



1 **SR**

2 MARK E. FERRARIO, ESQ.
3 Nevada Bar No. 1625
4 ERIC W. SWANIS, ESQ.
5 Nevada Bar No. 6840
6 GREENBERG TRAUERIG, LLP
7 10845 Griffith Peak Drive
8 Suite 600
9 Las Vegas, Nevada 89135
10 Telephone: (702) 792-3773
11 Facsimile: (702) 792-9002
12 Emails: ferrariom@gtlaw.com
13 swanise@gtlaw.com

14 *Counsel for Barbara D. Richardson,*
15 *Commissioner of Insurance,*
16 *as the Permanent Receiver for*
17 *Nevada Health CO-OP*

11 **IN THE EIGHTH JUDICIAL DISTRICT COURT**
12 **CLARK COUNTY, NEVADA**

14 STATE OF NEVADA, EX REL.)	Case No. A-15-725244-C
15 COMMISSIONER OF INSURANCE, IN HER)	
16 OFFICIAL CAPACITY AS STATUTORY)	Dept. No. 1
17 RECEIVER FOR DELINQUENT DOMESTIC)	
18 INSURER,)	
)	
19 Plaintiff,)	
)	
20 vs.)	
)	
21 NEVADA HEALTH CO-OP,)	
)	
22 Defendant.)	
)	
)	

23 **TWELFTH STATUS REPORT**

24 COME NOW, Commissioner of Insurance Barbara D. Richardson in her capacity as
25 Receiver of Nevada Health CO-OP ("NHC," or the "CO-OP"), and CANTILO & BENNETT, L.L.P.,
26 Special Deputy Receiver ("SDR" - SDR and the Commissioner as Receiver are referred to

Greenberg Traurig, LLP
10845 Griffith Peak Drive, Ste. 600
Las Vegas, Nevada 89135

1 collectively herein as “Receiver”) and file this Twelfth Status Report in the above-captioned
2 receivership.

3 **I. INTRODUCTION AND HISTORICAL BACKGROUND**

4 The CO-OP is a state-licensed health insurer, formed in 2012 as a Health Maintenance
5 Organization (“HMO”), with a Certificate of Authority granted by the State of Nevada Division
6 of Insurance effective January 2, 2013. NHC is an Internal Revenue Code 501(c)(29) Qualified
7 Non-Profit Health Insurance Issuer, entitled to tax exemption by the Internal Revenue Service
8 (“IRS”). NHC was formed under a provision of the Patient Protection and Affordable Care Act
9 (“ACA”) providing for the formation of Consumer Operated and Oriented Plans. Having
10 received from the Centers for Medicare and Medicaid Services (“CMS”) of the United States
11 Department of Health and Human Services (“HHS”) a start-up loan of \$17,080,047, and a
12 “solvency” loan of \$48,820,349, NHC was required to operate as a non-profit, consumer-driven
13 health insurance issuer for the benefit of the public. The CO-OP’s primary business was to
14 provide ACA-compliant health coverage to residents of Nevada, and it operated its business
15 for the benefit of Nevadans within the state, save for certain arrangements to provide
16 nationwide health coverage to Nevadans traveling outside the state in certain circumstances.
17 NHC began selling products on and off the Silver State Health Insurance Exchange (the
18 “Exchange”) on January 1, 2014. Its products include individual, small group, and large group
19 managed care coverages.

20 On October 1, 2015, this Court issued its Order Appointing the Acting Insurance
21 Commissioner, Amy L. Parks as Temporary Receiver of NHC Pending Further Orders of the
22 Court and Granting Temporary Injunctive Relief Pursuant to NRS 696B.270 (the “Temporary
23 Receivership Order”). Further, on October 14, 2015, the Receivership Court entered its
24 Permanent Injunction and Order Appointing Commissioner as Permanent Receiver of Nevada
25 Health CO-OP (the “Permanent Receivership Order”), appointing the law firm of CANTILO &
26 BENNETT, L.L.P. as SDR of NHC, in accordance with Chapter 696B of the Nevada Revised
27 Statutes.
28

1 Via a Notice of Substitution of Receiver dated April 6, 2016, Ms. Joanna N. Grigoriev
2 informed interested parties of the substitution of Commissioner Barbara D. Richardson, in place
3 and stead of former Acting Commissioner Amy L. Parks, as the Receiver of NHC. This
4 substitution of Receiver was subsequent to Commissioner Richardson's appointment as
5 Commissioner of Insurance for the State of Nevada.

