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Nevada Health CO-OP*

**IN THE EIGHTH JUDICIAL DISTRICT COURT OF THE STATE OF NEVADA**

**CLARK COUNTY, NEVADA**

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

**FIRST STATUS REPORT**

COMES NOW, Acting Commissioner of Insurance and Receiver (“Receiver”), Amy L. Parks, and CANTILO & BENNETT, L.L.P., Special Deputy Receiver (“SDR” - SDR and Receiver are referred to collectively herein as “Receiver”), and files this First Status Report in the above-captioned receivership.

**I. INTRODUCTION AND HISTORICAL BACKGROUND**

Nevada Health CO-OP (“NHC,” or “the CO-OP”) is a state-licensed health insurer, formed in 2012 as a Health Maintenance Organization (“HMO”), with a Certificate of Authority

1 granted by the State of Nevada Division of Insurance effective January 2, 2013. NHC was  
2 formed under a provision of the Patient Protection and Affordable Care Act (“ACA”) providing  
3 for the formation of Consumer Operated and Oriented Plans. Having received from the  
4 Centers for Medicare and Medicaid Services (“CMS”) of the United States Department of  
5 Health and Human Services (“HHS”) a start-up loan of \$17,080,047, and a “solvency” loan of  
6 \$48,820,349, NHC was required to operate as a non-profit, consumer-driven health plan for  
7 the benefit of the public. The CO-OP’s primary business was to provide ACA-compliant  
8 health coverage to residents of Nevada, and it operated its business for the benefit of  
9 Nevadans within the state, save for certain arrangements to provide nationwide health  
10 coverage to Nevadans traveling outside the state in certain circumstances. NHC began  
11 selling products on and off the Silver State Health Insurance Exchange (the “Exchange”) on  
12 January 1, 2014. Its products include individual, small group, and large group managed care  
13 coverages.

14 NHC is an Internal Revenue Code 501(c)(29) Qualified Non-Profit Health Insurance  
15 Issuer, entitled to tax exemption by the Internal Revenue Service. It is thus required that no  
16 part of NHC’s net earnings should inure to the benefit of any private shareholder or individual,  
17 except that the organization is permitted by the ACA to use any profits to lower premiums,  
18 improve benefits, or improve the quality of health care delivered to its members. NHC is  
19 likewise disallowed, as a condition of its tax exemption, from dedicating a substantial part of  
20 its activities towards attempts to influence legislation, or participate or intervene in political  
21 campaigns. NHC does not have a corporate parent.

22 A July 2015, report from the HHS Office of Inspector General (“OIG”) revealed that 21  
23 of the 23 CO-OPs in operation nationwide, including NHC, had incurred net losses as of  
24 December 31, 2014. The OIG expressed belief in this report that the conspicuously low rates  
25 of enrollment for the CO-OPs, in many cases far lower than initial projections, would limit the  
26 ability of these plans to repay the applicable startup and solvency loans given by CMS. By a  
27 letter to members and interested parties dated August 25, 2015, NHC’s executive leadership  
28 indicated that it had been decided, via a vote of the Board of Directors (which was held on

1 August 15, 2015), that health insurance policies would no longer be offered after December  
2 31, 2015, and that the CO-OP would voluntarily cease operations after that date. Two of the  
3 members of the Board of Directors resigned on September 29, 2015, and the remaining  
4 board members consented to NHC being placed in receivership via unanimous vote shortly  
5 thereafter.

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

14 The Permanent Receivership Order, *inter alia*:

15 (1) Required that the Receiver take immediate and exclusive possession and control  
16 of the Property of NHC, including all assets, books, records, property (real and personal),  
17 ownership rights (choate or inchoate), legal or equitable of any kind or nature, except as she  
18 may deem in the best interest of the receivership estate;

19 (2) Enjoined and restrained all persons, corporations, partnerships, associations and  
20 all other entities wherever located from interfering in any manner with the Receiver's  
21 possession of the Property or her title to or right therein and from interfering in any manner  
22 with the conduct of the receivership;

