

Scruggs, Colleen

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Sent: Monday, February 27, 2017 5:18 PM
To: Scruggs, Colleen; azturbocourt@lrrc.com
Subject: AZTurboCourt E-Filing Courtesy Notification

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Here are the filing details:

Case Number: CV2016-011872 (Note: If this filing is for case initiation, you will receive a separate notification when the case # is assigned.)

Case Title: State Of Arizona, Et.Al. Vs. Compass Cooperative M

Filed By: Justin J Henderson

AZTurboCourt Form Set: #2108032

Keyword/Matter #: 302377-00001

Delivery Date and Time: Feb 27, 2017 5:17 PM MST

Forms:

Summary Sheet (This summary sheet will not be filed with the court. This sheet is for your personal records only.)

Attached Documents:

Petition: Petition No. 9 - Petition to Accept First Status Report for the Period Ending December 31, 2016

Proposed Order/Judgment (Supporting): Order re Petition No. 9 Accepting First Status Report for the Period Ending December 31, 2016

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5 *Attorneys for Receiver*

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8 SUPERIOR COURT OF ARIZONA

9 COUNTY OF MARICOPA

10 STATE OF ARIZONA, *ex rel.*
11 LESLIE R. HESS, Interim Director
of Insurance,

12 Plaintiff,

13 vs.

14 COMPASS COOPERATIVE MUTUAL
HEALTH NETWORK, INC., dba
15 MERITUS MUTUAL HEALTH
PARTNERS, an Arizona corporation; and
16 COMPASS COOPERATIVE HEALTH
PLAN, INC., dba MERITUS HEALTH
17 PARTNERS, an Arizona corporation,

18 Defendants.

No. CV2016-011872

PETITION NO. 9

**PETITION TO ACCEPT FIRST
STATUS REPORT FOR THE
PERIOD ENDING DECEMBER 31,
2016**

(Assigned to The Honorable
Daniel Martin)

19
20 Leslie R. Hess, Interim Director of Insurance, as Receiver (hereinafter “Receiver”)
21 of Compass Cooperative Mutual Health Network, Inc. doing business as Meritus Mutual
22 Health Partners (“Meritus Mutual”) and Compass Cooperative Health Plan, Inc. dba
23 Meritus Health Partners (“MHP”), appointed pursuant to A.R.S. § 20-611, *et seq.*, hereby
24 petitions the Court for entry of the Order Accepting First Status Report for the Period
25 Ending December 31, 2016 for the reasons set forth herein.

26 . . .

1 1. In an Order dated August 10, 2016, this Court placed Meritus and MHP into
2 receivership under orders of liquidation.

3 2. On August 24, 2016, this Court entered Order Re Petition No. 1 – Petition for
4 Entry of Order Approving Compensation for Special Deputy Receiver and for Legal
5 Counsel.

6 a. Pursuant to Paragraph 3(c) of that Order, the Receiver is required to make
7 periodic filings, initially quarterly, of a Petition to Accept Status Report which filing is
8 required to include amounts paid to the Special Deputy Receiver and to legal counsel
9 during the period along with a brief summary of services and/or tasks performed during
10 the period and other matters as requested by the Court.

11 b. In order to provide such report for the prior period, consistent with
12 Paragraph 3(c), the Receiver is submitting this Petition after the quarter end of the prior
13 period ending December 31, 2016. Unless the Court otherwise order, the Receiver
14 anticipates filing these reports effective each calendar quarter end.

15 3. This Petition to Accept First Status Report for the Period Ending December 31,
16 2016 (“Petition”) along with the Status Report included herein is submitted in accordance
17 with those requirements.

18 **Summary of Services/Tasks**

19 4. The services and tasks performed during the reporting period (through December
20 31, 2016) include the following:

21 a. Commencement. Significant work was done in researching and drafting
22 the appointment of the Receiver and the related liquidation and injunction along with
23 preparing for and attending the hearing related to the proposed receivership.

24 Additionally, after entry of the receivership order, the first two petitions focused on
25 establishing a structure for the administration of the receivership and the Receiver’s
26 retention of professional consultants.

1 b. Release of Deposits and Liquidation Fund Contributions. Petitions were
2 drafted and submitted to the Court seeking the release of deposits and confirming the
3 procedures for Liquidation Fund contributions.

