

SUPERIOR COURT FOR THE DISTRICT OF COLUMBIA
Civil Division

DISTRICT OF COLUMBIA,
Department of Insurance, Securities
and Banking,
810 First Street, NE, Suite 701
Washington, DC 20002

Petitioner,

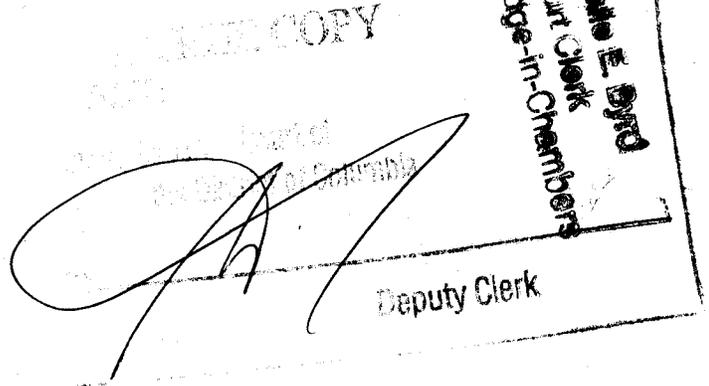
v.

DC CHARTERED HEALTH PLAN, INC.,
1205 15th Street, NW
Washington, D. C. 20005,

Respondent.

Civil Action No.:
Judge:
Calendar No.:

2012-8227



EMERGENCY CONSENT ORDER OF REHABILITATION

Upon consideration of the *Emergency Consent Petition for an Expedited Order of Rehabilitation pursuant to D.C. Official Code §§ 31-1303, 1310 - 1312 and 3420* and the entire record herein, it is, by the Court, this ____ day of October 2012,

ORDERED: That the *Emergency Consent Petition for an Expedited Order of Rehabilitation* be, and is hereby, **GRANTED**; and it is

FURTHER ORDERED: That the Commissioner, and his successors in office, are appointed Rehabilitator of Chartered pursuant to D.C. Official Code § 31-1311 (2001 ed.); and it is

FURTHER ORDERED: That the Commissioner, and his successors in office, shall be vested with all appropriate and necessary powers provided under chapter 13 of Title 31 of the D.C. Official Code, including:

- (i) All powers of the directors, officers and managers of Chartered, whose authority is suspended except as may be re-delegated by the Rehabilitator.
- (ii) Authority to take possession and control of Chartered's assets and administer them under the general supervision of the Court.
- (iii) Authority to take such action as deemed necessary or appropriate to reform and revitalize Chartered.
- (iv) Authority to pay claims.
- (v) Authority to petition courts for stay of litigation pending against Chartered.
- (vi) Authority to accept new or renewal business or extension of Chartered's contracts.
- (vii) Authority to accept, direct, manage and pay employees and pay all other expenses necessary to the rehabilitation.
- (viii) Authority to appoint and compensate from Chartered's assets one or more special deputies (who shall have all the powers and responsibilities of the Rehabilitator granted under the statute) and to engage and compensate counsel, consultants, financial advisors, clerks, and assistants deemed necessary to the rehabilitation.
- (ix) Authority to pursue all appropriate claims and legal remedies on behalf of Chartered.
- (x) Authority to avoid fraudulent transfers under D.C. Official Code §§ 31-1324 & 1325.
- (xi) Authority to enjoin any person from interfering with the Rehabilitator in possession and control of the property, books, records and all other assets of Chartered.

FURTHER ORDERED: That title of all assets of Chartered is vested in the Rehabilitator by operation of law.

FURTHER ORDERED: That the Rehabilitator shall seek Court approval of any compromise or settlement of Chartered's claim pending before the District of Columbia's Contract Appeals Board and the contemplated claim regarding capitation rates for the Alliance Program.

FURTHER ORDERED: That officers, directors, employees, agents and others are directed to cooperate with the Rehabilitator as provided by D.C. Official Code § 31-1305.

FURTHER ORDERED: That the Rehabilitator may seek to enjoin the initiation of lawsuits, dissipation of bank accounts, obtaining of preferences, or any other interference with the Rehabilitator.

FURTHER ORDERED: That the Rehabilitator file periodic accountings with the Court, no less frequently than semi-annually.

FURTHER ORDERED: That the Rehabilitator submit a plan of rehabilitation of Chartered for Court approval, if one is feasible. If the Rehabilitator determines that a rehabilitation plan is not feasible, the Rehabilitator shall submit a report to the Court which states the basis for such determination.

FURTHER ORDERED: That entry of this Order of Rehabilitation shall not constitute an anticipatory breach of any contracts of Chartered nor shall it be grounds for retroactive revocation or retroactive cancellation of any contracts of Chartered, unless the revocation or cancellation is done by the Rehabilitator pursuant to D.C. Official Code § 31-1312.

