

CERTIFICATE OF SERVICE

I, the undersigned attorney, do certify that a copy of the foregoing pleading or paper was served as follows:

Honorable A. Graham Shirley, II
Wake County Superior Court
Post Office Box 351
Raleigh, NC 27602-0351

Friday Health Plans of North Carolina, Inc.
c/o Elizabeth Bierbower, Chief Executive Officer and Director
177 South Harrison
Denver CO 80210
Beth.bierbower@fridayhealthplans.com

Friday Health Plans of North Carolina, Inc.
c/o Elizabeth Bierbower, Chief Executive Officer and Director
12027 Leucandra Court
Palm Beach Gardens, FL 33418
Beth.bierbower@fridayhealthplans.com

Friday Health Plans of North Carolina, Inc.
c/o Stacy Knowlton
14190 E. Bellewood Drive
Aurora, CO 80015
Stacy,knowlton@fridayhealthplans.com

Brad Taman
Executive Director
North Carolina Life & Health Insurance Guaranty Association
4441 Six Forks Road, Suite 106-153
Raleigh, NC 27609-5729
btaman@nclifega.org

Timothy S. Goettel
Smith Anderson
150 Fayetteville Street
Suite 2300
Raleigh, NC 27601
tgoettel@smithlaw.com

in the following manner:

() by United States mail, first class postage prepaid, as provided by Rule 5(b) of the North Carolina Rules of Civil Procedure,

() by facsimile transmission to the facsimile number set out above, as provided by Rule 5 of the North Carolina Rules of Civil Procedure, or

(xx) by electronic mail.

This the 18th day of July, 2024.

JOSH STEIN
ATTORNEY GENERAL
Attorney for Petitioner,



M. Denise Stanford
Special Deputy Attorney General
N. C. State Bar No. 17601
N. C. Department of Justice
P. O. Box 629
Raleigh, NC 27602-0629
(919) 716-6610
dstanford@ncdoj.gov


GEORGIA

FULTON COUNTY

VERIFICATION

DONALD F. ROOF, being first duly sworn, deposes and says that he is appointed as Special Deputy Receiver for Friday Health Plans of North Carolina, Inc., by the Commissioner of Insurance for the State of North Carolina, and in his capacity as Receiver, that he has read the foregoing quarterly report of activity of the Receiver as of September 30, 2023, and a balance sheet, summary of operations and statement of cash flow as of September 30, 2023, of Friday Health Plans of North Carolina, Inc., and that the contents of same are true and correct to the best of his knowledge and belief.

This the 2nd day of July, 2024.

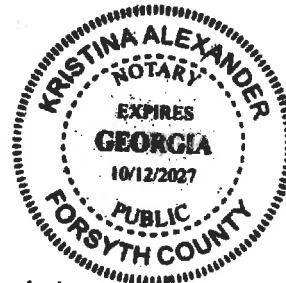

Special Deputy Receiver for
Friday Health Plans of North Carolina, Inc.

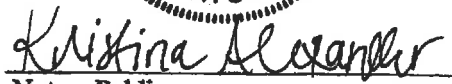
GEORGIA

FULTON COUNTY

Sworn to and subscribed before me this

The 2nd day of July, 2024
(Official Seal)




Notary Public

My Commission Expires:

10/12/2027

FRIDAY HEALTH PLANS OF NORTH CAROLINA, INC.
NORTH CAROLINA COMMISSIONER OF INSURANCE AS RECEIVER
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2023
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD FROM JUNE 22, 2023
THROUGH SEPTEMBER 30, 2023

INTRODUCTION

BACKGROUND

Friday Health Plans of North Carolina, Inc. (hereinafter, "FHP-NC" or "Company") was originally licensed in North Carolina as a health maintenance organization effective October 14, 2021. The On June 22, 2023, the Wake County Superior Court (hereinafter, the "Court") heard this matter and on July 17, 2023, issued a Transitional Order of Rehabilitation, an Order of Liquidation and Injunctive Relief against FHP-NC and appointed the Commissioner of Insurance for the State of North Carolina as Rehabilitator and Liquidator (hereinafter the "Order"). In accordance with the Order, the Company operated in Transitional Rehabilitation through August 31, 2023, with the Liquidation being effective as of September 1, 2023. The Commissioner of Insurance of the State of North Carolina, in his capacity as Rehabilitator and Liquidator of FHP-NC, is hereinafter referred to as Receiver.

