

OCT 30 2015

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

DEPT OF INSURANCE
BY *MS*

Docket No. 15A-169-INS

In the Matter of)
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COMPASS COOPERATIVE HEALTH PLAN, INC.)
dba MERITUS HEALTH PARTNERS)
(NAIC No. 14676))

Respondent.)

**ORDER SUMMARILY
SUSPENDING CERTIFICATE OF
AUTHORITY AND ORDER FOR
SUPERVISION**

The State of Arizona, Department of Insurance (the "Department"), has received evidence that Compass Cooperative Health Plan, Inc. doing business as Meritus Health Partners ("Respondent" or "MHP") has violated the provisions of Arizona Revised Statutes ("A.R.S."), Title 20.

FINDINGS OF FACT

1. Respondent, Compass Cooperative Health Plan, Inc. doing business as Meritus Health Partners ("MHP"), is domiciled in Arizona and presently holds a certificate of authority issued by the Department to transact business as a health care services organization.

2. Per A.R.S. § 20-1052(C), MHP's minimum capital and surplus requirement is \$1.0 million.

3. As of September 30, 2015, MHP reported capital and surplus of \$9.9 million with the inclusion of a pending \$14.9 million surplus note issuance.

4. Unaudited interim financial statements provided to the Department by MHP report that MHP's net loss was \$14.9 million as of September 30, 2015.

5. Net loss reported year-to-date as of September 30, 2015 is approximately 167% of MHP's remaining surplus as regards policyholders in excess of the minimum required, which meets the determination of hazardous financial condition pursuant to A.R.S. §20-220.01(A)(1), (5) and (6).

6. During the nine months ending September 30, 2015, MHP reported negative cash flow from operations of \$14.9 million. During 2014, MHP reported negative cash flow from operations of \$10.7

1 million. If continued, negative cash flow would result in MHP's inability to maintain adequate liquidity
2 in order to meet obligations, which meets the determination of hazardous financial condition pursuant to
3 A.R.S. §20-220.01(A)(16).

4 7. The Department understands it is the hope and intention of MHP and its affiliate, Meritus
5 Mutual Health Partners, Inc., to write business on and off the Exchange when Open Enrollment begins
6 on November 1, 2015.

7 **CONCLUSIONS OF LAW**

8 1. The Director has jurisdiction over this matter.

9 2. Per A.R.S. §§ 20-1052(C), MHP's minimum capital and surplus requirement is \$1.0 million.

10 3. The Director determines that adverse findings reported in financial statements and reports, deem
11 MHP to be hazardous to its policyholders, creditors, or the general public, within the meaning of A.R.S.
12 § 20-220.01(A)(1).

13 4. The Director determines that MHP's 167% operating loss in the last twelve-month period or any
14 shorter period of time, including net capital gain or loss and change in nonadmitted assets, is greater
15 than fifty per cent of the insurer's remaining surplus as regards policyholders in excess of the minimum
16 required, and as such is deemed to be hazardous to its policyholders or creditors or the general public
17 within the meaning of A.R.S. § 20-220.01(A)(5) and (6).

18 5. Allowing MHP to participate in open enrollment commencing on November 1, 2015 would
19 have the effect of incurring a debt, obligation or liability within the meaning of A.R.S. § 20-170(6).

20 6. Grounds exist for the Director to determine that the continued operation of the insurer licensed
21 to transact business in this state may be hazardous to its policyholders or creditors or the general public,
22 within the meaning of A.R.S. §§ 20-220.01(C) and 20-1065(A)(7).

1 7. Grounds exist for the Director to suspend the certificate of authority issued to MHP in
2 accordance with A.R.S. §§ 20-1065(A)(7) and 20-219(2).

3 8. Grounds exist for the Director to place the Respondent under supervision of the Department in
4 accordance with A.R.S. §20-169.

5 **ORDER**

6 **IT IS ORDERED:**

7 1. Summarily suspending the Arizona certificate of authority held by Respondent and effective
8 immediately, prohibiting the issuance of new and renewal Arizona insurance.

9 2. Respondent MHP is hereby notified of the determination of the Director that the continuation of
10 the business of Respondent is hazardous to the public or to holders of its policies, and to place
11 Respondent MHP under the supervision of the Department in accordance with A.R.S. § 20-169.

12 3. Respondent is hereby under the supervision of the Director and the Director is applying and
13 effectuating the provisions of Article 2, Chapter 1, Title 20, Arizona Revised Statutes.

