC and Its Debtor Affiliates* [Docket No. 319] (the “Disclosure Statement”), and in support thereof, respectfully state as follows:

BACKGROUND

A. Cigna Contracts.

1. Cigna and the above-captioned debtors (collectively, the “Debtors”) are parties to the following agreements (collectively, the “Cigna Payor Contracts”), pursuant to which the Debtors, through the healthcare facilities they operate (the “Facilities”), provide covered healthcare services to eligible participants within the Cigna Provider Network:

- Hospital Services Agreement between Cigna HealthCare of California, Inc. & Cigna Health and Life Insurance Company and Avanti Hospitals, LLC agent on behalf of Gardena Hospital, LP dba Memorial Hospital of Gardena; ELADH, LP dba East Los Angeles Doctors Hospital; CPH Hospital Management, LLC dba Coast Plaza Hospital; and CHHP Holdings II, LLC dba Community Hospital of Hunting Park - Effective - 7/1/2015.
- Provider Group Services Agreement between Cigna HealthCare of Illinois, Inc. (“CHC of IL, Inc”) and Lakefront Medical Associates, LLC - Effective

¹ Cigna HealthCare of California, Inc., Cigna Health and Life Insurance Company, Cigna HealthCare of Illinois, Inc., Cigna Behavioral Health, Inc., and Cigna HealthCare of Texas, Inc.

5/15/2008.

- Hospital Services Agreement between CHC of IL, Inc. and VHS Acquisition Subsidiary Number 3, Inc. dba Louis A. Weiss Memorial Hospital - Effective - 4/1/2009.
- Institutional Services Agreement (Illinois) between Cigna Behavioral Health, Inc. and Pipeline Healthcare Management - Illinois, LLC dba Weiss Memorial Hospital - Effective - 1/29/2019.
- Hospital Managed Care Agreement between CHC of IL, Inc. and West Suburban Hospital Medical Center - Effective - 1/1/1995.
- Hospital Services Agreement, as amended, between Cigna HealthCare of Texas, Inc. and Pipeline East Dallas, LLC dba City Hospital at White Rock - Effective 8/1/2018.

The Cigna Payor Contracts may be terminated without cause only upon no less than sixty (60) days' advance written notice.

B. Sale.

2. On October 3, 2022, the Debtors filed the *Debtors' Motion for Entry of an Order (I) Approving the Bidding Procedures, (II) Establishing Related Dates and Deadlines, (III) Approving the Form and Manner of Notice Thereof, and (IV) Granting Related Relief* [Docket No. 24] (the "Sale Motion"). Pursuant to the Sale Motion, Debtors seek this Court's approval for the sales of substantially all of their assets related to the Facilities (the "Sales") to to-be-determined purchasers (the "Purchasers"), including the assumption and assignment of certain of Debtors' executory contracts to the Purchasers as part of the Sales.

3. On October 12, 2022, this Court entered the *Order (I) Approving the Bidding Procedures, (II) Establishing Related Dates and Deadlines, (III) Approving the Form and Manner of Notice Thereof, and (IV) Granting Related Relief* [Docket No. 149] (the "Sale Procedures Order").

4. Paragraph 39 of the Sale Procedures Order requires the Debtors to provide Cigna with written, irrevocable (subject to Closing Date) notice (the "Sale Disposition Notice") of whether the Debtors propose to assume and assign one or more of the Cigna Payor Contracts no

later than the earlier of (i) two business days prior to the applicable Sale hearing, or (ii) thirty days prior to the applicable Sale closing date.

5. As of the filing of this Objection, Cigna had not yet received any Sale Disposition Notice, and no Sales have been approved by this Court. Thus, Cigna does not know the proposed disposition of the Cigna Payor Contracts in the context of the Sales. Further, under the Sale/Equitization Restructuring toggle proposed by the Debtors, there is no assurance as to whether or when any Sales will occur.

C. Disclosure Statement and Plan.

6. On November 4, 2022, Debtors filed the Disclosure Statement and the *Amended Joint Chapter 11 Plan of Reorganization of Pipeline Health System, LLC and Its Debtor Affiliates* [Docket No. 318] (the “Plan”). The Debtors currently seek this Court’s approval of the Disclosure Statement.