6 This Court, through its Final Order Finding and Declaring Nevada Health CO-OP to be
7 Insolvent and Placing Nevada Health CO-OP into Liquidation (the "Final Order") dated
8 September 20, 2016, adjudged NHC to be insolvent on grounds that it is unable to meet
9 obligations as they mature. The Final Order also authorized the Receiver to liquidate the
10 business of NHC and wind up its ceased operations pursuant to applicable Nevada law. The
11 Receiver has since transitioned the receivership estate from rehabilitation to liquidation.

12 The Receiver continues to file quarterly status reports as ordered by this Court.

13 **II. RECEIVERSHIP ADMINISTRATION**

14 **Receivership Administrative Services and Oversight**

15 CANTILO & BENNETT, L.L.P., as SDR of NHC, manages the receivership estate and
16 conducts its affairs. PALOMAR FINANCIAL, LC ("Palomar"), an affiliate of the SDR, performs
17 administration, information technology, and other related services for the Receiver under the
18 supervision of the SDR. The Receiver has included an informational copy, as Exhibit 1 to this
19 Twelfth Status Report, of the invoices paid to the SDR, Palomar, and other receivership
20 consultants since the last status report to this Court.¹

21 ¹ The portions of billing entries that are being filed/submitted for *in camera* inspection are specifically
22 identified by Bates number herein. The *in camera* materials are being submitted in a separate envelope.

23 Certain billings submitted to the Court are appropriate for *in camera* review (as opposed to being made
24 part of a public filing). More particularly, and as discussed in further detail below, certain consultants in this matter
25 are providing expert witness related services. As such, the billing entries relating thereto should be considered
26 confidential and/or otherwise not subject to discovery.

27 In this regard, courts have held that the bills of legal counsel and experts may be withheld from legal
28 discovery and are not subject to legal disclosure, as this information may provide indications or context concerning
potential litigation strategy and the nature of the expert services being provided. See, e.g., *Avnet, Inc. v. Avana
Technologies Inc.*, No. 2:13-cv-00929- GMN-PAL, 2014 WL 6882345, at *1 (D. Nev. Dec. 4, 2014) (finding that
billing entries were privileged because they reveal a party's strategy and the nature of services provided); *Fed.
Sav. & Loan Ins. Corp. v. Ferm*, 909 F.2d 372, 374-75 (9th Cir. 1990) (considering whether or not fee information
revealed counsel's mental impressions concerning litigation strategy). Other courts that have addressed this issue

1 **Resolution of Outstanding Receivership Matters**

2 ***Claims Adjudications***

3 NHC's staff continues the process of claims adjudications. At this point, new claims are
4 only accepted for review if the claimant can show proof of timely filing (*i.e.*, proof that the claim
5 was previously submitted in advance of the Receiver's Claims Filing Deadline).

6 The Receiver has coordinated with those plan members who were reported to collection
7 agencies by healthcare providers and facilities, or who were being sought for payment based
8 on the receivership estate's obligations. In cases where collection efforts have taken place in
9 violation of the Permanent Receivership Order, NHC staff members contact those providers
10 and any related collection agencies to inform them of the Permanent Receivership Order and
11 its moratorium on the payment of health claims. When necessary, the SDR has also sent
12 letters to such providers to advise them that their direct collection actions violate the Permanent
13 Receivership Order and may justify receivership remedies against them.

14 NHC is in the process of finalizing the claims adjudications and expects to deliver the
15 applicable Notices of Claim Determination ("NCD") for healthcare claims previously submitted
16 by providers and health plan members. The total allowed amount of these claims is
17 approximately \$33.7 million. The NCDs are similar in nature to the typical Explanation of
18 Benefit or Explanation of Payment that members and providers received pre-receivership.
19 However, the NCD contains legal notice of information pertaining to the receivership – including
20 information concerning a claimant's right to an appeal hearing on a claim determination in the

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23 have recognized that the "attorney-client privilege embraces attorney time, records and statements to the extent
24 that they reveal litigation strategy and the nature of the services provided." *Real v. Cont'l Grp., Inc.*, 116 F.R.D.
25 211, 213 (N.D. Cal. 1986).

