

1 6. During the nine months ending September 30, 2015, MMHP reported negative cash flow from
2 operations of \$7.2 million. During 2014, MMHP reported negative cash flow from operations of \$11.7
3 million. If continued, negative cash flow would result in MMHP's inability to maintain adequate
4 liquidity in order to meet obligations, which meets the determination of hazardous financial condition
5 pursuant to A.R.S. §20-220.01(A)(16).

6 7. Recently, both CMS and the Department approved the conversion of the MMHP start-up loan
7 from borrowed money to a surplus note, providing additional capital to MMHP of \$20,890,333. While
8 the conversion does increase capital and surplus, the conversion does not provide additional liquidity to
9 MMHP.

10 8. On October 1, 2015, CMS advised MMHP and the Director that the risk corridor program
11 payments due as of year-end 2014 would be paid at only 12.6% (\$195,106) in calendar year 2016. It is
12 uncertain if the shortfall will be paid in the future.

13 9. The Department understands it is the hope and intention of MMHP and its affiliate, Meritus
14 Health Partners, Inc., to write business on and off the Exchange when Open Enrollment begins on
15 November 1, 2015.

16
17 **CONCLUSIONS OF LAW**

18 1. The Director has jurisdiction over this matter.

19 2. Per A.R.S. §§ 20-210 and 20-211, MMHP's minimum capital and surplus requirement is
20 \$375,000.

21 3. The Director determines that adverse findings reported in financial statements and reports, deem
22 MMHP to be hazardous to its policyholders, creditors, or the general public, within the meaning of
23 A.R.S. § 20-220.01(A)(1).

1 4. The Director determines that MMHP's 156% operating loss in the last twelve-month period or
2 any shorter period of time, including net capital gain or loss and change in nonadmitted assets, is greater
3 than fifty per cent of the insurer's remaining surplus as regards policyholders in excess of the minimum
4 required, and as such is deemed to be hazardous to its policyholders or creditors or the general public
5 within the meaning of A.R.S. § 20-220.01(A)(5) and (6).

6 5. Allowing MMHP to participate in open enrollment commencing on November 1, 2015 would
7 have the effect of incurring a debt, obligation or liability within the meaning of A.R.S. § 20-170(6).

8 6. Grounds exist for the Director to determine that the continued operation of the insurer licensed
9 to transact business in this state may be hazardous to its policyholders or creditors or the general public,
10 within the meaning of A.R.S. § 20-220.01(C).

11 7. Grounds exist for the Director to suspend the certificate of authority issued to MHP in
12 accordance with A.R.S. § 20-219(2).

13 8. Grounds exist for the Director to place the Respondent under supervision of the Department in
14 accordance with A.R.S. §20-169.

15 **ORDER**

16 **IT IS ORDERED:**

17 1. Summarily suspending the Arizona certificate of authority held by Respondent and effective
18 immediately, prohibiting the issuance of new and renewal Arizona insurance.

19 2. Respondent MMHP is hereby notified of the determination of the Director that the continuation
20 of the business of Respondent is hazardous to the public or to holders of its policies, and to place
21 Respondent MMHP under the supervision of the Department in accordance with A.R.S. § 20-169.

22 3. Respondent is hereby under the supervision of the Director and the Director is applying and
23 effectuating the provisions of Article 2, Chapter 1, Title 20, Arizona Revised Statutes.

1 4. Pursuant to A.R.S. § 20-220.01(C), the requirements to abate the Director's determination are
2 that:

- 3 a) MMHP shall provide a plan, due to the Director within 15 days of entry of this
4 Order, disclosing the winding down of MMHP's operations including that
5 MMHP shall cease writing business effective immediately;
- 6 b) MMHP shall purchase a surplus note issued by Meritus Health Partners in an
7 amount not to exceed \$15 million dollars;
- 8 c) In addition to regular annual statements, file interim financial reports on the form
9 adopted by the National Association of Insurance Commissioners or in a format
10 prescribed by the Director; and
- 11 d) MMHP will budget operations to eliminate unnecessary or excessive expenses,
12 including, but not limited to, reduction of staff.