FURTHER ORDERED: That this Court retains jurisdiction in this matter during Chartered's rehabilitation, and for purposes of granting such other and further relief as this cause and the interest of the policyholders, creditors, or the public may require.


Judge, Superior Court

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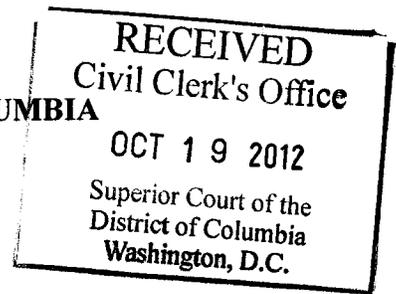
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Office of the Attorney General
441 Fourth Street, N.W., Ste. 650N
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Mr. Maynard G. McAlpin
President and CEO
DC Chartered Health Plan, Inc.
1025 15th Street, NW
Washington, DC 20005

William P. White, Commissioner
c/o Adam H. Levi
DISB, Office of the General Counsel
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Washington, D. C. 20002

A. Scott Bolden, Esquire
Reed Smith, LLP
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Petitioner,

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DC CHARTERED HEALTH PLAN, INC.,
1205 15th Street, NW
Washington, D. C. 20005,

Serve:

A. Scott Bolden, Esquire
Reed Smith, LLP
1301 K Street, NW
Suite 1100, East Tower
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Respondent.

Civil Action No.:

Judge:

Calendar No.:

0008227-12

**EMERGENCY CONSENT PETITION FOR AN EXPEDITED ORDER OF
REHABILITATION PURSUANT TO
D.C. OFFICIAL CODE §§ 31-1310, 31-1311, 31-1312 and 31-3420(a)
ON OR BEFORE OCTOBER 23, 2012**

William P. White, Commissioner of the District of Columbia Department of Insurance,
Securities and Banking (the "Department"), by and through his counsel, the Office of the
Attorney General for the District of Columbia, and with the consent of D. C. Chartered Health
Plan, Inc. ("Chartered") through the Unanimous Written Consent of the Board of Directors,
respectfully petitions this Court for the entry of an Expedited Order of Rehabilitation appointing
the Commissioner and his successors in office as Rehabilitator of Chartered pursuant to D.C.

Official Code §§ 31-1303 (jurisdiction and venue), 1308 (allowing issuance of a temporary seizure order ex parte and without hearing), 1310 – 1312 (rehabilitation) and 3420 (rehabilitation of health maintenance organizations (“HMOs”)) (2001). As grounds for this request, the Petitioner states an Expedited Order of Rehabilitation is needed to assure continuous and uninterrupted medical and payment coverage to Chartered’s Medicaid enrollees. Under these circumstances, as outlined more fully below, “the Commissioner shall take such action as is necessary to place the health organization under regulatory control...” D.C. Official Code § 31-3851.06(a). Therefore, for the reasons stated more fully below, the Petitioner requests that the attached *Expedited Order of Rehabilitation* be signed on or before October 23, 2012.

Chartered is a duly licensed health maintenance organization pursuant to the Health Maintenance Organization Act of 1996, effective April 9, 1997 (D.C. Law 11-235; D.C. Official Code § 31-3401 *et seq.*) (“Act”). D.C. Official Code § 31-3420(a) provides in pertinent part, that the Commissioner may apply for an order of rehabilitation “upon any one or more grounds set forth in § 31-1310 . . . “ Section 31-1310(12) states that the Commissioner may petition the Court for an order directing him to rehabilitate a domestic insurer on the grounds that “The board of directors . . . request or consent to rehabilitation under this chapter.”

Further, D.C. Official Code § 31-1311(a) authorizes the Court to appoint the Commissioner and his successors in office as rehabilitator and direct the rehabilitator “forthwith to take possession of the assets of the insurer, and to administer them under the general supervision of the court.” Finally, § 31-1312(c) empowers the Commissioner as rehabilitator to “take such action as deemed necessary or appropriate to reform and revitalize the insurer.”

In support of this Petition, the Commissioner, by and through counsel, states the following:

1. Chartered is a domestic business corporation incorporated in the District of Columbia on December 1, 1986.
2. From 1986 until December 1996, when the District of Columbia passed the Act, Chartered operated under a managed care agreement with the District to provide health care services to District Medicaid recipients. On January 9, 1998, in accordance with the Act, Chartered was issued a Health Maintenance Organization certificate of authority.
3. On March 29, 2000, DC Healthcare Systems, Inc. ("DCHSI"), the current holding company and sole owner of Chartered, agreed to acquire Chartered from a Trustee. The prior owner, PHP Healthcare Corporation, had filed for Chapter 11 bankruptcy on November 19, 1998. The Department approved the sale on May 16, 2000, and the sale of Chartered to DCHSI was finalized on May 17, 2000. Throughout the bankruptcy and sale, Chartered continued to provide healthcare services to Medicaid recipients pursuant to a Medicaid contract with the District of Columbia.
4. DCHSI is wholly-owned by Jeffrey E. Thompson and they are the interested parties in this matter.
5. On October 16, 2012, Chartered's board of directors adopted a resolution consenting to rehabilitation.
6. The purpose and goal of this Rehabilitation is to reform and revitalize Chartered, if feasible, under a Court approved plan of rehabilitation.
7. An Order of Rehabilitation is needed by October 23, 2012 to assure that medical coverage and payment coverage to Chartered's 110,000 Medicaid enrollees

continues uninterrupted. Delivery of medical services to these members can be adversely affected without entry of this Order.

