

DOCKET NO. HHD-CV16-6072516-S : SUPERIOR COURT
IN THE MATTER OF HEALTHYCT, INC., :
IN LIQUIDATION : JUDICIAL DISTRICT OF
: HARTFORD
: :
: JANUARY 31, 2020

**ELEVENTH ACCOUNTING AND STATUS REPORT
OF THE LIQUIDATION PROCEEDING**

Andrew N. Mais, Insurance Commissioner of the State of Connecticut, as statutory Liquidator of HealthyCT, Inc., submits the Eleventh Accounting and Status Report of Daniel L. Watkins, Special Deputy Liquidator, regarding the affairs of HealthyCT, Inc. in Liquidation (“HealthyCT”) as follows:

1. Update from Tenth Accounting and Status Report.

On September 20, 2019, the Special Deputy filed his Tenth Accounting and Status Report of the Liquidation Proceedings (the “Tenth Status Report”). On October 7, 2019, the Court entered an order approving the Tenth Status Report. Since September 20, 2019, the Special Deputy reports the following:

- a) **CLHIGA/Service Agreement/Claim Processing and Payment.** In HealthyCT’s liquidation, the Connecticut Life and Health Insurance Guaranty Association (“CLHIGA”) funded claim payments to healthcare providers totaling \$17,525,761 and has had total approved administrative expenses of \$376,309, of which \$66,454 were paid in this accounting period. HealthyCT asset distributions approved by the Court have reimbursed CLHIGA for 100% of claim payments it funded and 100% of its administrative expenses through September 3, 2019. CLHIGA and HealthyCT expenditures and reimbursements regarding claims,

premium and administrative expenses are set out in Exhibit A to the report and Exhibit B in the Supplemental filing. No HealthyCT insured had claims in liquidation which exceeded CLHIGA's \$500,000/person statutory limit.

Since January 1, 2018, 100% of allowed Class 3 claims and claim appeals have been paid directly from HealthyCT estate assets rather than through funding from CLHIGA.

- b) **Claim Bar Date/Proofs of Claim.** The Special Deputy researched, evaluated and issued notices of determination with respect to all timely submitted Proofs of Claim ("POC") except a claim submitted by the United States and the claim submitted by HealthyCT's landlord for unpaid amounts under the HealthyCT office lease. Issues with the United States government are discussed in a later section of this report.

The landlord's claim under the office lease is not finally determined as it has declined over time due to rents paid by HealthyCT for its reduced space; and the claim amount declined further due to rents collected in 2019 from new tenants who leased a large portion of HealthyCT's prior space. (HealthyCT's original lease term ended September 30, 2019.) The landlord's claim is estimated to be around \$450,000, a reduction of over \$250,000 from the amount filed in its original POC.

No objections to the Special Deputy's determination notices in all other claims have been received and, pursuant to Conn. Gen. Stat. § 38a-941(a), those determinations are now deemed to be final.

Two significant creditor claims have been allowed in the HealthyCT liquidation:

Unpaid broker commission claims totaling \$1.3 million (Class 6 claims); and,

Premium tax and other fees owed the State of Connecticut, totaling \$3,317,522 (Class 7 claims). These claims cannot receive any asset distribution until claims litigation with the federal government is resolved.

- c) **Services and Operational Expenses.** The Special Deputy has continued to pay for services necessary to operate HealthyCT in liquidation and to handle outstanding claim and appeal issues. Expenses paid by category for the necessary services and operational costs of the Liquidation are summarized in Exhibit B. The operational expenditures are set out by Accounting/Status Report period, with July 1 through December 31, 2019 being the current period.

Expenses paid during this period total \$382,120. Detailed spreadsheets on this period's expenditures and documentation supporting them are in Exhibit B Detail and Exhibit B(1) in the supplemental filing to this report (the "Supplemental Filing").

