

## **QUESTIONS AND ANSWERS ABOUT D.C. CHARTERED HEALTH PLAN INC. February 22, 2013**

The special deputy rehabilitator for the company, Daniel L. Watkins, answers questions about Chartered's recent status report and petition to approve the sale of certain Chartered assets to AmeriHealth, a national leader in government-sponsored managed-care health services.

### **What is AmeriHealth purchasing from Chartered?**

AmeriHealth is purchasing certain assets of Chartered, not its stock or liabilities (except those specifically identified in the Asset Purchase Agreement). AmeriHealth is seeking a new Medicaid contract with the District. If it is successful in securing the contract, it would hire most of Chartered's employees and utilize Chartered's provider network.

### **What happens if AmeriHealth does not secure a Medicaid contract with the District?**

AmeriHealth is not required to close on the Asset Purchase Agreement if it is not successful in securing the Medicaid contract with the District. In that case, the rehabilitator would continue to marshal Chartered's assets, resolve Chartered's liabilities and wind down Chartered's affairs after the expiration of its current Medicaid contract April 30.

### **How much is AmeriHealth paying for Chartered's assets?**

AmeriHealth has agreed to pay \$5 million and provide significant services for the rehabilitation at no cost to Chartered after Chartered's contract ends. AmeriHealth will also capitalize its new company in an amount expected to be in excess of \$30 million.

In addition, if the transaction is approved and closes, most of Chartered's employees will have jobs with AmeriHealth.

Chartered's financial advisor, Keefe, Bruyette & Woods, believes the transaction represents a reasonable reflection of any inherent value in Chartered's business operations in its current state, given the significant challenges—legal and financial—described in the first report to the court.

### **What are the premium-claims assets which Chartered is keeping?**

Chartered has filed claims with the District for retrospective adjustments owed for costs Chartered incurred due to contract changes the District made in 2010.

The increased costs are primarily due to expensive HIV medications heavily utilized by enrollees in the city's own health-care program for the poor, D.C. Healthcare Alliance, who were shifted onto Medicaid coverage with expanded pharmacy benefits.

Chartered's contract with the Department of Health Care Finance provides for an equitable adjustment to pay for losses when there is a change to the contract, such as the switch to Medicaid coverage for certain Alliance members.

The rehabilitator is seeking an expedited review and, hopefully, resolution of these claims with the District. The claims represent a substantial portion of Chartered's assets, and Chartered needs to realize fair value on the claims to meet its liabilities under its current Medicaid contract.

**Has Chartered's holding company or its shareholder responded to Chartered's demand to provide satisfactory documentation for transactions with Chartered Family Health Center or repayment of the amounts in question? What about federal income tax refunds due Chartered by the holding company?**

DC Health Systems Inc., Chartered's parent company, has asked for additional information and documentation regarding amounts claimed by Chartered from the parent company and/or its shareholder. Chartered is providing the parent company updated documentation and reconciliations on related party accounts. The rehabilitator will continue to seek satisfactory documentation and recovery of income-tax refunds and other related party payments determined to be due from the parent company and its shareholder.

**Will providers be paid for the services currently being provided to Chartered enrollees?**

Chartered intends to marshal and utilize all available assets to pay provider claims. A significant portion of Chartered's assets are illiquid and currently not available—over \$60 million in retrospective premium claims filed with the Department of Health Care Finance and approximately \$12 million in assets pledged to Cardinal Bank.

The rehabilitator is seeking an expedited review, and, hopefully, timely resolution of those claims with the District so that providers can be paid in full.