



**Frequently Asked Questions on Rehabilitation of D.C.
Chartered Health Plan, Inc.**

DC Department of Insurance, Securities and Banking
October 19, 2012

What is rehabilitation?

Rehabilitation is a court-ordered receivership in which the Commissioner is appointed as receiver and is vested with title to all of Chartered's assets and the power to act as necessary to reform and revitalize the company. The powers of the rehabilitator are set out in a proposed Rehabilitation Order which is before the Court. The rehabilitator will develop a plan to properly capitalize the company under new ownership, if feasible.

How will this process affect enrollees in Medicaid and the D.C. Alliance and medical providers?

In rehabilitation, there will be no interruption of service to enrollees or payment to medical providers. The Department of Health Care Finance has indicated it will recommend extension of Chartered's Medicaid contract to the D.C. Council by Oct. 30. The contract would run through April 30, 2013. Health Care Finance will also seek requests for proposal for new five-year contracts from qualified companies.

Why has the Commissioner petitioned to put Chartered in rehabilitation?

In April, Chartered reported an operating loss of \$15 million for 2011. In June, the Department of Insurance, Securities and Banking gave the company 90 days to raise more capital and/or find a buyer; and to have its financial results audited by an accounting firm. Reluctant to interrupt service to the city's largest Medicaid contractor, DISB closely monitored Chartered's efforts to get capital and complete its audit.

As of today, the 2011 audit is not yet finished, and no definitive agreement had been reached regarding a purchase. The Department determined, and the company's board of directors agreed, that further efforts to rehabilitate the company would best be pursued by the commissioner under receivership. So a consent petition was filed and an order is anticipated.

Rehabilitation will ensure that health-care providers will continue to be paid and Medicaid and D.C. Alliance enrollees continue to get service without any interruption as the audit is completed and a buyer is sought.

What effect will rehabilitation have on Chartered's holding company and its owner?

The rehabilitator will have full control over all of the assets of Chartered and authority to operate the company free of any control of Chartered's holding company. All power of the directors, officers and managers of Chartered will be suspended except as determined by the commissioner. The commissioner as rehabilitator anticipates delegating authority for the day-to-day business of Chartered to its management team headed by Maynard McAlpin.

The commissioner will name Dan Watkins, a certified insurance receiver, to manage the rehabilitation of Chartered as his special deputy rehabilitator and retain the law firm of Faegre Baker Daniels as counsel to the rehabilitator.

What are the issues with the 2011 audit?

The commissioner anticipates certain negative adjustments to capital and surplus due to the audit. The company's auditor is also seeking supporting documentation to verify certain receivables and expenses on the company's books.

Does Chartered become a DC government agency?

No. Chartered will be in rehabilitation and the commissioner will have full control of the company's assets. In the rehabilitation, Chartered will continue to function with its employees providing services to its members and making payments to providers.