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6 *Attorneys for Receiver*

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. 7

**PETITION FOR ORDER
APPROVING LIQUIDATION
PLAN**

(Assigned to The Honorable
Daniel Martin)

20 Leslie R. Hess, Interim Director of the Arizona Department of Insurance, as
21 Receiver (hereinafter "Receiver") of Compass Cooperative Mutual Health Network, Inc.
22 doing business as Meritus Mutual Health Partners ("Meritus Mutual") and Compass
23 Cooperative Health Plan, Inc. dba Meritus Health Partners ("MHP") (collectively,
24 Meritus Mutual and MHP are referred to as the "Meritus Companies"), appointed
25 pursuant to A.R.S. § 20-611, *et seq.*, hereby petitions the Court for entry of an order
26 approving the liquidation plan.

1 **Background – MHP and Meritus Mutual**

2 1. The Meritus Companies were placed under the supervision of the Arizona
3 Department of Insurance (“Department”) on October 30, 2015 and discontinued all
4 insurance coverage on or before midnight on December 31, 2015.

5 2. The Meritus Companies were placed into Receivership with an order of
6 liquidation and declaration of insolvency on August 10, 2016.

7 3. Of particular importance to this receivership proceeding and the development of a
8 Liquidation Plan is that, despite the joint management of the companies, Meritus Mutual
9 and MHP are distinct insurance entities subject to disparate treatment under Arizona
10 receivership and guaranty fund law.

11 **4. Meritus Mutual Receivership Priority System.**

12 a. Meritus Mutual was legally established and operated as a disability
13 insurance company under Arizona law and was referred to as a PPO. Under Arizona’s
14 priority statute, A.R.S. § 20-629, the insured’s claims, and thus by assignment, claims of
15 the insured’s physician, hospital and other healthcare providers (“Providers”) under
16 insurance policies issued by a disability insurance company fall within Class 3 of the
17 distribution scheme applicable to disability company receiverships.¹

18 b. In addition, claims under insurance policies issued by disability insurers
19 domiciled in Arizona are covered by the Arizona Life and Disability Insurance Guaranty
20 Fund (“AZ Guaranty Fund”), subject to the statutory limitations provided for in the AZ
21 Guaranty Fund’s enabling act, A.R.S. § 20-681, *et seq.*

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24 ¹ A.R.S. § 20-629 defines Class 3 claims as follows: “3. Claims under insurance policies and contracts and
25 guaranteed investment contracts except reinsurance, including claims under nonassessable policies for unearned
26 premiums, claims under annuity contracts, third party claims against insureds who are covered under liability
insurance policies and, in a delinquency proceeding of a health care services organization that is domiciled in this
state, claims of enrollees and enrollees’ beneficiaries including any claim that an enrollee may have because the
enrollee is liable to a provider for services that are provided pursuant to and covered by the enrollee’s health care plan
with the health care services organization.”

1 **5. MHP Receivership Priority System.**

2 a. In contrast, MHP was legally established and operated as a health care
3 services organization (“HCSO”) under Arizona law (more commonly known as an
4 “HMO”). As noted in previous petitions before this Court, HCSOs operate differently
5 from disability insurers in that HCSOs create a network of healthcare providers via
6 contractual arrangements with the Providers, which is generally intended to provide most
7 of the health care services needed for the enrollees for the HCSO’s health plan. Thus,
8 there is a distinction between the healthcare services an HCSO enrollee obtained from a
9 contracted (or in-network) Provider versus services an HCSO enrollee obtained from a
10 non-contracted (or out-of-network) Provider. The receivership statutes address this
11 distinction through the claim priority levels assigned to the claim. Because the contracted
12 Providers have a contractual relationship with the HCSO, they must collect their fees
13 from the HCSO and are not legally permitted to seek monies directly from enrollees,
14 subject to Arizona law, including A.R.S. 20-1072(A). This contrasts with a non-
15 contracted Provider who has no contractual relationship with the HCSO as it relates to the
16 services rendered to the enrollee and is not prohibited from attempting to collect monies
17 directly from an HCSO enrollee for services rendered. Generally, Providers who
18 contracted with MHP to provide care to plan enrollees are “contract (or in-network)
19 Providers” and Providers who did not have a contract to serve MHP plan enrollees are
20 known as “non-contract (or out-of-network) Providers.” Under A.R.S. § 20-629, only the
21 claims of the non-contract Providers of an HCSO fall within Class 3. Those claims are
22 accorded a higher priority than contract Providers which fall within Class 7.² Every
23 claim in each class must be paid in full or adequate funds reserved before creditors in the
24 next class receive payment. A.R.S. § 20-629(A). The rationale for this disparate

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26 ²² A.R.S. § 20-629 defines Class 7 claims as follows: “In a delinquency proceeding of a health care services organization that is domiciled in this state, claims of providers who are required by law or agreement to hold enrollees harmless from liability for services that are provided pursuant to and covered by a health care plan.”