14 4. Pursuant to A.R.S. § 20-220.01(C), the requirements to abate the Director's determination are
15 that:

16 a) MHP shall provide a plan, due to the Director within 15 days of entry of this
17 Order, disclosing the winding down of MHP's operations including that MHP
18 shall cease writing business effective immediately;

19 b) MHP shall issue a surplus note to Meritus Mutual Health Partners in an amount
20 not to exceed \$15 million dollars;

21 c) In addition to regular annual statements, file interim financial reports on the form
22 adopted by the National Association of Insurance Commissioners or in a format
23 prescribed by the Director; and

1 d) MHP will budget operations to eliminate unnecessary or excessive expenses,
2 including, but not limited to, reduction of staff.

3 5. MHP will suspend the issuance of new or renewed business including by discontinuing all
4 policies on or before midnight on December 31, 2015.

5 6. Pursuant to A.R.S. § 20-170, the Director orders that Respondent MHP, its directors, officers,
6 agents, employees and affiliates, during the period of Supervision, may not do any of the following
7 things without the prior approval of the Director or his Supervisor:

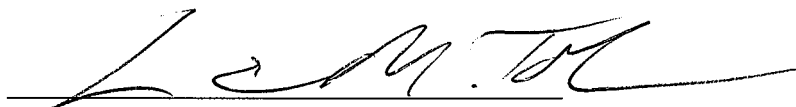
- 8 a. sell, dispose of, convey or encumber any of its assets, investments, property, or
9 its business in force;
- 10 b. withdraw any funds from its bank accounts or other depositories;
- 11 c. lend any of its funds or assets;
- 12 d. invest any of its funds or assets;
- 13 e. transfer any of its property;
- 14 f. incur any debt, obligation or liability;
- 15 g. merge or consolidate any or all of the Respondent's operations with another
16 company; or
- 17 h. enter into any new reinsurance contract or treaty.

18 7. If Respondent fails to satisfy the requirements to abate the order of supervision within
19 sixty (60) days from the date hereof, the Director may take appropriate action including but not limited
20 to commencing a conservatorship pursuant to A.R.S. §§ 20-169(3) and 20-171.

21 8. Pursuant to A.R.S. § 20-171(C), the costs incident to the services of the Director, or his
22 Supervisor, or both, and any counsel, clerks, and assistants thereof engaged pursuant to this Order, shall
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1 be charged against the assets and funds of Respondent and shall be paid when fixed and determined by
2 the Director.

3 EFFECTIVE this 30th day of October, 2015.

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6 ANDY TOBIN
7 Director of Insurance

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9 **NOTIFICATION OF RIGHTS**

10 You have the right to request a hearing on this determination by filing a notice of appeal after
11 your receipt of this notice. The notice of appeal must identify the party appealing, the party's address,
12 the matter being appealed and must contain a detailed statement of the reason for the appeal. Your
13 hearing will be promptly instituted and determined as prescribed by A.R.S. §§41-1001(4), 41-
14 1092.11(B) and 41-1092.05(E) to the extent the Office of Administrative Hearings calendar permits. In
15 any event, your hearing will be held within sixty (60) days of your notice of appeal is filed, unless the
16 hearing is advanced or delayed by agreement or a showing of good cause by any party. The Department
17 of Insurance will promptly serve a "Notice of Hearing" in accordance with A.R.S. §41-1092.05(E) that
18 will inform you of the date, time and location of the hearing as well as the issues.

19 If you file an appeal, you may also request an "informal settlement conference" pursuant to
20 A.R.S. §41-1092.06 by filing a written request no more than twenty (20) days before the scheduled
21 hearing. The conference will be held within fifteen (15) days after our receipt of your request. If an
22 informal settlement conference is requested, a person with the authority to act on behalf of the
23 Department of Insurance will be present. Please note that you waive any right to object to the

1 participation of the Department's representative in the final administrative decision of the matter if it is
2 not settled.

3 Your notice of appeal and/or request for an informal settlement conference may be addressed to the
4 attention of:

5 Hearing Administration
6 Arizona Department of Insurance
7 Notice of Appeal
 2910 North 44th Street, Suite 210
 Phoenix, Arizona 85018-7256

8 COPY of the foregoing mailed/hand-delivered
9 this 30 day of October, 2015, to:

10 Thomas Zumtobel
11 Compass Cooperative Health Plan, Inc
12 dba Meritus Health Partners
13 2005 West 14th Street, Suite 113
14 Tempe, Arizona 85281

15 S. David Childers
16 Jennifer L. Kraham
17 Kutak Rock LLP
18 8601 North Scottsdale Road, Suite 300
19 Scottsdale, Arizona 85253

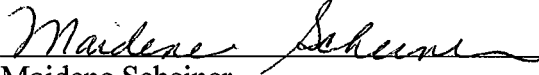
20 Michael E. Surguine
21 Executive Director
22 Arizona Life and Disability Insurance Guaranty Fund
23 1110 W. Washington, Suite 270
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