WHEREFORE, the District of Columbia, prays that the Court issue an Expedited Order of Rehabilitation appointing the Commissioner Rehabilitator with all of the following as provided in Chapter 13 of Title 31 of the D.C. Official Code:

A.

- (i) All powers of the directors, officers and managers of Chartered, whose authority is suspended except as may be re-delegated by the Rehabilitator.
- (ii) Authority to take possession and control of Chartered's assets and administer them under the general supervision of the Court.
- (iii) Authority to take such action as deemed necessary or appropriate to reform and revitalize Chartered.
- (iv) Authority to pay claims.
- (v) Authority to petition courts for stay of litigation pending against Chartered.
- (vi) Authority to accept new or renewal business and extension of Chartered's contracts.
- (vii) Authority to direct, manage and pay employees and pay all other expenses necessary to the rehabilitation.
- (viii) Authority to appoint and compensate from Chartered's assets one or more special deputies (who shall have all the powers and responsibilities of the rehabilitator granted under the statute) and to engage and compensate counsel, consultants, financial advisors, clerks, and assistants deemed necessary to the rehabilitation.
- (ix) Authority to pursue all appropriate claims and legal remedies on behalf of Chartered.
- (x) Authority to avoid fraudulent transfers.
- (xi) Authority to enjoin any person from interfering with the Rehabilitator in possession and control of the property, books, records and all other assets of Chartered.

- B. That the Rehabilitator shall seek Court approval of any compromise or settlement of Chartered's pending claim before the Contract Appeals Board and the contemplated claim regarding capitation rates for the Alliance program.
- C. That title of all assets of Chartered is vested in the Rehabilitator.
- D. That Chartered's officers, directors, employees, agents and others be directed to cooperate with the Rehabilitator.
- E. That the Rehabilitator may seek to enjoin the initiation of lawsuits, dissipation of bank accounts, obtaining of preferences, or any other interference with Rehabilitator.
- F. That the Rehabilitator file periodic accountings with the Court, no less frequently than semi-annually.
- G. That the Rehabilitator submit a plan of rehabilitation for Court approval of Chartered, if one is feasible. If the Rehabilitator determines that a rehabilitation plan is not feasible, the Rehabilitator shall submit a report to the Court which states the basis for such determination.
- H. That entry of an Order of Rehabilitation shall not constitute an anticipatory breach of any contracts of Chartered nor shall it be grounds for retroactive revocation or retroactive cancellation of any contracts of Chartered, unless the revocation or cancellation is done by the rehabilitator pursuant to D.C. Official Code § 31-1312.
- I. That this Court retain jurisdiction in this matter until Chartered has been rehabilitated, and for purposes of granting such other and further relief as this cause and the interest of the policyholders, creditors, or the public may require.

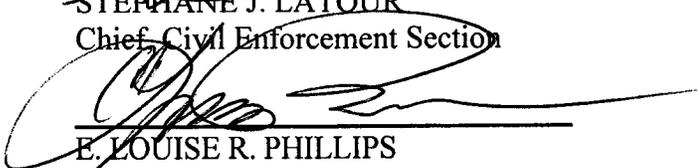
Respectfully submitted,

IRVIN B. NATHAN
Attorney General for the
District of Columbia

ELLEN A. EFROS
Deputy Attorney General
Public Interest Division



STEPHANE J. LATOUR
Chief, Civil Enforcement Section

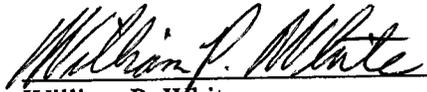


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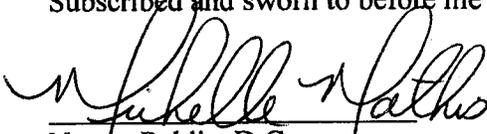
VERIFICATION

I, William P. White, Commissioner of the Department of Insurance, Securities and Banking, hereby affirm that to the best of my knowledge, information, and belief the foregoing *Emergency Consent Petition for an Expedited Order of Rehabilitation* is accurate.


William P. White
Commissioner

District of Columbia, ss:

Subscribed and sworn to before me this 18 day of October, 2012.


Notary Public, D.C.

My commission expires: March 31, 2013.

