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IN THE EIGHTH JUDICIAL DISTRICT COURT

CLARK COUNTY, NEVADA

STATE OF NEVADA, EX REL.)	CASE NO. A-15-725244-C
COMMISSIONER OF INSURANCE, IN HIS)	
OFFICIAL CAPACITY AS STATUTORY)	DEPARTMENT 21
RECEIVER FOR DELINQUENT DOMESTIC)	
INSURER,)	
)	
Plaintiff,)	
)	
vs.)	
)	
NEVADA HEALTH CO-OP,)	
)	
Defendant.)	

FORTIETH STATUS REPORT

COME NOW, Acting Commissioner of Insurance Ned Gaines in his capacity as Receiver of Nevada Health CO-OP ("NHC," or the "CO-OP"), and CANTILO & BENNETT, L.L.P., Special Deputy Receiver ("SDR" - SDR and the Commissioner as Receiver are referred to collectively herein as "Receiver") and file this Receiver's Status Report in the above-captioned receivership.

I. INTRODUCTION AND HISTORICAL BACKGROUND

The CO-OP was a state-licensed health insurer, formed in 2012 as a Health Maintenance Organization, with a Certificate of Authority granted by the State of Nevada Division of Insurance effective January 2, 2013. NHC was an Internal Revenue Code 501(c)(29) Qualified Non-Profit Health

Insurance Issuer, entitled to tax exemption by the Internal Revenue Service. NHC was formed under a provision of the Patient Protection and Affordable Care Act (“ACA”) providing for the formation of Consumer Operated and Oriented Plans. Having received from the Centers for Medicare and Medicaid Services (“CMS”) of the United States Department of Health and Human Services (“HHS”) a start-up loan of \$17,080,047, and a “solvency” loan of \$48,820,349, NHC was required to operate as a non-profit, consumer-driven health insurance issuer for the benefit of the public. The CO-OP’s primary business was to provide ACA-compliant health coverage to residents of Nevada, and it operated its business for the benefit of Nevadans within the state, save for certain arrangements to provide nationwide health coverage to Nevadans traveling outside the state in certain circumstances. NHC began selling products on and off the Silver State Health Insurance Exchange (the “Exchange”) on January 1, 2014. Its products included individual, small group, and large group health care coverages.

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

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

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

II. RECEIVERSHIP ADMINISTRATION

Receivership Administrative Services and Oversight

CANTILO & BENNETT, L.L.P., as SDR of NHC, manages the receivership estate and conducts its affairs. PALOMAR FINANCIAL, LC (“Palomar”), an affiliate of the SDR, performs administration,

information technology, and other related services for the Receiver under the supervision of the SDR. The Receiver has included an informational copy, as **Exhibit 1** to this Status Report of the invoices approved or paid to the SDR and other receivership consultants since the last status report to this Court.¹

Resolution of Outstanding Receivership Matters

Tax Matters

The Receiver has filed federal tax returns for NHC for the tax years 2015-2023. The Receiver also filed prompt tax assessment requests with the Internal Revenue Service for NHC's tax obligations for the tax years 2015-2023. On October 4, 2024, the IRS approved the Receiver's requests and provided a closing date of February 19, 2026, for the 2015-2021² tax returns. The IRS has not yet responded to the Receiver's 2022 and 2023 prompt assessment requests. The Receiver is now preparing the 2024 tax return for filing with the IRS.

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¹ The *in camera* materials are being submitted in a separate envelope that reflect approved or paid invoices.

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

In this regard, courts have held that the bills of legal counsel and experts may be withheld from legal 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 have recognized that the "attorney-client privilege embraces attorney time, records and statements to the extent that they reveal litigation strategy and the nature of the services provided." *Real v. Cont'l Grp., Inc.*, 116 F.R.D. 211, 213 (N.D. Cal. 1986).

The *in-camera* review should apply not only to documentation concerning attorneys' fees, but it also extends to "details of work revealed in [an] expert's work description [which] would relate to tasks for which she [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)).

² Due to an apparent typo in the IRS closing date notice, the tax year 2017 was excluded ("2018" was referenced twice, and it appears one of these references should have instead read "2017"). The Receiver will clarify and confirm with the IRS that the closing date provided also applies to the 2017 tax year.

Claims Adjudications & Distributions

Notices of Claim Determination (“NCDs”) were mailed for healthcare claims previously submitted by providers to NHC’s Javelina Claims Processing Database (the “Provider Claims”). The total allowed amount of these approved Provider Claims is approximately \$33.7 million. The NHC members also received NCDs that showed them the amount that the SDR approved to be paid to their providers, and the amount of member responsibility (*i.e.*, the co-pays, deductibles, and coinsurance), if any, that they may owe on their providers’ outstanding claims. On October 16, 2019, the SDR received approval from the Court to make a distribution of certain estate assets for the partial payment (*i.e.*, approximately 14.6% pro rata) of these Provider Claims, which have been classified by the SDR as claims made under NHC policies pursuant to NRS 696B.420(1)(b). After the recent recovery of CMS Receivables (further described herein), the Receiver filed a Motion requesting approval to distribute additional estate assets for the payment of the Provider Claims. The Motion was approved, and the Receiver is now in the process of making an additional distribution of approximately \$5.1M, which would bring the total pro rata distribution for the Provider Claims to thirty percent (30%). To the extent that funds are not used for these Provider Claims, they retain their classification as general assets of the Receivership available to pay other expenses.