1 statutory treatment can be seen in the language of A.R.S. § 20-629(A)(7), which
2 addresses circumstances under which contracted Providers may not collect monies
3 directly from plan enrollees whereas non-contracted Providers may legally attempt to
4 collect monies from enrollees.

5 b. Further, HCSO claims are **not** covered by the AZ Guaranty Fund. MHP
6 maintained a \$3.4 million security deposit with the Department for the benefit of MHP's
7 enrollees for the purpose of funding benefits in accordance with A.R.S. § 20-1069(A).
8 Additionally, MHP held a special deposit in the amount of \$619,552 for the benefit and
9 protection of persons covered by MHP in accordance with A.R.S. § 20-1056(C).
10 (together, the two deposits total approximately \$4 million and are referred to as the
11 "MHP Special Deposits").

12 c. Finally, a specific Provider may fall into different categories depending on
13 the circumstances of the claim. A Provider may be a contract Provider of the MHP for
14 one claim, a non-contract Provider of MHP for a different claim, a non-contract Provider
15 of MHP for a network exception claim, and/or a Provider for Meritus Mutual for yet
16 another claim. As more fully discussed below, this claim categorization has significant
17 impact on the individuals who received services, the ability of the Provider to seek
18 financial recovery from the enrollee directly, and the AZ Guaranty Fund.

19 **6. Pre-Receivership Negotiated Settlements.**

20 a. During the Supervision and prior to Receivership, the Meritus Companies
21 negotiated settlements with some of the Meritus Mutual and MHP providers for the
22 resolution of all claims by the Provider in exchange for a reduced payment from the
23 Meritus Companies ("Provider Settlements"). The Provider Settlements generally
24 addressed claims from Meritus Mutual and MHP without distinction. Likewise, the
25 Provider Settlements addressed claims for in-network Providers and for out-of-network
26 providers without distinction. As noted above, in light of the different priority systems

1 applicable to each entity (and in the case of MHP, each Provider type) in receivership,
2 those distinctions are significant. Of important note is that, in some cases, Providers have
3 claims against both Meritus Mutual and MHP. For example, a single Provider may have
4 different level priority claims against MHP and/or Meritus Mutual and may have
5 different AZ Guaranty Fund coverage, depending on the member/enrollee, the service
6 provided, and the relationship with the legal entity. These distinctions are also important
7 for consumers because, as described above, under certain circumstances, some Providers
8 may seek to recover unpaid balances from individuals directly through a process referred
9 to as “Balance Billing.” Under those circumstances and subject to Arizona law, Meritus
10 Mutual Providers may bill the insured for uncovered or unpaid claims as can out-of-
11 network MHP Providers.

12 b. As of the date of the Receivership, Provider Settlements had not been
13 entered into with all Providers. While many Providers with larger claims appear to have
14 been addressed, settlements were signed with only 83 separate Providers.³ There appear
15 to be more than 300 separate Providers that may have open claims with Meritus Mutual
16 and more than 350 separate Providers that may have open claims with MHP.⁴ Only a
17 very few of the Provider Settlements were funded or otherwise implemented.

18 **7. Claims Asserted by the Federal Government.**

19 a. A further potential restriction on the amount of assets that could be
20 available to pay claims of Providers, the United States Department of Justice (“DOJ”)
21 acting on behalf of the Center for Medicare and Medicaid Services (“CMS”) has refused
22 to subordinate its potential claims related to the Meritus Receivership. (*See Verified*
23 *Complaint for Appointment of Receiver and Injunction, Par. 20.*)

24 _____
25 ³ For purposes of this Petition, separate Providers are determined based on separate individual tax identification
26 numbers.

⁴ These approximate numbers are included to offer a sense of the magnitude of the issues. It is anticipated that the
numbers will change and continue to be refined and updated as part of the adjudication and proof of claim process
contemplated in the Liquidation Plan. Additionally, it is not currently known how many Providers may have claims
against both companies.

1 b. The DOJ's position appears to be consistent with positions it has taken in
2 other states' ACA Cooperative insolvencies. In other insolvencies, the DOJ's position
3 has been that, while it may not object to claims of administrative expenses, it would
4 refuse to subordinate its claims with respect to claims of any other creditors at any other
5 levels. Thus, to the extent there are estate assets and/or special deposits that could
6 otherwise be available to fund Provider claims, the DOJ's position currently restricts any
7 reasonable opportunity to utilize those funds for claims payment.

