

1 **FAEGRE DRINKER BIDDLE & REATH LLP**

1144 15<sup>th</sup> Street, Suite 3400

2 Denver, Colorado 80202

3 **Joel A. Glover** (State Bar No. 034018)

Direct Dial: 303.607.3648

4 Direct Fax: 303.607.3600

Email: [Joel.Glover@Faegredrinker.com](mailto:Joel.Glover@Faegredrinker.com)

5  
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  
15 MUTUAL HEALTH PARTNERS, an  
Arizona corporation; and  
16 COMPASS COOPERATIVE HEALTH  
PLAN, INC., dba MERITUS HEALTH  
PARTNERS, an Arizona corporation,

17 Defendants.  
18

No. CV2016-011872

**PETITION NO. 40**

**DECLARATION OF SPECIAL  
DEPUTY RECEIVER REGARDING  
LIQUIDATION BALANCE SHEET  
AS OF DECEMBER 31, 2019 WITH  
DECLARATION EXHIBITS 1 AND 2**

(Assigned to The Honorable  
Daniel Martin)

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

22 1. I am over eighteen years of age, and I have personal knowledge of the facts  
23 herein. I acquired my personal knowledge in my capacity as Special Deputy Receiver of  
24 Meritus Mutual Health Partners, in liquidation (“Meritus Mutual”) and of Meritus Health  
25 Partners, in liquidation (“MHP”). I have served as Special Deputy Receiver since the  
26 commencement of the Meritus Mutual and MHP receiverships and, in that capacity, I am  
27 familiar with and have personal knowledge of the books and records of Meritus Mutual  
28 and MHP. In acquiring my personal knowledge, I relied upon work performed by one or

1 more persons that worked under my direction with respect to the Meritus Mutual and MHP  
2 receiverships.

3 2. Attached as Declaration Exhibit 1 is the Liquidation Balance Sheet as of  
4 December 31, 2019 and the accompanying Notes for Meritus Mutual and MHP. Attached  
5 as Declaration Exhibit 2 is the Unaudited Statements of Net Assets as of December 31,  
6 2019, the Unaudited Statements of Change in Net Assets in Liquidation as of December  
7 31, 2019 and the accompanying Notes for Meritus Mutual and MHP. Declaration Exhibits  
8 1 and 2 are incorporated herein by reference. Based on my knowledge and belief and the  
9 determinations I have made in my capacity as Special Deputy Receiver, the Exhibits report  
10 on and present the financial information for Meritus Mutual and MHP as of December 31,  
11 2019 based on the books and records of Meritus Mutual and MHP calculated on a  
12 liquidation basis and subject to the accompanying Notes.

13  
14 By signing below, I state to the Court, under penalty of law, that the information stated on  
15 these pages is true and correct to the best of my knowledge and belief.

16  
17  
18 

19 Date: 5/11/2020

20 Darren Ellingson, Special Deputy Receiver  
21  
22  
23  
24  
25  
26  
27  
28

**Liquidation Balance Sheet - As of December 31, 2019**  
**Meritus Health Partners (HCSO) and Meritus Mutual Health Partners (PPO)**  
**In Receivership – No. CV2016-011872**

