

DOCKET NO. HHD-CV16-6072516-S : SUPERIOR COURT
: :
IN THE MATTER OF HEALTHYCT, INC., : JUDICIAL DISTRICT OF
IN LIQUIDATION : HARTFORD
: :
: :
: APRIL 9, 2024

**EIGHTEENTH ACCOUNTING AND STATUS REPORT
OF THE LIQUIDATION PROCEEDING**

Andrew N. Mais, Insurance Commissioner of the State of Connecticut, as statutory Liquidator of HealthyCT, Inc., submits the Eighteenth Accounting and Status Report of Daniel L. Watkins, Special Deputy Liquidator, regarding the affairs of HealthyCT, Inc. in Liquidation (“HealthyCT”) as follows:

1. Update from Seventeenth Accounting and Status Report.

In July 2023, the Special Deputy filed his Seventeenth Accounting and Status Report of the Liquidation Proceedings (the “Seventeenth Status Report”). #219.00. In September 2023, the Court entered an order approving the Seventeenth Status Report. #221.86. The Special Deputy reports the following regarding HealthyCT’s status and financial situation:

- a) **CLHIGA/Service Agreement/Claim Processing and Payment.** In HealthyCT’s liquidation, the Connecticut Life and Health Insurance Guaranty Association (“CLHIGA”) funded claim payments to healthcare providers totaling \$17,525,761 and had approved administrative expenses of \$386,474. One hundred percent of CLHIGA’s claim payments and administrative expenses have been reimbursed through asset distributions approved by the Court. CLHIGA and HealthyCT expenditures and reimbursements regarding claims, premium and administrative expenses are set out in Exhibit A to the report and Exhibit B in the

supplemental filing to this report (the “Supplemental Filing”). No HealthyCT insured had claims in liquidation which exceeded CLHIGA’s \$500,000/person statutory limit.

After January 1, 2018, 100% of allowed Class 3 claims and claim appeals were paid directly from HealthyCT estate assets rather than through funding from CLHIGA. The CLHIGA bank account through which claim payments were funded and paid has been reconciled and closed.

- b) **Claim Bar Date/Proofs of Claim.** The Special Deputy researched, evaluated and issued notices of determination with respect to all Proofs of Claim (“POC”) except a claim submitted by the United States Department of Health and Human Services and the Centers for Medicare and Medicaid Services (“HHS/CMS”) and a claim submitted by HealthyCT’s landlord for unpaid amounts under the HealthyCT office lease.

Approximately \$11.5 million of HHS/CMS’s Class 4 claims were resolved through a Stipulation for Entry of Judgment filed on July 10, 2020 (the “Stipulation to Judgment”) in the action filed by the Liquidator against the United States in the U.S. Court of Federal Claims for payment under the Risk Corridors and Federal Reinsurance provisions of the Affordable Care Act (the “Court of Claims Action”). Through negotiations with the United States Department of Justice (“DOJ”) on behalf of HHS/CMS, the Liquidator resolved most, but not all, of the mutual debts between HealthyCT and HHS/CMS. The Stipulation to Judgment did not include (i) taxes of \$165,884 the United States Treasury asserted were owed by HealthyCT (the “Class 4 Tax Claim”) or (ii) HHS/CMS’s Class 8 surplus note claims for the Start Up and Solvency Loans received by HealthyCT from HHS/CMS, in the amounts of \$21,011,768 and \$106,969,000, respectively (together, the “Class 8 Surplus Note

Claims”). The Special Deputy negotiated a Closing Agreement with the Internal Revenue Service to resolve the Class 4 Tax Claim of the United States. The Special Deputy sought and received approval of that Closing Agreement from the Court. Payment to the Internal Revenue Service (“IRS”) of \$165,884 was made in November 2021. In accordance with the Closing Agreement, following the November 2021 payment, HealthyCT is not liable to the IRS for any further income taxes or penalties for the years 2015 through 2019. The Class 8 Surplus Note Claims will be allowed by the Liquidator and submitted to the Court for approval.

The landlord’s claim under the office lease has not been finally determined as the claim amounts declined over time due to credit for rent paid by HealthyCT for its reduced space and for rents collected from new tenants who leased a large portion of HealthyCT’s prior space for periods prior to the expiration of HealthyCT’s lease (September 30, 2019). The landlord’s original claim for \$682,860.45 is anticipated to be reduced by approximately \$250,000 from the original POC claim amount. The exact claim amount will be determined and allowed as a Class 6 unsecured creditor claim and submitted to the Court for approval.

No objections to the Special Deputy’s determination notices on all other POCs have been received and, pursuant to Conn. Gen. Stat. § 38a-941(a), those determinations are now deemed to be final.