8 c. The DOJ has been added to the Master Service List for the Receivership.
9 Additionally, the Receiver has sent this Petition via U.S. Mail to the United States
10 Attorney General at the United States Department of Justice in Washington, D.C., on the
11 United States Attorney for the District of Arizona, and on CMS.

12 **8. Receiver's Consideration of Alternatives that Would Utilize the Negotiated**
13 **Settlements.**

14 a. At the hearing for the Receivership, counsel for the Meritus Companies'
15 Board of Directors requested that the Receiver consider whether or to what extent the
16 prior Provider Settlements could be utilized in some way in the Receivership, particularly
17 to the extent that the settlements could facilitate use of funds for payments to Providers
18 while providing some protection to consumers from improper Balance Billing practices.

19 b. The Receiver has considered the Provider Settlements and evaluated
20 whether or to what extent those settlements could be implemented in the Receivership as
21 part of a Liquidation Plan. After a detailed review of the remaining claims, the Providers
22 without any negotiated settlements, the disparate receivership priority systems for the two
23 different legal entities, and the possibility that a single Provider could be the subject of
24 multiple claims with disparate statutory treatment, the Receiver has determined that it is
25 not prudent to pursue the settlements at this time. Instead, the Receiver submits this
26 Liquidation Plan, subject to this Court's approval and in accordance with Arizona law.

1 **Proposed Liquidation Plan**

2 **9. Summary.** In light of that background information and based on the Receiver’s
3 review and analysis of the Meritus Companies, their records, and the available options,
4 the Receiver proposes this Liquidation Plan, under which the Receiver will do the
5 following: (1) coordinate coverage from the AZ Guaranty Fund for Meritus Mutual
6 claims; (2) determine claim amounts of MHP, taking into account in-network, out-of-
7 network, and network exception distinctions; (3) seek a temporary restraining order
8 prohibiting collections from enrollees and insureds unless and until an Explanation of
9 Benefits (“EOB”) notice (or similar documentation) has been issued by the Receiver; and
10 (4) implement a a proof of claim process that allows for Provider claims to be adjudicated
11 and determined generally in accordance with the Meritus Companies’ procedures.

12 **10. Coordinate Coverage from the AZ Guaranty Fund for Meritus Mutual**
13 **Claims.**

14 a. Service Agreement. As noted above, Meritus Mutual claims are covered by
15 the AZ Guaranty Fund subject to the terms and provisions of its enabling act. On
16 November 7, 2016, this Court entered an Order approving a Service Agreement between
17 the Receiver and the AZ Guaranty Fund that provides the means by which the Receiver
18 may work with the AZ Guaranty Fund to coordinate claim calculations and payments by
19 the AZ Guaranty Fund.

20 b. Status of Claims Work. The Receiver has adjudicated the claims relying on
21 the books and records of Meritus Mutual using November 1, 2016 (or other date
22 determined in the Receiver’s discretion), as an effective date for the calculations. Based
23 on the current analysis, there are claims from approximately 330 separate Providers in the
24 total amount of approximately \$3.5 million (subject to further adjustment and
25 adjudication). In some cases, a Provider may owe amounts to Meritus Mutual and those
26 ...

1 amounts would be taken into account as offsets or otherwise within the discretion of the
2 Receiver.

3 c. Determination of CoPays and Deductibles and Issuance of Explanation of
4 Benefit (“EOB”) Forms. As part of the process associated with adjudication and
5 determination of claim amounts, and as necessary and appropriate under the
6 circumstances, the Receiver and the AZ Guaranty Fund will prepare an EOB form (or
7 similar documentation) that, among other things, will identify for the insured the correct
8 amounts of any deductibles and/or copays that would be due the Provider.

9 d. Communication with Providers and Insureds. The Receiver and the AZ
10 Guaranty Fund would work with the Providers initially to confirm the appropriate claim
11 amounts using the applicable effective date. After confirmation of the claim amounts,
12 EOB notices would be sent to insureds and Providers. To the extent there are any
13 disputes regarding the claim amounts and/or the EOB notices and related calculations
14 (including consideration of offsets and/or other amounts due from the Provider to MHP),
15 this Court would have the sole and exclusive jurisdiction to resolve such disputes.

16 **11. Determine Claim Amounts of MHP, Taking Into Account In-Network, Out-**
17 **of-Network, and Network Exception Distinctions.**

18 a. No AZ Guaranty Fund Coverage. As explained above, there is no AZ
19 Guaranty Fund coverage for claims of MHP. The source of payments for any such
20 claims would be limited to MHP assets, which would include the MHP Special Deposits.
21 However, in light of the position asserted by the DOJ on behalf of CMS, the Receiver
22 proposes using the MHP Special Deposits and any other assets of MHP solely for the
23 administrative expenses incurred under this Liquidation Plan. Payments for any purposes
24 other than administrative expenses would only be pursued by the Receiver after
25 subsequent notice, hearing and order of this Court.

