

DOCKET NO. HHD-CV16-6072516-S : SUPERIOR COURT  
: :  
IN THE MATTER OF HEALTHYCT, INC., : JUDICIAL DISTRICT OF  
IN LIQUIDATION : HARTFORD  
: :  
: :  
: FEBRUARY 26, 2021

**THIRTEENTH 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 Thirteenth 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 Twelfth Accounting and Status Report.

On September 4, 2020, the Special Deputy filed his Twelfth Accounting and Status Report of the Liquidation Proceedings (the “Twelfth Status Report”). Docket #195.00. On October 1, 2020, the Court entered an order approving the Twelfth Status Report. Docket #197.86. Since September 4, 2020, 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 through December 31, 2017 and had approved administrative expenses of \$386,474 through May 30, 2020. One hundred percent of CLHIGA’s claim payments and administrative expenses have been reimbursed through asset distributions approved by the Court. 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. The CLHIGA bank account through which claim payments were funded and paid has been reconciled and closed.

b) **Claim Bar Date/Proofs of Claim.** The Special Deputy researched, evaluated and issued notices of determination with respect to all Proofs of Claim ("POC") except a claim submitted by the United States Department of Health and Human Services and the Centers for Medicare and Medicaid Services ("HHS/CMS") and a claim submitted by HealthyCT's landlord for unpaid amounts under the HealthyCT office lease.

Approximately \$11 million of HHS/CMS's Class 4 claims were resolved through a Stipulation for Entry of Judgment filed on July 10, 2020 (the "Stipulation to Judgment") in the action filed by the Liquidator against the United States in the U.S. Court of Federal Claims for payment under the Risk Corridors and Federal Reinsurance provisions of the Affordable Care Act (the "Court of Claims Action"). Through negotiations with the Department of Justice (on behalf of HHS/CMS), the Liquidator resolved most, but not all, of the mutual debts between HealthyCT and HHS/CMS. The Stipulation to Judgment did not include (i) taxes of approximately \$175,000 the United States Treasury claims is

owed by HealthyCT or (ii) HHS/CMS's Class 8 surplus note claims for the Start Up and Solvency Loans received by HealthyCT from HHS/CMS, in the amounts of \$21,011,768 and \$106,969,000, respectively (the "Class 8 Surplus Note Claims"). The Special Deputy and HealthyCT's tax consultant are working to address and develop a determination of the Class 4 tax claims of the United States. [The Class 8 Surplus Note Claims have been allowed in the HealthyCT liquidation].

The landlord's claim under the office lease has not yet been finally determined as it has declined over time due to credit for rent paid by HealthyCT for its reduced space and for rents collected from new tenants who leased a large portion of HealthyCT's prior space for periods prior to the expiration of HealthyCT's lease (September 30, 2019). The landlord's original claim for \$682,860.45 is anticipated to be reduced by approximately \$250,000 from the original POC claim amount. The exact claim amount will be determined and allowed as a Class 6 unsecured creditor claim.

No objections to the Special Deputy's determination notices for 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[, in addition to the Class 8 Surplus Note Claims,] have been allowed in the HealthyCT liquidation: unpaid broker commission claims totaling \$1.3 million (Class 6 unsecured creditor claims); and premium taxes owed the State of Connecticut, totaling \$787,600.93 (Class 7 claim). No distribution of remaining HealthyCT assets could occur pending

resolution of the Court of Claims Action and HHS/CMS's Class 4 claims. The Liquidator plans to finalize the undetermined federal tax and landlord claims discussed above and submit to the Court for its approval a plan for distribution of remaining estate assets to creditors on their claims.

- c) **Services and Operational Expenses.** The Special Deputy has continued to pay for services necessary in the HealthyCT liquidation. 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 June 1, 2020 through December 31, 2020 being the current period. Expenses paid during this period total \$347,543. 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" Docket #201.00).

The fee and expense statements of the Special Deputy and Morgan, Lewis & Bockius LLP ("Morgan Lewis") for May 2020 through December 31, 2020 have been reviewed and approved by the Liquidator as reasonable and necessary. Summaries of the Special Deputy's and Morgan Lewis' fees and expenses are included in the Supplemental Filing. Docket #201.00.

- d) **Cash on Hand/Projected Expenditures.** After expenditure of \$347,543 for operations, claims and services for the period of June 1, 2020 through December 31, 2020, HealthyCT had \$5,066,830 cash on hand at December 31, 2020. Average monthly expenditures have declined from \$654,516/month in 2017; to

\$139,414/month in 2018; to \$64,783/month in 2019. Average monthly expenses for 2020 were \$49,796. Expenses in 2021 are projected to be approximately \$25,000/month. Based on current assets in the estate, it is anticipated that 100% of claims in Classes 4-7 can be paid, along with a small percentage of the HHS/CMS Class 8 surplus note claims.