23 (3) Permanently enjoined and restrained all providers of health care services from  
24 seeking payment from any member or enrollee for an amount owed by NHC, interrupting or  
25 discontinuing the delivery of health care services to such members or enrollees during the  
26 period for which they have paid the required premium, seeking additional or unauthorized  
27 payment from such members beyond the payments authorized by prior agreements, or  
28

1 interfering in any manner with the efforts of the Receiver to assure that NHC members or  
2 enrollees in good standing receive the health care services to which they are entitled, and;

3 (4) Enjoined and restrained all landlords, vendors, and parties to executory contracts  
4 with NHC from discontinuing services to, or disturbing the possession of premises and  
5 leaseholds, including of equipment and other personal property, on account of amounts owed  
6 prior to the beginning of the receivership, provided that these parties are paid within a  
7 reasonable time for expenses properly incurred for premises, goods, or services rendered on  
8 or after the date of the receivership.

## 9 II. RECEIVERSHIP ADMINISTRATION

### 10 Initial Challenges upon Inception of Receivership Proceedings

11 Receivership staff arrived at NHC headquarters the week the Temporary Receivership  
12 Order was entered to conduct an initial investigation into daily operations and to determine  
13 the extent of the CO-OP's hazardous financial condition. Preliminary research into the CO-  
14 OP's financials revealed that NHC was operating with a 148% medical loss ratio, with a total  
15 loss ratio (including administrative and other expenses) of 186%. Within the first two weeks,  
16 the Receiver had come to the conclusion that the total loss ratio was disproportionately great  
17 due, in part, to the particularly high degree of utilization of vendor services. Many central  
18 functions of the CO-OP were outsourced to vendors, whose fee schedules were often  
19 appreciably higher than industry average. There appeared to be material problems with  
20 vendor services, in several instances either having failed to be delivered, or having been  
21 provided with many chronic problems.

22 The Receiver also dedicated significant attention to addressing issues concerning  
23 NHC's telephonic customer service and call handling capacity. As a result of the changes  
24 arising from the CO-OP's placement into receivership, and the subsequent increase in  
25 communications received from plan members, providers, agents, and other interested  
26 parties, call volumes spiked within the first two months following inception of the receivership.  
27 This increased call volume resulted in numerous calls being dropped, unanswered, or  
28 delayed. The Receiver acted quickly to expand call handling capacity through the retention

1 of temporary employees specifically dedicated to resolving calls in-queue. After this and  
2 other measures, including the implementation of an automated phone answering and  
3 directory system to address low-complexity questions, telephone calls are now answered  
4 promptly, with a marginal number of dropped calls.

5 NHC's substantial medical loss ratios, coupled with significant additional administrative  
6 expenses, imposed costs upon the CO-OP which, in the wake of the announcement that  
7 certain promised federal receivables were not to arrive (or at least not to arrive in the  
8 amounts and on the dates previously anticipated), created cash flow challenges. It was  
9 determined that NHC's then-current rate of payments would have exhausted available  
10 reserves by the end of October 2015. Until NHC's financial picture could be ascertained  
11 more fully and stabilized, the Receiver deemed it necessary to suspend immediate payment  
12 for medical expenses as incurred, though rights to claim against the receivership estate for  
13 payment on such expenses has not been otherwise abridged.

14 Operationally, receivership staff has worked quickly to establish control over NHC's  
15 operations, improve communications, and assure proper record retention and management.  
16 Additionally, in order to preserve the institutional memory remaining at the CO-OP and the  
17 ability to address operational needs in the wake of the wind-down announcement, and after  
18 careful review, the Receiver has extended certain retention offers to staff and employees  
19 deemed necessary both to the continued operation of the company in the near term and the  
20 priorities of operation for the receivership estate going forward.