4 c. Arizona Life and Disability Insurance Guaranty Association. The Arizona
5 Guaranty Association was triggered with respect to Meritus Mutual. As a result, a
6 service agreement was negotiated and drafted under which the Receiver would provide
7 administrative services for the Guaranty Association. Additionally, an Early Access
8 Agreement was negotiated and drafted as required by Arizona law addressing whether
9 and to what extent early access distributions could be made to the Arizona Guaranty
10 Association. Both of those agreements were submitted to the Receivership Court for
11 approval.

12 d. Evaluation of Creditor Claims, Proposed Settlements and Development of
13 Liquidation Plan. During the reporting period, the Receiver and the professional
14 consultants focused extensively on evaluating creditor claims and, in particular, claims of
15 providers under the applicable statutes and related priority systems applicable to
16 liquidations of Meritus Mutual and MHP. As part of that process, the review also
17 included a review of the proposed settlements with providers that pre-dated the
18 receivership, claims of the Center for Medicare and Medicaid Services (“CMS”), claims
19 of consumers and related collection efforts by providers that might involve consumers,
20 and other creditors according to the books and records of Meritus Mutual and MHP. As
21 part of that process, the consultants worked on designing and developing a Liquidation
22 Plan.

23 e. Administrative Expenses. The Special Deputy Receiver reviewed the
24 ongoing business expenses and reduced them by reducing the number of staff and
25 changing office space. Additionally, the Special Deputy Receiver terminated or reduced
26 services associated with third party vendors.

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Summary of Payments

5. Legal Counsel. During the reporting period, the total amounts (fees and expenses) that have been paid to legal counsel are \$15,047 for Meritus Mutual and \$16,933 for MHP for a combined amount of \$31,980. Work was performed and invoices were submitted for additional services and amounts during the reporting period but not paid until January 2017. Because of the timing, those payments will be referenced in the next status report.

6. Special Deputy Receiver. During the reporting period, the total amounts (fees and expenses) that have been paid to the Special Deputy Receiver are \$11,265 for Meritus Mutual and \$11,160 for MHP. Work was performed and invoices were submitted for additional services and amounts during the reporting period but not paid until January 2017. Because of the timing, those payments will be referenced in the next status report.

WHEREFORE, the Receiver requests that the Court enter an Order Accepting First Status Report for the Period Ending December 31, 2016 in the form lodged concurrently with this Petition after expiration of the objection period.

Dated this 27th day of February, 2017.

LEWIS ROCA ROTHGERBER CHRISTIE LLP

By: /s/ Justin J. Henderson (#026930)
Joel A. Glover
Justin J. Henderson
Attorneys for Receiver

COPY of the foregoing mailed this 27th day of February, 2017 to the attached Master Service List

/s/ C.J. Scruggs
C.J. Scruggs

1 SUPERIOR COURT OF ARIZONA

2 COUNTY OF MARICOPA

3 No. CV2016-011872 (Assigned to The Honorable Daniel Martin)

4
5 **MASTER SERVICE LIST**

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9 COUNTY OF MARICOPA

10 STATE OF ARIZONA, *ex rel.*
11 LESLIE R. HESS, Interim Director
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12 Plaintiff,

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14 COMPASS COOPERATIVE MUTUAL
HEALTH NETWORK, INC., dba
15 MERITUS MUTUAL HEALTH
PARTNERS, an Arizona corporation; and
16 COMPASS COOPERATIVE HEALTH
PLAN, INC., dba MERITUS HEALTH
17 PARTNERS, an Arizona corporation,

18 Defendants.

No. CV2016-011872

**ORDER RE PETITION NO. 9
ACCEPTING FIRST STATUS
REPORT FOR THE PERIOD
ENDING DECEMBER 31, 2016**

(Assigned to The Honorable
Daniel Martin)

20 Leslie R. Hess, Interim Director of the Arizona Department of Insurance, as
21 Receiver of Compass Cooperative Mutual Health Network, Inc. doing business as
22 Meritus Mutual Health Partners (“Meritus Mutual”) and Compass Cooperative Health
23 Plan, Inc., dba Meritus Health Partners (“MHP”), having filed Petition No. 9 for entry of
24 an Order Accepting First Status Report for the Period Ending December 31, 2016 and
25 good cause appearing therefor,

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IT IS ORDERED:

The First Status Report for the Period Ending December 31, 2016, as filed by the Receiver of Meritus Mutual and MHP, having been reviewed and considered by the Court, is hereby accepted.

ENTERED this ____ day of _____, 2017.

The Honorable Daniel Martin
Maricopa County Superior Court Judge