- e) **Employees.** Three former HealthyCT employees remain available on an as-needed schedule at reduced expense. The former Chief Financial Officer (“CFO”) and Chief Operating Office (“COO”) and one other employee experienced with claims and accounting, continue assisting HealthyCT to: assist with HealthyCT financial and tax matters; assist in manually addressing any claims and claim appeals; reconcile accounts; and respond to phone calls from former members and providers.
- f) **Data Access and Preservation.** HealthyCT utilizes an information technology vendor to manage and house HealthyCT data. Arrangements are being negotiated both for continued support in 2021 and for storage and access to HealthyCT data required by CMS to be preserved for certain periods after HealthyCT wind-up operations are completed.
- g) **Claim Processing and Customer Service.** The claims processing agreement with HealthyCT’s vendor for access to historic claim data to facilitate claim appeal work and address inquiries from providers and insureds ended June 30, 2020. A final claim listing was compiled for purposes of access to claim history and 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 Returns.** The Liquidator engaged an experienced tax consultant to review HealthyCT tax issues and file appropriate returns. It was determined that for taxable year 2016 and all subsequent tax years, HealthyCT did not satisfy all requirements of Section 501(c)(29) of the Internal Revenue Code of 1986 ("IRC") because HealthyCT was statutorily insolvent and not in compliance with loan agreements under the Affordable Care Act ("ACA") CoOp program. As a result, HealthyCT filed a form 1120-L Income Tax return (as a licensed health insurance issuer in Connecticut) for the taxable year 2016 to replace and substitute for the previously filed 2016 Form 990 return for a tax-exempt organization under IRC Section 501(c)(29). HealthyCT has now also filed Form 1120-L returns for all subsequent taxable years through 2019.

## 2. Litigation.

The Court of Claims Action for payment under the risk corridors and reinsurance provisions of the ACA concluded as reported in the Twelfth Status Report and Section 1.b of this report. On April 27, 2020, the United States Supreme Court held that the federal government owed over \$12 billion in Risk Corridors payments to ACA insurers. Following the decision, the Liquidator and U.S. Department of Justice reviewed an accounting of mutual debts and the parties agreed to the Stipulation to Judgement. In accordance with the Stipulation of Judgment, judgment was entered against the United States in the Court of Claims Action on July 29, 2020 (the "Court of Claims Judgment").

As set forth in HealthyCT's complaint in the Court of Claims Action, CMS, which administers the ACA risk corridors and reinsurance programs under the ACA, owed HealthyCT \$41,692,765.44 under the ACA's risk corridors program. HealthyCT owed certain amounts plus interest totaling \$6,288,077.70 to CMS under ACA programs. The amounts owed by HealthyCT were offset against the risk corridors and reinsurance amounts owed to HealthyCT. The net amount paid by CMS to HealthyCT pursuant to the Court of Claims Judgment was \$35,404,687.74.

In 2017, the Liquidator, with approval by the Court (Docket #137.86), entered into an agreement (the "Purchase Agreement") with Juris Capital ("Juris") under which Juris purchased an interest in HealthyCT's claims against the United States for risk corridors and reinsurance payments owed to HealthyCT. Juris paid HealthyCT \$10.5 million for the interest in the claims. The non-recourse payment from Juris allowed HealthyCT to reimburse CLHIGA 100% of its administrative expenses and claim payments in the liquidation. Under the terms of the Purchase Agreement, including the timeframe required to resolve the litigation, Juris became entitled to receive all of the proceeds from the Court of Claims Judgment. Those proceeds have been distributed to Juris in accordance with the Purchase Agreement. See Docket #199.86.

3. Summary.

The Liquidator requests the Court's acceptance of this Thirteenth Accounting and Status Report and approval of the acts and expenditures described herein, and in the accompanying exhibits and Supplemental Filing.

Respectfully submitted,

Andrew N. Mais  
Liquidator of HealthyCT, Inc.

A handwritten signature in black ink, appearing to read "Daniel L. Watkins". The signature is written in a cursive, flowing style.