26 The *in-camera* review should apply not only to documentation concerning attorneys' fees, but it also
27 extends to "details of work revealed in [an] expert's work description [which] would relate to tasks for which she
28 [or he] was compensated[.]" a situation which is "analogous to protecting attorney-client privileged information
contained in counsel's bills describing work performed." See *DaVita Healthcare Partners, Inc. v. United States*,
128 Fed. Cl. 584, 592-93 (2016); see also *Chaudhry v. Gallerizzo*, 174 F.3d 394, 402 (4th Cir. 1999) (recognizing
that "correspondence, bills, ledgers, statements, and time records which also reveal the motive of the client in
seeking representation, litigation strategy, or the specific nature of the services provided, such as researching
particular areas of law," are protected from disclosure) (quoting *Clarke v. Am. Commerce Nat'l Bank*, 974 F.2d
127, 129 (9th Cir. 1992)).

1 receivership court. The Receiver expects to be able to evaluate any appeals under the
2 Receivership Appeal Procedure (the "RAP") approved previously by this Court.

3 ***CMS Receivables***

4 As explained in prior status reports, and throughout the pendency of the receivership,
5 the Receiver is working to resolve certain outstanding matters relating to the collection of
6 amounts due under the various federal receivables programs of which the CO-OP was a
7 participant, and which are administered primarily by CMS. Considering the size of these federal
8 receivables in relation to the CO-OP's potential total liabilities, the receipt of these funds by the
9 receivership estate represents a key component of any future claim payments by NHC – as is
10 the legal determination of the government's asserted right to be paid ahead of all other creditors
11 in the estate (including providers and members). CMS has maintained the position that any
12 monies deemed owed to NHC (and thus the receivership estate) are to be offset against the
13 amounts CMS asserts it is owed under the start-up loan awarded to NHC. To date, CMS has
14 offset about \$12.9 million against the start-up loan that, the Receiver maintains, should have
15 instead been paid to NHC. When the full amount of 2014 - 2015 risk corridors payments (*i.e.*,
16 not just the prorated amount²) are included in the total, NHC is owed over \$55 million by CMS.

17 As of the date of filing of this Twelfth Status Report, the Receiver asserts that the CO-
18 OP, according to the various formulae applicable to Qualified Health Plans under the ACA, and
19 notwithstanding prior attempts by CMS to offset these receivables against start-up loan funds
20 in contravention of Nevada's laws relating to the regulation of insurer solvency, is owed
21 approximately \$9.4 million more in payments under the ACA risk corridors program for the 2014
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23 ² Due to a shortfall in risk corridor collections, CMS asserts it can only pay a prorated percentage of
24 issuers' 2014 Risk Corridors payments and it will use all collections in subsequent years towards the 2014
25 payments (*i.e.*, they are unable to make payments for the subsequent years at all). DEP'T OF HEALTH & HUMAN
26 SERVICES & CENTERS FOR MEDICARE & MEDICAID SERVICES ("CMS"), CCIIO MEMORANDUM, RISK
27 CORRIDORS PAYMENT AND CHARGE AMOUNTS FOR THE 2015 BENEFIT YEAR (November 18, 2016)
28 (available at <https://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/2015-RC-Issuer-level-Report-11-18-16-FINAL-v2.pdf>); CMS, CCIIO MEMORANDUM, RISK CORRIDORS PAYMENT AND CHARGE AMOUNTS FOR THE 2016 BENEFIT YEAR (November 15, 2017) (available at <https://www.cms.gov/CCIIO/Programs-and-Initiatives/Premium-Stabilization-Programs/Downloads/Risk-Corridors-Amounts-2016.pdf>).

1 health plan year. Further, the Receiver maintains NHC's claims against CMS in the amounts
2 of approximately \$4.6 million in 2015 federal transitional reinsurance, approximately
3 \$4.7 million in 2015 risk adjustment receivables, approximately \$33.6 million in 2015 risk
4 corridors payments, approximately \$3.1 million in 2014 - 2015 cost-sharing reduction
5 reconciliation payments to be returned to NHC, and at least another \$85,000 in amounts NHC
6 is entitled to claim for the 2015 advance premium tax credit for on-exchange health plan
7 members. The Receiver reserves the right to revise, adjust, or otherwise restate her basis for
8 the CMS Receivables claims, and the Receiver anticipates filing a civil action in the United
9 States Court of Federal Claims against CMS and its leadership to vindicate the estate's
10 interests in this matter.