7. Under the Plan, all executory contracts will be deemed rejected, unless, *inter alia*, any such contract has been assumed and assigned pursuant to a Sale, or is listed on the Assumed Executory Contracts and Unexpired Leases Schedule (the “Contracts Schedule”). Plan, V.A. The contracts to be assumed and assigned pursuant to the Sales have not yet been designated. Further, the Debtors may amend, modify and supplement the Contracts Schedule at any time, before or after Plan confirmation, without notice or limitation. Plan, Article A.15. Thus, counterparties may not know whether their executory contracts will be assumed or rejected under the Plan until, if ever, after the Plan is confirmed.

OBJECTION

8. To warrant this Court’s approval, the Disclosure Statement must contain information adequate to permit Cigna, as a creditor and party-in-interest, to make an informed judgment about the Plan. 11 U.S.C. § 1125(b). “The primary purpose of a disclosure statement is

to give the creditors information they need to decide whether to accept the plan.” *See, In re: Monnier Bros.*, 775 F.2d 1336, 1342 (8th Cir. 1985). Adequate information is that which would enable a hypothetical reasonable investor typical of holders of claims or interests of the relevant class to make an informed judgment about the Plan. 11 U.S.C. § 1125(a)(i). As set forth below, the Disclosure Statement cannot be approved because it contains insufficient information regarding the treatment of the Cigna Payor Contracts under the Plan.

9. Under the Plan, all executory contracts will be rejected as of the Effective Date, unless such executory contracts are assumed and assigned pursuant to a Sale, or are listed on the Contracts Schedule. However, the Sales may not be approved or close (if ever) until after the deadline to object to the Plan, after the Plan confirmation hearing, and possibly after the Effective Date. Likewise, the Contracts Schedule may be altered by the Debtors at-will after the deadline to object to the Plan, after the Plan confirmation hearing, and possibly after the Effective Date. Thus, as proposed, the Disclosure Statement and Plan provide Cigna with no notice of, and no opportunity to object and be heard with respect to, the ultimate treatment of the Cigna Payor Contracts under the Plan.

10. The treatment of the Cigna Payor Contracts under the Plan could significantly impact the Facilities’ patients, and the failure to provide adequate, definitive notice of that disposition will put those patients at risk.

11. Any rejection of the Cigna Payor Contracts under the Plan will sever those contracts from the Facilities, and thus immediately (as of the Effective Date) sever the Facilities from Cigna’s Provider Network. This severance will have a significant and immediate effect on, among others: (i) those patients who are awaiting or receiving ongoing treatment at the Facilities because the Facilities are currently Cigna in-network providers under the patients’ Cigna healthcare

insurance policies; and (ii) persons covered under Cigna healthcare insurance policies who may be contemplating treatment at the Facilities and have already received or are awaiting pre-authorization. Additionally, any rejection of the Cigna Payor Contracts may disrupt covered persons and employer groups near the Facilities. It is for these reasons – the protection of third parties – that the Cigna Payor Contracts require a minimum of sixty (60) days’ notice prior to any termination thereof.²

12. The Disclosure Statement fails to provide Cigna with adequate information regarding the treatment of the Cigna Payor Contracts to make an informed decision about the Plan. Cigna cannot evaluate or object to assumption/rejection-related issues, without knowing the proposed treatment of the Cigna Payor Contracts.

13. The Disclosure Statement must be modified to inform Cigna whether its contracts are proposed to be assumed or rejected prior to Cigna’s opportunity to object and be heard on such proposed treatment. Without such information, the Disclosure Statement is inadequate.

WHEREFORE, Cigna respectfully requests that this Court enter an order that: (i) denies approval of the Disclosure Statement except as consistent with the foregoing; and (ii) grants Cigna such additional relief to Cigna as this Court deems just and equitable.

² To be clear, Cigna does not seek to compel the assumption of the Cigna Payor Contracts. Rather, Cigna seeks adequate notice as to whether the Cigna Payor Contracts will or will not be assumed under the Plan prior to the deadline to object to the Plan.

Dated: November 11, 2022
Houston, Texas

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