Other significant creditor claims determined and allowed in the HealthyCT liquidation are: unpaid broker commission claims totaling \$1.3 million (Class 6 unsecured creditor claims); and premium taxes owed the State of Connecticut (\$661,850 for Class 7 premium taxes). On October 6, 2021, the Liquidator filed an application with the DOJ for a release of

any and all remaining claims of the United States (other than the Class 8 Surplus Note claims). The application is still under review by DOJ. After finalizing the release from DOJ, the Liquidator will submit to the Court for its approval a plan for distribution of estate assets to creditors on allowed and unpaid claims.

- c) **Services and Operational Expenses.** The Special Deputy has continued to pay for services necessary in the HealthyCT liquidation. Expenses paid by category for the necessary services and operational costs of the Liquidation are summarized in Exhibit B to this report. The operational expenditures are set out by Accounting/Status Report period, with April 1, 2023 through September 30, 2023 being the current period. Expenses paid during this period total \$120,105. Spreadsheets on this period's expenditures and documentation supporting them are in Exhibit B to this report and Exhibit B(1) in the Supplemental Filing.

Fee and expense statements of the Special Deputy and Morgan, Lewis & Bockius LLP ("Morgan Lewis") have been reviewed and approved by the Liquidator as reasonable and necessary. Summaries of the Special Deputy's and Morgan Lewis's fees and expenses paid in the reporting period are included in the Supplemental Filing.

- d) **Cash on Hand/Projected Expenditures.** After expenditure for operations, claims and services for the period of April 1, 2023 through September 30, 2023, HealthyCT had \$4,110,960 cash on hand at September 30, 2023. Expenses for the latest six-month period in 2023 averaged \$20,000/month. Based on current assets in the estate, it is anticipated that 100% of claims in Classes 1-7 can be paid, as well as a small percentage of the Class 8 Surplus Note Claims.

- e) **Employees.** Three HealthyCT employees remain available on an as-needed schedule at reduced expense to assist in closing out HealthyCT affairs. The former Chief Financial Officer, Chief Operating Officer and one other employee experienced with claims and accounting continue to assist HealthyCT with respect to: financial and tax matters; account reconciliation; data storage; and responses to inquiries from former members, providers and regulators.
- f) **Data Access and Preservation.** HealthyCT utilizes an information technology vendor to manage and house HealthyCT data. Ongoing storage and access to HealthyCT data is necessary in order to meet HHS/CMS data preservation requirements and for required reports to the Insurance Commissioner and the Court. Payment to the IT vendor for data preservation represents 50% of the ongoing monthly expense of the estate. The liquidator anticipates filing a motion with the Court pursuant to CT Stat. 538a-950 requesting approval to dispose of records that are not required to be preserved by HHS/CMS and are not otherwise needed in HealthyCT's liquidation (the Records Disposal Motion). Following approval of the Records Disposal Motion and the disposal of such records, the IT vendor fees will be substantially reduced.
- g) **Claim Processing and Customer Service.** The claims processing agreement with HealthyCT's vendor for access to historic claim data to facilitate claim appeal work and address inquiries from providers and insureds ended June 30, 2020. A final claim listing was compiled for purposes of access to claim history and reports and reviews necessary to manage the estate. Those records are no longer needed and a plan for their disposal will be addressed in the Records Disposal Motion.

h) **Tax Returns.** The Liquidator engaged an experienced tax consultant to review HealthyCT tax issues and file appropriate returns. HealthyCT has filed Income Tax returns (as a licensed health insurance issuer in Connecticut) for the years 2016-2019 and those returns were accepted by the IRS under the Closing Agreement. HealthyCT has filed federal returns for the years 2020-2022 with no taxes being due.

2. Litigation.

The Court of Claims Action for payment under the risk corridors and reinsurance provisions of the ACA concluded as previously reported and discussed in Section 1.b of this report. In April 2020, the United States Supreme Court held that the federal government owed over \$12 billion in Risk Corridors payments to ACA insurers. Following the decision, the Liquidator and DOJ reviewed an accounting of mutual debts and the parties agreed to a Stipulation to Judgment. In accordance with the Stipulation of Judgment, judgment was entered against the United States in the Court of Claims Action on July 29, 2020 (the “Court of Claims Judgment”).

As set forth in HealthyCT’s complaint in the Court of Claims Action, CMS, which administers the risk corridors and reinsurance programs under the ACA, owed HealthyCT \$41,692,765.44 under the ACA’s risk corridors program. HealthyCT owed certain amounts plus interest totaling \$6,288,077.70 to CMS under ACA programs. The amounts owed by HealthyCT were offset against the risk corridors and reinsurance amounts owed to HealthyCT. The net amount paid by CMS to HealthyCT pursuant to the Court of Claims Judgment was \$35,404,687.74.

