

EXHIBIT 4

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7
8 SUPERIOR COURT OF ARIZONA
9 COUNTY OF MARICOPA

10 STATE OF ARIZONA, *ex rel.*
11 KEITH SCHRAAD, Interim Director
of Insurance,

12 Plaintiff,

13 vs.

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

18 Defendants.
19

No. CV2016-011872

PETITION NO. 26

**REQUEST FOR HEARING,
CLAIM DETERMINATION AND
SETOFF RELATED TO CLAIMS
OF THE UNITED STATES**

EXHIBIT 4

**DECLARATION OF RAY
MINEHAN**

(Assigned to The Honorable
Daniel Martin)

20
21 By signing below, I, Ray Minehan, state to the Court, under penalty of law, that the
22 information stated on these pages is true and correct to the best of my knowledge and
23 belief.

24 1. I am over eighteen years, and I have personal knowledge of the facts herein.
25 I acquired my personal knowledge in my capacity as the Chief Financial Officer (“CFO”)
26 in the California Insurance Commissioner’s Conservation & Liquidation Office (“CLO”)
27 and as the CFO of the Regulatory Services Group (“RSG”). I make this declaration in my
28 official capacity as the CFO of the RSG.

1 2. I have served as the CFO of the CLO since May 2005 and of the RSG since
2 its establishment in 2014. Previously, I was a CFO and Chief Administrative Officer at
3 two investment banks. Prior to that, I spent 17 years, the last five of which as an audit
4 partner, at Arthur Andersen & Co. from 1972 through 1989. My current duties include
5 oversight of all of the finance department and human resources of the CLO and RSG. In
6 this capacity, I have responsibility for all accounting functions, including financial
7 reporting. In addition, I am a member of the executive committee of the CLO.

8 3. As approved by the Receivership Court in an Order dated May 23, 2017,
9 RSG was retained by the Special Deputy Receiver to provide accounting services for
10 Meritus Mutual Health Partners, in Liquidation (“Meritus Mutual”) and Meritus Health
11 Partners, in Liquidation (“MHP”) (collectively, Meritus Mutual and MHP are referred to as
12 the “Meritus Companies”).

13 4. My understanding is that this Declaration is being submitted to the Court in
14 conjunction with Petition No. 21, Request for Hearing, Claim Determination and Setoff
15 Related to Claims of the United States. While RSG has a staff of approximately 22
16 employees and 6 consultants, with respect to the accounting work for the Meritus
17 Companies, I have served as the lead and Joe Holloway and Dave Wilson provided
18 technical support. Additionally, others from RSG were available for the project.

19 5. In that capacity, I have reviewed and become familiar with the applicable
20 financial documents associated with the claims submitted by the United States against the
21 Meritus Companies, with the claims that the Meritus Companies has or may have against
22 the United States, and the financial and accounting records of the Meritus Companies
23 generally.

24 6. Based on my review, with respect to claims involving MHP and the United
25 States, I have made the following determinations:

26 ...

27 ...

28 ...

1 In its Proof of Claim (attached as Exhibit 1 to the Petition), the United
2 States asserted the following claims against MHP related to the
Affordable Care Act ("ACA"):

3	CSR:	\$ 3,899,178.47
4	PPACA Reinsurance:	\$ 510,975.30
5	Risk Adjustment:	\$ 46,195,827.78
6	PPACA Fee:	\$ 44,141.47
7	Total:	\$ 50,650,123.02

8 At the same time and effective as of November 16, 2017, based on the
9 books and records of MHP, a mutual debt is owed by the United States
to MHP related to the ACA as follows:

10	Risk Corridor Claims:	\$ 55,513,299.00
11	Reinsurance:	\$ 7,171,320.00
12	Total:	\$ 62,684,619.00

13 After application of a setoff, the
14 remaining debt owed to MHP is: \$ 12,034,495.98

15 7. Based on my review, with respect to claims involving MHP and the United
16 States, I have made the following determinations with respect to allocation of the setoff
17 among the specific ACA Risk-Sharing Programs:

19	Risk Corridor Claims due from 20 CMS to MHP:	\$55,513,229.00
21	(MINUS)	
22	Total Due from MHP to CMS:	\$50,650,123.00
23	(EQUALS)	
24	Net Risk Corridor Claims due from CMS to MHP:	\$ 4,863,176.00

25 The total amount of the Risk Corridor Claims exceeds the amount due to CMS under the
26 ACA Risk-Sharing Programs. As a result, there is no setoff applicable to reduce the amount
27 of the Reinsurance Claims.
28

1 Reinsurance Claims due from
2 CMS to MHP: \$ 7,171,320.00

3 (MINUS)
4 Balance Due from MHP to CMS: \$ 0.00

5 (EQUALS)
6 Net Reinsurance Claims due from
7 CMS to MHP: \$ 7,171,320.00

8 8. Based on my review, with respect to claims involving Meritus Mutual and
9 the United States, I have made the following determinations:

10 In its Proof of Claim (attached as Exhibit 2 to the Petition), the
11 United States asserted the following claims against Meritus Mutual
12 related to the ACA:

13 CSR:	\$ 115,649.36
14 PPACA Reinsurance:	\$ 46,091.54
15 Risk Adjustment:	\$594,168.87
16 Exchange User-Fee:	\$ 7.76
17 Total:	\$755,917.53

18 At the same time and effective as of November 16, 2017, based on
19 the books and records of Meritus Mutual, a mutual debt is owed by
20 the United States to Meritus Mutual related to the ACA as follows:

21 Risk Corridor Claims:	\$ 12,938,057.00
22 Reinsurance:	\$ 3,283,275.00
23 Total:	\$ 16,221,332.00

24 After application of a setoff, the
25 remaining debt owed to Meritus
26 Mutual is: \$15,465,414.47

27 9. Based on my review, with respect to claims involving MHP and the United
28 States, I have made the following determinations with respect to allocation of the setoff
among the specific ACA Risk-Sharing Programs:

1 Risk Corridor Claims due from
2 CMS to Meritus Mutual: \$12,938,057.00

3 (MINUS)
4 Total Due from Meritus Mutual
to CMS: \$ 755,917.00

5 (EQUALS)
6 Net Risk Corridor Claims due
7 from CMS to Meritus Mutual: \$12,182,140.00

8 The total amount of the Risk Corridor Claims exceeds the amount due to CMS under the
9 ACA Risk-Sharing Programs. As a result, there is no setoff applicable to reduce the amount
10 of the Reinsurance Claims.

11 Reinsurance Claims due from
12 CMS to Meritus Mutual: \$ 3,283,275.00

13 (MINUS)
14 Balance Due from Meritus
15 Mutual to CMS: \$ 0.00

16 (EQUALS)
17 Net Reinsurance Claims due
18 from CMS to Meritus Mutual: \$ 3,283,275.00

19 10. I am aware that written notice was provided to the United States regarding
20 claim determinations and offsets. As part of its work for the Receiver and based on the
21 books and records of MHP and Meritus Mutual, RSG prepared the financial information in
22 the setoff notices sent to the United States regarding the claims asserted against MHP and
23 Meritus Mutual (attached as Exhibits 5, 6 and 7 to the Petition). To my knowledge as of
24 the date of this Declaration, the United States has not replied or otherwise communicated
25 disagreement regarding these determinations.

26 11. The calculations for the setoffs are determined as of November 16, 2017, the
27 date of the letters from the Receiver providing notice of the setoff. To the best of my
28

1 knowledge, there have been no material changes that would affect the setoff calculations or
2 result in a material change to the final figures identified herein.

3
4 By signing below, I state to the Court, under penalty of law, that the information stated on these
5 pages is true and correct to the best of my knowledge and belief

6
7 
8 Ray Minehan, Chief Financial Officer
9 Regulatory Services Group

Date: 12/4/2018