26 . . .

1 b. Release of MHP Special Deposits. By means of a separate petition, the
2 Receiver has requested release of the MHP Special Deposits for use subject to and in
3 accordance with this Liquidation Plan and the specific statutory authority applicable to
4 each such deposit. *See e.g.* A.R.S. §§ 20-1069(A), 20-1056(C), and 20-629.

5 c. Status of Claims Work. The Receiver has adjudicated the claims relying on
6 the books and records of MHP using November 1, 2016 (or other date determined in the
7 Receiver's discretion), as an effective date for the calculations. Based on the current
8 analysis, there are claims from approximately 370 separate Providers in the total amount
9 of approximately \$9.5million (subject to further adjustment and adjudication). In some
10 cases the Provider may owe amounts to MHP and those amounts would be taken into
11 account as offsets or otherwise within the discretion of the Receiver.

12 d. Determine CoPays and Deductibles and Issue EOB Notices. As part of the
13 process associated with adjudication and determination of claim amounts and as
14 necessary and appropriate under the circumstances, the Receiver will prepare an EOB
15 notice (or similar documentation) that, among other things, will identify for the enrollee
16 the correct amounts of any deductibles and/or copays that would be due the Provider.

17 e. Communicate with Providers and Enrollees. The Receiver will work with
18 the Providers initially to confirm the appropriate claim amounts using the applicable
19 effective date. After confirmation of the claim amounts, EOB notices (or similar
20 documentation) will be sent to individual enrollees and Providers, as necessary and
21 appropriate under the circumstances. To the extent there are any disputes regarding the
22 claim amounts and/or the EOB notices and related calculations (including consideration
23 of offsets and/or other amounts due from the Provider to MHP), this Court would have
24 the sole and exclusive jurisdiction to resolve such disputes. The amount due to the
25 Provider would also be identified so that it could be used as part of the Proof of Claim
26 process in the future.

1 **12. Temporary Restraining Order Prohibiting Collections from MHP Enrollees**
2 **and Meritus Mutual Insureds Unless and Until an EOB Notice Has Been**
3 **Issued by the Receiver.**

4 a. Balance Billing and Enrollee Collections. An important aspect of this
5 Liquidation Plan is a Temporary Restraining Order that would address the practice
6 discussed above whereby Providers with unpaid claims for services provided under
7 insurance policies issued by Meritus Mutual and/or MHP seek to recover balances due
8 directly from enrollees and/or insureds of Meritus Mutual or MHP (“Balance Billing and
9 Enrollee Collections”). Often providers collect copays and deductibles at or about the
10 time services are provided. The Meritus Mutual and MHP policies provided that
11 enrollees owed copays and deductibles under certain circumstances. It is anticipated that
12 the majority of copays and deductibles have been collected since all the coverage
13 terminated no later than December of 2015. In some cases, though, the amounts of the
14 copays and deductibles may be disputed, subject to adjustment or remain unpaid.
15 Additionally, in some cases providers may be seeking to collect amounts greater than the
16 copays and deductibles, including amounts that the insurer would otherwise owe. As
17 mentioned above and set forth below, in some circumstances those additional collections
18 may be illegal and/or would interfere with the Liquidation Plan.

19 b. Interference with the Receivership and Improper Preferences. In the
20 absence of relief from this Court, the practice of Balance Billing and Enrollee Collections
21 interferes with the Receiver and the proceeding and creates the potential for improper
22 preferences, judgments, attachments and liens.

23 i. The amount of claims that may be legally subject to Balance Billing
24 and Enrollee Collections is not yet finally determined. Specifically, the amount of money
25 that an enrollee validly owes to a provider may remain subject to adjustment and/or
26 dispute taking into account the policy terms, copays, deductibles, AZ Guaranty Fund
coverage, network exceptions, and disputed pending appeals. Balance Billing and

1 Enrollee Collections interfere with the Receiver's effort to calculate and determine the
2 appropriate amount validly subject to Balance Billing and Enrollee Collections and the
3 resolution of any related disputes and/or adjustments. Those numbers will likely not be
4 finally determined unless and until an EOB notice (or similar documentation) is
5 completed and submitted to the enrollee/insured and the Provider.