The Board of Directors and Officers of FHP-NC and its ultimate parent Friday Health Plans, Inc. executed unanimous written consents to the issuance of the Order. It was specifically explained as part of the consent process that Friday Health Plans Management Service Company, Inc. (hereinafter "FHPMSC") would need to continue to operate and cooperate with the Receiver to make arrangements to ensure critical assets, systems, personnel, and other operationally critical resources were maintained to support members covered until at least September 1, 2023, the date that all FHP-NC health plans were set to terminate. FHP-NC relied completely and exclusively on FHPMSC to carry out all management and operational functions.

FHPMSC Abruptly Ceases Operations

On July 6, 2023, FHPMSC terminated all employees, which was part of its earlier developed plan to assign all assets of FHPMSC to an Assignor for the purposes of pursuing an assignment for the benefit of creditors in the Chancery Court of Delaware ("ABC Petition"). Only one creditor would benefit from the ABC petition: namely the primary investor in and lender to the Friday Health Plan enterprise.

Actions to Ensure Continuity of Operations

The Receiver anticipated the possibility that the FHP-NC officers and BOD had already authorized the ABC Petition strategy in early June of 2023. Consequently, the Receiver immediately proposed a strategy to all the impacted FHP receiverships and guaranty associations to ensure continuity of services of the then actively operating FHP HMOs. The Receiver coordinated the actions of the various receivers and guaranty associations to implement a group solution, which effectively required the reconstitution of all services formerly provided by FHPMSC. The Receiver reviewed hundreds of vendor relationships, identified critical vendors, negotiated new contracts with critical vendors, and retained critical employees.

FHP-NC Opposition to the ABC Petition

In the month leading up to the ABC Petition, the consultants and attorneys representing FHPMSC and FHP, Inc. ("FHP Consultants") frustrated the efforts of the Receiver and in the process violated

numerous North Carolina laws governing receiverships and ultimately the Order. Setting aside these violations, attempts were made to negotiate an orderly resolution; however, the negotiations broke down when the FHP Consultants refused to share the draft ABC Petition prior to filing it. The ABC Petition was not shared because the FHP Consultants knew the assets they were proposing to transfer out of FHPMSC included the assets that should be returned to FHP-NC. All attempts to negotiate having failed, the Receiver along with other receivers for the FHP HMOs, filed a motion to dismiss the ABC Petition given that all the liquid assets were subject to States' receivership laws. A hearing on the dispositive motions to dismiss is scheduled to occur during June of 2024.

PURPOSE OF THIS REPORT

The purpose of this report is to provide an update to the Court on the work that the Receiver and his staff have carried out since the Receivership on June 22, 2023, the present situation of FHP-NC in Liquidation, and to provide a balance sheet as of September 30, 2023 and statement of receipts and disbursements for the period June 22, 2023 through September 30, 2023.

LIMITATIONS

This report is based only on the knowledge that the Receiver and his staff have gained from the work performed since the issuance of the Order through November 15, 2023. Facts may exist that the Receiver is unaware of that may have a material effect on the information provided in this report. The Receiver will update the information in future reports as additional facts are discovered.

SUMMARY

FHP-NC PROPERTY

- In accordance with the Order, the Receiver has taken possession of all known assets and property of FHP-NC.
- The Receiver continues to identify and evaluate the assets for pursuit and recovery.
- The Receiver continues to engage with parties to recover amounts to FHP-NC.
- The Receiver has identified approximately \$11 million in APTC payments due FHP-NC from CMS since June 22, 2023 (Date of Hearing on Receivership). CMS incorrectly offset APTC receivables due FHP-NC against Risk Adjustment Payable due to CMS from FHP-NC. Receiver is working with CMS on this matter as the Risk Adjustment Payable due to CMS is considered a Class 3 priority for FHP-NC.
- The Receiver has identified approximately \$3 million in pharmacy rebates due FHP-NC from Capital Rx. The Receiver is coordinating with the parties to recover the amounts due FHP-NC.
- The Receiver has identified reinsurance agreements with AXA France Vie Re and Odyssey Re. The Receiver is communicating with the parties to recover amounts due FHP-NC.
- The Receiver has provided FHP-NC hospitals and providers approximately \$19.4 million in payments for the period June 22, 2023 through August 31, 2023. For the period September 1, 2023 through September 30, 2023 approximately \$1.2 million in payments

have been provided to FHP-NC hospitals and providers through the North Carolina Life & Health Insurance Guaranty Association (“NCLHIGA” or “GA”).

