

Report for Special Master's Status Conference

November 1, 2024

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

Special Deputy Receiver:	CANTILO & 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 \$3.4 million from Swiss Re in August 2024 arising from losses to date that were ceded under the agreement and adjustments related to the duplicate reporting.
- Completed POC notice, including e-mail and mailed notices and publication.
- Conducted hearing on SDR's Motion to Enforce the Permanent Injunction against Bright Health Management for the recovery of estate business records.
- Continued recovery of claim records from certain vendors.

SPECIFIC ESTATE GOALS TO ACHIEVE IN THE NEXT QUARTER

- Pursue recovery of claims records from recently identified vendors.
- Complete Early Access Application.
- Complete documentation of provider overpayments and begin collections.

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 September 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, claim 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 on 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. It was learned in September 2024 that BHM had failed to produce scans of original records that were linked to its internal policy and claims systems. The SDR has identified the third-party vendors holding the records and requested the vendors turn over these records.

Litigation: There are no pending lawsuits or arbitrations.

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 October 16, 2024, 287 POCs have been filed with the SDR. They fall into the following categories:

27 seeking unclaimed refunds

15 from members for unpaid claims

222 from providers related to services for insureds

3 for agent commissions

2 from TLHIGA

1 for arbitration/mediation fees

17 blank or incomplete. The claimants on these POCs will be mailed a notice offering 30 days to properly document or submit the POC. Failure to do so will result in the denial of the POC.

Guaranty Associations: TLHIGA contracted with BHICOT’s pre-receivership claims administrator, Evolent, to process the remaining claims. It has processed 11,041 claims totaling \$4,482,092.65 as of October 16, 2024.

Early Access: TLHIGA submitted a request for an early access distribution to the SDR in the last quarter. The request is under review.

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. The BHICOT SDR expects CMS to file its POC shortly before the February 2025 claims filing deadline.

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 worked with the reinsurer and representatives of the other Bright health insurers to recover \$3.4 million due to BHICOT.

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. Accordingly, the estate is reviewing the provider accounts to document the balance and reviewing any unrecorded settlements or payments to verify the amount is still due to the estate.

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 reserved fully 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: The SDR is currently unable to estimate a closing date.

Identification of Factors Affecting Closing Date and Final Distribution: TBD