### 21 **Notices of Receivership and Notification of Interested Parties**

22 The Receiver has distributed Notices of Receivership informing members, providers,  
23 and other interested parties of the receivership of NHC, which contain contact information for  
24 the submission of questions, claims, and correspondence, as well as details regarding the  
25 discontinuation of, and the need to replace, all NHC health plans after December 31, 2015.  
26 Specific notices have been sent to plan members, health care providers, agents and brokers,  
27 and service vendors, each apprising them of details unique to their needs and relationship to  
28 the CO-OP. As of the date of filing of this First Status Report, the Receiver has delivered

1 approximately 21,150 notices to plan members, approximately 24,484 notices to health care  
2 providers, approximately 272 notices to agents and brokers, and approximately 27 notices to  
3 NHC's service vendors. As the Receiver discovers additional interested parties, new  
4 mailings will be undertaken as needed. Additionally, the Receiver has already revised NHC's  
5 internet web site at [www.nevadahealthcoop.org](http://www.nevadahealthcoop.org), on which now can be found up-to-date  
6 information about the receivership.

7 Initial plans for the receivership contemplated the possible acquisition of coverage  
8 from a third-party reinsurer to provide complete stop-loss protection for NHC's remaining  
9 medical expenses to-be-incurred. Notices to members and providers were deferred briefly in  
10 the hope that such agreement could be reached, substantially improving the wind-down of  
11 NHC coverages. After intense negotiations, it became evident that NHC did not have  
12 sufficient liquidity and reliable information to make such an agreement possible. Once it  
13 became clear to the Receiver that such a stop-loss agreement would not be available,  
14 receivership notices were delivered to interested parties.

15 The receivership notices contained a brief description of the relevant procedural  
16 history of the case involving NHC, including reference to (and in most instances a copy of)  
17 the applicable Orders issued by the Receivership Court. The notices also articulated the  
18 Receiver's two parallel goals for the initial phase of the receivership: (1) avoiding disruption  
19 in the delivery of health care to plan members for the period that they are entitled to receive  
20 such care from the CO-OP (until no later than December 31, 2015); and (2) providing for  
21 payment to health care providers and creditors rendered initially during the receivership  
22 period (beginning October 1, 2015), and thereafter for amounts owed for services rendered  
23 before that date.

24 In the case of vendors or other third parties whose continued services were deemed  
25 essential to continued daily operations of the receivership estate, their notices explained that  
26 the Receiver was suspending and deferring payment for any such services rendered to NHC  
27 before October 1, 2015, but that, at the request or with the consent of the Receiver, services  
28 rendered after that date would continue to be paid as in the normal and ordinary course of

1 business. The Receiver was careful to state clearly that any such payment made under  
2 these circumstances was to be made subject to the availability of funds and without waiver of,  
3 with the Receiver specifically preserving, any legal rights or remedies of NHC concerning any  
4 and all agreements entered into with third parties. It was determined by the Receiver that  
5 further services from brokers and agents were not required by the receivership estate;  
6 payment of their commissions has been deferred.

### 7 **Continuation of Business Operations**

8 Among the Receiver's highest priorities have been ensuring the continuation of  
9 insured coverage through the end of 2015, and that plan members be informed of their  
10 options for replacing health coverage with another company or program beginning in 2016.  
11 In these undertakings, and in the conduct of NHC's affairs, the Receiver communicated and  
12 coordinated continuously with CMS. The Receiver's continued communication with CMS is  
13 intended to assist all interested parties during this period of transition, and has already  
14 proved to be of great assistance in this early period of the receivership.

15 With limited assets in the receivership estate, alongside the quickly evolving human  
16 resources situation at the CO-OP after the determination by high-level executives to end the  
17 plan in the letter dated August 25, 2015, it was necessary for the Receiver to quickly identify  
18 and retain those employees necessary for receivership operations. As of the date of filing of  
19 this First Status Report, NHC currently has 30 employees, down from a peak of 71 before the  
20 determination was made to end the plan.