11 **Use of Third-Party Contractors as Part of Business Operations**

12 The Receiver utilizes the services of several third-party contractors that had been
13 engaged before commencement of the receivership, and some of them (*i.e.*, Eldorado,
14 Redcard, and Indegene) were engaged after the receivership commenced to assist in
15 management of NHC's affairs. The Receiver has also subsequently engaged the services of
16 some third-party contractors (*i.e.*, Jacobson and ADP) to perform administrative and support
17 services to assist the administration of the Company.

18 The following is a list of independent contractors currently assisting the receivership:

- 19 1. Eldorado, a division of Mphasis Corporation, to provide a hosting service for
20 claims data and information.
- 21 2. The Jacobson Group, to provide claims and customer service staffing support.
- 22 3. Redcard, to perform check processing and delivery to health care providers, and
23 delivery of Explanation of Benefit disclosures to providers and plan members.
- 24 4. ADP, to provide payroll support and processing for employee compensation and
25 benefits.
- 26 5. Indegene Healthcare, LLC to provide analytical and data services for 2014 and
27 2015 risk adjustment calculations.

1 6. D'Antonio Technologies ("D'Antonio") to provide information technology
2 consulting expert services for the tracking and sorting of data, assembling of data for electronic
3 discovery, and other consulting services involving the CO-OP's technology systems. Thus far,
4 the Receiver has paid \$26,350 for D'Antonio's consulting services. Depending on the length
5 and complexity of NHC's litigation with other parties, D'Antonio's total costs may range from
6 another \$40,000 - \$165,000.³

7 7. Red River Consulting Services to assist NHC in retrieving its data, primarily 2014
8 member enrollment information, from the Silver State Health Exchange database.

9 **Internal Administrative Matters Related to Wind Down**

10 NHC maintains staff to address calls from interested parties regarding the proof of claim
11 ("POC") process, other claim matters, and the collection of assets for the receivership. The
12 Receiver has refunded premium overpayments to members since such overpayments were
13 not funds to which NHC was entitled and are therefore outside the normal claim process.

14 The wind down of NHC's 401(k) retirement plan is nearly complete, with the distribution
15 of funds to participating employees having taken place over the first half of 2018. The assets
16 have either been transferred to the former participants' accounts at their election, or, in the
17 case that a participant neglected to elect a distribution option, have been placed into Individual
18 Retirement Accounts with Principal Bank, outside of NHC's retirement plan. The 2017 Form
19 5500 tax return for the 401(k) has been filed with the IRS, and related notices have been
20 delivered to former participants informing them of the liquidation and distribution of plan assets.
21 As assets remained in the 401(k) into 2018, a 2018 Form 5500 will need to be filed, as the
22 401(k)'s final tax return, prior to a complete discontinuation of operations.

23 The Receiver also maintains an office for NHC's essential office staff.⁴

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25
26 ³ This cost projection is a very rough estimate that may change depending on factors that are beyond the
27 Receiver's control, including issues with the quality of data, issues with analyzing data, and issues with retrieving
28 data for discovery requests. The Receiver will continue to evaluate D'Antonio's services and may further revise
these projections based on new developments and circumstances.

⁴ Currently, NHC maintains nine full-time employees and one part-time employee.

1 **Commencement of Action Against Various Professionals and Other Firms Who**
2 **Performed Services for and on Behalf of NHC**

3 On August 25, 2017, Counsel for the Receiver filed in Clark County District Court a
4 complaint (Case No. A-17-760558-C in Department No. 18) against various persons, third-
5 party vendors, and professional service firms which are alleged to have contributed to NHC's
6 current hazardous financial condition by, among other things, failing to adhere to applicable
7 standards of professional care and requirements imposed by law, misrepresentation
8 concerning quality and standard of care for services performed, and breaches of contract, duty,
9 and implied covenants of good faith and fair dealing.

