

1 **FAEGRE DRINKER BIDDLE & REATH LLP**
1144 15TH 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

5
6 Attorneys for Receiver

7
8 SUPERIOR COURT OF ARIZONA
9 COUNTY OF MARICOPA

10 STATE OF ARIZONA, *ex rel.*
11 BARBARA D. RICHARDSON, Executive
Deputy Director of Insurance,

12 Plaintiff,

13 vs.

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

17 Defendants.
18
19

No. CV2016-011872

PETITION 65

**PETITION FOR ORDER
APPROVING LIMITED CLAIM
PAYMENTS**

(Assigned to The Honorable
Dewain Fox)

20 Darren Ellingson, in his capacity as the Special Deputy Receiver of Compass
21 Cooperative Mutual Health Network, Inc. doing business as Meritus Mutual Health Partners,
22 (“Meritus Mutual”) and of Compass Cooperative Health Plan, Inc. dba Meritus Health
23 Partners (“MHP”) (collectively referred to as “Meritus”), appointed pursuant to A.R.S. § 20-
24 611, *et seq.*, files herewith the Petition for Order Approving Limited Claim Payments.

25 **1. Liquidation Order.** On October 30, 2015, Meritus Mutual and MHP were
26 placed under the supervision of the Arizona Department of Insurance (the “Department”)
27 and discontinued all insurance coverage on or before midnight on December 31, 2015. In
28 an Order dated August 10, 2016, this Court placed Meritus Mutual and MHP into

1 receivership under orders of liquidation and declaration of insolvency. Pursuant to A.R.S.
2 § 20-612, this Court has sole and exclusive jurisdiction over all proceedings related to the
3 liquidation of Meritus Mutual and/or MHP. Of particular importance, despite the joint
4 management of the companies, Meritus Mutual and MHP are distinct insurance entities
5 subject to disparate treatment under Arizona receivership and guaranty fund law.

6 **a. Meritus Mutual Liquidation Priority System.** Meritus Mutual was
7 established and operated as a disability insurance company under Arizona law and was
8 referred to as a PPO. Under Arizona’s priority statute, A.R.S. § 20-629,¹ claims under
9 insurance policies issued by disability insurers domiciled in Arizona and covered by the
10 Arizona Life and Insurance Guaranty Fund (“Guaranty Association”) (*see* A.R.S. § 20-681,
11 *et seq.*) fall within Class 2 of the distribution scheme applicable to disability company
12 receiverships. The insured’s claims, and thus by assignment, claims of the insured’s
13 physician, hospital and other healthcare providers (“Providers”) under insurance policies
14 issued by a disability insurance company and not covered by the Guaranty Association fall
15 within Class 3 of the distribution scheme applicable to disability company receiverships.

16 **b. MHP Liquidation Priority System.** In contrast, MHP was legally
17 established and operated as a health care services organization (“HCSO”) under Arizona law
18 (more commonly known as an “HMO”). Generally, Providers who contracted with MHP to
19 provide care to plan enrollees are “contract (or in-network) Providers” and Providers who
20 did not have a contract to serve MHP plan enrollees are known as “non-contract (or out-of-
21 network) Providers.” Under A.R.S. § 20-629, only the claims of the non-contract Providers
22 of an HCSO fall within Class 3. Those claims are accorded a higher priority than contract
23 Providers which fall within Class 7. Every claim in each class must be paid in full or
24 adequate funds reserved before creditors in the next class receive payment. A.R.S. § 20-
25 629(A). Further, HCSO claims are not covered by the Guaranty Association. MHP
26 maintained a \$3.4 million security deposit with the Department for the benefit of MHP’s
27 enrollees for the purpose of funding benefits in accordance with A.R.S. § 20-1069(A).

28 ¹ 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.

1 Additionally, MHP held a special deposit in the amount of \$619,552 for the benefit and
2 protection of persons covered by MHP in accordance with A.R.S. § 20-1056(C). (together
3 the two deposits totaled approximately \$4 million at the commencement of the receivership).

