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7 Attorneys for Receiver

8 SUPERIOR COURT OF ARIZONA
9 COUNTY OF MARICOPA

10 STATE OF ARIZONA, *ex rel.*
11 EVAN G. DANIELS, 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 65

EXHIBIT A

**DECLARATION OF SPECIAL
DEPUTY RECEIVER REGARDING
PETITION FOR APPROVAL OF
LIMITED CLAIMS PAYMENTS**

(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 and/or under the direction of the Deputy
2 Receiver.

3 2. Attached hereto as Declaration Exhibit A-1 is the Report on Estate Assets
4 and Proposed Limited Claims Payments for MHP.

5 3. Attached hereto as Declaration Exhibit A-2 is the Report on Estate Assets
6 and Proposed Limited Claims Payments for Meritus Mutual.

7 4. Estate Assets and Proposed Limited Claim Payments.

8 a. Payment of Estate Assets. The amounts of Estate Assets for distribution to
9 creditors attributable to MHP and Meritus Mutual are set forth and identified in Declaration
10 Exhibits A-1 and A-2 which are incorporated herein by reference. Subject to this Court's
11 approval, the Special Deputy Receiver proposes to make claim payments using the Estate
12 Assets to pay claims of the creditors in amounts and priorities as already approved by this
13 Court.¹ The payments will be final payments to the creditors and their claims will be fully
14 satisfied. No further amounts will be due and owing with respect to those claims.

15 b. Remaining Claims. Declaration Exhibits A-1 and A-2 reflect that the
16 proposed claim payments would result in the satisfaction of all claims except for the
17 following: Remaining Class 1 Administrative Expenses for MHP and Meritus Mutual; Class
18 10 Claims (Surplus Notes) in the amount of \$93,826,261 for Meritus Mutual; and Class 8
19 Claims (General Creditor) in the amount of \$52,099,268 for MHP. The remaining Estate
20 Assets provide sufficient funds to pay known and anticipated Class 1 (Administrative
21 Expenses) in full. There are insufficient Estate Assets to pay the remaining Class 10 Claims
22 for Meritus Mutual and the remaining Class 8 Claims for MHP in full. It is anticipated that,
23 after paying Class 1 Claims (Administrative Expenses) in full, the Class 10 Claims and the
24 Class 8 Claims would receive a pro rata share of the Estate Assets as part of the final
25 accounting and termination of the Estate. After the pro rata payments, the unpaid claim
26 amounts would be unsatisfied obligations at the time of closing the estate. The limited
27 payments shall not be construed as a reduction of indebtedness in that regard.

28 ¹All claim amounts and claim priority levels identified in Declaration Exhibits A-1 and A-2 are identical to the claim
amounts and claim priority levels previously approved by this Court.

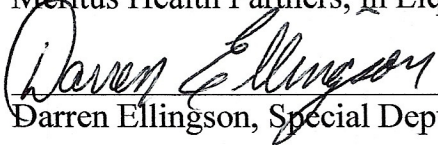
1 c. Insolvency of MHP and Meritus Mutual. Among other things, the August 10,
2 2016 Liquidation Order declared that MHP and Meritus Mutual were each insolvent and
3 placed them into liquidation. The insolvency of MHP and Meritus Mutual continues. With
4 respect to MHP, as set forth on Exhibit A-1, after the distributions contemplated herein,
5 there will be remaining assets of approximately \$8.2 million and remaining liabilities of
6 approximately \$52 million, leaving MHP insolvent by more than \$43 million. With respect
7 to Meritus Mutual, as set forth on Exhibit A-2, after the distributions contemplated herein,
8 there will be remaining assets of approximately \$2.7 million and liabilities of more than \$93
9 million, leaving Meritus Mutual insolvent by more than \$90 million.

10 d. Unclaimed Property. In the event that a creditor fails to negotiate and/or cash
11 the payments made as final distributions hereunder, such amounts shall be handled as
12 unclaimed property under Arizona law.

