

## QUESTIONS AND ANSWERS ABOUT D.C. CHARTERED HEALTH PLAN, INC. As of September 11, 2013

### What is Chartered?

D.C. Chartered Health Plan Inc. is a managed care organization that served over 100,000 Medicaid and Alliance enrollees in the District. Chartered has been in court-ordered rehabilitation since Oct. 19.

### What is rehabilitation?

Rehabilitation is a formal, court-approved receivership in which the commissioner of the Department of Insurance, Securities and Banking, as Rehabilitator, takes control of a company's assets and is empowered to reform and revitalize the company. The rehabilitator's powers in Chartered's rehabilitation are described in the court's Oct. 19, 2012 order, available at <http://disb.dc.gov>.

### What are the rehabilitator's goals?

The rehabilitator's primary goals were to ensure that more than 100,000 Chartered enrollees continued to get health care without interruption; to make sure that Chartered received fair value for its claims for reimbursement from the District; to pay the medical, dental, vision, behavioral health, pharmacy and laboratory services providers who served Chartered's enrollees; and to keep more than 100 Chartered employees in the District in their jobs.

### Has the rehabilitator achieved these goals?

The rehabilitator is well on the way to achieving these goals.

- Continued services to Chartered enrollees. Chartered enrollees received care through April 30, when Chartered's contract with the District ended. Chartered worked closely with AmeriHealth to ensure Chartered enrollees would continue to receive services from AmeriHealth through Chartered's provider network on and after May 1. There was a nearly seamless transition, without interruption of services to Chartered enrollees.
- Obtained fair value on reimbursement claims. Chartered settled its contractual reimbursement claims with the District for \$48 million. The court approved the settlement, and settlement monies soon will be paid to providers.
- Kept over 100 jobs in the District. AmeriHealth hired most of Chartered's employees, keeping over 100 jobs in the District.

### When and why did Chartered stop paying providers?

Effective April 19, Chartered suspended payments to medical, dental, vision, behavioral health, pharmacy and laboratory providers. Large losses in 2012 and 2011 had depleted Chartered's cash reserves. At the time payments were suspended, almost all of Chartered's remaining assets were illiquid (and couldn't easily be converted to cash) or were otherwise unavailable to pay providers. The illiquid assets included

claims that the District had under-reimbursed the company and assets securing a loan taken by Chartered's parent company, D.C. Healthcare Systems, Inc.

**How much does Chartered owe providers?**

As of September 10, Chartered owes providers more than \$58 million, not including interest. Providers may still appeal claim denials, and successful appeals may increase the total owed. The rehabilitator estimates that total provider claims will be around \$60 million, excluding interest. Chartered also settled a matter in litigation with two MedStar hospitals for \$8.4 million which is in addition to the \$60 million in claims by providers.

**Who else does Chartered owe?**

Chartered owes various creditors, including the District of Columbia for unpaid premium tax. The deadline for creditors to submit claims was Aug. 31. The rehabilitator is currently reviewing the creditor claims.

**Can Chartered now pay what it owes?**

In part. Chartered has settled its reimbursement claims with the District for \$48 million, and agreed that money will be paid only to providers. Since April, Chartered has been paid \$5 million by AmeriHealth for certain assets; received \$2 million from Cardinal Bank; and made some additional recoveries totaling approximately \$5 million. However, Chartered's total estimated liabilities exceed current available assets.

**Is Chartered likely to get any more money?**

It may. Chartered has sued its parent company and its sole shareholder, Jeffrey Thompson, for more than \$17 million. That lawsuit is ongoing.

**How does Chartered decide whom to pay first?**

Chartered's settlement agreement with the District specifies that the \$48 million settlement will be paid *only* to providers. Chartered otherwise must make payments according to the court-approved Plan of Reorganization. Under the Plan of Reorganization, claims are paid in the following order:

Class 1	Administrative Expenses
Class 2	Enrollees' Claims
Class 3	Provider Claims
Class 4	Government Claims
Class 5	Employee Compensation
Class 6	General Creditor Claims
Class 7	Late Claims
Class 8	Surplus or contribution notes, or similar obligations
Class 9	Owner/ Shareholder Claims

**When will providers be paid and how much will they receive?**

The Department of Health Care Finance and the rehabilitator's special deputy will be sending providers detailed information about their claims and the payment process. More information is available at <https://www.charteredrehabilitation.com>.

In brief, through Chartered's settlement with the District, each provider will receive two payments that will total approximately 80% of the amount owed (not including interest). The first payment is scheduled to be mailed by Sept. 20. A second payment will follow from the District's grant program. After the two settlement payments are distributed, the rehabilitator will calculate available assets and liabilities and anticipates making an additional payment to providers. Current estimates are that providers will receive approximately 90% of amounts owed (not including interest).