

Report for Special Master's Status Conference

February 2, 2024

R-566 Bright Healthcare Insurance Company of Texas

SDR: CANTILO & BENNETT, L.L.P.

Primary Responsible Person: Michael Marcin

Estate Counsel: Christopher Fuller and Greg Pierce

Receiver's Counsel: Sandra Salazar

RLO Analyst: Edwin Hartsfield

Background on Receivership

- Date of Permanent Injunction (Liquidation): November 29, 2023
- Date of Appointment of SDR: November 29, 2023
- Claims Filing Deadline: TBD
- States Where Licensed: Texas
- Lines of Business: BHICOT offered Affordable Care Act ("ACA") individual policies (licensed under Texas Insurance Code Chapters 801, 841, and 843)
- Texas Guaranty Association Triggered: Texas Life and Health Insurance Guaranty Association ("TLHIGA")
- Early Access Distributions: None

Overview of Bright Healthcare Insurance Company of Texas

BHICOT was only licensed to write business in Texas. It began issuing policies on January 1, 2022, and was placed into Supervision on October 3, 2022. The company only offered ACA individual and group health insurance policies. All individual policies terminated on December 31, 2022. There were approximately 564 off exchange policies, all of which terminated by July 31, 2023.

BHICOT was a virtual insurance company and did not have any employees, offices, or equipment of its own. All functions were performed by BHICOT parent, Bright Health Management, Inc. ("BHM"). BHM owns ACA health insurance companies that operated in other states, including Florida, Colorado, Illinois, and California, in addition to Texas. The other health insurance company affiliates are not in receivership but have all ceased issuing new policies. BHICOT's ultimate parent company is Bright Health Group, Inc., a NYSE traded company ("BHG"). BHM was headquartered in Minneapolis, Minnesota, but recently announced it was changing its name to "Neuehealth" and moving its headquarters to Florida.

Risk Adjustment Transfer ("RAT") Liability: The RAT program is a component of the ACA that transfers premiums from insurers that enroll members with relatively lower health risks to insurers that enroll members with relatively higher health risks. CMS issued its 2022 Summary Report on June 30, 2023, that stated BHICOT owed \$718,539,366 in RAT liability for the 2022 plan year, which was BHICOT's first and only year of Texas business. RAT payments are

calculated annually, and the 2022 assessment payment was due in August 2023. On September 15, 2023, BHICOT made a payment of \$630,000,000 to CMS for its 2022 RAT liability and executed a promissory note for the difference - \$89,637,573. The note was for 18 months at a statutory rate of 11.5% payable at interest only for 17 months with a balloon payment of all principal due. BHICOT made its October 2023 payment but did not make any other payments. CMS declared the note to be in default. The SDR considers the note to be a Class 3 liability, federal government obligations.

Statement of Assets and Liabilities as of December 31, 2023

Total Assets:	\$ 62,207,040
Cash & Invested Assets:	\$ 62,207,040
Non-Cash Assets:	\$ 0
Restricted Assets:	\$ 0
Total Liabilities:	\$ 98,090,199
Negative Equity:	(\$ 35,883,158)

Status and Activity Since Filing of Delinquency Proceeding [First Report to Special Master]

Takeover: The 455th District Court of Travis County, Texas issued its *Agreed Order Appointing Liquidator, Permanent Injunction and Notice of Automatic Stay* (the “Permanent Injunction”) on November 29, 2023. The Liquidator appointed the SDR effective November 29, 2023. The SDR and members of the SDR’s team have been on site periodically in Minneapolis. Much of the takeover work has been done remotely.

Financial Institutions: The SDR served the Permanent Injunction on all identified financial institutions and each enjoined party. All financial institutions have complied with the Permanent Injunction.

The SDR established an estate operating account. The SDR moved all funds, other than the amounts necessary to pay current expenses of administration, to the estate’s account at the Texas Treasury Safekeeping Trust Company (“TTSTC”).

IT: BHICOT did not control or manage its IT or data. Instead, BHM employees managed BHICOT data on BHM’s equipment and cloud storage. At this time, the SDR is working with BHM for the complete turnover of BHICOT data. Before receivership, BHM contractually agreed that BHICOT business records “*will immediately be made available*” after receivership. However, it has produced a limited number of business records. The main problem is that BHM commingled BHICOT records with records from other entities and now claims BHM does not know how to separate the records. At this time, the SDR has obtained financial records, claims records, and a small number of e-mails. BHM restricted the production of BHICOT officer e-mails to narrow categories of topics and did not produce e-mails from other employees. The SDR will continue to seek the recovery of a complete set of business records. The SDR will handle the estate’s IT data by using an outside vendor, who will manage servers while providing remote access to the SDR and subcontractors.

Reinsurance: BHICOT has only one reinsurance agreement, an Excess of Loss contract with Swiss Re.

Claims: Before receivership, all BHICOT's claims were administered under an agreement with its parent company, which in turn contracted with Evolent Health LLC ("Evolent") to process most claims. After Supervision, BHICOT entered into a one-year run-off agreement with Evolent. Although estimates vary, it appears that approximately 95-98% of BHICOT's claims were paid or otherwise resolved before receivership. In addition, BHM contracted with ClearHealth Strategies, LLC ("ClearHealth") to provide out-of-network pricing and mandated alternative dispute resolution services to all BHM subsidiaries. Currently, ClearHealth has declined to continue to provide these services.

Guaranty Associations: TLHIGA is the only guaranty association involved in this receivership. TLHIGA is contracting with Evolent to process the remaining claims.

Litigation: As of receivership, BHICOT had one pending lawsuit against it. There are several arbitrations with providers. The SDR identified a number of claimants, who are largely health care providers objecting to the amount paid on particular claims under the Prompt Pay statutes and regulations. All claimants have been or will be notified shortly of the receivership and automatic stay.

Asset Recovery Activity: At this very early stage in the receivership, the SDR has not undertaken any asset recovery activity other than to secure and collect financial assets.

Summary of Major Achievements:

- Obtained and secured control of company assets
- Transferred cash assets to TTSTC
- Established SDR web site (BrightHealthcareTXSDR.com)
- Secured claims and financial data
- Filed Application for Approval of Fees and Expenses

Estate Goals to Achieve Prior to Next Status Conference:

- Complete takeover activities.
- Continue coordinating with TLHIGA.
- File application to establish POC filing deadline.
- Review potential asset recovery activity.

Estate Closing Date of Receivership: TBD

Identification of Factors Affecting Closing Date and Final Distribution: TBD