

Report for Special Master's Status Conference

August 2, 2024

R-566 Bright Healthcare Insurance Company of Texas ("BHICOT")

	CANTILO &		
Special Deputy Receiver:	BENNETT, L.L.P.	TX Guaranty Assoc.:	TLHIGA
SDR Responsible Person:	Michael Marcin	Receiver's Counsel:	Sandra Salazar
SDR's Counsel:	Christopher Fuller and Greg Pierce	Est'd Closing Date:	TBD

SPECIFIC ACCOMPLISHMENTS SINCE LAST STATUS CONFERENCE

- Recovered approximately \$779,000 in post-receivership provider payments on pre-receivership overpayments that had been deposited with Bright Health Group.
- Domesticated Order of Liquidation and Permanent Injunction in Minnesota.
- The SDR filed its Motion to Enforce the Permanent Injunction against Bright Health Management for the recovery of estate business records.
- Recovered claims records from certain vendors.
- Began initial processing of Proofs of Claim ("POCs").
- Conferred with Centers for Medicare & Medicaid Services ("CMS") on its POC for RAT payment.

SPECIFIC ESTATE GOALS TO ACHIEVE IN THE NEXT QUARTER

- Obtain ruling on motion to enforce
- Complete POC notice, including e-mail and mailed notices and publication
- Complete recovery of claims records from remaining vendors

Background

- Date of Permanent Injunction (Liquidation): November 29, 2023
- Date of Appointment of SDR: November 29, 2023
- Claims Filing Deadline: February 3, 2025
- 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

Statement of Assets and Liabilities as of June 30, 2024

Total Assets:	\$62,452,858
Cash & Invested Assets:	\$62,452,858
Non-Cash Assets:	\$ 0
Restricted Assets:	\$ 0
Total Liabilities:	\$97,007,245
Negative Equity:	(\$34,554,387)

Status and Activity Since Last Status Conference

Business Records: BHICOT did not control or manage its IT or data. Instead, Bright Health Management (“BHM”) employees managed BHICOT data on BHM’s equipment and cloud storage. The SDR has obtained certain financial records, claims records, provider contracts, 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 filed a Motion to Enforce the Permanent Injunction to BHM to turn over the records, which BHM opposes.

The SDR has continued recovery of BHICOT claims records from third-party vendors who played a role in the claims process.

Minnesota Counsel: The SDR’s Minnesota counsel domesticated the Order of Liquidation and Permanent Injunction and will advise the SDR on Minnesota legal matters.

Litigation: The one pre-receivership lawsuit and several pending arbitration proceedings remain stayed or dismissed.

Claims Activity

Proof of Claims: The Receivership Court approved the SDR’s Application for Approval of Claim Filing Deadline, Notice to Creditors, and Procedures for Processing Claims. The POC filing deadline is February 3, 2025. As of July 15, 2024, the SDR received twenty-four POCs—seven seeking unclaimed refunds and seventeen from providers related to

services for insureds. The SDR has established a process to log in, scan, and upload POCs as they are received.

Guaranty Associations: TLHIGA is the only guaranty association involved in this receivership. TLHIGA contracted with BHICOT's pre-receivership claims administrator, Evolent, to process the remaining claims. It had processed approximately 3,500 claims and paid \$1.4 million as of June 30, 2024.

Early Access: On March 21, 2024, the SDR filed an early access report under § 443.303(c) explaining why it could not make an early access distribution at that time. The SDR awaits a request from TLHIGA, and the SDR expects to file an application to make an early access distribution after it has had an opportunity to review TLHIGA's request.

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 has been served with the POC notice. Based on CMS' e-mail to the Friday Health SDR, CMS will file a POC in that estate shortly before its deadline. The BHICOT SDR expects CMS to do likewise in this estate and conferred with a CMS representative regarding its POC.

Asset Recovery Activity

Reinsurance: BHICOT has only one reinsurance agreement, an Excess of Loss contract with Swiss Re. BHICOT and nine other ACA plans are parties to the contract. With the exception of the minimum annual reinsurance premium (\$1 million) and extra contractual obligations (\$5 million) provisions, which are not an issue, the performance of the other plans does not affect the contract as it relates to Texas. The SDR's reinsurance subcontractor is working with the reinsurer and representatives of the other Bright health insurers to recover the amounts currently owed. The SDR anticipates requesting authority to deem a POC as timely filed for certain claims that fall under the reinsurance contract since the POC deadline falls after the expiration of the contract. There is no quota share reinsurance coverage.

Provider Overpayment Recovery/Rebates: As of receivership, BHICOT's books reflected approximately \$10 million in provider overpayments. TLHIGA is not offsetting its obligations against the overpayments. Work continued in the last quarter to reconcile pre- and post-receivership collections on the accounts receivable.

NeueHealth: At receivership, BHICOT showed a \$124 million account receivable ("AR") from NeueHealth Partners Texas RBE, LLC ("NeueHealth-TX"). The AR arises from the Delegated Network Agreement Between Bright Healthcare Insurance Company of Texas and NeueHealth-TX. BHICOT's fiduciary, BHM, claims that NeueHealth-TX has no cash and no bank accounts. The companies share certain officers and directors.

At this time, the SDR has fully reserved this AR on the estate's balance sheets pending further review of its origins and collectability. However, the SDR intends to investigate

thoroughly the circumstances leading up to the creation of the AR and pursue all remedies to collect the amount owed.

Estate Closing Date of Receivership: This estate is approximately 8 months old. The SDR is currently unable to estimate a closing date.

Identification of Factors Affecting Closing Date and Final Distribution: TBD