	Meritus Mutual Health Partners (PPO)			Meritus Health Partners (HCSO)		
	12/31/2019	Offset	Proforma	12/31/2019	Offset	Proforma
Current Assets - Cash	\$ 461,833		\$ 461,833	\$ 3,285,804		\$ 3,285,804
Due from CMS						
Accrued Risk Corridor	\$ 12,938,057	\$ (755,916)	\$ 12,182,141	\$ 55,513,299	\$ (50,650,121)	\$ 4,863,178
Accrued Federal Reinsurance	\$ 3,283,275		\$ 3,283,275	\$ 7,171,320		\$ 7,171,320
Reserved	\$ (16,221,332)	\$ 755,916	\$ (15,465,416)	\$ (62,684,619)	\$ 50,650,121	\$ (12,034,498)
Total Due from CMS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Solvency Loan						
HMO-Solvency Loan	\$ 51,652,071		\$ 51,652,071	\$ -		\$ -
Reserve	\$ (51,652,071)		\$ (51,652,071)	\$ -		\$ -
Net receivable	\$ -		\$ -	\$ -		\$ -
Other Assets						
Provider Receivables	\$ 298,646			\$ 444,071		\$ 444,071
Reserve Provider	\$ (298,646)			\$ (444,071)		\$ (444,071)
Intercompany Receivables	\$ -			\$ 2,165		\$ 2,165
Total Assets	\$ 461,833		\$ 461,833	\$ 3,287,969		\$ 3,287,969
LIABILITIES						
Member Premium Refunds	\$ -		\$ -	\$ -		\$ -
Class 1	\$ 2,165		\$ 2,165	\$ -		\$ -
Class 2	\$ 3,340,742		\$ 3,340,742	\$ -		\$ -
Class 3	\$ 1,243		\$ 1,243	\$ 5,691,491		\$ 5,691,491
Class 4						
CSR claims on paid claims	\$ 115,649	\$ (115,649)	\$ -	\$ 3,899,178	\$ (3,899,178)	\$ -
Reinsurance Fees	\$ 46,092	\$ (46,092)	\$ -	\$ 510,975	\$ (510,975)	\$ -
Risk Adjustment	\$ 594,167	\$ (594,167)	\$ -	\$ 46,195,827	\$ (46,195,827)	\$ -
PPACA Risk Adjustment User	\$ 8	\$ (8)	\$ -	\$ 44,141	\$ (44,141)	\$ -
Total Class 4	\$ 755,916	\$ (755,916)	\$ -	\$ 50,650,121	\$ (50,650,121)	\$ -
Class 6	\$ 11,848		\$ 11,848	\$ 730,505		\$ 730,505
Class 7	\$ -		\$ -	\$ 4,221,511		\$ 4,221,511
Class 8	\$ 14,808		\$ 14,808	\$ 52,225,015		\$ 52,225,015
Class 10	\$ 93,826,261		\$ 93,826,261	\$ -		\$ -
Total Liabilities	\$ 97,952,983		\$ 97,197,067	\$ 113,518,643		\$ 62,868,522
Capital(Assets minus Liabilities)	\$ (97,491,150)		\$ (96,735,234)	\$ (110,230,674)		\$ (59,580,553)

Notes Accompanying Liquidation Balance Sheet as of December 31, 2019  
Meritus Health Partners (HCSO) and Meritus Mutual Health Partners (PPO)  
In Receivership – No. CV2016-011872

1. Receivership Generally. The Liquidation Balance Sheet (including the Statement of Net Assets and the Statement of Net Liabilities) is presented with respect to Meritus Health Partners, in Receivership (“MHP”) and Meritus Mutual Health Partners, in Receivership (“Meritus Mutual”) subject to and in accordance with the Arizona Insurance Receivership Act, A.R.S. § 20-601, *et seq.*, (the “Receivership Act”) the Order for Appointment of Receiver and Injunction entered on August 10, 2016 with respect to MHP and Meritus Mutual (the “Receivership Order”) in CV2016-011872 pending in the Superior Court of Arizona, County of Maricopa (the “Receivership Court”) and subsequent orders entered by the Receivership Court. The statements rely upon pre-receivership company books and records as updated based on a statutory liquidation basis of accounting in accordance with the Receivership Act that differs from generally accepted accounting principles and that differs from statutory accounting principles that would otherwise be applicable to ongoing licensed insurance entities that are not in liquidation. Estimates and assumptions are utilized to report values and amounts. The Receiver makes no representations or warranties regarding the accuracy of the information or the opinions, estimates, assumptions or evaluations contained and/or reflected in this Liquidation Balance Sheet.
2. Application to MHP and Meritus Mutual. The Receivership Order established one proceeding for MHP and Meritus Mutual for administrative efficiencies while recognizing that MHP and Meritus Mutual would each be liquidated separately subject to and in accordance with the Receivership Act. (Receivership Order, Par. 5, page 4; Par. 8, page 5.) Consistent with that Order, this Liquidation Balance Sheet reports on MHP and Meritus Mutual separately. Unless otherwise provided herein, these Notes are applicable to MHP and to Meritus Mutual.
3. Receivership Act. References to the Receivership Act are to the version of the Receivership Act in force at the time of the commencement of the Receivership proceedings. Subsequent amendments and/or modifications of the Receivership Act are not applicable unless retroactivity is expressly declared therein. A.R.S. § 1-244.
4. Special Deposits. Special deposits have been released subject to and in accordance with prior orders of the Receivership Court. (See Order re Petition No. 6 for Release of Special Deposits.)
5. Receivables - CMS. All amounts for Receivables related to the United States and the Center for Medicare and Medicaid Services (“CMS”) are based on Order re Petition No. 26 Granting Claim Determination and Setoff Related to Claims of the United States. The Receiver is continuing to seek recovery for amounts due under the Risk Corridor Program and under the Reinsurance Program via actions pending in the Court of Federal Claims. On April 27, 2020, the United States Supreme Court entered its Order in *Maine Community Health Options v. U.S.*, Case Nos. 18-1023, 18-1028 and 18-1038) and held, among other things: (1) the Affordable Care Act created a government obligation to pay insurers the full amount set out in the Risk Corridors Program; and (2) under the Tucker