6 ii. Collections from enrollees of MHP may violate Arizona law.
7 Providers that have written contracts with MHP, an HCSO, are prohibited from collecting
8 any amounts in excess of copays, deductibles and out of area claims. A.R.S. § 10-1072.
9 Specifically, MHP's enrollees are not liable for any amounts owed by MHP to the
10 contracting providers and may not be subject to collection activities for such amounts.
11 *Id.* Accordingly, one of the purposes of the Balance Billing and Enrollee Collections
12 Injunction sought by the Receiver is to ensure that any payments from enrollees to
13 Providers that contracted with MHP, or to Providers who provided care under a network
14 exception, are limited to appropriate amounts for copays, deductibles and out of area
15 claims subject to and in accordance with Arizona law.⁵

16 iii. Provider collections from Meritus Mutual insureds would
17 significantly interfere with the Liquidation Plan and could create illegal preferences. The
18 fact that a Meritus Mutual policyholder paid more than the deductible or copay could
19 trigger AZ Guaranty Fund obligations that, in turn, could affect the AZ Guaranty Fund
20 claims against the estate.

21 iv. Finally, it is imperative that all decisions regarding amounts that
22 enrollees may owe to Providers and that Providers may seek to collect are made by the
23 same Court in a consistent manner as applied to all the MHP and Meritus Mutual
24 Providers, enrollees and insureds. Those decisions require interpretation of MHP and
25 Meritus Mutual policy terms and provisions under unique and specific circumstances

26 _____
⁵ To the extent collections were made in violation of Arizona law or otherwise in excess of appropriate amounts, all rights are reserved and nothing in this Liquidation Plan is intended to limit such rights.

1 associated with this receivership. Having this Court be the sole and exclusive Court to
2 interpret and render decisions on such things as insurance policy language, Provider
3 contracts, network exceptions, etc. will help ensure that all enrollees and Providers are
4 treated equitably under the law and that identical policy or other agreement language is
5 interpreted consistently under the circumstances.

6 c. Statutory Authority for Injunctions. Arizona law specifically authorizes an
7 injunction in situations where improper practices may interfere with the Receiver, with
8 the proceedings, and/or result in illegal preferences for the reasons specified above. The
9 Receiver's requested relief is expressly provided for by A.R.S. § 20-614(B), which states
10 as follows:

11 The court may at any time during a proceeding under this article
12 issue such other injunctions or order as is deemed necessary to
13 prevent any of the following:

14 1. Interference with the receiver or the proceeding.

15 ***

16 4. The obtaining of preferences, judgments, attachments
17 or other liens.

18 d. Termination. The Balance Billing and Enrollee Collection Injunction
19 requested herein is intended to be temporary. It would remain in full force and effect
20 only unless and until an EOB (or similar documentation) were issued by the Receiver
21 subject to and in accordance with this Liquidation Plan. Additionally, at any time, a
22 Provider may petition this Court for relief from the Balance Billing Injunction before
23 issuance of an EOB (or similar documentation) and for good cause shown, taking into
24 account, among other things, alleged hardship that would be suffered by the Provider as
25 compared to the potential for interference with the Receiver, interference with the
26 proceeding and the obtaining of preferences in violation of A.R.S. § 20-614, and potential

1 hardship to the enrollees. Before filing such petition, the Provider must confer with the
2 Receiver to determine whether or to what extent the Receiver opposes the requested
3 relief.

4 **13. Establishing Claims Bar Date and Proof of Claim Form.**

5 a. Pursuant to A.R.S. §§ 20-640 and 20-628, the Receiver requests that the
6 Court establish May 15, 2017 as the proof of claims bar deadline. After this Court's
7 order approving such deadline, and as soon as reasonably practicable under the
8 circumstances; the Receiver shall notify all persons who may have claims against Meritus
9 Mutual and/or MHP by publishing on the web site maintained for Meritus Mutual and
10 MHP the Proof of Claims Notice and instructions in substantially the same form as
11 attached as Exhibit A and by sending a copy of the Proof of Claims Notice via regular
12 mail using the books and records of Meritus Mutual and/or MHP for the most recent and
13 complete mailing addresses of such persons.⁶ The Receiver shall file proof of publication
14 and mailing after it has provided notice of Exhibit A in the manner provided herein. Any
15 and all persons with claims against Meritus Mutual and/or MHP shall file the Proof of
16 Claim forms in the form of **Exhibit A** on or before May 15, 2017 or such claims shall be
17 forever barred.

18 b. In the Receiver's discretion:

19 i. the Receiver may notify one or more creditors of a proposed deemed
20 claim amount based on the books and records of Meritus Mutual and/or MHP that the
21 creditor may dispute by means of submission of a separate Proof of Claim Form; and

22 ii. the Receiver may seek an extension of the Proof of Claims Bar Date
23 under the circumstances and subject to this Court's approval.