4 **2. Early Access Distributions to Guaranty Association.** An Early Access Agreement
5 between the Receiver on behalf of Meritus Mutual and the Guaranty Association was
6 negotiated and drafted as required by Arizona law addressing whether and to what extent
7 early access distributions could be made to the Guaranty Association. The Early Access
8 Agreement was submitted to the Court for approval as part of Petition No. 5, which was
9 approved by this Court on November 7, 2016. Consistent with the terms of the Early Access
10 Agreement and in accordance with A.R.S. § 20-647, in December, 2022, an Early Access
11 Distribution was made to the Guaranty Association in the total amount of the Guaranty
12 Association claims, equal to \$3,275,192.77.

13 **3. Liquidation Plan.** On March 8, 2017, this Court entered an Order approving Petition
14 No. 7, Petition for Order Approving Liquidation Plan, that among other things, (i)
15 established a claims bar deadline of May 15, 2017, and (ii) established a procedure for
16 adjudication of provider claims. The Liquidation Plan established a separate claims
17 adjudication process for PPO and HMO providers and imposed a Temporary Restraining
18 Order prohibiting collections from enrollees and insureds unless and until an Explanation of
19 Benefits notice (or similar documentation) was issued by the Receiver.

20 **4. United States Claims.**

21 **a. United States POCs.** Claims were submitted against Meritus Mutual and
22 MHP by and on behalf of the United States Department of Health and Human Services
23 (“HHS”), Centers for Medicare & Medicaid Services (“CMS”) and by the United States
24 Department of Justice (“DOJ”) in three separate proofs of claim (“POCs”), including: (i)
25 CMS claims against MHP in the combined total amount of \$50,650,123.02 (the “CMS-MHP
26 Claims”); (ii) CMS claims against Meritus Mutual in the combined total amount of
27 \$94,581,998.78 (the “CMS-Meritus Mutual Claims”); and (iii) DOJ claims against MHP
28 and Meritus Mutual in an undetermined amount (the “DOJ Claims”). With respect to the
CMS-MHP Claims, \$50,650,123.02 was attributable to the Affordable Care Act (“ACA”)

1 Risk-Sharing Programs. With respect to the CMS-Meritus Mutual Claims, \$93,826,261.25
2 were attributed to loan and note claims, and \$755,917.53 were attributable to ACA Risk-
3 Sharing Programs. While the United States POCs focused on the ACA, they also included
4 a broad assertion, as follows:

5 **Nature of Claim:** Recovery of amounts owed to the United States and/or any federal
6 agency or entity. These claims are entitled to first priority treatment pursuant to 31
7 U.S.C. § 3713.

8 **b. Meritus ACA Claims against CMS.** At the same time, MHP and Meritus
9 Mutual had claims against CMS under the ACA Risk-Sharing Programs: (i) a combined total
10 amount of \$62,684,619.00 was owed by CMS to MHP; and (ii) a combined total amount of
11 \$16,221,332.00 was owed by CMS to Meritus Mutual. Dated November 16, 2017, the
12 Receiver’s Counsel sent separate letters providing notice of the amounts due and of the setoff
13 and claim determination with respect to the CMS-MHP Claims, the CMS-Meritus Mutual
14 Claims, and the DOJ Claims. The letter requested that CMS and/or DOJ notify the Receiver
15 of any response and/or objection to the determination. CMS and DOJ made no objection to
16 the notice of setoff and claim determination.

17 **c. POC Determination and Offset by this Court.** On December 18, 2018, the
18 Receiver filed Petition No. 26, Request for Hearing, Claim Determination and Setoff Related
19 to the Claims of the United States. After notice and a hearing, on March 8, 2019, this Court
20 entered its Order Re Petition No. 26 Granting Claim Determination and Setoff Related to
21 Claims of the United States which Order applied an offset in accordance with A.R.S. § 20-
22 638 so that Meritus’ debt to the United States was paid in full and the net remaining amounts
23 that the United States owed to MHP and Meritus Mutual under the ACA was as follows: (i)
24 a total net due from CMS of \$12,034,496.00 to MHP; and (ii) a total net due from CMS of
\$15,465,415.00 to Meritus Mutual.

