

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re:

**STEWARD HEALTH CARE SYSTEM,
LLC, et al.,**

Debtors.

Chapter 11

Case No: 24-90213 (CML)

Jointly Administered

**SUPPLEMENTAL RESPONSE AND LIMITED OBJECTION OF
THE ROMAN CATHOLIC ARCHBISHOP OF BOSTON, A CORPORATION
SOLE, TO THE DEBTORS' PROPOSED SALES OF THE
MASSACHUSETTS HOSPITALS FREE AND CLEAR OF LIENS AND LIABILITIES
(RELATED TO DOCKET NOS. 1963, 2193, 2242, 2260)**

The Roman Catholic Archbishop of Boston, A Corporation Sole hereby objects – on the limited basis set forth below - to the proposed sales of the Debtors' (as defined below) assets and hospital operations in Massachusetts (the “*Massachusetts Hospitals*”) pursuant to the terms outlined in the *Notice of (I) Designation of Successful Bids; (II) Proposed Sale Orders; (III) Scheduling of Sale Hearing with Respect to (a) Holy Family Methuen Hospital; (b) Holy Family Haverhill Hospital, (C) Saint Anne’s Hospital; an (d) Morton Hospital; and (IV) Reservation of Rights to Seek Approval of St. Elizabeth’s Medical Center and Good Samaritan Medical Center at Sale Hearing* [Docket No. 2242], the proposed sale orders attached thereto as Exhibits B and C and the *Notice of Designation of Successful Bid and Proposed Sale Order for St. Elizabeth’s Medical Center and Good Samaritan Medical Center* [Docket No. 2260], the proposed sale order attached as Exhibit B thereto. This Response and Limited Objection supplements the RCAB’s *Objection and Reservation of Rights with respect to the Massachusetts Hospitals* [Docket No 1963]

BACKGROUND

A. The Caritas Hospitals.

1. Care for the sick, the dying and the poor is a ministry deeply rooted in the history of the Roman Catholic Church. Indeed, it has been a principal contribution of the Church's role in society since the Middle Ages. In the United States this role has been institutionalized and expanded across the country.

2. Consistent with this long-standing tradition, prior to the commencement of the above-captioned case, Caritas Christi, Inc., a Massachusetts non-profit corporation ("*Caritas*") established in 1985 by the Roman Catholic Archbishop of Boston, a corporation sole ("*RCAB*"), operated the following Catholic-sponsored acute care hospitals in Massachusetts (collectively, the "*Caritas Hospitals*" or the "*Hospitals*"):

- Caritas St. Elizabeth's Medical Center ("*St. Elizabeth's*"), located in Brighton, Massachusetts;
- Caritas Holy Family Hospital ("*Holy Family*"), located at two campuses in Haverhill and Methuen, Massachusetts;
- Caritas Good Samaritan Medical Center ("*Good Samaritan*"), located in Brockton, Massachusetts;
- Caritas Norwood Hospital ("*Norwood*"), located in Norwood, Massachusetts;
- Caritas Carney Hospital ("*Carney*"), located in Dorchester, Massachusetts; and
- St. Anne's Hospital ("*St. Anne's*"), located in Fall River, Massachusetts.

3. According to the Commonwealth of Massachusetts the Caritas Hospitals:

[p]lay a critical role in addressing the health care needs of Massachusetts patients, including inpatient medical and surgical capacity, inpatient behavioral health capacity, maternal and newborn health services, emergency department services, health care services in the South Shore region, and health care services for Medicaid (known in Massachusetts as "*MassHealth*") and Medicare patients.

See Informational Brief of the Commonwealth of Massachusetts [ECF No. 61], p.5.

B. Steward's Acquisition of the Caritas Hospitals.

4. Prior to their acquisition by Steward Health Care System, LLC and Steward Hospital Holdings, LLC (collectively "*Steward*"), and together with the other debtors in the above captioned proceeding the "*Debtors*") in 2010, the Caritas Hospitals struggled financially and became significantly and increasingly capital constrained. Among other things, the Caritas Hospitals had aging facilities, substantially-underfunded pension plans covering approximately 13,000 current and former employees, and more than \$40 million in annual debt service obligations.

5. Simply put, a significant capital investment was required to enable the Caritas Hospitals to survive and continue their mission of providing community-based health care services, including services to the indigent, in accordance with the moral, ethical and social teachings of the Roman Catholic Church.

6. Based on these considerations, Caritas concluded that the only way the Caritas Hospitals could continue to carry out their mission and maintain their uniquely Catholic identity would be to find a strategic partner who could supply the capital necessary to meet the hospitals' needs.

7. Following a multi-year search to identify an appropriate strategic partner, Caritas, ultimately determined that a sale to Steward, a for-profit entity (then owned by the private equity firm, Cerberus Capital Management, LP), as the best available option (the "*Transaction*") that would allow the Hospitals to continue to operate as Catholic health care facilities.

C. The Stewardship Agreement.

8. Under applicable corporate governance law, however, the Transaction required the approval of both RCAB and the Holy See, who in turn, conditioned their approval on the Hospitals continuing to operate as Catholic health care facilities in accordance with the moral, ethical and social teachings of the Roman Catholic Church as expressed in the *Ethical and Religious Directives for Catholic Health Care Services, Fifth Edition*.