13 5. Remaining Estate Assets. Any Estate Assets that reasonably could be
14 liquidated to generate value for the creditors of Meritus Mutual and MHP have been
15 liquidated and are included in the totals for Estate Assets reported on Declaration Exhibits
16 A-1 and A-2 and as previously reported in the Liquidation Balance Sheets filed with this
17 Court. Any other assets of Meritus Mutual and/or MHP are to be abandoned, in the Special
18 Deputy Receiver's discretion, in order to facilitate closing and termination of the estates
19 except that any unpaid amount due from MHP to Meritus Mutual remains as an unsatisfied
20 obligation and there is no reduction of indebtedness related thereto. Types of assets that
21 would be abandoned are relatively small in amount, expensive to liquidate and of limited
22 overall value, including for example provider receivables previously valued in the amount
23 of \$298,646 (as to Meritus Mutual) and in the amount of \$444,071 (as to MHP).

24 6. By signing below, I state to the Court, under penalty of law, that the
25 information stated on these pages is true and correct to the best of my knowledge and
26 belief.
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1 Meritus Mutual Health Partners, in Liquidation
2 Meritus Health Partners, in Liquidation

3 
4 Darren Ellingson, Special Deputy Receiver

Date: 2/24/2025

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Petition 65; Declaration Exhibit A-1
 Meritus Health Partners, in Liquidation (MHP)
 Report on Estate Assets and Proposed Limited Claims Payments
 Prepared as of January 31, 2025

Estate Assets for Distribution: \$18,186,807
 Proposed Partial Payments: \$ 9,927,266
 Remaining Balance of Estate Assets: \$ 8,259,541
 (To Fund Class 1 Administrative Expenses and Class 8 Claims)

*Amount estimated as of January 31, 2025 and subject to change and adjustment in amounts that are not anticipated to be material or to substantively impact the distribution allocation herein.

Claim Priority Level	Number of Claims	Amount of Claims	Proposed Limited Payments and Estate Asset Balance
Class 1 Administrative	None	None	None
Class 2 Guaranty Association	None	None	None
Class 3 Provider – Out of Network	431	\$5,084,613	LESS Payment: \$5,084,613 Asset Balance: \$13,102,194
Class 4 US Government	*	ACA: \$50,650,121	*See Note 5. Class 4 Claims already adjudicated, determined and paid by offset.
Class 5 Employees	None	None	None
Class 6 State or Local Government	1	\$730,505	LESS Payment: \$730,505 Asset Balance: \$12,371,689
Class 7 Providers – In Network	439	\$4,112,148	LESS Payment: \$4,112,148 Asset Balance: \$8,259,541
Class 8 General Creditors	15	\$52,099,268	No Limited Payment proposed at this time. Claim remains unsatisfied.
Class 9 Untimely POCs	None	None	None
Class 10 Surplus Notes	None	None	None

Notes Re MHP's Estate Assets and Final Claim Payments:

1. Liquidation Plan. The Receiver's Claims Adjudications reported on herein were made subject to and in accordance with the Order re: Petition No. 7, Order Approving Liquidation Plan.
2. 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.
3. Class 1 Claims – Administrative Expenses. Administrative expenses of the Receiver that continue to be incurred subject to and in accordance with the Receivership Act and orders of the Receivership Court are not included. Payments to consultants are subject to the reporting process as previously ordered by this Court, with compensation rates subject to Court approval.
4. 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 Orders.
5. Prior Determination – U.S. Claims. All claim amounts related to the United States, including but not limited to claims from the Center for Medicare and Medicaid Services ("CMS") have been fully and finally determined based on Order re Petition No. 26 Granting Claim Determination and Setoff Related to Claims of the United States (the "Setoff Order") and Order Approving Petition No. 50 – Unopposed Petition to Approve Settlement with United States Related to Claims Under the Affordable Care Act (the "Settlement Order"). Pursuant to the Setoff Order and Settlement Order, all Class 4 Claims 4 Claims have been fully and finally paid via offset. The remaining Surplus Note claims, Class 10 Claims attributable to Meritus Health Partners have not yet been paid and are not subject to offset. For completeness, this Exhibit reports on the numbers but the figures are not subject to further review and approval in light of the Setoff Order and Settlement Order already entered by this Court.
6. Federal Government Release Program. The United States Government offers a release program in which, upon request, the United States Government reviews potential claims against insurers in liquidation and, depending on the circumstances, may enter into a release with such insurers. Here, the release program is not applicable in light of the release already agreed to by the United States and approved in the Settlement Order which, among other things, provides as follows:

Upon entry of judgment and Meritus' receipt of payment, the United States releases, waives, and abandons all claims, counterclaims, and offsets against Meritus arising out of, related to, or otherwise that were asserted, could have been asserted, or may be asserted in the future in the POCs (including but not limited to, any related claims for costs, expenses for costs, expenses, interest, and

damages of any sort), with the exception that the United States shall retain its claims asserted in the POCs for the Surplus Notes accorded as Class 10 priority level claims under A.R.S. § 20-629 as provided for in the Receivership Claims Order. The United States further stipulates that it will not dispute or object to Meritus' allocation of payment of the judgment between the Meritus entities (or their estates) in this case, Daniels v. United States, No. 19-1499C, or otherwise, so long as such allocation is approved by the Receivership Court.

7. Undeliverable Notices of Determination. For any Notice of Determination that was undeliverable, the Receiver made reasonable efforts under the circumstances to locate the correct address of the Claimant. Where no correct address could be located, the Receiver's Adjudication of Claim is deemed unopposed. The Receiver will seek to confirm the correct contact information before any payments would be made and if the Claimant cannot be located then the respective amounts would be handled as unclaimed property under Arizona law.
8. Meritus Health Partners Class 8 Claims. Of the 15 Class 8 Claims, \$51,652,071 is a claim owed to Meritus Mutual related to Surplus Note Claims. The total amount for the remaining 14 Class 8 claimants is \$447,197. The balance payment amount will be allocated pro rata among the Class 8 Claims.
9. Amount of Unsatisfied Claim. The amount identified as the Amount of Unsatisfied Claim remains unpaid as an unsatisfied obligation. Nothing shall be construed as a reduction of indebtedness in that regard.

Petition 65; Declaration Exhibit A-2
 Meritus Mutual Health Partners, in Liquidation (MM)
 Report on Estate Assets and Proposed Limited Claim Payments
 Prepared as of January 31, 2025

Estate Assets for Distribution: \$ 2,705,014
 Proposed Partial Payments: \$ 38,237
 Remaining Balance of Estate Assets: \$ 2,666,777
 (To Fund Class 1 Administrative Expenses and Class 8 Claims)

*Amount estimated as of January 31, 2025 and subject to change and adjustment in amounts that are not anticipated to be material or to substantively impact the distribution allocation herein.

Claim Priority Level	Number of Claims	Amount of Claims	Proposed Limited Payments and Estate Balance
Class 1 Administrative	1	\$10,338	LESS Payment: \$10,338 Asset Balance: \$2,694,676
Class 2 Guaranty Association	1	\$3,659,548	Previous Early Access: \$3,659,548 Remaining Payment Amount: \$0 Asset Balance: \$2,694,676
Class 3 Provider – Out of Network	2	1,243	LESS Payment: \$1,243 Asset Balance: \$2,693,433
Class 4 US Government	*	ACA: \$755,917	*See Note 6. Class 4 Claims already adjudicated, determined and paid by offset.
Class 5 Employees	None	None	None
Class 6 State Taxes	1	\$11,848	LESS Payment: \$11,848 Asset Balance: \$2,681,585
Class 7 Providers – In Network	None	None	None
Class 8 General Creditors	1	\$14,808	LESS Payment \$14,808 Asset Balance: \$2,666,777
Class 9 Untimely POCs	None	None	None.
Class 10 Surplus Notes	1	\$93,826,261	No Limited Payment proposed at this time. Claim remains unsatisfied.