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26 ⁶ To the extent persons are fully covered by the Arizona Guaranty Fund, the Receiver would limit notice to the AZ Guaranty Fund in accordance with the statutory assignment and subrogation associated with such coverage under A.R.S. § 20-685.F.

1 c. Providers are not required to use the Proof of Claim Form to submit a
2 claim. Instead, Providers with claims for health care services provided must submit the
3 claims to Meritus Mutual and/or MHP in the usual manner used in the normal course of
4 business for processing and adjudicating claims. In addition: (1) the Receiver will
5 communicate to each Provider a Notice of Claim Amount determined in accordance with
6 the Arizona Insurer Receivership Act; (2) if a Provider objects to the claim amount in the
7 Notice, that Provider must file a written notice of objection with the Receiver within
8 thirty (30) days after the date of the Notice; and (3) the Receiver will file with the Court
9 notice of the Provider' objection to the claim amount, along with the Receiver's
10 recommendation; and (4) any such disputed claim will be resolved by this Court subject
11 to and in accordance with the Arizona Insurer Receivership Act. Providers whose claims
12 have already been submitted to Meritus Mutual and/or MHP do not need to submit a
13 duplicate claim and should not do so.

14 **14. Legal Authority for Liquidation Plan.**

15 a. The Liquidation Plan comports with the Arizona Insurer Receivership Act,
16 A.R.S. § 20-611 *et seq.* and with receivership law generally. Under Arizona law, the
17 Receivership Act is comprehensive but is also designed to embrace and to be applied
18 harmoniously with consistent common law and equitable concepts. *Pioneer Annuity Life*
19 *Ins. Co. v. Nat'l Equity Life Ins. Co.*, 159 Ariz. 148, 153 (App. 1988). The primary
20 purpose of delinquency proceedings in Arizona is to ensure the payment of claims made
21 against policies. *In Re Diamond Benefits Life Ins.*, 184 Ariz. 94, 97 (1995). The
22 Director, as Receiver, has been vested with a realistic and effective control over the
23 administration of the affairs and assets of the Meritus Companies which necessarily
24 contemplates and embraces a considerable degree of independent administrative
25 judgment and discretion. *See Kueckelhan v. Federal Old Line Ins. Co.*, 74 Wash. 2d 304,
26 314, 444 P.2d 667 (Wash. 1968).

1 b. With this Liquidation Plan, the Receiver is exercising that discretion to
2 adjudicate claims of MHP and Meritus Mutual in a reasonably consistent matter, and
3 coordinated with the AZ Guaranty Fund where appropriate. As part of that process, the
4 Receiver proposes a Temporary Restraining Order that is authorized by statute. By
5 deferring the Proof of Claims Bar Date and process, the Receiver avoids the potential for
6 significant expenditures regarding claims disputes involving creditors, claim amounts and
7 priority levels.

8 c. The Liquidation Plan makes limited use of the MHP Special Deposits by
9 utilizing such amounts for administrative expenses. Proceeds from the MHP Special
10 Deposits would not be distributed to other creditors at other priority levels without notice
11 and a hearing before this Court. As a result, to the extent there would be any dispute with
12 DOJ and CMS, such dispute can be deferred and possibly avoided altogether (along with
13 the potential costs that could associated therewith) depending on the ultimate claims
14 process.

15 d. The Liquidation Plan provides a mechanism for the AZ Guaranty Fund to
16 provide coverage that would be limited to insurance policies of its member insurer,
17 Meritus Mutual subject to and in accordance with its enabling act. A.R.S. §§ 20-681(9), -
18 685(B). Under no circumstances would the Association be paying claims or providing
19 coverage for any MHP policies or benefits because MHP is not a member insurer.

20 WHEREFORE, the Receiver requests that the Court enter an order approving the
21 liquidation plan.

22 Dated this 11th day of January, 2017.

23 LEWIS ROCA ROTHGERBER CHRISTIE LLP
24 By: Justin J. Henderson (#026930)
25 Joel A. Glover
26 Justin J. Henderson
 Attorneys for Receiver

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COPY of the foregoing mailed this
11th day of January, 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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12 Executive Director
13 Arizona Life & Disability Insurance Guaranty Fund
14 2910 North 44th Street, Suite 201 (2nd Floor)
15 Phoenix, Arizona 85018-7269
- 16 Darren Ellingson
17 Special Deputy Receiver
18 Raintree Corporate Center I
19 15333 North Pima Road, Suite 305
20 Scottsdale, Arizona 85260
- 21 Sheri W. Shudde
22 Deputy Receiver
23 Arizona Department of Insurance
24 2910 North 44th Street, Suite 210 (2nd Floor)
25 Phoenix, Arizona 85018
- 26 Banner Health
Patient Financial Services
Attn: Anna Rosalez, Manager
525 West Brown Road, Third Floor
Mesa, Arizona 85201
- S. David Childers
Kutak Rock LLP
8601 North Scottsdale Road, Suite 300
Scottsdale, Arizona 85253-2738