21 In order to maintain access to health coverage through year-end, the NHC Provider  
22 Care Team worked vigorously to resolve provider questions and concerns related to the  
23 receivership. Under the express terms of the Permanent Receivership Order: physicians,  
24 hospitals, other licensed medical practitioners, patient care facilities, diagnostic and  
25 therapeutic facilities, pharmaceutical companies or managers, and any other entity (the  
26 "providers") which has provided or agreed to provide health care services to members or  
27 enrollees, directly or indirectly, pursuant to any contract, agreement or arrangement, are  
28 enjoined from attempting to collect payment from any member or enrollee for an amount

1 owed by NHC (known in industry parlance as “direct billing” or “balance billing”), interrupting  
2 or discontinuing the delivery of health care services to such members or enrollees during the  
3 period for which they have paid the required premium, seeking additional or unauthorized  
4 payment from such members beyond the payments authorized by prior agreements, or  
5 interfering in any manner with the efforts of the Receiver to assure that NHC members or  
6 enrollees in good standing receive the health care services to which they are entitled.

7 In those cases in which a provider’s concerns could not be sufficiently addressed, and  
8 it discontinued providing required services (notwithstanding the requirements of the  
9 Permanent Receivership Order), the Provider Care Team also assisted members by locating  
10 alternative care options for critical procedures, when necessary. Receivership staff worked  
11 closely with the Provider Care Team at this phase of the receivership, responding daily to  
12 alerts and requests by providers or health facilities for follow-ups, or to provide information for  
13 questions that were more complex than medical management staff were empowered to  
14 answer.

15 In certain severe circumstances, when the health or quality of life of a member had  
16 been under threat, or other exigent circumstances existed that posed potential harm to NHC’s  
17 members, the Receiver has made ad hoc payments to providers in order to maintain  
18 otherwise irreplaceable health care, such as vital oncology services, psychological and  
19 behavioral health, life-sustaining prescriptions, and to prevent if possible balance billing to  
20 NHC’s members that cannot be otherwise resolved. In many cases, in exchange for such  
21 payments, the SDR has required the provider’s acquiescence to a “claw-back” agreement,  
22 permitting the Receiver after notice and hearing to recover from the provider any sums as  
23 ordered by the Receivership Court.

24 By a letter dated December 23, 2015, CMS provided notice to the Receiver that they  
25 were terminating, effective December 31, 2015, the loan agreement held between NHC and  
26 CMS. Through this letter, CMS declared that the remaining unpaid loan balance, together  
27 with all interest thereon, fees, costs, and expenses were immediately due and payable by  
28 NHC, without further notice or right to cure. This letter therefore placed the Receiver on



1 notice of a claim of the United States government against the assets of an insolvent person  
2 or entity.

3 A claim of the United States is generally entitled, pursuant to 31 U.S. Code section  
4 3713 (also known as the “Federal Priority Act,” hereinafter “FPA”), to priority over and above  
5 most other claims against a receivership estate. There are several exceptions to this general  
6 rule. For instance, a Receiver may afford priority, over claims of the United States, to the  
7 claims of policyholders and to the costs and expenses of administering the receivership.<sup>1</sup>  
8 However, the issue of whether the FPA may be preempted for the purpose of paying *provider*  
9 claims ahead of the claims of the federal government may be an unsettled legal question.

10 The Receiver must obtain some form of assurance that will allow the Receiver to pay  
11 providers and protect members without exposing the receivership estate to the potential  
12 impact of FPA liability. Until the Receiver achieves additional clarity on this matter, the estate  
13 has suspended any payments to providers for any services rendered to NHC members.

#### 14 15 **Claims Administration and Adjudication**

16 The Receiver has from the beginning of the receivership received claims from  
17 providers, vendors, and other creditors. The Receiver is in the process of determining how  
18 much is separately owed for each type of claim and accordingly establishing appropriate  
19 claims reserves. To the extent assets are available, NHC intends to pay any and all claims  
20 for covered health benefits and services for members rendered up to the final day of plan  
21 coverage, no later than December 31, 2015. In addition, to the extent assets are available,  
22 other properly-incurred debts of NHC will also be paid. No assurances are being made as to  
23 approval or payment of such submitted claims at this time, save for in certain special  
24 circumstances where the continued provision of services related to a claim was deemed  
25 essential, and an alternative could not be easily found. NHC’s future availability of assets is  
26 subject to a variety of different contingencies and circumstances over which the Receiver has

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28 <sup>1</sup> U.S. Dep’t of Treasury v. Fabe, 508 U.S. 491, 493-94, 113 S.Ct. 2202, 124 L.Ed.2d 449 (1993).