25 **5. Federal Litigation and Settlement Agreement – United States.**

26 **a. Risk Corridor and Reinsurance Actions.** Two lawsuits brought by or on
27 behalf of the Receiver were prosecuted in the United States Court of Federal Claims,
28 including one action being prosecuted as part of a class action based the Affordable Care

1 Act (“ACA”) Risk Corridor Program, Case No. 1:16-cv-00259-MMS (the “Risk Corridor
2 Action”) and a second one brought directly by the Receiver based on the ACA Reinsurance
3 Program, Case No. 1:19- cv-01499-MMS (the “Reinsurance Action”) (collectively the
4 “Meritus ACA Suits”).

5 **b. Settlement.** The Receiver negotiated and entered into a settlement agreement
6 with the United States Department of Justice resolving the Meritus ACA Suits, as approved
7 by this Court in its Order approving Petition 50 dated March 18, 2022 and the United States
8 Court of Federal Claims. As provided for in this Court’s Order approving Petition 50, the
9 settlement resulted in payment to MHP in the amount of \$16,186,807 (comprised of
10 \$9,474,723 allocated to the Risk Corridor Action and \$6,712,084 allocated to the
11 Reinsurance Action) and resulted in payment to Meritus Mutual of \$6,000,000 (comprised
12 of \$4,240,000 allocated to the Risk Corridor Action and \$1,760,000 allocated to the
13 Reinsurance Action. The combined payment amount totaled \$22,186,807. Consistent with
14 the Court’s March 18, 2022 Order approving Petition 50, immediately upon collection and
15 receipt, the settlement proceeds were allocated to pay contingency fees to Risk Corridor
16 Counsel totaling \$685,736 and to Reinsurance Counsel totaling \$847,208, resulting in a net
17 collection of \$20,653,863 for Meritus.

18 **c. Federal Release.** The Settlement included broad language of release from the
19 United States which release was approved by this Court and by the United States Court of
20 Claims. The scope of the Settlement and release was determined by the ACA Suits and also
21 by the POC asserting claims for any “amounts owed to the United States and/or any federal
22 agency or entity.” The Court-approved release language provides as follows:

23 Upon entry of judgment and Meritus’ receipt of payment, the United States
24 releases, waives, and abandons all claims, counterclaims, and offsets against
25 Meritus arising out of, related to, or otherwise that were asserted, could have been
26 asserted, or may be asserted in the future in the POCs (including but not limited
27 to, any related claims for costs, expenses for costs, expenses, interest, and
28 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

1 level claims under A.R.S. § 20-629 as provided for in the Receivership Claims
2 Order.

3 In reliance on the scope of the release included in the Settlement and approved by two courts,
4 no further efforts to secure releases from the United States are anticipated before closing of
5 the estate.

6 **6. Claims Adjudication Order.** On December 21, 2023, the Receiver submitted
7 Petition No. 59, Petition to Approve Receiver's Adjudication of Claims. Therein, the
8 Receiver submitted Declaration Exhibit A-1, which was the Receiver's Report regarding
9 Claim Adjudication Information with respect to Meritus Mutual and Declaration Exhibit A-
10 2, which was the Receiver's Report regarding Claim Adjudication Information with respect
11 to MHP. On January 16, 2024 this Court entered and Order Re Petition No. 59 to Approve
12 Receiver's Adjudication of Claims and the Special Deputy Receiver has fully implemented
13 that Order. Because there were no objections or revisions to Petition No. 59, the same claim
14 information as to priority and amount has been relied in preparing the Final Accounting.

15 **7. Estate Assets and Proposed Limited Claim Payments.**

16 **a. Payment of Estate Assets.** The amounts of Estate Assets for distribution to
17 creditors attributable to MHP and Meritus Mutual are set forth and identified in Declaration
18 Exhibits A-1 and A-2 which are incorporated herein by reference. Subject to this Court's
19 approval, the Special Deputy Receiver proposes to make claim payments using the Estate
20 Assets to pay claims of the creditors in amounts and priorities as already approved by this
21 Court.² The payments will be final payments to the creditors and their claims will be fully
22 satisfied. No further amounts will be due and owing with respect to those claims. (*See*
23 *Ellingson Declaration ¶4.a.*)

24 **b. Remaining Claims.** Declaration Exhibits A-1 and A-2 reflect that the
25 proposed claim payments would result in the satisfaction of all claims except for the
26 following: Remaining Class 1 Administrative Expenses for MHP and Meritus Mutual; Class
27 10 Claims (Surplus Notes) in the amount of \$93,826,261 for Meritus Mutual; and Class 8
28 Claims (General Creditor) in the amount of \$52,099,268 for MHP. The remaining Estate

