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6 Attorneys for Receiver

7  
8 SUPERIOR COURT OF ARIZONA  
9 COUNTY OF MARICOPA

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

12 Plaintiff,

13 vs.

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

17 Defendants.  
18

No. CV2016-011872

**PETITION NO. 34**

**PETITION FOR APPROVAL OF  
UPDATED COMPENSATION RATE  
FOR SPECIAL DEPUTY RECEIVER**

(Assigned to The Honorable  
Daniel Martin)

19 Keith Schraad, Director of Insurance, as Receiver (hereinafter “Receiver”) of  
20 Compass Cooperative Mutual Health Network, Inc. doing business as Meritus Mutual  
21 Health Partners (“Meritus Mutual”) and Compass Cooperative Health Plan, Inc. dba  
22 Meritus Health Partners (“MHP”) (collectively referred to as the “Meritus Companies”),  
23 appointed pursuant to A.R.S. § 20-611, *et seq.*, hereby petitions the Court for entry of the  
24 Order re Petition No. 34 Approving Updated Compensation Rate for Special Deputy  
25 Receiver for the reasons set forth herein.

26 1. In an Order dated August 10, 2016, this Court placed Meritus Mutual and  
27 MHP into receivership under orders of liquidation.  
28

1           2. Pursuant to A.R.S. § 20-623.01(A), the Receiver appointed Darren Ellingson  
2 to act as Special Deputy Receiver of the Meritus Companies and to provide professional  
3 services in connection with the Receivership. Mr. Ellingson has served as the Special  
4 Deputy Receiver since the inception of the receiverships.

5           3. In Petition No. 1, pursuant to A.R.S. § 20-623.01(A), the Receiver requested  
6 that the court approve the compensation for Mr. Ellingson. In an Order dated August 24,  
7 2016, the Court entered an Order approving the compensation rate. The compensation rate  
8 for the Special Deputy Receiver has not been adjusted for approximately three years.

9           4. Dated June 1, 2019, the Receiver, Ellingson and the firm of Ellingson &  
10 Associates, LLC (the “Firm”) entered into a new Engagement Agreement for continuing  
11 services as Special Deputy Receiver, with the compensation rate set forth in that agreement  
12 subject to Court approval pursuant to A.R.S. § 20-623.01(A). A copy of that Engagement  
13 Agreement is attached as Exhibit A.

14           5. The material changes to Mr. Ellingson’s engagement are as follows:

15           a. In addition to services provided by Mr. Ellingson, the revised Engagement  
16 Agreement allows Mr. Ellingson to provide services to the Receiver through the Firm’s  
17 other members, associates and assistants at specified compensation rates.

18           b. The original compensation rate for the Special Deputy Receiver was \$150  
19 per hour and the agreement did not address potential rate increases. The revised  
20 Engagement Agreement establishes an approved hourly rate range of \$150 to \$250, and  
21 allows the Receiver, in the Receiver’s discretion, to increase the hourly rate in that range  
22 without further Court approval.

23           c. Similar rate ranges are established for members, associates, and assistants of  
24 the Firm.

25           d. The revised Engagement Agreement replaces the specific list of reimbursable  
26 cost items with the “current travel and business expense reimbursement policy,” set and  
27 periodically modified by the Receiver. This policy is applicable to all insurance  
28 receivership proceedings in the State of Arizona. The revised Engagement Agreement

1 further conforms the agreement with other agreements used by the Arizona Department of  
2 Insurance in connection with Arizona insurance receiverships.

3 6. The rates in the Engagement Agreement are competitive and reflect  
4 appropriate discounts for experienced insurance receivership professionals under these  
5 circumstances. The Receiver believes that the revised Engagement Agreement is in the  
6 best interest of the Meritus Companies' estates. Among other things, approving the  
7 proposed compensation rates would allow the Firm to utilize persons to assist with the  
8 receivership at lower-rates, where appropriate. Additionally, the proposed rate schedule  
9 allows the Receiver some flexibility with respect to the compensation rates without the  
10 need to incur additional expenses associated with subsequent petitions.

11 7. The Special Deputy Receiver will remain subject to the Order Re Petition  
12 No. 1 and the approval and notice process for payment of invoices.

13 8. Pursuant to A.R.S. § 20-623.01(A), the Receiver requests that the Court  
14 approve of the compensation fixed by the Receiver in the Engagement Agreement as set  
15 forth in Exhibit A.

16 WHEREFORE, the Receiver requests that the Court enter the Order re Petition  
17 No. 34 Approving Updated Compensation Rate for Special Deputy Receiver.