In 2017, the Liquidator, with approval by the Court (#137.86), entered into an agreement (the “Purchase Agreement”) with Juris Capital (“Juris”) under which Juris purchased an interest in proceeds of HealthyCT’s claims against the United States for risk corridors and reinsurance

payments owed to HealthyCT. Juris paid HealthyCT \$10.5 million under the Purchase Agreement. The non-recourse payment from Juris allowed HealthyCT to reimburse CLHIGA 100% of its administrative expenses and claim payments in the liquidation and also have assets available to pay a projected 100% of claims in Classes 4-7. Under the terms of the Purchase Agreement, including the timeframe required to resolve the litigation, Juris became entitled to receive all of the proceeds from the Court of Claims Judgment. Those proceeds were distributed to Juris in accordance with the Purchase Agreement.

3. Summary.

The Liquidator requests the Court's acceptance of this Eighteenth Accounting and Status Report and approval of the acts and expenditures described herein, and in the accompanying exhibits and Supplemental Filing.

Respectfully submitted,

Andrew N. Mais
Liquidator of HealthyCT, Inc.

A handwritten signature in black ink, appearing to read "Daniel L. Watkins".

Daniel L. Watkins, Special Deputy Liquidator
HealthyCT, Inc. in Liquidation

EXHIBIT A

Rx claims and Unearned Premium Refunds Funded by HealthyCT Estate Assets

Month	Jan 2017 -September 30, 2023
Pharmacy claims	\$ (1,581,683)
Member Premium Refunds Paid	(506,686)
Member claims funded by estate subsequent to GA settlement	(149,708)
CLHIGA administrative expenses:	(76,620)
SHOP January Premium Collected	70,915
LG / SG January 2017 Premium Collected	1,336,471
Balance Funded from HCT Assets	\$ (907,311)

CLHIGA Funding Summary

	Amount	
Total 2017 Medical Claim Payments (CLHIGA Funded)	\$ (17,525,761)	A
CLHIGA administrative expenses:	(320,021)	B
2017 CLHIGA Funding	(17,845,782)	C = A + B
Aggregate early access payments	17,845,782	D
Aggregate CLHIGA Funded Deficit as of September 30, 2023	\$ 0	E = C + D

Year Month	2017 to 2023		Received / (Funded) by	
	Jan 2017- September 2023		Estate	CLHIGA
	A + B		A	B
Medical claims	\$	(17,525,761)	\$ -	\$ (17,525,761)
Cumulative Early Access Distributions		17,845,782	-	17,845,782
CLHIGA administrative expenses		(396,640)	(76,619)	(320,021)
Pharmacy claims		(1,581,683)	(1,581,683)	-
Member Premium Refunds Paid		(506,686)	(506,686)	-
Member claims funded by estate subsequent to GA settlement		(149,708)	(149,708)	-
SHOP January Premium Collected		70,915	70,915	-
LG / SG January 2017 Premium Collected		1,336,471	1,336,471	-
Funds Received / (Paid) as of September 30, 2023 Net	\$	(907,310)	\$ (907,310)	\$ 0

Cash on hand September 30, 2023	
After vendor / other disbursements and CLHIGA early access distribution	\$ 4,110,960

Funds Paid since last report to Court: April 2023 - September 2023

Employee Payroll / Benefits	(28,621) (A)	
IT Services / Infrastructure	(58,808) (B)	
Bank fees	(1,799)	Webster transactional bank fees
Special Deputy Liquidator	(12,000)	Daniel L. Watkins (March 2023 to May 2023)
Legal Fees	(1,261)	Morgan Lewis LLC / Barnes & Thornburg
Accounting Fees	(9,063)	Information Mine, Inc: accounting / ap backoffice
Medical Management / Other Operations / Vendors	(8,554)	See Exhibit B(1)
Funds Paid	\$ (120,105)	

(A)	\$ (28,621)	Payroll: (April 2023 to September 2023)
	\$ (28,621)	

(B)	\$ (58,808)	Spectrum Virtual: IT infrastructure vendor (Infrastructure Long-term electronic data and documentation storage April 2023 - Sept 2023)
	\$ (58,808)	