Notes Accompanying Liquidation Balance Sheet as of December 31, 2019  
Meritus Health Partners (HCSO) and Meritus Mutual Health Partners (PPO)  
In Receivership – No. CV2016-011872

Act, the Court of Federal Claims is an appropriate forum for insurers to sue the government for damages for failure to pay.

6. Receivables – Providers. All amounts for Receivables related to providers are, as yet, undetermined. The Receiver reserves all rights related to the Receivables, including but not limited to seeking to apply such amounts as offsets, commencing actions to recover such amounts and/or abandoning the claims in the Receiver's discretion.
7. Class 1 Claims – Administrative Expenses. Administrative expenses of the Receiver continue to be incurred subject to and in accordance with the Receivership Act and orders of the Receivership Court. Payments to consultants are subject to the reporting process as previously ordered by this Court, with compensation rates subject to Court approval.
8. Statutory Proof of Claim Process. All amounts reported as "Net Liabilities" are based solely on the amount claimed on proofs of claims (POCs) filed with the Receiver subject to the Receivership Act and Orders of the Receivership Court, including but not limited to the Setoff Order. Except as provided in the Setoff Order, the estate liability, if any, the amounts owed, and the priorities of the claims have not been determined. The Receiver is continuing the process of adjudicating POCs. The Receiver reserves all rights to adjust these amounts and priority levels based on the adjudication of claims process under the Receivership Act and Orders of this Court.
9. Class 10 Claims – Surplus Notes. The amount and priority level for the surplus note claims are based on the figures included in the Setoff Order. Per the Setoff Order, the Surplus Notes are Class 10 priority level claims under A.R.S. § 20-629 and are not subject to setoff.
10. Receivership Liquidation Fund. Pursuant to A.R.S. § 20-648, the Receiver previously made payments to the Receivership Liquidation Fund in accordance with the Receivership Court's Order Regarding Petition No. 4, Regarding Receivership Liquidation Fund Per A.R.S. § 20-648. To the extent additional payments to the Receivership Liquidation Fund are anticipated, the Receiver reserves all rights to update and/or modify the Liquidation Balance Sheet as necessary or appropriate under the circumstances.