1 little or no control, including premium collections, reinsurance payments, and CMS  
2 reimbursements, to name a few. It is anticipated that the collection of most of such assets  
3 will not be complete until the latter part of 2016 and some may lag longer. The Receiver is  
4 very mindful of the risk of unlawful preferences inherent in early payments and endeavors to  
5 refine financial projections as much as possible before authorizing such payments.

6 NHC claim payments will also be subject to a variety of contingencies and  
7 circumstances that must be resolved before finalizing a plan for asset distributions.  
8 Consequently, the Receiver is developing a proof of claim process and claim appeals  
9 process, providing for secondary review of adverse determinations. As these are completed,  
10 the Receiver will file with the Receivership Court an application for approval of a proof of  
11 claim process whereby plan members, creditors, and other parties interested in the affairs of  
12 NHC can file their claims against the receivership estate by a bar date to be authorized or  
13 established by the Receivership Court. The proof of claim process will include forms that  
14 provide relevant information to interested parties and the procedure and deadline for  
15 presenting claims to the Receiver.

16 As part of the ongoing claims process, a records check will also be conducted to  
17 ensure that claims are not duplicated due to multiple submittals, that the claims have not  
18 been paid previously, and that the claims are within the coverage provided by NHC. The  
19 Receiver will also be evaluating the most effective and cost efficient methods for adjudicating  
20 claims generally, such as through direct management by the Receiver and existing NHC  
21 staff, or the establishment of an arrangement with a skilled third-party administrator.

22 NHC is an ACA Consumer Operated and Oriented Plan. The plans offered by the CO-  
23 OP operate similarly to that of an HMO in that claims for coverage are classified as having  
24 been submitted by "in-network" or "out-of-network" providers. In-network providers are those  
25 that either have direct contractual arrangements with NHC, or are part of a network that has a  
26 contractual arrangement with NHC. Such agreements frequently include "hold harmless"  
27 provisions that bar attempts at direct collection from plan members of any amounts properly  
28 owed by NHC. Out-of-network providers, by contrast, may not be barred contractually from

1 seeking payment from members for amounts owed by NHC, and to that extent those claims  
2 present difficult issues insofar as members or insureds may potentially be personally liable for  
3 the underlying medical costs of any services rendered outside of the network. Determining  
4 the status of coverage for such out-of-network claims is a high priority for the Receiver, and  
5 addressing such claims early is paramount. Coverage for out-of-network provider claims may  
6 depend in part upon specific plan member policy language, if any, that permits out-of-network  
7 care in special circumstances (*i.e.*, emergency care, or care for rural members with  
8 insufficient provider access in their local communities). If a serious problem arises, the  
9 Receiver may seek a Receivership Court injunction restraining specific providers from  
10 “balance billing” protected enrolled members.

### 11 **Records and Assets Control**

12 The Receiver believes that she has taken control and possession of most, if not all, of  
13 NHC’s books and records, both tangible and electronic. The majority of the CO-OP’s  
14 operational and administrative records are maintained electronically, these records being  
15 uploaded to Receiver-controlled systems and, when possible, converted to easily accessible  
16 formats. The Receiver continues, as part of her due diligence, to search for essential  
17 documents and to maintain the relevant databases of information concerning them, such as  
18 plan member evidences of coverage and schedules of benefits, reinsurance and stop-loss  
19 agreements, dockets or listings of pending litigation, any remaining financial instruments or  
20 payment information, accounting registers and whitepapers, corporate minutes and policy  
21 materials, and agency or vendor contracts.

22 Being a health insurer, NHC is subject to the Health Insurance Portability and  
23 Accountability Act (“HIPAA”) Privacy Rule, which mandates the protection of individuals’  
24 protected health information and personally identifiable information from inadvertent or  
25 inappropriate disclosure to third parties. The Receiver has taken steps to ensure that the  
26 applicable Business Associate Agreements permitting the proper disclosure of this  
27 information to third parties for business purposes are made as a mandatory condition  
28 precedent to engaging their services. As well, receivership staff (in cooperation with NHC’s

1 regulatory compliance staff), have supervised additional HIPAA compliance training to ensure  
2 that pre-existing CO-OP policies are also being followed during the pendency of the  
3 receivership.