EXHIBIT B

	9th Accounting Oct 1 - Dec 31, 2018	8th Accounting July 1 - Sept 30, 2018	7th Accounting Apr 1 - June 30, 2018	6th Accounting Jan 1 - March 31, 2018	5th Accounting Oct 1 - Dec 31, 2017	4th Accounting Aug 1 - Sept 30, 2017	3rd Accounting May 1 - July 31, 2017	2nd Accounting Feb 11 - April 30, 2017	1st Accounting Jan 1 - Feb 10, 2017
Third Party Claims and Customer Service Vendors	\$ 15,000	\$ 15,000	\$ 43,468	\$ 23,901	\$ 318,298	\$ 567,049	\$ 509,659	\$ 872,198	\$ 1,164,248
Juris Capital	-	-	-	-	-	-	-	-	-
Commissioner of Internal Revenue Close	-	-	-	-	-	-	-	-	-
Employee Payroll and Benefits	124,990	124,151	157,723	266,007	377,375	219,989	520,120	509,459	443,630
PTO accrued by employees in prior years	-	-	-	207,730	-	-	-	-	-
IT Services	50,133	48,360	45,920	53,877	96,599	83,984	201,694	150,450	58,488
Bank Fees	2,882	2,891	2,868	3,273	5,000	3,676	7,212	3,519	8,882
Special Deputy Liquidator	47,836	51,332	68,218	68,199	86,867	79,415	89,754	130,596	99,330
Legal Fees	8,862	20,642	6,004	13,288	90,620	12,872	175,725	-	-
Accounting Fees	11,700	11,700	14,605	29,312	48,553	29,500	48,455	33,039	40,395
Form 990 / Agreed Upon External Audit Procedures	7,508	-	-	4,799	24,166	-	25,000	-	-
Medical Management and Operations	9,013	15,787	27,370	29,417	25,495	48,984	179,373	186,750	77,805
Rent	10,532	10,750	10,750	7,167	13,838	28,694	50,583	56,411	50,448
Total	\$ 288,455	\$ 300,613	\$ 376,926	\$ 706,971	\$ 1,086,813	\$ 1,074,162	\$ 1,807,574	\$ 1,942,422	\$ 1,943,226

Pro-rated monthly cost (excludes IRS, PTO, and Med Claims)	\$ 96,152	\$ 100,204	\$ 127,038	\$ 170,153	\$ 362,271	\$ 543,049	\$ 602,525	\$ 755,386	\$ 1,473,613
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	18th Accounting April 1, 2023 - September 30, 2023	17th Accounting July 1, 2022 - March 31, 2023	16th Accounting Jan 1 - June 30, 2022	15th Accounting July 1 - Dec 31, 2021	14th Accounting Jan 1 - June 30, 2021	13th Accounting June 1 - Dec 31, 2020	12th Accounting Jan 1 - May 31, 2020	11th Accounting Oct 1 - Dec 31, 2019	10th Accounting Jan 1 - June 30, 2019
Third Party Claims and Customer Service Vendors	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,000	\$ 20,000	\$ 35,000	\$ 25,000
Juris Capital	-	-	10,165	-	-	35,404,687	-	-	-
Commissioner of Internal Revenue Close	-	-	-	165,884	-	-	-	-	-
Employee Payroll and Benefits	28,621	45,464	30,255	29,405	33,737	60,946	48,966	75,111	131,098
IT Services	58,808	88,212	58,808	58,808	68,602	75,326	40,057	103,495	77,891
Bank Fees	1,799	3,535	6,933	7,122	7,032	3,185	6,162	10,749	9,926
Special Deputy Liquidator	12,000	48,000	40,000	15,000	41,000	52,000	50,000	64,672	79,666
Legal Fees	1,261	4,558	-	18,602	7,538	59,644	23,267	14,746	15,622
Accounting Fees	9,063	15,012	7,515	9,000	7,585	25,655	16,071	25,200	19,678
Form 990 / Agreed Upon External Audit Procedures	-	-	-	-	-	25,953	20,895	15,741	-
Medical Management and Operations	8,554	9,907	11,799	8,169	15,404	15,550	7,213	16,591	15,364
Rent	-	-	-	-	-	24,285	17,346	20,816	20,816
Total	\$ 120,105	\$ 214,689	\$ 165,476	\$ 311,990	\$ 180,898	\$ 35,752,230	\$ 249,977	\$ 382,120	\$ 395,062

Pro-rated monthly cost (excludes IRS, PTO, and Med Claims)	\$ 20,018	\$ 23,854	\$ 27,886	\$ 24,218	\$ 30,485	\$ 49,494	\$ 50,216	\$ 63,339	\$ 66,575
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Medical Management and Operations Detail Year: 2023 Period Covered: April 2023 - September 2023		
	Description	Amount
OPERATIONS:		
CAL BUSINESS SOLUTIONS INC	Accounting and accounts payable application	\$ (2,090)
FEDERAL EXPRESS CORP INC	Postage	(53)
FRONTIER INC	Telephony / Internet	(1,387)
IRON MOUNTAIN	Off site storage	(3,430)
PURCHASE POWER / PITNEY BOWES	Postage	(1,062)
THE SHREDDING SOURCE INC	Document shredding	(532)
TOTAL OPERATIONS:		(8,554)
Grand Total		\$ (8,554)