10 The complaint names, among others, NHC's former actuaries, accountants, auditors,
11 and providers of certain business operations and utilization review services, as well as those
12 individuals who specifically performed, or who were in the role of supervising the performance
13 of, those services. The Complaint also names several of NHC's former directors and executive
14 management.

15 On September 14, 2017, Counsel for the Receiver filed with this Court a Motion to
16 Coordinate Cases, seeking a coordination of that case and the overarching receivership action
17 being supervised by this Court on grounds that the case constitutes an asset recovery action,
18 an integral part of the resolution of the receivership that merits continued supervision by this
19 Court. An opposition to the Motion to Coordinate Cases was filed by Milliman, and
20 subsequently joined by Nevada Health Solutions, InsureMonkey, Larson, and many of the
21 former directors and officers of NHC. By an order dated December 8, 2017, this Court denied
22 Plaintiff's Motion to Coordinate Cases. A request to reassign this case to the Business Court
23 on the grounds that the action involves the alleged commission of torts related to business was
24 filed September 28, 2017. Judge Kathleen Delaney was assigned the case subsequent to this,
25 but the case has since been reassigned to Judge Timothy C. Williams as of July 2, 2018.

26 Milliman filed its Motion to Compel Arbitration on November 6, 2017, a motion which
27 was challenged by the December 11, 2017, filing of Plaintiff's Opposition to Milliman's Motion
28 to Compel Arbitration. The hearing to address this issue was scheduled for December 12,

1 2017, but had been reset for a hearing on January 9, 2018. Milliman would again state its
2 bases to compel arbitration of those matters raised in the instant litigation via a reply dated
3 January 3, 2018. This motion and related briefing were heard by Judge Kathleen Delaney on
4 January 9, 2018. The related Order Granting Milliman's Motion to Compel Arbitration, dated
5 March 12, 2018, held that a requirement to arbitrate in the pre-receivership agreements
6 between NHC and Milliman did apply to the Receiver's claims against Milliman. The Receiver
7 filed a Motion for Reconsideration of the Milliman arbitration ruling, dated March 29, 2018. The
8 Motion for Reconsideration sought review of the prior judgment compelling arbitration on
9 various grounds.

10 Via an Opposition to Plaintiff's Motion for Reconsideration filed April 16, 2018, Milliman
11 sought to challenge the Receiver's effort to avoid compelled arbitration, largely restating the
12 grounds set forth in Milliman's original November 6, 2017, Motion to Compel Arbitration. The
13 Receiver filed her Reply in Support of Motion for Reconsideration on April 24, 2018. On May 1,
14 2018, argument on the Motion for Reconsideration was heard by Judge Delaney, who
15 subsequently ordered the proceedings continued to May 29, 2018, and requested more briefing
16 from the parties on the most relevant legal questions underlying the Motion for Reconsideration.
17 The Receiver filed her Sur-Reply in Support of Motion for Reconsideration, elaborating on the
18 relevant choice-of-law and forum selection questions at issue in the dispute, dated June 29,
19 2018. Hearing was held on the Motion for Reconsideration before Judge Delaney on July 24,
20 2018. Through an order dated August 7, 2018, Judge Delaney denied Plaintiff's Motion for
21 Reconsideration of that Court's March 12, 2018, order granting Milliman's Motion to Compel
22 Arbitration.

23 Millennium filed a Motion to Dismiss on October 26, 2017, and an opposition to such
24 motion was filed by the Receiver on December 18, 2017. The hearing on that Motion to Dismiss
25 was scheduled for December 12, 2017, but this was later rescheduled to January 9, 2018, on
26 stipulation of the parties, and then later rescheduled to be heard on January 16, 2018, by
27 another stipulation. Millennium restated its bases for dismissing several claims in the litigation
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1 against it in its Reply in Support of its Motion to Dismiss dated January 9, 2018. The related
2 hearing on these matters was conducted by Judge Elizabeth Gonzalez on January 16, 2018,
3 who denied the Motion in all respects.

