

Minuteman Health, Inc. – Commissioner of Insurance’s Complaint for Liquidation
Questions & Answers

Minuteman Health, Inc. (“MHI”), a Massachusetts health maintenance organization, was placed in rehabilitation by an Order of Rehabilitation entered by the Supreme Judicial Court for Suffolk County (the “Court”) on August 2, 2017. The Order of Rehabilitation appointed Gary D. Anderson, the Massachusetts Commissioner of Insurance (the “Commissioner”), as Receiver of MHI. The Commissioner filed a Verified Complaint for MHI’s liquidation with the Court on March 16, 2018.

Why has the Commissioner decided to liquidate MHI?

MHI’s liabilities exceed its assets and it cannot pay all its obligations in the normal course of business. MHI is therefore insolvent as defined by Massachusetts law. MHI has experienced adverse results since it began operations in 2014, primarily due to significant start-up costs and risk adjustment obligations. MHI’s financial situation deteriorated to a level last year where the Commissioner was appointed on August 2, 2017 for the purpose of rehabilitating MHI and conserving its assets. Unfortunately, MHI continued to experience significant adverse results such that by December 31, 2017 its liabilities exceeded its assets.

What does this mean about MHI’s ability to pay its member-related insurance obligations?

MHI has adequate assets to pay all its insurance obligations in full. The claims of members and their healthcare providers will continue to be paid in full and without interruption while the Court considers the Commissioner’s application to liquidate MHI. The Commissioner has asked the Court for permission to continue making those payments after entry of the liquidation order.

How should member and healthcare provider claims be submitted?

Member and healthcare provider insurance claims should continue to be made in the same way as in the past.

The Commissioner has asked the court to set August 31, 2018 as the deadline for submitting all claims against MHI. If the court grants that request, members and their healthcare providers should submit their claims in the same way as in the past through August 31, 2018.

Does MHI’s insolvency impact payments to vendors for services or goods provided during the rehabilitation?

MHI has adequate assets to pay vendors for services and goods provided during MHI’s rehabilitation, which began August 2, 2017, in full. While the Court considers the Commissioner’s application to liquidate MHI, the claims of vendors for services and goods provided during rehabilitation will continue to be paid in full and without interruption. The Commissioner has asked the Court for permission to continue making those payments after entry of the liquidation order. If the Court grants such permission, then such vendors will not need to file a proof of claim to continue to be paid for services and goods provided to MHI during the rehabilitation and liquidation process.

How does liquidation impact the payment of MHI's obligations?

Massachusetts law establishes creditor priorities for insolvent insurers and health maintenance organizations. All creditors in a higher priority must be paid in full (or funds set aside to do so) before claims in the next lower priority can be paid.

What are the key creditor priorities?

The costs of paying MHI's insurance obligations and wrapping-up its affairs in rehabilitation and liquidation are "administrative expenses" and are subject to the highest priority. (The Commissioner has asked the Court for permission to continue making payments to creditors providing such administrative services without the need for them to file a proof of claim form.)

MHI's insurance obligations to its members and their healthcare providers are the next highest priority. (The Commissioner has asked the Court for permission to continue paying all claims for covered health care services until August 31, 2018, without the need for members or the healthcare providers to file a proof of claim form.)

What creditor priority claims are expected to be paid?

MHI appears to have adequate assets to pay in full the estimated administrative expenses and member insurance obligations. MHI does not appear to have enough assets to pay in full its remaining obligations to creditors in lower priority classes.

How can MHI creditors submit claims?

The court has been asked to approve a claim filing process, a proof of claim form, and a claim filing deadline (August 31, 2018).

If the court approves these requests, members and their health care providers may continue submitting claims in the ordinary course of business provided they do so by August 31, 2018. Providers of goods and services during the rehabilitation and liquidation may similarly submit invoices in the ordinary course (the August 31, 2018 deadline would not apply to administrative expenses). All other MHI creditors, however, would need to submit a proof of claim form on or before August 31, 2018. The liquidator will then review and determine those claims and make recommendations to the supervising court. Creditors who disagree with those determinations and recommendations may object and seek judicial review before the supervising court in the manner determined by that court.

Does it matter where a MHI creditor resides?

Since MHI is a Massachusetts insurer/health maintenance organization, Massachusetts law will control its liquidation and a Massachusetts court (the Supreme Judicial Court for Suffolk County) will supervise the process. Regardless of a creditor's state of residence, all creditors similarly situated will be treated the same and their claims will be addressed by the Commissioner, as MHI's liquidator, subject to supervision by the Court. Any disputes will be resolved in proceedings before the Court.

When will MHI's liquidation process start?

The Commissioner has filed a Verified Complaint for MHI's liquidation along with a proposed Order of Liquidation, a proposed Order of Notice (to inform creditors of the Verified Complaint and the date set for a hearing on that application), and a proposed Proof of Claim form. All those documents can be found on the website of the Massachusetts Division of Insurance: <https://www.mass.gov/lists/receiverships>.

The liquidation process for MHI would start upon the Court's entry of a liquidation order.

When will claims below administrative expense and insurance coverage priorities be paid?

The liquidator will promptly review all proofs of claim submitted by the proposed August 31, 2018 deadline and make a determination as to the validity and priority of each claim. It is expected that those determinations can all be issued before the end of 2018. Creditors will have the opportunity to accept those determinations or to object. The time required to reach a conclusion of this phase is dependent upon the amount of time required to achieve a final resolution of all claim determinations.

The objective is to make distributions before July 1, 2019 and then conclude the MHI liquidation proceeding.

When is the hearing on the application for liquidation?

The Court has scheduled a hearing on the Commissioner's Verified Complaint for 11:00 AM on Wednesday, April 25, 2018 in the Oliver Wendell Holmes, Jr., Courtroom of the John Adams Courthouse (1 Pemberton Square, Boston, MA 02108).

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Interested persons may contact the Commissioner's counsel, David Leslie (dleslie@rackemann.com or 617/951-1131) if they have any questions about the proposed liquidation process for MHI.