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



**EXHIBIT A**

**Rx claims and Unearned Premium Refunds Funded by HealthyCT Estate Assets**

<b>Month</b>	<b>Jan 2017 - Dec 2020</b>
Pharmacy claims	\$ (1,581,683)
Member Premium Refunds Paid	(506,518)
Member claims funded by estate subsequent to GA settlement	(149,708)
CLHIGA administrative expenses:	(66,454)
SHOP January Premium Collected	70,915
LG / SG January 2017 Premium Collected	1,336,471
<b>Balance Funded from HCT Assets</b>	<b>\$ (896,978)</b>

**CLHIGA Funding Summary**

	<b>Amount</b>	
<b>Total 2017 Medical Claim Payments (CLHIGA Funded)</b>	<b>\$ (17,525,761)</b>	<b>A</b>
<b>CLHIGA administrative expenses:</b>	<b>(320,021)</b>	<b>B</b>
<b>2017 CLHIGA Funding</b>	<b>(17,845,782)</b>	<b>C = A + B</b>
<b>Aggregate early access payments</b>	<b>17,845,782</b>	<b>D</b>
<b>Aggregate CLHIGA Funded Deficit as of December 31, 2020</b>	<b>\$ 0</b>	<b>E = C + D</b>

**EXHIBIT B**

	13th Accounting June 1 - Dec 31, 2020	12th Accounting Jan 1 - May 31, 2020	11th Accounting Oct 1 - Dec 31, 2019	10th Accounting Jan 1 - June 30, 2019	9th Accounting Oct 1 - Dec 31, 2018	8th Accounting July 1 - Sept 30, 2018	7th Accounting Apr 1 - June 30, 2018	6th Accounting Jan 1 - March 31, 2018	5th Accounting Oct 1 - Dec 31, 2017	4th Accounting Aug 1 - Sept 30, 2017	3rd Accounting May 1 - July 31, 2017	2nd Accounting Feb 11 - April 30, 2017	1st Accounting Jan 1 - Feb 10, 2017
Third Party Claims and Customer Service Vendors	\$ 5,000	\$ 20,000	\$ 35,000	\$ 25,000	\$ 15,000	\$ 15,000	\$ 43,468	\$ 23,901	\$ 318,298	\$ 567,049	\$ 509,659	\$ 872,198	\$ 1,164,248
Juris Capital	35,404,687	-	-	-	-	-	-	-	-	-	-	-	-
Employee Payroll and Benefits	60,946	48,966	75,111	131,098	124,990	124,151	157,723	266,007	377,375	219,989	520,120	509,459	443,630
PTO accrued by employees in prior years	-	-	-	-	-	-	-	207,730	-	-	-	-	-
IT Services	75,326	40,057	103,495	77,891	50,133	48,360	45,920	53,877	96,599	83,984	201,694	150,450	58,488
Bank Fees	3,185	6,162	10,749	9,926	2,882	2,891	2,868	3,273	5,000	3,676	7,212	3,519	8,882
Special Deputy Liquidator	52,000	50,000	64,672	79,666	47,836	51,332	68,218	68,199	86,867	79,415	89,754	130,596	99,330
Legal Fees	59,644	23,267	14,746	15,622	8,862	20,642	6,004	13,288	90,620	12,872	175,725	-	-
Accounting Fees	25,655	16,071	25,200	19,678	11,700	11,700	14,605	29,312	48,553	29,500	48,455	33,039	40,395
Form 990 / Agreed Upon External Audit Procedures	25,953	20,895	15,741	-	7,508	-	-	4,799	24,166	-	25,000	-	-
Medical Management and Operations	15,550	7,213	16,591	15,364	9,013	15,787	27,370	29,417	25,495	48,984	179,373	186,750	77,805
Rent	24,285	17,346	20,816	20,816	10,532	10,750	10,750	7,167	13,838	28,694	50,583	56,411	50,448
<b>Total</b>	<b>\$ 35,752,230</b>	<b>\$ 249,977</b>	<b>\$ 382,120</b>	<b>\$ 395,062</b>	<b>\$ 288,455</b>	<b>\$ 300,613</b>	<b>\$ 376,926</b>	<b>\$ 706,971</b>	<b>\$ 1,086,813</b>	<b>\$ 1,074,162</b>	<b>\$ 1,807,574</b>	<b>\$ 1,942,422</b>	<b>\$ 1,943,226</b>
<b>Pro-rated monthly cost (excludes accrued Juris, PTO, and Med Claims)</b>	<b>\$ 49,494</b>	<b>\$ 50,216</b>	<b>\$ 63,339</b>	<b>\$ 66,575</b>	<b>\$ 96,152</b>	<b>\$ 100,204</b>	<b>\$ 127,038</b>	<b>\$ 170,153</b>	<b>\$ 362,271</b>	<b>\$ 543,049</b>	<b>\$ 602,525</b>	<b>\$ 755,386</b>	<b>\$ 1,473,613</b>