4 The six NHC former directors and officers named specifically in the Original Petition
5 joined together in filing their January 16, 2018, Motion to Dismiss, Alternatively for More Definite
6 Statement, seeking to have the Court dismiss all claims against them for intentional
7 misrepresentation and fraud, negligent misrepresentation, constructive fraud, unjust
8 enrichment, and civil conspiracy, on the basis that the Receiver had not sufficiently articulated
9 her claims under such causes of action in the Original Petition. Counsel for InsureMonkey and
10 Alex Rivlin filed a Limited Joinder to the aforementioned Motion to Dismiss on January 23,
11 2018, stating essentially similar grounds to justify a dismissal of the claims based on
12 "impermissibly vague allegations" relating to them. The hearing on this Motion and its related
13 matters was initially scheduled to occur on February 20, 2018, but was later rescheduled to
14 March 20, 2018, via a stipulation reached between the parties. As litigation has continued on
15 this Motion, the Court has granted several stipulations between the parties to reset the date of
16 the hearing, which was most recently scheduled for September 5, 2018. However, via a
17 Stipulation and Order to Withdraw dated August 15, 2018, the parties to the action agreed to
18 permit withdrawal of the Motion to Dismiss without prejudice, thus cancelling that hearing.

19 InsureMonkey and Mr. Rivlin filed their Motion for Summary Judgment and Declaratory
20 Relief on June 5, 2018, claiming that all the Receiver's tort claims against both InsureMonkey
21 and Alex Rivlin are time-barred pursuant to Nevada law and by private contract. Further,
22 InsureMonkey and Rivlin argue that certain contractual provisions limit any potential recovery
23 against them to twice the total expected value of fees paid by the CO-OP. On June 22, 2018,
24 the Receiver filed Plaintiff's Opposition to InsureMonkey, Inc. and Alex Rivlin's Motion for
25 Summary Judgment and Declaratory Relief, setting forth the legal and factual grounds for
26 rejecting InsureMonkey and Rivlin's position. A Reply to Plaintiff's Opposition to the Motion for
27 Summary Judgment and Declaratory Relief was filed as of July 10, 2018. A hearing on this
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1 Motion before Judge Williams occurred on July 25, 2018, after which the Court ordered that
2 the Motion for Summary Judgment and Declaratory Relief be denied without prejudice, that
3 discovery be permitted on the assertions made in Plaintiff's complaint in this case. In light of
4 this result, InsureMonkey has, via the same Stipulation and Order to Withdraw by NHC's former
5 directors and officers averred to above, withdrawn its limited joinder to their Motion to Dismiss,
6 though reserving the right to re-file.

7 The Parties had their mandatory pre-trial conference under Nevada Rule of Civil
8 Procedure 16 on January 23, 2018, in order to establish the applicable deadlines for finalizing
9 discovery, participating in a mandatory settlement conference, and setting forth the provisional
10 schedule for trial. In a subsequent status check conference, held on August 21, 2018, these
11 deadlines were rescheduled, *inter alia*, in light of the recently-filed Motion to Amend Complaint.
12 New dates have been specified in the Court's August 27, 2018, Amended Order Setting Civil
13 Jury Trial, Pre-Trial, Calendar Call, and Deadlines for Motions. Until further revised, the next
14 status check conference shall occur on October 23, 2018; the deadline for motions to amend
15 pleadings, add parties, or designate experts is April 29, 2019; the deadline to designate rebuttal
16 experts is May 29, 2019; and the discovery cut-off is July 26, 2019. The deadline for dispositive
17 motions in this matter is August 26, 2019, in anticipation of a pre-trial conference and calendar
18 call to be held on October 3, 2019. These deadlines are in anticipation of an October 14, 2019,
19 trial date, to be tried on a five-week stack until conclusion. The Receiver continues to conduct
20 discovery with parties to the suit, producing and responding to requests as received.

21 The mandatory settlement conference was scheduled to occur, and did occur, on June
22 8, 2018. No settlements were reached during the settlement conference. Motions for approval
23 of a protocol for the electronic storage of information deemed necessary to litigation, and an
24 accompanying protective order, were filed on orders shortening time. They were scheduled
25 for a hearing on April 3, 2018, and were subsequently approved by judicial order dated May 16,
26 2018. This "ESI Protocol" governs certain aspects of the discovery process in this suit.

1 Via Plaintiff's Motion to Amend Complaint, filed on July 17, 2018, the Receiver sought
2 an order granting leave to amend the August 25, 2017, complaint against certain of NHC's
3 various directors, officers, and third-party contractors, citing the discovery of additional facts in
4 support of assertions made in the first complaint, as well as the need to add a new defendant
5 to the existing proceedings. This Motion to Amend Complaint was filed in judicial department
6 number 16, in line with the terms of contemporaneous Notice of Department Reassignment
7 assigning the proceedings to Judge Timothy C. Williams. The Motion to Amend Complaint was
8 approved via an order entered on September 18, 2018.

