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16 **IN THE EIGHTH JUDICIAL DISTRICT COURT**  
17 **CLARK COUNTY, NEVADA**

18 STATE OF NEVADA, EX REL. ) CASE NO. A-15-725244-C  
19 COMMISSIONER OF INSURANCE, IN HIS )  
20 OFFICIAL CAPACITY AS STATUTORY ) DEPARTMENT 21  
21 RECEIVER FOR DELINQUENT DOMESTIC )  
22 INSURER, )  
23 )  
24 Plaintiff, )  
25 )  
26 vs. )  
27 )  
28 NEVADA HEALTH CO-OP, )  
29 )  
30 Defendant. )

31 **FORTY-SECOND STATUS REPORT**

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

36 **I. INTRODUCTION AND HISTORICAL BACKGROUND**

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

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1 Insurance Issuer, entitled to tax exemption by the Internal Revenue Service. NHC was formed under a  
2 provision of the Patient Protection and Affordable Care Act (“ACA”) providing for the formation of  
3 Consumer Operated and Oriented Plans. Having received from the Centers for Medicare and Medicaid  
4 Services (“CMS”) of the United States Department of Health and Human Services (“HHS”) a start-up  
5 loan of \$17,080,047, and a “solvency” loan of \$48,820,349, NHC was required to operate as a non-  
6 profit, consumer-driven health insurance issuer for the benefit of the public. The CO-OP’s primary  
7 business was to provide ACA-compliant health coverage to residents of Nevada, and it operated its  
8 business for the benefit of Nevadans within the state, save for certain arrangements to provide  
9 nationwide health coverage to Nevadans traveling outside the state in certain circumstances. NHC began  
10 selling products on and off the Silver State Health Insurance Exchange (the “Exchange”) on January 1,  
11 2014. Its products included individual, small group, and large group health care coverages.

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

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

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

## 25 **II. RECEIVERSHIP ADMINISTRATION**

### 26 **Receivership Administrative Services and Oversight**

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

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

#### 4 **Resolution of Outstanding Receivership Matters**

##### 5 ***Tax Matters***

6 The Receiver has filed federal tax returns for NHC for the tax years 2015-2024. The Receiver  
7 also filed prompt tax assessment requests with the Internal Revenue Service for NHC’s tax obligations  
8 for the tax years 2015-2024. On October 4, 2024, the IRS approved the Receiver’s requests and provided  
9 a closing date of February 19, 2026, for the 2015-2021<sup>2</sup> tax returns. The IRS has not yet responded to  
10 the Receiver’s 2022, 2023, or 2024 prompt assessment requests. The Receiver is now working on the  
11 preparation of the financial information for the fourth quarter of 2025.

##### 12 ***Claims Adjudications & Distributions***

13 Notices of Claim Determination (“NCDs”) were mailed for healthcare claims previously

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15 <sup>1</sup> The *in camera* materials are being submitted in a separate envelope that reflect approved or paid  
16 invoices.

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

21 In this regard, courts have held that the bills of legal counsel and experts may be withheld from legal  
22 discovery and are not subject to legal disclosure, as this information may provide indications or context  
23 concerning potential litigation strategy and the nature of the expert services being provided. *See, e.g., Avnet,*  
24 *Inc. v. Avana Technologies Inc.*, No. 2:13-cv-00929- GMN-PAL, 2014 WL 6882345, at \*1 (D. Nev. Dec. 4,  
25 2014) (finding that billing entries were privileged because they reveal a party’s strategy and the nature of services  
26 provided); *Fed. Sav. & Loan Ins. Corp. v. Ferm*, 909 F.2d 372, 374-75 (9th Cir. 1990) (considering whether or  
27 not fee information revealed counsel’s mental impressions concerning litigation strategy). Other courts that have  
28 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)).

<sup>2</sup> Due to an apparent typographical error 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.

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

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

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

26 As of January 22, 2026, the Receiver has distributed approximately 53% of the \$10,085,074.19  
27 that has been approved by the Court for distribution. The Receiver has mailed a follow-up notice of  
28 distribution to those providers that have not yet responded to the Receiver’s initial notice. The Receiver

1 will also follow-up with those providers that have responded but have not sent complete distribution  
2 documentation.

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

7 Including the two member objections described above, there were twenty-eight (28) objections  
8 sent by NHC members of the NCDs that were mailed pertaining to outstanding healthcare claims  
9 submitted by providers to NHC's Javelina Claims Processing Database.<sup>3</sup> On March 24, 2025, the  
10 Receiver filed his Motion Requesting Procedure for and Hearings of Claimant Objections Pursuant to  
11 NRS 696B.330(8). This motion was granted at a hearing held on April 23, 2025.