# **Meritus Mutual Health Partners and Meritus Health Partners in Liquidation**

## **Unaudited Statements of Net Assets**

**As of December 31, 2019**

	<b>PPO</b>	<b>HMO</b>	<b>CONSOLIDATED</b>
<b>CURRENT ASSETS</b>			
Comerica accounts	147,169	397,507	544,676
Funds held on Deposit with Receiver	62,381	62,381	124,763
Comerica Brokerage Account	252,282	2,825,916	3,078,198
<b>Total Current Assets</b>	<b>461,833</b>	<b>3,285,804</b>	<b>3,747,637</b>
<b>DUE FROM CMS</b>			
Accrued Risk Corridor	12,938,057	55,513,299	68,451,356
Accrued Federal Reinsurance	3,283,275	7,171,320	10,454,594
Reserved CMS Receivable	(16,221,332)	(62,684,619)	(78,905,950)
<b>Total Due from CMS</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>INTERCOMPANY-SOLVENCY LOAN</b>			
Intercompany-Solvency Loan	51,652,071	-	51,652,071
Reserve for Intercompany-Solvency Loan	(51,652,071)	-	(51,652,071)
<b>Net Intercompany-Solvency Loan</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OTHER ASSETS</b>			
PPO Negative Balance Claims	297,940	-	297,940
HMO Negative Balance Claims	-	153,025	153,025
Receivables - Banner Health	-	242,229	242,229
Receivables - Dignity Health	706	48,817	49,523
Receivables - CVS Pharmacy Rebate	-	-	-
Reserve Provider Receivables	(298,646)	(444,071)	(742,718)
Intercompany Receivables	-	2,165	2,165
<b>Total Other Assets</b>	<b>0</b>	<b>2,165</b>	<b>2,165</b>
<b>TOTAL ASSETS</b>	<b>\$ 461,833</b>	<b>\$ 3,287,969</b>	<b>\$ 3,749,802</b>
<b>LIABILITIES</b>			
Member Premium Refunds	-	-	-
<b>CLASS 1 PAYABLES</b>			
Receivership Expenses	-	-	-
Intercompany Payables	2,165	-	2,165
<b>Total Class 1 Payables</b>	<b>2,165</b>	<b>-</b>	<b>2,165</b>
<b>CLASS 2 PAYABLES</b>			
PPO Claims payable - POC Received	-	-	-
PPO Claims payable - No POC Response	384,355	-	384,355
PPO Claims - Paid by Guaranty Fund	2,956,387	-	2,956,387
<b>Total Class 2 Payable</b>	<b>3,340,742</b>	<b>-</b>	<b>3,340,742</b>
<b>CLASS 3 PAYABLES</b>			
Member Medical Reimbursements	90	17,176	17,266
HMO Claims not contracted- POC Received	-	5,067,436	5,067,436
HMO Claims not contracted - No POC Response	-	606,878	606,878
PPO - Delta Dental	1,153	-	1,153
<b>Total Class 3 Payables</b>	<b>1,243</b>	<b>5,691,491</b>	<b>5,692,733</b>

See notes to the unaudited Financial Statements

# **Meritus Mutual Health Partners and Meritus Health Partners in Liquidation**

## **Unaudited Statements of Net Assets**

**As of December 31, 2019**

	<b>PPO</b>	<b>HMO</b>	<b>CONSOLIDATED</b>
<b>CLASS 4 PAYABLES</b>			
CSR claims on paid claims	115,649	3,899,178	4,014,827
Reinsurance Fees	46,092	510,975	557,067
Risk Adjustment	594,167	46,195,827	46,789,994
PPACA User Fee	8	44,141	44,149
<b>Total Class 4 Payables</b>	<b>755,916</b>	<b>50,650,121</b>	<b>51,406,037</b>
<b>CLASS 6 PAYABLES</b>			
AZ State Premium Tax-2015	-	628,565	628,565
AZ State Assessment Fees	1,775	1,475	3,250
AZ State PICORRO Tax	10,073	100,464	110,538
<b>Total Class 6 Payables</b>	<b>11,848</b>	<b>730,505</b>	<b>742,353</b>
<b>CLASS 7 PAYABLES</b>			
HMO Claims contracted - POC Received	-	4,046,817	4,046,817
HMO Claims contracted - No POC Response	-	39,665	39,665
HMO - Delta Dental - No POC Response	-	69,698	69,698
HMO - CVS/Caremark - POC Received	-	65,331	65,331
<b>Total Class 7 Payables</b>	<b>-</b>	<b>4,221,511</b>	<b>4,221,511</b>
<b>CLASS 8 PAYABLES</b>			
Vendors - POC Received	14,808	308,243	323,051
Vendors - No POC Response	-	264,701	264,701
Payable to MMHP-Solvency Loan	-	51,652,071	51,652,071
<b>Total Class 8 Payables</b>	<b>14,808</b>	<b>52,225,015</b>	<b>52,239,823</b>
<b>CLASS 9 PAYABLES</b>			
Proof of Claims, Untimely	-	-	-
<b>CLASS 10 PAYABLES</b>			
Series B Solvency Loan Principal	93,826,261	-	93,826,261
<b>TOTAL LIABILITIES</b>	<b>97,952,983</b>	<b>113,518,643</b>	<b>211,471,625</b>
<b>CAPITAL</b>			
Net capital December 31, 2018	(97,342,603)	(109,946,776)	(207,289,380)
Adjustment to opening net assets	(34,756)	(41,010)	(75,766)
YTD Net Income (Loss)	(113,791)	(242,887)	(356,678)
<b>TOTAL CAPITAL ACCOUNTS</b>	<b>(97,491,150)</b>	<b>(110,230,673)</b>	<b>(207,721,823)</b>
<b>TOTAL LIABILITIES + CAPITAL</b>	<b>\$ 461,833</b>	<b>\$ 3,287,969</b>	<b>\$ 3,749,802</b>