4 In addition to records control, the Receiver has taken steps to obtain control of NHC's  
5 bank accounts and other assets. The Receiver has been successful in her efforts to change  
6 over signatory access at Bank of America, NHC's primary financial institution. Online  
7 account access for NHC's financial institutions has been obtained as well. The Receiver has  
8 also assumed authority over accounts holding approximately \$750,000 in statutory deposit  
9 funds placed at U.S. Bank by NHC as a condition of regulatory compliance with the State of  
10 Nevada Division of Insurance. These funds are to be held for the benefit of policyholders in  
11 the event of insolvency. Preliminary review suggests that that these deposits may represent  
12 all of NHC's statutory special deposits, and the Receiver is currently investigating whether the  
13 CO-OP has been otherwise obliged to provide mandatory deposits as collateral to secure  
14 additional premium obligations. If additional deposits are discovered, they will be accounted  
15 for and valued.

#### 16 **Effectuation of Preliminary Wind-Down**

17 As part of the Receiver's initial effort to quickly improve NHC's cash flow position, and  
18 to avoid inefficient or wasteful obligations that could drain the estate of necessary resources,  
19 the Receiver has elected, in certain circumstances, to exercise her powers as provided for in  
20 paragraph 14(p) of the Permanent Receivership Order to disavow certain CO-OP  
21 agreements deemed not to be in the best interests of the receivership estate. Most of the  
22 subject agreements concern third-party vendor and administrative services no longer  
23 necessary to NHC's present functions. The Receiver has delivered appropriate notices to the  
24 affected parties, specifying the contracts, agreements, or understandings to be disavowed,  
25 and informing such parties of their continuing right to assert claims arising from such  
26 disavowals against the receivership estate in due course.

27 In an effort to save the cost of unnecessary expenses, and believing it to be of no  
28 further use to the receivership estate, the Receiver has decided to disavow NHC's lease for

1 its satellite office, located at 3800 Meadows Lane, Las Vegas, Nevada 89107, effective  
2 October 31, 2015.

3 Further, on October 30, 2015, citing both staff safety concerns and the need to  
4 reassign what employees and floor space remain to other crucial estate operations, the  
5 Receiver made the decision to close the CO-OP's member walk-in center to general foot  
6 traffic, instead opting to maintain a small contingent of employees in an alternating shift to  
7 supervise the floor and to aid visiting plan members seeking to make payments or answer  
8 simple questions regarding their continuing coverage and the receivership notices.

### 9 **Receivership Assets**

10 The Receiver has been gathering information and evaluating the assets and liabilities  
11 of the CO-OP. Below is an overview of some key asset matters thus far identified by the  
12 Receiver (other than those already mentioned herein):

13 (1) The potential amount due from reinsurers and reinsurance programs must be  
14 further quantified, and there is the potential, as claims are incurred and reported, for  
15 substantial amounts to be due the CO-OP from PartnerRe America Insurance Company  
16 ("PartnerRe"), its private reinsurer. NHC may also receive an "experience refund" of as much  
17 as 35% of net profits, contingent upon a number of conditions. However, because not all  
18 medical claims have materialized, amounts due from reinsurers will need to be further  
19 quantified in the future. The Receiver is also taking steps to preserve and enhance  
20 reinsurance recoveries for the CO-OP.

21 (2) The cash assets of the CO-OP have fluctuated with post-receivership expenses  
22 and certain authorized payments to claimants, as well as with the Receiver's establishment of  
23 a notification process for delinquent plan members to arrange payment for amounts owed in  
24 arrears, of which there may be as much as \$2,917,637 of un-collected premiums remaining  
25 for past coverage as of December 11, 2015. The cash assets of the CO-OP as of December  
26 31, 2015, were approximately \$19,037,300. The vast majority of NHC's currently available  
27 and liquid assets appear at this time to consist primarily of bank deposits.