13 5. MMHP will suspend the issuance of new or renewed business including by discontinuing all
14 policies on or before midnight on December 31, 2015.

15 6. Pursuant to A.R.S. § 20-170, the Director orders that Respondent MMHP, its directors, officers,
16 agents, employees and affiliates, during the period of Supervision, may not do any of the following
17 things without the prior approval of the Director or his Supervisor:

- 18 a. sell, dispose of, convey or encumber any of its assets, investments, property, or
19 its business in force;
- 20 b. withdraw any funds from its bank accounts or other depositories;
- 21 c. lend any of its funds or assets;
- 22 d. invest any of its funds or assets;
- 23 e. transfer any of its property;

- 1 f. incur any debt, obligation or liability;
- 2 g. merge or consolidate any or all of the Respondent's operations with another
- 3 company;
- 4 h. enter into any new contract, service contract, management contract, agency
- 5 agreement, or reinsurance contract or treaty; or
- 6 i. enter into any new reinsurance contract or treaty.

7 7. In addition, MMHP shall run off all business on or before midnight on December 31,

8 2015.

9 8. If Respondent fails to satisfy the requirements to abate the order of supervision within

10 sixty (60) days from the date hereof, the Director may take appropriate action including but not limited

11 to commencing a conservatorship pursuant to A.R.S. §§ 20-169(3) and 20-171.

12 9. Pursuant to A.R.S. § 20-171(C), the costs incident to the services of the Director, or his

13 Supervisor, or both, and any counsel, clerks, and assistants thereof engaged pursuant to this Order, shall

14 be charged against the assets and funds of Respondent and shall be paid when fixed and determined by

15 the Director.

16 EFFECTIVE this 30th day of October, 2015.

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19 ANDY TOBIN
20 Director of Insurance

21 **NOTIFICATION OF RIGHTS**

22 You have the right to request a hearing on this determination by filing a notice of appeal after

23 your receipt of this notice. The notice of appeal must identify the party appealing, the party's address,

1 the matter being appealed and must contain a detailed statement of the reason for the appeal. Your
2 hearing will be promptly instituted and determined as prescribed by A.R.S. §§41-1001(4), 41-
3 1092.11(B) and 41-1092.05(E) to the extent the Office of Administrative Hearings calendar permits. In
4 any event, your hearing will be held within sixty (60) days of your notice of appeal is filed, unless the
5 hearing is advanced or delayed by agreement or a showing of good cause by any party. The Department
6 of Insurance will promptly serve a "Notice of Hearing" in accordance with A.R.S. §41-1092.05(E) that
7 will inform you of the date, time and location of the hearing as well as the issues.

8 If you file an appeal, you may also request an "informal settlement conference" pursuant to
9 A.R.S. §41-1092.06 by filing a written request no more than twenty (20) days before the scheduled
10 hearing. The conference will be held within fifteen (15) days after our receipt of your request. If an
11 informal settlement conference is requested, a person with the authority to act on behalf of the
12 Department of Insurance will be present. Please note that you waive any right to object to the
13 participation of the Department's representative in the final administrative decision of the matter if it is
14 not settled.

15 Your notice of appeal and/or request for an informal settlement conference may be addressed to the
16 attention of:

Hearing Administration
Arizona Department of Insurance
Notice of Appeal
2910 North 44th Street, Suite 210
Phoenix, Arizona 85018-7256

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1 COPY of the foregoing mailed/hand-delivered
this 30 day of October, 2015, to:

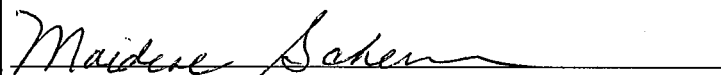
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