EXPENSE REDUCTIONS

- As detailed below Friday Health Plans Management Service Company, Inc. (“FHPMSC”) ceased operations on July 6, 2023. At the time FHPMSC owed approximately \$36 million to critical vendors. The Receiver negotiated new contracts with all critical vendors to continue services without assuming any of the \$36 million obligations owed to the vendors for such services.
- Where possible the Receiver negotiated lower fees in vendor agreements given that the need for services and licenses would reduce over time. Only vendor agreements necessary for the operation of FHP-NC throughout the runoff of claims were negotiated and executed.
- The Receiver also worked with other Friday Health Plans special deputy receivers and the relevant Guaranty Associations, including NCLHIGA, to implement a process for negotiating vendor agreements and distributing costs among the parties which greatly reduced the costs of the administration of the FHP-NC Receivership and strengthened the Receiver’s negotiating position to secure favorable terms.

LITIGATION

To the Receiver’s knowledge, at the time of the Order and through November 15, 2023, FHP-NC was a party to the following lawsuits:

Friday Health Plans, Inc. et al. To: FHP ABC, LLC, C.A. No. 2023-0751-PAF, Chancery Court, State of Delaware

FHP-NC in Receivership entered an appearance in the captioned case to file a motion to dismiss the case based upon a jurisdictional challenge over certain assets that subject of the instant assignment for benefit of creditor petition.

OTHER MATTERS

- All management, employees and operational equipment and software were held and/or controlled by FHPMSC. Given this circumstance FHPMSC was an indispensable affiliate within the FHP Holding Company. Unfortunately, FHPMSC fired all officers and employees effective July 6, 2023, to re-domesticate FHPMSC to Delaware for the purposes of filing an assignment for benefit of creditors, which is the litigation mentioned above whose only beneficiary is the primary lender/investor in FHP-NC and its affiliates.
- Given the circumstance that all but one of the six FHP HMOs were still actively operating and servicing members the Receiver moved immediately to secure contracts with critical vendors and retain critical employees to continue operating FHP-NC. The Receiver organized and coordinated the efforts of the other receivers and relevant Guaranty Associations to ensure continuity of operations for the still active FHP HMOs, including FHP-NC. The resulting agreements effectively replaced the role of FHPMSC.

- The Receiver also worked with CCIIO to ensure the orderly transition and enrollment of existing FHP-NC members into new policies offered by other exchange insurers.
- The Receiver is preparing a cost allocation agreement between the FHP receivers and the relevant Guaranty Associations to formalize the existing arrangement between the parties. Friday Health Plans of Oklahoma is paying expenses on behalf of the FHP receivers and is being reimbursed by each FHP receiver on an equitable basis.
- The Receiver created a website for the FHP-NC Receivership to keep stakeholders informed and to provide guidance through instructions and Frequently Asked Questions. The website is at <https://fridayhealthplansofnorthcarolina-inreceivership.com>.
- The Receiver mailed notices of liquidation to all known potential claimants to the assets of FHP-NC. The notice and proof of claim are also published on the website established for the FHP-NC receivership.
- The Receiver also worked with NCLHIGA to keep the existing FHP-NC claims process in place for purposes of the adjustment of claims during the post-liquidation claims runoff period, which is the responsibility of NCLHIGA. To that end special instructions were included in the FHP-NC website provider FAQs and a separate provider notice of liquidation was sent by the Receiver instruction Providers to continue to submit claims in the ordinary course using the existing FHP-NC process.

INTRODUCTION TO FRIDAY HEALTH PLANS OF NORTH CAROLINA, INC.
FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2023¹

Introduction and Basis of Presentation: FHP-NC is a health maintenance organization (“HMO”) as defined in Article 67 of Chapter 58 of the North Carolina General Statutes with its principal place of business located at 700 Main Street, Alamosa, Colorado. On June 22, 2023, the Wake County Superior Court (hereinafter, the “Court”) heard this matter and on July 17, 2023, issued a Transitional Order of Rehabilitation, Order of Liquidation and Injunctive Relief against FHP-NC. The Order of Liquidation became effective September 1, 2023. All policies were terminated as of August 31, 2023. FHP-NC is under the control of the Commissioner of Insurance of the State of North Carolina, who is the Receiver of FHP-NC. It is the Receiver’s responsibility to take possession of the assets of FHP-NC and to administer them under the general supervision of the Court.