9 **Resolution of POCs, Provision of NCDs, Appeals**

10 The Receiver has implemented the POC process approved by this Court in its Final
11 Order and has already conducted general mailings and publication of necessary notices to
12 claimants and other interested parties.

13 The Claims Filing Deadline was April 28, 2017, and the SDR received 141 POCs. Many
14 of these are incomplete or unable to be adjudicated for various other reasons, and the SDR
15 has notified various claimants of claim deficiencies.

16 It does not appear now that there will be sufficient assets to pay claims beyond those
17 assigned a Class B priority pursuant to NRS 696B.420(1)(b). The SDR has received several
18 POCs that should be assigned to priority classes C through L, pursuant to NRS 696B.420(1)(c)-
19 (l). In such instances, the SDR will send claimants NCDs that determine the priority of their
20 claims is no higher than NRS § 696B.420(1)(c) ("Class C"), which determination will be subject
21 to appeal under the Receivership Appeal Procedure ("RAP"). To conserve the assets of the
22 estate, and per NRS696B.330(4), the SDR of NHC will refrain from reaching the merits of these
23 claims until such time it appears that assets will be available for distribution to that class. If
24 additional assets later become available for distribution to these claimants, the SDR will make
25 a second claim determination as to the merits of each claim and notify the claimants of such
26 determination.

1 **Current Receivership Assets**

2 The Receiver's evaluation of the assets and liabilities of the CO-OP is ongoing, and
3 adjusted periodically to accommodate new authorized payments, receipts, and transfers.
4 Below is an overview of some key asset matters thus far identified by the Receiver (other than
5 those already mentioned herein):

6 1. The unrestricted cash assets of the CO-OP have fluctuated with post-
7 receivership expenses and claim payments, as well as with the Receiver's receipt of member
8 premiums. The currently-available, unrestricted cash assets of the CO-OP as of August 31,
9 2018, were approximately \$2,262,948. The majority of NHC's currently available and liquid
10 assets have been invested in a bond mutual fund, with the remainder of such assets held in
11 bank deposits.

12 2. The financial information of NHC in this Twelfth Status Report provides estimates.
13 NHC's financials may materially vary depending upon the estate's receipt of the promised
14 federal receivables payments under the various ACA programs described in this report and
15 future litigation recoverables. These figures will remain estimates until the estate receives
16 clearer indications from CMS and the federal government as to the amount and timing of any
17 federal payments or future appropriations, as well as the final disposition of CMS receivable
18 balances in which CMS has placed an administrative hold and asserted rights to setoff.

19 3. The Receiver is enclosing, as Exhibit 2 attached hereto, a cash flow report for
20 NHC for the period covering the inception of the receivership through August 31, 2018. This
21 report reflects a summary of disbursements and collections made by NHC during this period.

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CONCLUSION

The Receiver has submitted this report in compliance with the Receivership Court's instructions for a status report on NHC. The Receiver requests that the Court approve this Twelfth Status Report and the actions taken by the Receiver.

DATED this 3rd day of October 2018.

Respectfully submitted:

Barbara D. Richardson, Commissioner of Insurance of the State of Nevada, in her Official Capacity as Statutory Receiver of Delinquent Domestic Insurer

By: /s/ CANTILO & BENNETT, L.L.P.
Special Deputy Receiver
By Its Authorized Representative
Patrick H. Cantilo

Respectfully submitted by:

/s/ Eric W. Swanis
MARK E. FERRARIO, ESQ.
Nevada Bar No. 1625
ERIC W. SWANIS, ESQ.
Nevada Bar No. 6840
GREENBERG TRAURIG, LLP
10845 Griffith Peak Drive
Suite 600
Las Vegas, Nevada 89135
Telephone: (702) 792-3773
Facsimile: (702) 792-9002
Emails: ferrariom@gtlaw.com
swanise@gtlaw.com
*Counsel for Barbara D. Richardson,
Commissioner of Insurance, as the
Permanent Receiver for Nevada Health CO-OP*