See notes to the unaudited Financial Statements

**Meritus Mutual Health Partners and Meritus Health Partners in Liquidation**  
**Unaudited Statements of Change in Net Assets in Liquidation**  
**As of December 31, 2019**

	PPO	HMO	CONSOLIDATED
<b>REVENUE</b>			
Premium Refunds	-	-	-
Change in risk corridor	-	-	-
Risk adjustment transfers	-	-	-
Bad Debt Expense for Risk Corridor	-	-	-
Bad Debt Expense for Solvency Loan	-	-	-
<b>Total Revenue</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>MEDICAL EXPENSES</b>			
Medical	2,341	-	2,341
Pharmacy	-	-	-
Less Pharmacy Rebates	-	-	-
Network Access Fees	-	-	-
<b>Total Medical</b>	<u>2,341</u>	<u>-</u>	<u>2,341</u>
<b>PAYROLL EXPENSE</b>			
Salary Expense	8,781	79,024	87,805
Payroll Tax Expense	693	6,235	6,928
Payroll Benefits	383	3,445	3,828
Contract Labor	2,662	23,959	26,621
<b>Total Payroll Expense</b>	<u>12,518</u>	<u>112,663</u>	<u>125,181</u>
<b>GENERAL &amp; ADMINISTRATIVE EXPENSES</b>			
Bank charges	602	341	943
Employee Travel Expense	-	-	-
Insurance	1,681	15,132	16,813
IT Software/Hardware Expense	749	6,746	7,495
Mileage	-	-	-
Miscellaneous Expenses	-	-	-
Outsourcing Services	-	-	-
Postage and Delivery	14	125	139
Professional Services	-	9,270	9,270
Receivership Legal	58,795	58,631	117,426
Receivership Management	48,976	46,475	95,451
Rent	1,793	16,136	17,929
Supplies	208	210	418
Taxes & Fees	54	-	54
Telephone	342	3,074	3,415
TPA Services	-	-	-
<b>Total General &amp; Administrative Expenses</b>	<u>113,214</u>	<u>156,139</u>	<u>269,353</u>
<b>NET OPERATING GAIN(LOSS)</b>	<u>(128,073)</u>	<u>(268,802)</u>	<u>(396,875)</u>
<b>NON-OPERATING INCOME (EXPENSES)</b>			
Arizona Guaranty Fund	12,000	-	12,000
Interest Income	2,057	23,423	25,481
Dividend Income	225	2,492	2,717
Gains (losses) on sale of Fixed Assets	-	-	-
<b>Total Non-Operating Income (Expenses)</b>	<u>14,282</u>	<u>25,916</u>	<u>40,198</u>
<b>NET PROFIT (LOSS)</b>	<u>(113,791)</u>	<u>(242,887)</u>	<u>(356,678)</u>

See notes to the unaudited Financial Statements



Notes to the Unaudited Statements as of December 31, 2019  
Meritus Mutual Health Partners (PPO) and Meritus Health Partners (HMO)  
In Receivership – No. CV2016-011872

