

Liquidation of Minuteman Health, Inc.
Questions & Answers

Minuteman Health, Inc. (“MHI”), a Massachusetts health maintenance organization, was placed in liquidation by an Order of Liquidation entered by the Supreme Judicial Court for Suffolk County (the “Court”) on April 25, 2018. The Order of Liquidation appointed Gary D. Anderson, the Massachusetts Commissioner of Insurance (the “Commissioner”), as Liquidator of MHI. MHI had been in rehabilitation since August 2, 2017 with the Commissioner serving as receiver.

Why is MHI being liquidated?

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. For these reasons the Commissioner requested that the Court enter the Order of Liquidation which will govern the runoff of MHI’s affairs.

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. Provided they are filed before August 31, 2018, the claims of members and their healthcare providers will continue to be paid in full and without interruption pursuant to the Order of Liquidation.

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 but they must be submitted before August 31, 2018.

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

MHI has adequate assets to pay vendors in full for services and goods provided during MHI’s rehabilitation (which began August 2, 2017 and ended April 25, 2018) and its liquidation (which began April 25, 2018). Vendors providing such goods and services may continue submitting invoices and receiving payment in the ordinary course of business.

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.

The Court has established a **CLAIM FILING DEADLINE** of **AUGUST 31, 2018**. All claims must be submitted before that date.

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 Court has authorized the Commissioner as Liquidator 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 Court has authorized the Commissioner as Liquidator 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 approved a claim filing process, a proof of claim form, and a claim filing deadline (August 31, 2018). MHI will be mailing notice, a proof of claim form, and instructions for submitting a proof of claim to all individuals and entities that received notice of the Commissioner's Verified Complaint Requesting Appointment of Liquidator (e.g. former members, healthcare providers, and vendors). In addition, the notice, proof of claim form, and the instructions may be downloaded at www.mass.gov/lists/receiverships.

Pursuant to that process, 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, will 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 Court. Creditors who disagree with those determinations and recommendations may object and seek judicial review before the Court in the manner it specifies.

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 claims below administrative expense and insurance coverage priorities be paid?

The liquidator will promptly review all proofs of claim submitted before the 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.

#

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