The fee and expense statements of the Special Deputy and Morgan, Lewis & Bockius LLP ("Morgan Lewis") for July through December 2019 have been reviewed and approved by the Liquidator and the Court as reasonable and necessary. Summaries of the Special Deputy's and Morgan Lewis' fees and expenses are included in the Supplemental Filing

- d) **Cash on Hand/Projected Expenditures.** After expenditure of \$382,120 for operations, claims, services and employee compensation from July 1-December

31, 2019, a CHLIGA administrative expense payment of \$66,454, offset by interest income earned and miscellaneous deposits of \$66,358, HealthyCT had \$5,674,764 cash on hand at December 31, 2019. Average monthly expenditures have declined from \$654,516/month in 2017 to \$139,414/month in 2018, to \$63,339/month in the last half of 2019. Average expenses of approximately \$50,000/month are projected in 2020.

- e) **Employees.** Three former HealthyCT employees remain in consulting roles on a much-reduced schedule and expense in 2020. The former Chief Financial Officer (“CFO”) and Chief Operating Office (“COO”) and one other employee, continue assisting HealthyCT to: handle HealthyCT financial matters; assist in manually addressing remaining claims and appeals; reconcile accounts; and respond to phone calls from former members and providers. Research and issue resolution work is also being performed for Form 1099 recipients and the IRS when questions and issues arise.
- f) **Data Access and Preservation.** HealthyCT utilizes an information technology vendor to manage and house HealthyCT data. Arrangements have been made both for continued support in 2020 and for storage and access to HealthyCT data required to be preserved for certain periods by CMS after HealthyCT wind-down operations are completed.
- g) **Claim Processing and Customer Service.** The claims processing agreement with HealthyCT’s vendor ended December 31, 2017. HealthyCT has paid \$5000/month for access to historic claim data through 2019 to facilitate claim

appeal work and address inquiries from providers and insureds. Access to claim history will continue until a final claim listing is compiled for purposes of reports and reviews necessary for the closure of the estate.

Phone calls of providers, former insureds and others are routed directly to HealthyCT's answering system for response.

- h) **Tax Issues.** The Liquidator has engaged an experienced tax consultant to review HealthyCT tax issues and file appropriate returns.

2. Litigation.

The action filed by the Liquidator against the United States in the U.S. Court of Federal Claims in Washington, D.C. (the "Court of Claims Action") for payment of the risk corridors and reinsurance provisions of the Affordable Care Act ("ACA") remains stayed pending final resolution of similar suits filed by other insurance carriers at the United States Supreme Court. Oral arguments in the cases occurred December 10, 2019 and a decision is expected sometime in 2020. Over \$12 billion in Risk Corridors payments due ACA insurers have not been paid due to riders in federal appropriations bills which prohibited the use of funds appropriated to CMS for Risk Corridors payments. At issue before the Supreme Court is whether such appropriation riders effectively amended CMS's "payment obligation by indefinitely suspending" such payments.

As set forth in HealthyCT's complaint in the Court of Claims Action, CMS owes HealthyCT approximately \$47.5 million (\$41 million under the ACA's risk corridor provisions plus \$6.5 million under the ACA's reinsurance provisions). HealthyCT will review the Court of Claims Action once the Supreme Court decision is issued and the stay is lifted. The Liquidator will

report to the Court regarding the outcome of the Supreme Court case and its impact on the Court of Claims action.

3. Summary.

The Liquidator requests the Court's acceptance of this report and approval of the acts and expenditures described in this accounting and report, its exhibits and Supplemental Filing, which includes 2020 compensation of the Special Deputy Liquidator as set by the Liquidator in his November 21, 2019 letter which is included in the Supplemental filing.

Respectfully submitted,

Andrew N. Mais
Liquidator of HealthyCT, Inc.

A handwritten signature in black ink, appearing to read "Andrew N. Mais".

Daniel L. Watkins, Special Deputy Liquidator
HealthyCT, Inc. in Liquidation