- 1 Ortencia Solis
 Arrowhead Pediatrics
- 2 Billing Department Insurance Rejections
- 3 17215 North 72nd Drive, Building D Suite 140B
- 4 Glendale Arizona 85308-8599

- 5 Debbie Bailey
- 6 Cactus Children's Clinic, PC
- 7 5940 West Union Hills Drive, Suite D100
- 8 Glendale, Arizona 85308

- 9 Monica Gaspari
- 10 Billing Office Supervisor
- 11 Pima Heart Physicians
- 12 3375 North Campbell Avenue
- 13 Tucson, Arizona 85719

- 14 United States Department of Justice
- 15 522 North Central Avenue
- 16 Phoenix, Arizona 85004

- 17 U.S. Department of Justice
- 18 950 Pennsylvania Avenue, NW
- 19 Washington, DC 20530-0001

- 20 United States Attorney General
- 21 U.S. Department of Justice
- 22 950 Pennsylvania Avenue, NW
- 23 Washington, DC 20530-0001

- 24 U.S. Centers for Medicare & Medicaid Services
- 25 7500 Security Boulevard
- 26 Baltimore, Maryland 21244

Exhibit A

**COMPASS COOPERATIVE MUTUAL HEALTH NETWORK, INC. dba MERITUS MUTUAL HEALTH PARTNERS
COMPASS COOPERATIVE HEALTH PLAN, INC. dba MERITUS HEALTH PARTNERS**

NOTICE OF RECEIVERSHIP AND CLAIMS FILING DEADLINE – May 15, 2017

State of Arizona, ex rel. Leslie R. Hess, Interim Director of Insurance vs. Compass Cooperative Mutual Health Network, Inc., dba Meritus Mutual Health Partners and Compass Cooperative Health Plan, Inc. dba Meritus Health Partners No. CV 2016-011872 in the Superior Court of Arizona, Maricopa County

The State of Arizona has placed the above Companies (“Meritus Mutual” and “Meritus Health Partners”) into receivership and ordered their liquidation. Leslie R. Hess, Interim Director of the Arizona Department of Insurance, has been appointed as the Receiver for the Companies.

THE COURT HAS SET A CLAIMS FILING DEADLINE OF MAY 15, 2017.

All claims must be filed using the approved Proof of Claim Form and must be postmarked or presented on or before 11:59 p.m. on May 15, 2017 to the Receiver at the following address:

Meritus, In Receivership
Attention: Proof of Claims
Raintree Corporate Center I
15333 North Pima Road, Suite 305
Scottsdale, AZ 85260

ANYONE (EXCEPT PROVIDERS) MUST USE THE PROOF OF CLAIM FORM TO SUBMIT A CLAIM. Anyone that believes he or she has a claim against Meritus Mutual or Meritus Health Partners MUST file a Proof of Claim on the approved form in order to receive the Receiver’s consideration for payment of the claim. This includes vendors, policyholders, members and insureds. You must file a Proof of Claim even if the amount of your claim is unknown.

PROVIDERS ARE NOT REQUIRED TO USE THE PROOF OF CLAIM FORM TO SUBMIT A CLAIM. Instead, Providers with claims for health care services provided MUST submit the claim(s) to Meritus Mutual and/or MHP in the usual manner used in the normal course of business for processing and adjudicating claims. In addition: (1) the Receiver will communicate to each Provider a Notice of Claim Amount determined in accordance with the Arizona Insurer Receivership Act; (2) if a Provider objects to the claim amount in the Notice, that Provider must file a written notice of objection with the Receiver within thirty (30) days after the date of the Notice; (3) the Receiver will file with the Court notice of the Provider’s objection to the claim amount, along with the Receiver’s recommendation; and (4) any such disputed claim will be resolved by the Receivership Court, subject to and in accordance with the Arizona Insurer Receivership Act. Providers whose claims have already been submitted to Meritus Mutual and/or MHP do not need to submit a duplicate claim and should not do so.

Non-Providers: please follow these instructions in completing the attached Proof of Claim Form.