9. Ultimately, Steward, as part of the Transaction, entered into a Stewardship Agreement (the “*Agreement*” or the “*RCAB Agreement*”) with RCAB¹. The goal of the Agreement was to ensure that the Caritas Hospitals continued to maintain their Catholic identity and to operate as Catholic health care facilities in accordance with Catholic norms.

10. In the Agreement², Steward, among other things, expressly acknowledged that the names of the Hospitals as well as other symbols used by the Hospitals were traditionally associated with the Roman Catholic Church and for a long period of time integrally related to the identities of the Hospitals and their associated activities.³ See Agreement, § 2.3. In the

¹ A copy of the Agreement is attached as Exhibit A to the RCAB’s *Objection to the Debtors’ Bid Procedures Motion* [Docket No. 558] and is incorporated herein by reference.

² The following is a summary of the Agreement. In the event there is a conflict between the summary and the Agreement, the terms of the Agreement control. In addition, capitalized words not otherwise defined have the meanings ascribed to them in the Agreement.

³ By way of example, in the Agreement Steward acknowledged and agreed that the following names were “integrally related” to the Hospitals’ Catholic identity:

- Caritas
- Christi
- Caritas Christi
- Catholic
- Hospital Names
 - Good Samaritan Medical Center
 - Holy Family Hospital
 - Saint Anne’s Hospital
 - St. Elizabeth’s Medical Center

See Agreement, §2.4.

- The name of any Pope or saint, or any name that is otherwise traditionally associated with the Roman Catholic Church.

Agreement, Steward further acknowledged that the Hospitals used Catholic religious items and symbols in their chapels and in other locations in their facilities. *Id.* at § 2.3.

11. Of relevance to the proposed sale of the Massachusetts Hospitals, the Agreement also expressly recognized that for regulatory or financial reasons, Steward might be compelled to sell the Caritas Hospitals. *Id.* at § 6.2(d).

12. Under the Agreement, in the event of such a sale, merger, or other transfer of any of the Caritas Hospitals, either RCAB or Steward has the right to terminate the Agreement. Alternatively, if neither RCAB or Steward terminates the Agreement, “Steward, as a condition closing such sale, merger or other transfer, shall cause the transferee to accept the obligations under this Agreement with respect to. . . [the] Hospital[s] in a form of agreement reasonably satisfactory to RCAB and to which RCAB is a named party.” *Id.*

13. Pursuant to section 6.3 of the Agreement, in turn, if the Agreement is terminated as a result of a sale, merger or other transfer, Steward is required, among other things, to:

- cause the Hospitals to remove, pursuant to a 18-month transition schedule, all symbols of Catholic identity (e.g. interior signage, trade and service marks associated with Catholic identity in both paper and electronic form) and cease using the Restricted Names; and
- promptly cause the Hospitals to return the Religious Items to RCAB (or the person or entity when contributed them).

See Agreement, §§ 6.3, 6.4.

RESPONSE AND LIMITED OBJECTION

14. The Massachusetts Hospitals play a critical role in addressing the health care needs of the communities in which they operate. Patients, health care providers and communities depend on the continued operation of these hospitals and the services they provide. RCAB fully supports the transfer of the Massachusetts Hospitals to responsible operators with the expertise

and resources necessary to continue the hospitals' vital mission of providing community-based health care services to the sick, the dying and the poor.

15. Based on the Debtors' sale papers, however, it appears that the Massachusetts Hospitals will no longer be operated as Catholic hospitals in accordance with the RCAB Agreement. Under the circumstances, RCAB objects to the proposed sales to the extent that the Debtors seek to transfer the Restricted Names or the Religious Items or authorize the buyers to continue to use symbols of Catholic identity (e.g. signage, and trade and service marks associated with Catholic identity) in connection with the operation of the Massachusetts Hospitals.

16. Based on the Debtors' papers, it further appears that no such transfer is contemplated. The RCAB agreement is not being assumed or assigned in connection with the sale of any of the Massachusetts Hospitals. Similarly, the Lifespan asset purchase agreement expressly provides that no transfer of intellectual property licensed pursuant to the RCAB Agreement is intended. And the sale of the BMC Hospitals, in turn, is expressly conditioned on the buyer and RCAB reaching a "satisfactory agreement . . . with respect to transition matters."

17. RCAB is prepared to work with the Debtors and the proposed buyers of the Massachusetts Hospitals to resolve any issues with the proposed sales, but has filed this response and limited objection to preserve its rights until such a resolution can be reached.

RESERVATION OF RIGHTS

18. This Response and Limited Objection is submitted without prejudice to, and with a full reservation of, RCAB's rights, claims, defenses and remedies, including the right to amend, modify, or supplement this Response and Limited Objection, to raise additional objections, and to introduce evidence at any hearing related to any hospital sale.

Dated: September 2, 2024

MORRISSEY, WILSON & ZAFIROPOULOS, LLP

/s/ Francis C. Morrissey

Francis C. Morrissey (admitted *pro hac vice*)
45 Braintree Hill Office Park, Suite 304
Braintree, Massachusetts 02184
Tel: (781) 353-5501
Email: fcm@mwzllp.com

and

MURPHY & KING, PC

/s/ D. Ethan Jeffery

D. Ethan Jeffery (admitted *pro hac vice*)
28 State Street, Suite 3101
Boston, MA 02109
Tel: (617) 423-0400
Email: ejeffery@murphyking.com

***COUNSEL TO
ROMAN CATHOLIC ARCHBISHOP OF BOSTON, A
CORPORATION SOLE***