18 Dated this 28<sup>th</sup> day of June, 2019.

19 FAEGRE BAKER DANIELS LLP

20 By: /s/ Joel Glover (#034018)

21 Joel A. Glover

*Attorneys for Receiver*

22 COPY of the foregoing mailed this

23 28<sup>th</sup> day of June, 2019 to the  
24 attached Master Service List

25 /s/ Brenda McHenry

26 Brenda McHenry  
27  
28

1 SUPERIOR COURT OF ARIZONA

2 COUNTY OF MARICOPA

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

5 **MASTER SERVICE LIST**

6 Keith Schraad, Receiver  
7 Interim Director  
8 Arizona Department of Insurance  
9 100 North 15th Avenue, #102  
Phoenix, Arizona 85007

10 Liane Kido, Deputy Receiver  
11 Arizona Department of Insurance  
12 100 North 15th Avenue, #102  
Phoenix, Arizona 85007

13 Lynette Evans  
14 Public Law Section  
15 Office of the Attorney General  
16 2005 N. Central Avenue  
Phoenix, AZ 85004  
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17 Richard G. Erickson  
18 Robert F. Kethcart  
19 Snell & Wilmer L.L.P.  
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22 Larry Aldrich, Executive Chairman  
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3 One South Dearborn  
4 Chicago, Illinois 60603  
5 *Attorneys for Care1st Health Plan Administrative Services, Inc.*

6 Michael Surguine, Executive Director  
7 Arizona Life & Disability  
8 Insurance Guaranty Fund  
9 2910 North 44th Street, Suite 201 (2nd Floor)  
10 Phoenix, Arizona 85018

11 Darren Ellingson  
12 Special Deputy Receiver  
13 Raintree Corporate Center I  
14 15333 North Pima Road, Suite 305  
15 Scottsdale, Arizona 85260

16 Banner Health  
17 Patient Financial Services  
18 Attn: Anna Rosalez, Manager  
19 525 West Brown Road, Third Floor  
20 Mesa, Arizona 85201

21 S. David Childers  
22 Kutak Rock LLP  
23 8601 North Scottsdale Road, Suite 300  
24 Scottsdale, Arizona 85253

25 Debbie Bailey  
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27 5940 West Union Hills Drive  
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United States Department of Justice  
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Washington, DC 20530

United States Attorney General  
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Susan Sweat  
Ambulance Billing Office Supervisor  
Bullhead City Fire Department  
1260 Hancock Road  
Bullhead City, Arizona 86442

**EXHIBIT A  
TO PETITION 34**

## ENGAGEMENT AGREEMENT

This Engagement Agreement ("Agreement") is made and entered into this 2<sup>5<sup>th</sup></sup> day of June, 2019 (the "Effective Date"), by and among Keith Schraad, Director of the Arizona Department of Insurance ("ADOI") acting in his capacity as duly-appointed receiver ("Receiver") of Compass Cooperative Health Plan, Inc. doing business as Meritus Health Partners ("Meritus HCSO") and of Compass Cooperative Mutual Health Network, Inc. doing business as Meritus Mutual Health Partners ("Meritus PPO"), Darren T. Ellingson ("Contractor"), a managing member of Ellingson & Associates, LLC ("Firm"), and the Firm.

### RECITALS

A. The Director of the ADOI was appointed Receiver of Meritus HCSO and Meritus PPO pursuant to the August 10, 2016 Order for Appointment of Receiver and Injunction ("Receivership Order") issued by the Maricopa County, Arizona, Superior Court in Case No. CV2016-011872 ("Court").

B. The Receiver is, pursuant to the provisions of A.R.S. §20-623.01, authorized to appoint one or more special deputy receivers to act on behalf of the Receiver and to employ such counsel, clerks and assistants as the Receiver deems necessary; and, subject to the approval of the Court, to fix the compensation of such special deputy receiver, counsel, clerks and assistants, and to pay said compensation out of the funds or assets of Meritus HCSO and Meritus PPO.

C. The Receivership Order authorized the Receiver to engage and employ attorneys, accountants, appraisers, consultants, actuaries, work-out specialists, investment bankers and other persons, and to operate the business of Meritus HCSO and Meritus PPO, as the Receiver may deem necessary in the performance of Receiver's duties and responsibilities in discharging the authority conferred by the Receivership Order.

D. Contractor currently acts as special deputy receiver for Meritus HCSO and Meritus PPO pursuant to a valid appointment made by the previous Meritus HCSO and Meritus PPO Receiver in August 2016.

E. Contractor and the Firm possess knowledge and experience in administering receiverships and are willing to continue to provide professional receivership services to the Receiver in connection with the receivership of Meritus HCSO and Meritus PPO.

F. The Receiver wishes to continue to engage the services of Contractor to act as special deputy receiver of Meritus HCSO and Meritus PPO, on the terms set forth in this Agreement.