As previously reported, the SDR must collect certain necessary documentation from the providers in advance of making any claim payments. For the first distribution that was approved by the Court in 2019, many providers either did not respond to the SDR’s request for the needed documentation or sent back defective paperwork. The Receiver in his discretion did not pay these claims for lack of the proper documentation.

As approval to make a second distribution has been granted, such claimants will now have another opportunity to submit the necessary paperwork to obtain both their initial unpaid distribution amount, along with the second approved distribution payment. The Receiver has already mailed notices to the claimants of the second distribution, is processing the responsive distribution paperwork submitted by the claimants, and is mailing distribution checks on an ongoing basis to those claimants who have submitted the required documentation.

As of August 14, 2025, the Receiver has distributed approximately 48% of the \$10,085,074.19

1 that has been approved by the Court for distribution. The Receiver has mailed a follow-up notice of
2 distribution to those providers that have not yet responded to the Receiver's initial notice. The Receiver
3 will also follow-up with those providers that have responded but have not sent complete distribution
4 documentation.

5 The Receiver is seeking further litigation recoveries to enable additional provider claim
6 distributions and anticipates further payment for these provider claims next year, subject to receiving
7 proper documentation.

8 The SDR also mailed NCDs for those Proofs of Claim submitted to the SDR relating to Policy
9 Claims (*i.e.*, Class B claims pursuant to NRS 696B.420(1)(b)). The total allowed amount for the
10 members' claims, \$5,102.64, is subject to a potential small increase as two NCD objections have been
11 filed and remain pending.

12 Including the two member objections described above, there are twenty-eight (28) unresolved
13 and outstanding objections sent by NHC members of the NCDs that were mailed pertaining to
14 outstanding healthcare claims submitted by providers to NHC's Javelina Claims Processing Database.³
15 On March 24, 2025, the Receiver filed his Motion Requesting Procedure for and Hearings of Claimant
16 Objections Pursuant to NRS 696B.330(8). This motion was granted at a hearing held on April 23, 2025.
17 The Court has now set hearing dates for the remaining objections, and the Receiver has notified claimants
18 of the time and date for their hearings pursuant to the Court's order.

19 There are fifty-one proofs of claim ("POC") assigned to a priority Class "C" (*i.e.*,
20 NRS 696B.420(1)(c)) or lower.⁴ The SDR has now issued NCDs to nearly all of these claimants. It
21 appears unlikely at this time that the estate will have sufficient assets to make distributions to claims
22 assigned priority below Class B.

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26 ³ Members received a copy of the claim determinations that were sent to their providers, so that the
27 members could see any denied claims, and the deductible, co-pay, and coinsurance that was applied to each of the
28 allowed provider claims (*i.e.*, the amount of the member's responsibility on each claim) and have an opportunity
to appeal.

⁴ This does not include a claim by the U.S. Department of Health and Human Services, which the SDR
has previously reported to this Court. The government did not file an appeal of the SDR's determination of its
claim.

CMS Receivables

As explained in prior status reports, and throughout the pendency of the receivership, the Receiver has worked to resolve certain outstanding matters relating to the collection of amounts due under the various federal receivables programs, of which the CO-OP was a participant, and which are administered primarily by CMS.

NHC was owed over \$55 million for CMS Receivables.⁵ As described below, the Receiver initiated asset recovery litigation against the United States for the recovery of these receivables. As of this report, the matter has concluded with the payment of over \$55 million by the United States through the Judgment Fund. The recovery of these assets has allowed the SDR to make further claim payments to estate creditors—to include the above-referenced provider claim distributions.

Engagement of Additional Legal Counsel

The Receiver has engaged the law firm of Greenberg Traurig LLP (“Greenberg Traurig”), as outside counsel in various litigation matters. As reported in the prior status report, the Receiver has retained the Womble Bond Dickinson firm⁶ as conflicts counsel and to address other matters that may arise in which Greenberg Traurig does not represent the receivership estate.

Asset Recovery Action Against Various Professionals and Other Firms Who Performed Services for and on Behalf of NHC

As previously reported by the Receiver, the Asset Recovery Action has now been fully settled among all parties, and the action by the Receiver is now closed. Those interested should refer to previously filed status reports (available at www.nevadahealthcoop.org) for historical information about the Asset Recovery Action.

Opinion and Order in the Action Against the United States in the Court of Federal Claims

Only an abbreviated summary of the conclusion to this matter is included in this report. A detailed timeline of this litigation from its inception is provided in the prior 37th Status Report.

On November 8, 2018, the Receiver filed a Complaint in the United States Court of Federal

⁵ NHC sold a portion, but not all, of its interest in the Risk Corridors receivables, as detailed in the Receiver’s Seventeenth Status Report to this Court. After the sale, a portion of the total Risk Corridors receivables remained due NHC, as well as the full portion of non-Risk Corridors receivables owed by CMS.