1. Complete all information on the Proof of Claim form. You may attach documentation or additional pages.
2. Indicate the type of claim by checking the appropriate category. Fill in the dollar amount of your claim where indicated. If the amount of your claim is unknown, state "unknown" on the form.
3. Vendors and agents for unpaid goods, services or commissions must include a copy of the original contract (or a detailed description of the agreement) as well as detailed invoices or reports documenting the basis for and amount of the claim.
4. Use additional sheets as needed in order to describe your claim. Explain all calculations and include all documentation that support your claim. If your claim is inadequately described or documented, the Receiver or this Court may disallow it.
5. Notify the Receiver of any change in your address or contact information that occurs after filing of your Proof of Claim.
6. Consult the Companies' website for information regarding the Receivership, available at: <http://meritusaz.com/receivership-and-court-filings/>. This web page includes information about filing a claim and about the receivership generally.
7. Claims received after May 15, 2017 will be untimely and ineligible for payment, unless the claimant can show good cause for not filing the claim or the Receiver finds it eligible within her discretion.
8. You must specify whether your claim is against Meritus Mutual or Meritus Health Partners as required on the Proof of Claim Form. Each Company has different assets, and under Arizona law, each company is subject to different systems for payment and for establishing the priority of claims.
9. Claims submitted via email or fax will not be accepted.

PROOF OF CLAIM FORM
MERITUS MUTUAL – MERITUS HEALTH PARTNERS

Read the enclosed instruction sheet carefully before completing this form. Complete each section of the form and attach documentation. **All Proof of Claim Forms must be presented or postmarked to the Receiver at the specified address by the Claims Filing Deadline of 11:59 p.m. on May 15, 2017.**

Address for Submitting Claims: Meritus, In Receivership
Attention: Proof of Claims
Raintree Corporate Center I
15333 North Pima Road, Suite 305
Scottsdale, AZ 85260

PLEASE PRINT – ATTACH SUPPORTING INFORMATION AS NECESSARY

Section One – Claimant Contact Information

Claimant's Full Legal Name: _____

Social Security or EIN Number: _____

Date of Birth: _____

Claimant's Mailing Address: _____

Phone Number: _____ Fax Number: _____

Email: _____

Attorney Representation:

If Claimant is represented by an attorney, please complete the following:

Claimant is represented by an attorney. Please direct all communication regarding this Proof Claim to Claimant's attorney using the following contact information:

Attorney's Name: _____

Attorney's Mailing Address: _____

Phone Number: _____ Fax Number: _____

Email: _____

Section Two – Information Regarding Claim

1. Company. This claim is filed against: [check appropriate box(es) below]
 Compass Cooperative Mutual Health Network, Inc., dba Meritus Mutual Health Partners
 Compass Cooperative Health Plan, Inc. dba Meritus Health Partners

2. Claim Type and Amount. [check appropriate box(es) below and indicate amount]

Type:

- a. Policyholder, Insured or Member.
- b. Agent, Vendor or other Creditor for goods or services provided.
- c. Shareholders and/or Owners.
- d. All other claims.

Amount: _____

Explanation of the Nature of the Claim:

[Attach additional sheets for explanation as necessary.]

Identify Attached Documentation, if any:

3. Security. If you are asserting a secured claim or otherwise asserting rights to any security, you must complete this section:

Yes. I am asserting a secured claim.

If so and you hold or exercise any control over the cash, securities, trust funds, letters of credit or other assets of Meritus Mutual or Meritus Health Partners, you must explain the nature of your control and provide supporting documentation.

Section Three – Affirmation of Claimant

I affirm: (i) that I have read the foregoing Proof of Claim and understand the contents thereof; (ii) that this claim is justly due and owing; (iii) that I am entitled to file this claim; (iv) that the matters set forth above and in any accompanying statements and documents are true and correct to my own knowledge; and (v) that no payment of or on account of the aforesaid claim has been made, except as otherwise state in my claim.

Signature of person (or authorized agent) making claims: _____

Printed Name: _____

Title: (if applicable): _____

Date Signed: _____

Scruggs, Colleen

From: TurboCourt Customer Service <CustomerService@TurboCourt.com>
Sent: Wednesday, January 11, 2017 5:17 PM
To: Scruggs, Colleen; azturbocourt@lrrc.com
Subject: AZTurboCourt E-Filing Courtesy Notification

PLEASE DO NOT REPLY TO THIS EMAIL.

A party in this case requested that you receive an AZTurboCourt Courtesy Notification.

AZTurboCourt Form Set #2057308 has been DELIVERED to Maricopa County.

You will be notified when these documents have been processed by the court.

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: #2057308

Keyword/Matter #: 302377-00001

Delivery Date and Time: Jan 11, 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. 7 - Petition for Order Approving Liquidation Plan

Exhibit/Attachment (Supporting): Exhibit A