**AGREEMENT**

The parties hereto agree as follows:

A. Contractor agrees to continue to act as special deputy receiver for Meritus HCSO and Meritus PPO on and after the Effective Date, subject to the limits of duties imposed by applicable law on a special deputy receiver including those communicated from time to time by the Receiver or his designee. Contractor shall exercise the powers given to the Receiver, and in the exercise of those powers, is subject to all of the duties imposed upon the Receiver including, but not limited to, the duty to review and approve the billing statements from the various professionals and other vendors engaged by the Receiver.

B. Contractor may provide the services of one or more of the Firm's members, associates or employees (collectively, "Associates") to carry out his duties and responsibilities under this Agreement. The services and hourly rate of Associates shall be subject to approval by the Receiver or his designee. Consideration for the services rendered by the Contractor or Associates shall be paid at the hourly rates set forth below and shall be payable monthly together with all reasonable costs and expenses incurred by the Contractor or Associates:

Contractor	\$150	- \$250	Per Hour
Member	\$150	- \$250	Per Hour
Associate	\$125	- \$150	Per Hour
Assistant	\$75	- \$125	Per Hour

The Receiver may, in his sole discretion, reasonably increase any hourly rate within the ranges set forth above without additional court approval. Actual travel and business expenses incurred by the Contractor will be paid according to the then current travel and business expense reimbursement policy provided by the Receiver. Unless otherwise agreed in writing, all billing statements or invoices by the Contractor or the Firm for services under this Agreement shall be: (i) detailed with all costs and expenses itemized and supported by receipts and other documentation, (ii) submitted no later than 3 months after the date of service, (iii) payable solely from the receivership assets of Meritus HCSO and Meritus PPO, (iv) subject to review by the Receiver or his designee, and (v) may be subject to Court approval.

C. Contractor is an independent contractor and shall be solely responsible for any employment benefits, unemployment insurance, FICA, income tax withholding, office space, storage space, and other expenses associated with providing the services pursuant to this

Agreement.

D. Contractor shall be responsible for supervising all agents and employees engaged by the Receiver to perform services in connection with the receivership of Meritus HCSO and Meritus PPO, including all employees of the Firm who provide services under this Agreement.

E. The parties acknowledge that the Contractor's services may be covered by some of Meritus HCSO and Meritus PPO corporate insurance policies. In addition to such coverage, the Contractor shall procure and maintain, at his expense, worker's compensation and professional liability insurance with a minimum coverage limit of \$1,000,000 per claim. Receiver may require additional insurance coverage as needed and shall notify the Contractor of such additional requirements. Contractor shall furnish the Receiver, upon request, with certificates of insurance evidencing the insurance coverage required in this Agreement.

F. This Agreement may be terminated by the Contractor upon 90 days' written notice to the Receiver, and by the Receiver immediately upon written notice to the Contractor. All notices pursuant to this Agreement shall be in writing and shall be deemed given: (i) upon delivery, if delivered personally or by commercial delivery service, (ii) three business days after being mailed by registered or certified mail (return receipt requested) , or (iii) upon receipt of acknowledgment of transmission, if sent via electronic mail. Notices shall be delivered or addressed to the Receiver, Contractor or the Firm at the addresses set forth below or at such other address as a party may designate in writing.

Notice to the Receiver shall be sent to:

Liane Kido, Deputy Receiver  
Meritus HCSO and Meritus PPO in Liquidation  
Arizona Department of Insurance  
100 N. 15<sup>th</sup> Ave, Suite 102  
Phoenix, Arizona 85007-2624  
lkido@azinsurance.gov

Notice to the Contractor or the Firm shall be sent to:

Darren Ellingson  
11077 N 87<sup>th</sup> Place  
Scottsdale AZ, 85260  
dellingson@ellingsonassociates.com

G. This Agreement shall be governed by and construed in accordance with the laws of the State of Arizona without regard to the conflicts-of-law rules.

H. Except as otherwise provided herein, this Agreement represents the entire understanding among the parties with respect to the subject matter hereof, and this Agreement supersedes any and all prior understandings, agreements, plans and negotiations, whether written or oral with respect to the subject matter hereof. All modifications to the Agreement must be in writing and signed by the parties.

I. If a court or other body of competent jurisdiction determines that any provision of this Agreement is excessive in scope or otherwise invalid or unenforceable, such provision shall be adjusted rather than voided, if possible, and all other provisions of this Agreement shall be deemed valid and enforceable to the extent possible.

J. This Engagement Agreement is subject to the approval of the Court.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

**DIRECTOR OF THE ARIZONA DEPARTMENT OF INSURANCE**  
as Receiver of Meritus HCSO in Liquidation and Meritus PPO in Liquidation

By:   
Liane Kido, Deputy Receiver

**DARREN T. ELLINGSON**

By:   
Darren T. Ellingson

**ELLINGSON & ASSOCIATES, LLC**

By:   
Darren T. Ellingson, Managing Member