The accompanying unaudited financial statements were prepared by FHP-NC staff under the supervision of the Receiver as of September 30, 2023. The financial statements and the statements of receipts and disbursements have been prepared in accordance with Liquidation Based Financial Statements Requirements.

¹ Friday Health Plans of North Carolina, Inc. in Rehabilitation did not file their quarterly financial statement as of June 30, 2023 and no financial summary has been provided by FHP-NC as of June 30, 2023 to the Court.

FRIDAY HEALTH PLANS OF NORTH CAROLINA, INC. in Liquidation
NORTH CAROLINA COMMISSIONER OF INSURANCE AS RECEIVER
Statement of Financial Position
As of September 30, 2023

Assets		Estimated Realizable Value
Cash	Note (A)	\$ 80,213,286
Investments at Fair Value	Note (A)	9,738,437
Statutory Deposits	Note (A)	632,363
Advance to Guaranty Association	Note (B)	1,155,398
Prepaid Expenses -FHP OK	Note (C)	1,976,594
Premium Receivable, Net of AFDA	Note (D)	11,070,259
Reinsurance Recoverable	Note (E)	7,784,579
Other Receivables	Note (F)	2,997,625
Allowance for Unrecoverable Assets	Note (G)	(7,000,000)
Total Assets		<u><u>\$ 108,568,541</u></u>
Liabilities		
Class 1 and 2 Liabilities		
Receiver's Administration	Note (H)	45,494
Claims Against the Estate - Policyholders	Note (I)	26,909,347
Claims Against the Estate - Guaranty Associations	Note (I)	1,155,398
		<u>28,110,239</u>
Class 3 and Higher Liabilities		
Claims Against the Estate - Class 3 Federal, State, and Note (J)		122,031,733
Claims Against the Estate - Class 4 Employees		-
Claims Against the Estate- Class 5 General	Note (K)	2,210,582
		<u>124,242,315</u>
Total Liabilities		<u><u>\$ 152,352,554</u></u>
Equity		
Certificates of Contribution	Note (L)	7,000,000
Excess (Deficiency) of Assets over Liabilities	Note (M)	(50,784,013)
Total Liabilities and Equity		<u><u>\$ 108,568,541</u></u>

The financial statements should be read together with the notes to the financial statements which are considered to be an integral part of this statement.

FRIDAY HEALTH PLANS OF NORTH CAROLINA, INC. in Liquidation
NORTH CAROLINA COMMISSIONER OF INSURANCE AS RECEIVER
Statement of Receipts and Disbursements
Period Ending September 30, 2023

	<u>For the Period</u> <u>June 22, 2023 -</u> <u>September 30, 2023</u>	<u>Cumulative From</u> <u>June 22, 2023 -</u> <u>September 30, 2023</u>
Cash Receipts		
Net Premium Collections	\$ 1,306,114	\$ 1,306,114
Risk Adjustment Receipts	-	-
APTC	17,089,294	17,089,294
Transfer from Investments	(899,874)	(899,874)
Interest and Other Receipts	4,685	4,685
Total Cash Receipts	<u>17,500,219</u>	<u>17,500,219</u>
Cash Disbursements & Distributions		
Health Care Expenses	19,398,639	19,398,639
Direct Expenses(Commissions, Exchanges fees & Premium Taxes)	-	-
Run-Off FHP Cost Share Agreement	2,503,536	2,503,536
Professional fees and Expenses	-	-
Lease and Information Systems Expenses	-	-
Other Operating expenses	-	-
Total Cash Disbursements	<u>21,902,175</u>	<u>21,902,175</u>
Distributions		
Administrative Claims (Class 1)	-	-
Loss & Unearned Premiums Claims (Class 2)	-	-
Risk adjustments & Premium Tax Claims (Class 3)	-	-
General Creditor Claims (Class 5)	-	-
Surplus Note Claim (Class 5)	-	-
Distribution to Guaranty Association	1,155,398	1,155,398
Total Cash Distributed	<u>1,155,398</u>	<u>1,155,398</u>
Total Cash Disbursements & Distributions	<u>23,057,572</u>	<u>23,057,572</u>
Net Chaneg in Cash and Cash Equivalentts	(5,557,354)	(5,557,354)
Cash and Cash Equivalentts, Beginning of the Period	<u>85,770,640</u>	<u>85,770,640</u>
Cash and Cash Equivalentts, Ending Period	<u>80,213,286</u>	<u>80,213,286</u>

The financial statements should be read together with the notes to the financial statements which are considered to be an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

A. Cash, Investments, and Statutory Deposits:

All cash, cash equivalents, investments, and investments restricted have a maturity of less than one year and are carried at market value.

