



New York
Liquidation Bureau

Maria T. Vullo
Superintendent as Receiver

January 25, 2017

The Hon. Carol R. Edmead
Supreme Court of the State of New York, New York County
60 Centre Street, Room 532
New York, New York 10007

Re: In the Matter of the Liquidation of Health Republic Insurance of New York, Corp., Index No. 450500/2016

Dear Justice Edmead:

As requested by Your Honor, I am writing on behalf of the Superintendent of Financial Services of the State of New York in her capacity as Liquidator (“Liquidator”) of Health Republic Insurance of New York, Corp. (“Health Republic”) to submit the Liquidator’s projected timeline (“Timeline”) of key milestones in the Health Republic liquidation. A chart of the timeline is attached hereto as Appendix A and is being posted on the Health Republic website. This letter provides a brief explanation of the items listed in the timeline.¹

Stage of Liquidation	Key Actions	Estimated Timeframe
Liquidation Order	Health Republic was placed into liquidation by Order of the Supreme Court, New York County, entered May 11, 2016 (“Liquidation Order”).	May 11, 2016
Intake and Establishment of Claims Procedures	The first six-to-twelve months of a new liquidation are generally the most intensive as the Liquidator’s staff takes possession of the company’s property, finances and claims handling processes from prior management.	May 12, 2016 – January 31, 2017

¹ All time projections are estimates and may be modified based on additional information, analysis or developments.

Stage of Liquidation	Key Actions	Estimated Timeframe
	<p>By December 31, 2016, the intake process was largely complete and many of the core functions of the liquidation were being handled by, or in the process of being transitioned to, the Liquidator.</p> <p>A key step in the intake process was the establishment of a procedure to adjudicate claims under policies (“Claims Adjudication Procedures”) made by persons who were covered by Health Republic policies (“Members”) or health care professionals, providers and facilities (“Providers”) that provided health care services to Members. The Court approved the Claims Adjudication Procedures by Order, dated October 11, 2016.</p>	
Claims Audit	<p>In a status conference held on January 11, 2017, the Court approved Truven Health Analytics (“Truven”) to perform a claims audit (“Claims Audit”) of the approximately 700,000 claims submitted in the liquidation. The audit will provide a necessary independent review of the claims reimbursement determinations made by Health Republic’s third-party claims administrator. The Liquidator executed an agreement with Truven in late December 2016, which enabled a prompt transfer of electronic claims files to Truven as the first step in the audit process.</p>	January 2017 – June 2017
Issuance of Explanation of Benefits (“EOBs”)	<p>Under the Claims Adjudication Procedures, claims determinations will be made in the form of Explanations of Benefits/Allowances or “EOBs” that will be mailed to claimants. Once the Claims Audit has recommended confirmation or adjustment of the claims determinations, the Liquidator will review the results and begin issuing EOBs on a rolling basis, a labor-intensive process given the nature and quantity of the health care claims.</p>	April 2017 – December 2017
Adjudication of EOBs	<p>The Claims Adjudication Procedures provide a process for Members and Providers to appeal an EOB and</p>	July 2017 – December 2018

Stage of Liquidation	Key Actions	Estimated Timeframe
	<p>receive Court review of the appeal. The Liquidator is currently working on a proposal for the selection of referees and medical claims examiners (“Medical Examiners”) to assist in the efficient resolution of appeals. The Claims Adjudication Procedures prescribe a number of stages that may extend the adjudication process over many months. These stages include a 60-day period from receipt of the EOB for claimants to submit an appeal, a 60-day period for the Liquidator to complete an internal review of the appeal, and if denied by the Liquidator, 30 days for the claimant to file an objection to the denial, and an additional 60 days for the Liquidator to determine whether to submit the unresolved objection to mediation or to a referee or Medical Examiner for resolution. Additional periods are contemplated for the hearing and determination of the referee’s or Medical Examiner’s recommendation and the referral of the recommendation to the Court for approval. This process provides a fair process for all relevant stakeholders to adjudicate their claims. It is difficult to project the length of this process given that the number of appeals is presently unknown.</p>	
Initial Court Report	<p>The Initial Court Report is a key step in the liquidation process, where the Liquidator will present to the Court a summary of the estate’s activities, transactions and expenses, including actual and necessary costs and expenses of administration. The Initial Court Report sets out the status of claims resolution, asset recovery and the financial status of the estate.</p> <p>In addition, the Initial Court Report provides a basis for the Liquidator to request that the Court grant the Liquidator authority to make distributions on allowed claims, if and as appropriate.</p> <p>The Liquidator anticipates submission of the Initial Court Report in the fourth quarter of 2017, once the Claims Audit is complete and the EOB process is sufficiently advanced that the Liquidator has a basis to reasonably estimate the total number of policy-related</p>	September 2017 – December 2017

Stage of Liquidation	Key Actions	Estimated Timeframe
	<p>claims that will be allowed in the estate. The Liquidator's estimate will include an assessment of the number of pending appeals, which will further provide a basis for projecting claims allowances.</p> <p>Additional Court Reports may be submitted by the Liquidator up to and including the Closing Court Report (discussed below). Audited financial statements are also prepared and posted on an annual basis as part of the Liquidator's annual reporting process.</p>	
Investigation and Follow-up of Affirmative Claims	<p>The Liquidator has been investigating potential claims against third parties, including former directors and officers of Health Republic. The nature of the claims requires a careful balancing of probable costs and probable recoveries. Litigation of such claims, if advisable, would require an indefinite period to complete.</p>	To be determined
Resolution of Federal Issues	<p>Much of the outcome of this liquidation turns on the resolution of various Health Republic balances claimed to be owed to and from the federal government ("Federal Claims"). The Liquidator has posted a receivable on its September 30, 2016 balance sheet reflecting balances owed under the Federal Risk Corridors program; however, the federal government has placed a hold on payments to Health Republic, and based on actions taken in proceedings in other states, may assert priority payment of its claims and various alleged rights of set-off or netting, relating to federal loans and the Risk Adjustment Program.</p>	To be determined
Closing Court Report and Final Distribution	<p>The Closing Court Report presents for the Court's review the Liquidator's final statement of activities in the estate, including claims adjudications, asset collections, distributions and the actual and necessary costs and expenses incurred by the Liquidator in the administration of the estate.</p> <p>Remaining claim allowances, if any, and any remaining</p>	To be determined

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	<p>business of the estate requiring Court approval may be submitted to the Court as part of the Closing Court Report, along with a request for permission to make distributions and close the estate.</p> <p>Given the uncertainty of resolving the Federal Claims, and the possibility of other litigation, the Liquidator is unable at this time to estimate when a Closing Court Report will be filed.</p>	

This timeline is presented as a reference for the Court and Health Republic's claimants. It is an estimate and does not present a complete discussion of the numerous steps and processes that must occur in the course of the liquidation. The Liquidator will continue to update the Court and Health Republic's claimants on the progress of the estate and will amend the timeline as warranted.

Respectfully submitted,



David Axinn
Special Deputy Superintendent and
Agent of the Liquidator