²All 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 Assets provide sufficient funds to pay known and anticipated Class 1 (Administrative
2 Expenses) in full. There are insufficient Estate Assets to pay the remaining Class 10 Claims
3 for Meritus Mutual and the remaining Class 8 Claims for MHP in full. It is anticipated that,
4 after paying Class 1 Claims (Administrative Expenses) in full, the Class 10 Claims and the
5 Class 8 Claims would receive a pro rata share of the Estate Assets as part of the final
6 accounting and termination of the Estate. After the pro rata payments, the unpaid claim
7 amounts would be unsatisfied obligations at the time of closing the estate. The limited
8 payments shall not be construed as a reduction of indebtedness in that regard. (See Ellingson
9 Declaration ¶ 4.b.)

10 c. Insolvency of MHP and Meritus Mutual. Among other things, the August 10,
11 2016 Liquidation Order declared that MHP and Meritus Mutual were each insolvent and
12 placed them into liquidation. The insolvency of MHP and Meritus Mutual continues. With
13 respect to MHP, as set forth on Declaration Exhibit A-1, after the distributions contemplated
14 herein, there will be remaining assets of approximately \$8.2 million and remaining liabilities
15 of approximately \$52 million, leaving MHP insolvent by more than \$43 million. With
16 respect to Meritus Mutual, as set forth on Exhibit A-2, after the distributions contemplated
17 herein, there will be remaining assets of approximately \$2.7 million and liabilities of more
18 than \$93 million, leaving Meritus Mutual insolvent by more than \$90 million. (See
19 Ellingson Declaration ¶ 4.c.)

20 d. Unclaimed Property. In the event that a creditor fails to negotiate and/or cash
21 the payments made as final distributions hereunder, such amounts shall be handled as
22 unclaimed property under Arizona law. (See Ellingson Declaration ¶ 4.d.)

23 e. Remaining Estate Assets. Any Estate Assets that reasonably could be
24 liquidated to generate value for the creditors of Meritus Mutual and MHP have been
25 liquidated and are included in the totals for Estate Assets reported on Declaration Exhibits
26 A-1 and A-2 and as previously reported in the Liquidation Balance Sheets filed with this
27 Court. Any other assets of Meritus Mutual and/or MHP are to be abandoned, in the Special
28 Deputy Receiver's discretion, in order to facilitate closing and termination of the estates
except that any unpaid amount due from MHP to Meritus Mutual remains as an unsatisfied

1 obligation and there is no reduction of indebtedness related thereto. Types of assets that
2 would be abandoned are relatively small in amount, expensive to liquidate and of limited
3 overall value, including for example provider receivables previously valued in the amount
4 of \$298,646 (as to Meritus Mutual) and in the amount of \$444,071 (as to MHP). (See
5 Ellingson Declaration ¶ 4.e.)

6 **8. Jurisdiction.** This Court retains sole and exclusive subject matter and personal
7 jurisdiction related in any way and to the fullest extent possible under the law as related to
8 MHP, Meritus Mutual, and their respective assets, claims, Receivers, Deputy Receivers,
9 Special Deputy Receivers and the receiverships and/or liquidations thereof.

10 **9. Final Judgment.** Pursuant to A.R.S. § 20-612, the requested Order would have the
11 character of a final order as to the particular portion of the proceedings embraced herein.

12 **WHEREFORE**, the Special Deputy Receiver respectfully requests that the Court
13 grant the relief requested by the Special Deputy Receiver and enter, in the form lodged
14 concurrently with this Petition, the Order Approving Limited Claim Payments.

15 FAEGRE DRINKER BIDDLE & REATH LLP

16 By: /s/ Joel Glover (#034018)
17 Joel A. Glover

18 *Attorneys for Receiver*

1 COPY of the foregoing mailed this
2 25th day of February 2025, to the
3 attached Master Service List

4 /s/ Christine Goyer

5 SUPERIOR COURT OF ARIZONA
6 COUNTY OF MARICOPA

7
8 No. CV2016-011872 (Assigned to The Honorable Dewain Fox)

9 **MASTER SERVICE LIST**

10
11 Barbara D. Richardson, Receiver
12 The Arizona Department of Insurance
13 and Financial Institutions
14 100 North 15th Avenue, #102
15 Phoenix, Arizona 85007
16 (Per request, distribution by email only to Liane.Kido@difi.az.gov.)