Notes Re Meritus Mutual's Estate Assets and Final Claim Payments:

1. Liquidation Plan. The Receiver's Claims Adjudications reported on herein were made subject to and in accordance with the Order re: Petition No. 7, Order Approving Liquidation Plan.
2. 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.
3. Class 1 Claims – Administrative Expenses. Administrative expenses of the Receiver that continue to be incurred subject to and in accordance with the Receivership Act and orders of the Receivership Court are not included. Payments to consultants are subject to the reporting process as previously ordered by this Court, with compensation rates subject to Court approval.
4. Class 2 Claims – Guaranty Associations. The Receiver previously made an Early Access Distribution pursuant to A.R.S § 20-647 in the full amount of the Guaranty Association claim. Once that Early Access Distribution is determined to be final, no further payments would be made to the Guaranty Association.
5. 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 applicable financial reporting as necessary or appropriate under the circumstances.
6. Prior Determination – U.S. Claims. All claim amounts related to the United States, including but not limited to claims from the Center for Medicare and Medicaid Services ("CMS") have been fully and finally determined based on Order re Petition No. 26 Granting Claim Determination and Setoff Related to Claims of the United States (the "Setoff Order") and Order Approving Petition No. 50 – Unopposed Petition to Approve Settlement with United States Related to Claims Under the Affordable Care Act (the "Settlement Order"). Pursuant to the Setoff Order and Settlement Order, all Class 4 Claims 4 Claims have been fully and finally paid via offset. The remaining Surplus Note claims, Class 10 Claims attributable to Meritus Health Partners have not yet been paid and are not subject to offset. For completeness, this Exhibit reports on the numbers but the figures are not subject to further review and approval in light of the Setoff Order and Settlement Order already entered by this Court.

7. Federal Government Release Program. The United States Government offers a release program in which, upon request, the United States Government reviews potential claims against insurers in liquidation and, depending on the circumstances, may enter into a release with such insurers. Here, the release program is not applicable in light of the release already agreed to by the United States and approved in the Settlement Order which, among other things, provides as follows:

Upon entry of judgment and Meritus' receipt of payment, the United States releases, waives, and abandons all claims, counterclaims, and offsets against Meritus arising out of, related to, or otherwise that were asserted, could have been asserted, or may be asserted in the future in the POCs (including but not limited to, any related claims for costs, expenses for costs, expenses, interest, and damages of any sort), with the exception that the United States shall retain its claims asserted in the POCs for the Surplus Notes accorded as Class 10 priority level claims under A.R.S. § 20-629 as provided for in the Receivership Claims Order. The United States further stipulates that it will not dispute or object to Meritus' allocation of payment of the judgment between the Meritus entities (or their estates) in this case, Daniels v. United States, No. 19-1499C, or otherwise, so long as such allocation is approved by the Receivership Court.

8. Undeliverable Notices of Determination. For any Notice of Determination that was undeliverable, the Receiver made reasonable efforts under the circumstances to locate the correct address of the Claimant. Where no correct address could be located, the Receiver's Adjudication of Claim is deemed unopposed. The Receiver will seek to confirm the correct contact information before any payments would be made and if the Claimant cannot be located then the respective amounts would be handled as unclaimed property under Arizona law.
9. Amount of Unsatisfied Claim. The amount identified as the Amount of Unsatisfied Claim remains unpaid as an unsatisfied obligation. Nothing shall be construed as a reduction of indebtedness in that regard.
10. Class 10 Distribution. The timing of the Class 10 Distribution will be made in the Receiver's discretion after the filing of the final United States tax returns for MM and MHP.