**Organization**

Compass Cooperative Mutual Health Network, Inc. doing business as Meritus Mutual Health Partners (“Meritus Mutual” or “PPO”) is an Arizona nonprofit corporation that was issued an Arizona certificate of authority to transact disability insurance business on May 28, 2013. Compass Cooperative Health Plan, Inc. doing business as Meritus Health Partners (“MHP” or “HMO”) is an Arizona nonprofit corporation which was issued an Arizona certificate of authority to transact business as a health care services organization effective May 28, 2013. Meritus Mutual was approved to operate as a consumer operated and oriented health plan (“Co-Op”) in the State of Arizona by the Center for Medicare & Medicaid Services (“CMS”). Meritus Mutual received start-up and solvency loans from CMS under the Affordable Care Act (“ACA”) in the aggregate of approximately \$93.8 million. Meritus Mutual and MHP were under common control, had the same officers and directors, shared the same home office, and shared services for adjudication and payment of claims.

Meritus Mutual and MHP were placed under an Order of Supervision on October 30, 2015 and were placed into Receivership with an Order of Liquidation on August 10, 2016 by Maricopa County Superior Court. As part of the Receivership Order, Interim Director of Insurance Leslie R. Hess was appointed as Receiver of Meritus Mutual and MHP (“Receiver”).

Dated March 8, 2017, the Receivership Court entered an Order Approving Liquidation Plan that, among other things, established a claims bar deadline, established a separate claims adjudication process for PPO and HMO providers; and imposed a Temporary Restraining Order enjoining Balance Billing and Enrollee Collections and prohibiting Providers with unpaid claims for services provided under insurance policies issued by Meritus Mutual and/or MHP from seeking to recover balances due directly from enrollees and/or insureds, pending completion of the claim adjudication process and issuance of an Explanation of Benefits Form.

**Basis of Presentation**

The accompanying financial statements of the Meritus companies in liquidation have been prepared on the liquidation basis of accounting in conformity with generally accepted accounting principles. These financial statements reflect the financial position and activity of the Meritus companies.

Under the liquidation basis of accounting, assets are stated at their estimated net realizable values. Liabilities are stated at their ultimate amounts and are subsequently adjusted to settlement amounts upon final distribution. A new cost basis is established as of the date of liquidation. Liabilities are fixed as of that date.

The valuation of assets and liabilities requires many estimates and assumptions, as there are substantial uncertainties in carrying out the provisions of the liquidation proceedings. The actual value of future liquidating distributions will depend upon a variety of factors including, among others, the future recovery of the estate’s assets and the actual timing of distributions.

Notes to the Unaudited Statements as of December 31, 2019  
Meritus Mutual Health Partners (PPO) and Meritus Health Partners (HMO)  
In Receivership – No. CV2016-011872

The Meritus entities have not accrued liquidation administrative expense because of the uncertainty as to the ultimate costs of liquidation. Liquidation administrative expense will be accrued as the entities are in a position to provide reasonable estimates when the liquidation process is nearing completion.

**Amounts due from and to the Center for Medicare & Medicaid Services**

The Unaudited Statements as of December 31, 2019 are prepared in reliance on, among other things, this Court's March 8, 2019 Order Re Petition No. 26 Granting Claim Determination and Setoff Related to Claims of the United States (the "Setoff Order"). Paragraphs 10, 12 and 13 of the Setoff Order include the following findings:

CMS's claims for payment from Meritus Mutual under the converted start-up note and the solvency note, referred to as the CMS Surplus Notes, are Class 10 priority level claims under A.R.S. § 20-629 and are not subject to setoff.