⁶ As of January 1, 2025, Lewis Roca merged with Womble Bond Dickinson.

1 Claims (“CFC Complaint”) against the United States for monetary amounts owed to NHC under the
2 Consumer Operated and Oriented Plan program organized pursuant to the ACA. On August 9, 2024,
3 the Federal Circuit affirmed in part and vacated in part the decision of the U.S. Court of Federal Claims
4 in favor of NHC. On November 6, 2024, NHC received payment of the total judgment in the amount of
5 \$55,504,468.39 from the United States Department of Treasury (*i.e.*, the Judgment Fund). Pursuant to
6 the purchase agreement that was previously approved by this Court on October 16, 2019,⁷ NHC
7 distributed \$40,481,336.90 of the judgment to the purchaser of the Risk Corridors receivable (*i.e.*, CM
8 Squared RC IV, LLC) and NHC retained \$15,023,131.99 of the total judgment proceeds.

9 The Receiver filed an application for attorney fees and expenses under the Equal Access to
10 Justice Act (“EAJA”). The Government opposed the application. On February 14, 2025, the Federal
11 Circuit denied the Receiver’s application for attorney fees and expenses.

12 **Civil Action Against WellHealth Medical Associates, Medsource, and Certain Persons**

13 On December 14, 2021, the Receiver filed a complaint in the Eighth Judicial District Court, Case
14 No. A-21-845440-B, against WellHealth Medical Associates, PLLC (“WellHealth”), Medsource
15 Management Group, LLC (“Medsource”), and certain individual persons or estates of persons formerly
16 or currently in positions of authority and responsibility within these organizations (the “State Court
17 Case”), for the recovery of amounts which NHC alleges is owed in connection with certain illegal
18 transactions which took place with NHC in health plan years 2014 and 2015, as well as certain related
19 improper business transactions which involved the transfer of CO-OP funds to persons, and through
20 mechanisms, which did not comply with the relevant laws and regulations. However, as explained
21 below, the case is currently stayed.

22 On April 17, 2024, WellHealth filed for bankruptcy (the “WellHealth Bankruptcy Case”) under
23 Chapter 7 of Title 7 of the United States Code in the United States Bankruptcy Court for the District of
24 Nevada (Case No. 24-11839-nmc). Due to the bankruptcy filing, the parties agreed that until the
25 bankruptcy court lifts the automatic stay under 11 U.S.C. § 362, this case and any pending hearings (such
26 as the May 21, 2024, hearing) may not proceed. Based on this, the Court did not decide the Receiver’s
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⁷ This purchase agreement is further detailed in the Receiver’s Seventeenth Status Report to this Court.

1 *Motion for Partial Summary Judgment*, and later vacated the May 21, 2024, hearing that had been set on
2 the Receiver's *Motion for Leave to Amend* the original complaint.⁸

3 The WellHealth Bankruptcy Case is in progress. A creditors meeting was held on May 20, 2024.
4 On June 6, 2024, the Receiver filed a Proof of Claim in the WellHealth Bankruptcy Case. The
5 WellHealth Bankruptcy Case remains pending, and the bankruptcy stay has not been lifted for the State
6 Court Case. On June 23, 2025, the Chapter 7 Trustee in the WellHealth Bankruptcy Case filed a notice
7 of removal of the Receiver's complaint (*i.e.*, Case No. A-21-845440-B and Case No. A-22-860744-C in
8 the Nevada Eighth Judicial District Court) to the United States Bankruptcy Court.

9 **Current Receivership Assets**

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

13 1. The currently available, unrestricted cash assets of the CO-OP as of July 31, 2025, were
14 approximately \$10,027,291. The majority of NHC's currently available and liquid assets are held in
15 bank deposits.

16 2. The financial information of NHC in this Status Report provides estimates. NHC's
17 financials may materially vary depending upon the estate's receipt of future litigation recoveries and the
18 payment of claims.

19 3. The Receiver is including, as **Exhibit 2** attached hereto, a cash flow report for NHC for
20 the period covering the inception of the receivership through July 31, 2025. This report reflects a
21 summary of disbursements and collections made by NHC during this period.

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28 ⁸ Please refer to prior status reports for additional information about the timeline of this case and the
pleadings filed prior to the WellHealth bankruptcy and the resulting stay of the litigation.

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 Status Report and the actions taken by the Receiver.

DATED this 22nd day of August 2025.

Respectfully submitted:

Ned Gaines, Acting Commissioner of
Insurance of the State of Nevada, in his
Official Capacity as Statutory Receiver of
Delinquent Domestic Insurer

By: */s/ Cantilo & Bennett, L.L.P.*

Special Deputy Receiver
By Its Authorized Representative
MARK F. BENNETT

Respectfully submitted by:
GREENBERG TRAURIG, LLP

/s/ Donald L. Prunty

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Exhibits may be requested by contacting the Special Deputy Receiver at 512-478-6000