28

1 (3) As mentioned in a prior section, NHC posted a special deposit on behalf of the  
2 Division of Insurance of the State of Nevada as a condition of doing business in Nevada. The  
3 amount of this deposit is approximately \$750,000, and all accrued interest on this deposit  
4 account will also belong to NHC. Upon approval of the Court, the Receiver expects to make  
5 application in the future for the release of this special deposit plus accrued interest.

6 (4) These preliminary numbers are all estimates. The Receiver has not yet been  
7 able to determine the full extent of the CO-OP's financial position because of the inherent  
8 uncertainty of collecting certain promised federal receivables, as well as issues concerning  
9 the existing NHC medical claims backlog that remains to be fully adjudicated and approved,  
10 payments to be recorded as liabilities, and concerns regarding data symmetry between  
11 NHC's enrollment and claims processing systems. The resolution of these issues to the  
12 extent required for receivership purposes is underway as a top priority. Possible unknowns  
13 with a potential material effect on the CO-OP's financial standing include unpredicted high  
14 medical expenses, future litigation and liabilities arising from judgments, and contingent  
15 liabilities pending adjudication. Additionally, the amount of funds available to claimants may  
16 be adversely affected by the prior-referenced notice letter received from CMS terminating  
17 NHC's loans and demanding repayment. CMS's potentially heightened claims priority under  
18 federal law, as well as the possibility that CMS may be able to set-off amounts owed to NHC  
19 under certain ACA programs with amounts owed to CMS pursuant to the acceleration of the  
20 loan, further complicate the overall financial condition of the estate.

21 (5) The Receiver is still evaluating other potential asset recoveries for the benefit of  
22 the receivership estate.

23 (6) The Receiver is enclosing, as Exhibit 1 attached hereto, a cash flow report for  
24 NHC for the time period covering October 1 through December 31, 2015. This report reflects  
25 a summary of disbursements and collections made by NHC during this period.

26 Considering the exigency of the circumstances, depleted employee resources at NHC,  
27 and the need for trusted and confidential support services, the Receiver has availed herself of  
28 the services of the SDR's affiliate, PALOMAR FINANCIAL, LC ("Palomar"), to provide financial

1 and technical administrative support assistance for NHC—and those services are now being  
2 performed by Palomar. Palomar also performs policy administration, billing, payables,  
3 member customer service, claim support and oversight, and reinsurance reporting and  
4 collection services; thus, some or all of these other services may be provided to the Receiver  
5 for NHC’s receivership administration. Palomar will also be used to gain better control and  
6 stability over NHC’s affairs, save costs for the receivership estate, centralize data and  
7 information, and facilitate receivership administration in the future.

### 8 **Reinsurance**

9 The Receiver has notified its reinsurance entities of the receivership and that all  
10 reinsurance processing and reports should continue in the normal course of business. As  
11 previously noted, the CO-OP may possibly be entitled to the receipt of certain payments  
12 pursuant to its reinsurance agreement held with PartnerRe, subject to coverage of such  
13 claims under the agreement. The Receiver, in assessing potential claims, reviewed  
14 extensively the Specific Excess Loss Reinsurance Agreement and all accompanying  
15 amendments to determine any and all obligations owed by each party under the agreement.  
16 Most notably, under the agreement, the CO-OP is required to submit a monthly report to  
17 PartnerRe providing information regarding covered persons who have incurred covered  
18 expenses during the agreement term exceeding 50% of the applicable retention. Further, the  
19 CO-OP is also required to keep a record of the monthly enrollment of covered persons and  
20 the services received by each covered person for the duration of the controlling agreement  
21 and five years after termination. Although the Receiver has notified reinsurers both of the  
22 receivership and of the fact that all reinsurance processing and reports should continue in the  
23 normal course of business for all parties involved, the Receiver has continued to evaluate the  
24 necessity of maintaining reinsurance coverage, including the viability of reinsurance  
25 collections.

### 26 **Judgments, Default and Pending, and New Proceedings**

27 The Receiver, as part of due diligence, is searching court records and CO-OP  
28 databases in order to determine the existence of any actions pending or recently adjudicated

1 against or in favor of NHC. As of the date of this report, no current proceedings or recently  
2 adjudicated judgments have been found, although the search is not complete.