In accordance with A.R.S. § 20-638, the setoff of all claims as between MHP and CMS under the ACA Risk-Sharing Programs, including, but not limited to CSR, Reinsurance, Risk Adjustment, and Risk Corridor, is approved so that the net effect is that the remaining amount that CMS owes MHP under the ACA Risk-Sharing Programs (with all related mutual debts and credits setoff and otherwise deemed satisfied) is as follows:

Net Risk Corridor Claims due and owing from CMS to MHP: \$4,863,176  
Net Reinsurance Claims due and owing from CMS to MHP: \$7,171,320

In accordance with A.R.S. § 20-638, the setoff of all claims as between Meritus Mutual and CMS under the ACA Risk-Sharing Programs, including, but not limited to CSR, Reinsurance, Risk Adjustment, and Risk Corridor, is approved so that the net effect is that the remaining amount that CMS owes Meritus Mutual under the ACA Risk-Sharing Programs (with all related mutual debts and credits setoff and otherwise deemed satisfied) is as follows:

Net Risk Corridor Claims due and owing from CMS to Meritus Mutual:  
\$12,182,140  
Net Reinsurance Claims due and owing from CMS to Meritus Mutual:  
\$3,283,275

**Assets - Meritus Mutual Health Partners (PPO)**

As of December 31, 2019, total available cash is \$461,833, including \$62,381 of funds held on deposit with the Arizona Department of Insurance for the purpose of covering anticipated expenses incurred by the department, and including \$252,282 held in Comerica Brokerage Account.

Notes to the Unaudited Statements as of December 31, 2019  
Meritus Mutual Health Partners (PPO) and Meritus Health Partners (HMO)  
In Receivership – No. CV2016-011872

**Assets – Meritus Health Partners (HMO)**

As of December 31, 2019, total available cash is \$3,285,804, including \$62,381 of funds held on deposit with the Arizona Department of Insurance for the purpose of covering anticipated expenses incurred by the department, and including \$2,825,916 held in Comerica Brokerage Account.

**Liabilities**

Payables due by the PPO and HMO are organized by Arizona's Priority of Distribution classifications for liquidations. See Az Revised Statutes §20-629 2016. Priority of distribution; definition.

The probability of a valid claim being paid is dependent on the valuation of the claim, the order of preference of the claim, and the amount of funds remaining after other claims having higher preference have been discharged. Each priority class of claims must be fully paid before any distribution may be made to the next priority class. All members of a class receiving partial payment must receive the same pro-rata amount.

No interest has been accrued on any liabilities including CMS claims since it is highly unlikely that interest will be paid on any liabilities

**Liabilities – Meritus Mutual Health Partners (PPO)**

Due to the shared administrative expenses an intercompany balance is due the HMO from the PPO.

PPO Provider claims that have been covered by the Arizona Guaranty Fund total approximately \$3,340,742 which amounts are being paid subject to the Arizona Guaranty Fund enabling act and administered under a Service Agreement between the Arizona Guaranty Fund and the Receiver. Under its subrogation and assignment rights, the Guaranty Fund will have Class 2 claims for such amounts.

Subject to the Receiver's rights to offset, other creditors with priority level claims at or below the Class 2 claims will only be paid with estate distributions, if any, remaining after payment of Class 1 and Class 2 claims.

**Liabilities – Meritus Health Partners (HMO)**

HMO Provider claims are classified at two levels, including: Class 3 priority for out of network, non-contracted, timely claims; Class 7 priority for in network, contracted, timely claims. The figures in the unaudited statements are estimates and do not reflect the results of a completed Proof of Claim process.

Notes to the Unaudited Statements as of December 31, 2019  
Meritus Mutual Health Partners (PPO) and Meritus Health Partners (HMO)  
In Receivership – No. CV2016-011872

Subject to the Receiver's rights to offset, other creditors with priority level claims at or below the Class 3 and Class 7 claims will only be paid with estate distributions, if any, remaining after payment of creditors with a superior priority class.

**Meritus Mutual Health Partners (PPO) – Revenue**

Arizona Guaranty Fund Administrative Payments: These amounts are payments made by the Arizona Guaranty Fund to the Receiver for administrative services provided under the Service Agreement.

**Medical Expense**

The amounts referred to as "MEDICAL EXPENSES" are amounts that have been identified as part of the POC process. While they are not amounts that have been paid by either MHP or Meritus Mutual, depending on the ultimate POC Process, some or all of these amounts may qualify as claims.

**Gains (losses) on sale of Fixed Assets**

These amounts are based on proceeds from the sale of certain office equipment as part of the receivership process.