12 Hearings were scheduled for the objections, and the Receiver notified claimants of the time and  
13 date for their hearings pursuant to the Court's order. The Court held hearings for the objections in  
14 groups on September 17, 2025 (Group 1), and October 22, 2025 (Group 2). The Court entered its order  
15 as to those objections in Group 1 on October 17, 2025, and the Receiver has allowed additional amounts  
16 for those objections which were sustained, as directed by the Court. After an order is entered by the  
17 Court relating to the Group 2 objections, the Receiver will take further action as directed by the Court  
18 to resolve the remaining objections.

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.<sup>4</sup> 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.

23 ***Asset Recovery Against the United States for CMS Receivables***

24 As explained in prior status reports, and throughout the pendency of the receivership, the

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

28 <sup>4</sup> 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.

1 Receiver has worked to resolve certain outstanding matters relating to the collection of amounts due  
2 under the various federal receivables programs, of which the CO-OP was a participant, and which are  
3 administered primarily by CMS.

4 NHC was owed over \$55 million for CMS Receivables.<sup>5</sup> As detailed in prior status reports, the  
5 Receiver initiated asset recovery litigation against the United States for the recovery of these receivables.  
6 As of this report, the matter has concluded with the payment of \$55,504,468.39 by the United States  
7 through the Judgment Fund. Pursuant to the purchase agreement that was previously approved by this  
8 Court on October 16, 2019,<sup>6</sup> NHC distributed \$40,481,336.90 of the judgment to the purchaser of the  
9 Risk Corridors receivable (*i.e.*, CM Squared RC IV, LLC) and NHC retained \$15,023,131.99 of the total  
10 judgment proceeds. The recovery of these assets has allowed the SDR to make further claim payments  
11 to estate creditors—to include the above-referenced provider claim distributions.

#### 12 **Engagement of Additional Legal Counsel**

13 The Receiver has engaged the law firm of Greenberg Traurig LLP (“Greenberg Traurig”), as  
14 outside counsel in various litigation matters. As reported in the prior status report, the Receiver has  
15 retained the Womble Bond Dickinson firm<sup>7</sup> as conflicts counsel and to address other matters that may  
16 arise in which Greenberg Traurig does not represent the receivership estate.

#### 17 **Asset Recovery Action Against Various Professionals and Other Firms Who Performed Services** 18 **for and on Behalf of NHC**

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

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

24 On December 14, 2021, the Receiver filed a complaint in the Eighth Judicial District Court, Case  
25 No. A-21-845440-B, against WellHealth Medical Associates, PLLC (“WellHealth”), Medsource

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26 <sup>5</sup> NHC sold a portion, but not all, of its interest in the Risk Corridors receivables, as detailed in the  
27 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.

28 <sup>6</sup> This purchase agreement is further detailed in the Receiver’s Seventeenth Status Report to this Court.

<sup>7</sup> As of January 1, 2025, Lewis Roca merged with Womble Bond Dickinson.

1 Management Group, LLC (“Medsource”), and certain individual persons or estates of persons formerly  
2 or currently in positions of authority and responsibility within these organizations (the “State Court  
3 Case”), for the recovery of amounts which NHC alleges is owed in connection with certain illegal  
4 transactions which took place with NHC in health plan years 2014 and 2015, as well as certain related  
5 improper business transactions which involved the transfer of CO-OP funds to persons, and through  
6 mechanisms, which did not comply with the relevant laws and regulations. However, as explained  
7 below, the case is currently stayed.

8 On April 17, 2024, WellHealth filed for bankruptcy (the “WellHealth Bankruptcy Case”) under  
9 Chapter 7 of Title 7 of the United States Code in the United States Bankruptcy Court for the District of  
10 Nevada (Case No. 24-11839-nmc). Due to the bankruptcy filing, the parties agreed that until the  
11 bankruptcy court lifts the automatic stay under 11 U.S.C. § 362, this case and any pending hearings  
12 (such as the May 21, 2024, hearing) may not proceed. Based on this, the Court did not decide the  
13 Receiver’s *Motion for Partial Summary Judgment*, and later vacated the May 21, 2024, hearing that had  
14 been set on the Receiver’s *Motion for Leave to Amend* the original complaint.<sup>8</sup>

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

### 21 **Current Receivership Assets**

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

25 1. The currently available, unrestricted cash assets of the CO-OP as of December 31, 2025,  
26 were approximately \$ \$9,064,407. The majority of NHC’s currently available and liquid assets are held  
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28 <sup>8</sup> 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.