3 If the Receiver discovers a pending action against NHC, the Receiver shall determine  
4 first whether the proceeding is stayed or otherwise enjoined by the Permanent Receivership  
5 Order. If the suit is not enjoined by the Permanent Receivership Order, the Receiver shall  
6 make a likewise determination of the costs and benefits of pursuing litigation as opposed to  
7 settlement, and shall take appropriate action. The Receiver will also evaluate and decide  
8 upon whether there exist any rights of action or claims that ought to be pursued as part of the  
9 larger receivership plan.

### 10 III. CONCLUSION

11 In compliance with the Receivership Court's instructions for a status report regarding  
12 the affairs of the CO-OP, the Receiver has submitted the aforementioned report and remains  
13 available to present further on any matters in this report as the Receivership Court may deem  
14 necessary. The Receiver requests that the Court approve this Status Report and the actions  
15 taken by the Receiver.

16 DATED this 13<sup>th</sup> day of January, 2016.

17 Respectfully submitted:

18 Amy L. Parks, Commissioner of Insurance of  
19 the State of Nevada, in her Official Capacity  
20 as Statutory Receiver of Delinquent Domestic  
Insurer

21  
22 By: /s/ Cantilo & Bennett, L.L.P.  
Special Deputy Receiver  
23 By Its Authorized Representative  
Patrick H. Cantilo  
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Respectfully submitted by:

ADAM PAUL LAXALT  
Attorney General

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*Attorney for Amy L. Parks,  
Acting Commissioner of Insurance,  
as the Permanent Receiver for  
Nevada Health CO-OP*

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that, on the 13<sup>th</sup> day of January, 2016, and pursuant to NEFCR 9, NRCP 5(b), and EDCR 7.26, I served **FIRST STATUS REPORT** on all parties receiving service by electronic transmission through the Wiznet system in this action to:

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/ s / Danielle Wright  
An employee of the Attorney General

**EXHIBIT 1**

**EXHIBIT 1**

NEVADA HEALTH CO-OP  
Cash Flow Analysis

Updated 1/08/16

Sources & Uses	Oct	Nov	Dec
Beginning Cash (excl \$755K restricted)	\$ 5,352,417	\$ 11,092,543	\$ 15,329,098
<b>SOURCES:</b>			
Premium Revenue	7,220,986	\$5,109,845	\$5,042,662
CSR Recoveries	818,021	597,883	813,541
Rx Rebates			
Claims Overpayment Recoveries	80,740	65,018	60,882
PartnerRe 2014 Premium Refund	267,629		
Traditional Reins Recoveries			
FTR Reins Recoveries		735,747	
Risk Corridor 2014			1,158,962
Federal Receivables Bridge Loan			
Other	9,200	14,695	2,319
<b>TOTAL SOURCES:</b>	<b>\$8,396,575</b>	<b>\$6,523,188</b>	<b>\$7,078,367</b>
<b>USES:</b>			
Medical Claims Q4 2015	\$0	\$0	\$0
Rx Claims Q4 2015	(1,366,851)	(1,253,930)	(2,417,352)
Risk Adjustment 2015			
Medical PMPMs Q4	(25,551)	-	(18,416)
FTR Reinsurance Premium		(116,046)	
Traditional Reins Premium Q4 2015	(191,622)	(176,924)	(178,772)
Premium Tax			
Other Admin	(878,728)	(724,831)	(673,497)
9010 ACA Fee / 720 PCORI Fee	(161,242)		
Other	(32,455)	(14,901)	(82,126)
Contingency			
<b>TOTAL USES:</b>	<b>(2,656,449)</b>	<b>(2,286,633)</b>	<b>(3,370,164)</b>
Net cash increase for period	<b>\$5,740,126</b>	<b>\$4,236,555</b>	<b>\$3,708,203</b>
Cash at end of period	<b>\$ 11,092,543</b>	<b>\$ 15,329,098</b>	<b>\$ 19,037,300</b>