B. Advance to Guaranty Association and Early Access Agreement

Early Access Agreement was executed with NCLHIGA effective September 1, 2023. Consistent with N.C. Gen. Stat. §58-30-180, under the Early Access Agreement, the Liquidator will make a payment to NCLHIGA in the amount of \$60 million as an initial early access Distribution from Respondent's estate general assets for use by the NCLHIGA to pay benefits and to continue coverages as limited with the Act.

NCLHIGA Loss Claim Due To GA as of September 30, 2023	\$ 1,155,398
NCLHIGA Premium Claim Due To GA as of September 30, 2023	-
Early Access Advance as of September 30, 2023	<u>1,155,398</u>
Net balance as of September 30, 2023	\$ -

C. Prepaid Expenses:

Prepaid Expenses represent the net amount paid to Friday Health Plans of Oklahoma for the initial Run-Off FHP Cost Share Agreement funding reduced by incurred expenses since the date of Receivership.

D. Premium Receivable:

Premium receivable represents amounts due for Advance Premium Tax Credit ("APTC") from Center for Medicare & Medicaid Services (CMS) and Receivables due from Members. The Receiver has estimated these amounts from information available to, known, or estimated by the Receiver.

E. Reinsurance Recoverable:

Reinsurance receivables represent amounts due from reinsurers, AXA France Vie and Odyssey Re.

F. Other Receivables:

Other receivables represent mainly the pharmacy rebates receivable for approximately \$2.8 million due from Capital Rx and \$.2 million for provider receivables.

G. Allowance for Unrecoverable Assets

Allowance for Unrecoverable Assets is a general reserve estimated by the Receiver for assets that may not be recovered at statement value.

H. Receiver's Administration and Administrative Claims (Class 1)

During the period these expenses were paid as follows

Run-off FHP Cost Share Agreement Funding	\$ 2,503,536
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I. Policyholder and Guaranty Association Obligations (Class 2)

Amounts include an estimate of potential amounts recorded as the date of these financial statements. These amounts were not derived from actuarial professionals or analysis. The Receiver has estimated these amounts from information available to, known, or estimated by the Receiver as of the date of these financial statements.

Premium and Loss Claims Payable to GA	\$ 1,155,398
Unpaid Loss Claims	26,522,443
Unearned Premiums	386,904
Total	\$ 28,064,745

J. Federal, State, and Local Claims (Class 3)

Amounts include an estimate of potential amounts recorded as the date of these financial statements for Risk Adjustment Payables for the 2023 year. These amounts were not derived from actuarial professionals or analysis. The Receiver has estimated these amounts from information available to, known, or estimated by the Receiver as of the date of these financial statements.

K. General Creditors (Class 5)

Represents amounts the Company owes to all other vendors and creditors. These represent Class 5 claims for priority of distributions pursuant to N.C. Gen. Stat. §58-30-220. It is anticipated the assets of the estate will not be sufficient to pay these claims.

L. Pursuant to 11 N.C. Admin Code 11 C.0114 Certificates of Contribution:

Certificates of Contribution in the amount of \$7 MM were issued by Friday Health Plans (Parent) on October 13, 2021 in exchange of cash. The Certificates of Contribution has an interest rate of 4.85%. The Certificates has been approved by the North Carolina Department of Insurance. Each payment of Interest on or principal may be made only with the prior approval of the NC Commissioner of Insurance and only to the extent the company has sufficient surplus earning to make such payment.

M. Excess (Deficiency) of Assets over Liabilities:

The excess or (deficiency) represents the estimated realizable value of assets after deducting the current estimate of liabilities. This excess or (deficiency) does not take into consideration any estimates for future administrative costs to liquidate the estate or costs to pursue or litigate claims against others. The Receiver makes no representations or warranties regarding the accuracy of the information and amounts.