17
18 Liane Kido, Deputy Receiver
19 Arizona Department of Insurance
20 100 North 15th Avenue, #102
21 Phoenix, Arizona 85007
22 (Per request, distribution by email only to Liane.Kido@difi.az.gov.)

23
24 Lynette Evans
25 Public Law Section
26 Office of the Attorney General
27 2005 N. Central Avenue
28 Phoenix, AZ 85004
Attorneys for Arizona Department of Insurance
(Per request, distribution by email only to Lynette.Evans@azag.gov.)

Richard G. Erickson
Robert F. Kethcart
Snell & Wilmer L.L.P.
One Arizona Center
400 East Van Buren
Phoenix, Arizona 85004
Attorneys for Defendants

Larry Aldrich, Executive Chairman

1 Employers Health Alliance of Arizona
2 7520 East McLellan Lane
3 Scottsdale, Arizona 85250

4 Christophe Burusco
5 Sidley Austin LLP
6 555 West 5th Street, 40th Floor
7 Los Angeles, California 90013
8 *Attorneys for Care1st Health Plan Administrative Services, Inc.*

9 Matthew A. Clemente
10 Sidley Austin LLP
11 One South Dearborn
12 Chicago, Illinois 60603
13 *Attorneys for Care1st Health Plan Administrative Services, Inc.*

14 Lori Nestor, Executive Director
15 Arizona Life & Disability
16 Insurance Guaranty Fund
17 100 N. 15th Avenue, Suite 261
18 Phoenix, AZ 85007
19 (Per request, distribution by email only to Lori.Nestor@difi.az.gov.)

20 Darren Ellingson
21 Special Deputy Receiver
22 3212 N. 70th Street, Unit 1007
23 Scottsdale, Arizona 85251
24 (Per request, distribution by email only to dellingson@ellingsonassociates.com)

25 Banner Health
26 Patient Financial Services
27 Attn: Anna Rosalez, Manager
28 525 West Brown Road, Third Floor
Mesa, Arizona 85201

Debbie Bailey
Cactus Children's Clinic, PC
5940 West Union Hills Drive
Suite D100
Glendale, Arizona 85308

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Monica Gaspari
Billing Office Supervisor
Pima Heart Physicians
3709 North Campbell Avenue
Suite 201
Tucson, Arizona 85719

United States Department of Justice
40 North Central Avenue, #1800
Phoenix, Arizona 85004

U.S. Department of Justice
950 Pennsylvania Avenue, NW
Washington, DC 20530

United States Attorney General
U.S. Department of Justice
950 Pennsylvania Avenue, NW
Washington, DC 20530

Sinead Baldwin
1200 Brickell Avenue
PH 2000
Miami, Florida 33131
Attorneys for HealthSouth Rehabilitation Hospital

Jill Wright
Parallon
1100 Charlotte Avenue
Suite 1600
Nashville, Tennessee 37203

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

1 **FAEGRE DRINKER BIDDLE & REATH LLP**

1144 15th 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@FaegreBD.com

5
6 Attorneys for Receiver

7 SUPERIOR COURT OF ARIZONA

8 COUNTY OF MARICOPA

9
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

19 **PETITION 65**

20 **EXHIBIT A**

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

(Assigned to The Honorable
Daniel Martin)

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

27 1. I am over eighteen years of age, and I have personal knowledge of the facts
28 herein. I acquired my personal knowledge in my capacity as Special Deputy Receiver of
Meritus Mutual Health Partners, in liquidation ("Meritus Mutual") and of Meritus Health
Partners, in liquidation ("MHP"). I have served as Special Deputy Receiver since the
commencement of the Meritus Mutual and MHP receiverships and, in that capacity, I am
familiar with and have personal knowledge of the books and records of Meritus Mutual
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.
27
28

1 Meritus Mutual Health Partners, in Liquidation
2 Meritus Health Partners, in Liquidation

3 *Darren Ellingson*
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.

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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.

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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.