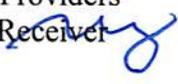


**South Carolina Health Cooperative, Inc.,  
A Multiple Employer Self-Insured Health Plan,  
In Rehabilitation**

---

To: South Carolina Health Cooperative, Inc. Providers  
From: Michael J. FitzGibbons, Special Deputy Receiver   
Re: Provider Update  
Date: January 7, 2015

The South Carolina Department of Insurance (Department) has kept you advised of the status of the South Carolina Health Cooperative, Inc. since November of last year. As noted in prior SCDOI documents, the South Carolina Health Cooperative is a multiple employer self-insured health plan. It is also known as the South Carolina Health Cooperative Welfare Benefit Plan and, for purposes of this and future communications, I will refer to it as the "Plan."

This letter details a few important updates regarding the Plan. As we continue to move forward, the Department will keep the SCHC-dedicated webpage on its website updated, which you can access directly at <http://doi.sc.gov/840/SCHC>. Of course, you are also welcome to call or email at any time using the contact information at the bottom of this correspondence.

#### **CONSENT ORDER OF REHABILITATION**

Due to its financial impairment, the Department filed a petition to begin rehabilitation proceedings on November 24, 2014. The Richland County Court of Common Pleas (Court) issued a Consent Order placing the Plan into rehabilitation effective December 23, 2014. The Consent Order appointed Raymond G. Farmer as the Receiver. I, Mike FitzGibbons, will serve as the Special Deputy Receiver.

In summary, the Consent Order does the following:

- Appoints the Director of Insurance as Receiver for the purposes of rehabilitation and Michael FitzGibbons as the Special Deputy Receiver;
- Vests title to all assets in the Receiver;
- Stays the transfer of property, waste of assets and accounts, levy of execution and prosecution of any actions or proceedings against the Plan, including actions against member employers, participants, employees, etc., and any other threatened or contemplated action that might lessen the value of the Plan's assets or prejudice the rights of the Plan's members, beneficiaries or creditors or interfere with the orderly administration of the receivership.

The Consent Order, petition for rehabilitation, all official communications, and other documents related to the financial condition of the Plan, are posted on the above-referenced website.

#### ***Staying of Outstanding Claims Liability***

Importantly, the Consent Order effectively stays all litigation and collections proceedings pending or contemplated against the Plan, its Trustees, its employer members, or Plan participants and their beneficiaries. Via the Consent Order, you cannot pursue collection

**South Carolina Health Cooperative, Inc.,  
A Multiple Employer Self-Insured Health Plan,  
In Rehabilitation**

---

proceedings against the member employers and their covered employees for the Plan's unpaid claims liability until further notice.

***Distribution of an Initial, Pro Rata Payment to Providers***

The purpose of the stay is to ensure an orderly claims adjudication process. On that same note, the Consent Order gives the Receiver the discretion to make partial disbursements of an equal amount to providers. Following the collection and analysis of all unpaid claims liabilities currently recorded, we anticipate the distribution of an initial, pro rata payment to providers. We estimate that this process will take 60 to 90 days, but are working diligently to see if we are able to expedite this process. This initial payout to providers is a good-faith effort to provide you with some financial relief through a partial pro rata distribution of currently available funds.

We are in the process of collecting information on each provider's unpaid liability. As you can appreciate, it is incumbent upon me as the Special Deputy Receiver to treat all providers fairly without favoring one over the other; any distribution made must be based upon an equal pro rata payment to each of the Plan's providers based upon the unpaid liability for adjudicated claims as recorded in books maintained by the Plan's third party administrator.

Again, the initial payment will be based upon a percentage of the Plan's outstanding liability from the already adjudicated claims. After this proposed initial payment, we will work with providers to reconcile the amount of unpaid liability (less any early distribution amounts). Subsequent payments may be made based upon the results of this reconciliation process. The immediate goal, however, is to provide some relief to providers.

Please note that the Consent Order does not preclude the Receiver or Special Deputy Receiver from pursuing legal action against any and all parties related to this matter. As such, the Receiver plans to pursue collection or recovery of all assets available to the Plan to address the unpaid claims liability of the Plan. This is in keeping with the commitment to work diligently to marshal all assets available in order to minimize the negative financial impact on you as providers and the Plan's small employers who faithfully paid their premiums.

**ACTION NEEDED: REQUEST FOR ONE POINT OF CONTACT FROM EACH PROVIDER**

In order to expedite the initial payment described above, I ask that each provider appoint one contact person at your organization who we can communicate with regarding the ongoing rehabilitation and reconciliation of the unpaid liability.

Please forward this contact person's information to:  
Ms. Tracey Stone  
South Carolina Health Co-Operative in Rehabilitation  
1-888-721-2667 or [t.stone@schealthco-op.com](mailto:t.stone@schealthco-op.com)

The contact information should include a valid phone number and email address for the primary point of contact.

**South Carolina Health Cooperative, Inc.,  
A Multiple Employer Self-Insured Health Plan,  
In Rehabilitation**

---

**PROPOSED REHABILITATION PLAN**

Now that the Court has approved the commencement of rehabilitation proceedings, the next step in the legal process is the filing of a rehabilitation plan with the Court. The rehabilitation plan, which must be approved by the Court before it can be implemented, will provide for the quantification of all unpaid claim liability and will also propose a plan to pay, at least in part, the unpaid claim amounts due from the Plan. We will provide additional details regarding the proposed rehabilitation plan in the next 60 days.

Once a rehabilitation plan has been approved by the Court, all approved and agreed to claims will be submitted to the Court for approval. Even after any and all recoveries are made, it is likely that there will not be sufficient assets to pay claims at 100%. The assets that are available will be divided ratably among approved claims. Prior payments by the Rehabilitator to providers will be a credit in determining the final payment.

In terms of timing, it is far too early in the process to provide an accurate estimate of the percentage distribution that will ultimately be made on claims. Under ideal circumstances, the claim adjudication and final distribution process could take up to 18 to 24 months. We will do our best to expedite the claims process subject to approval by the Court; and, remember, we will make an initial distribution as soon as we are able, which we estimate to be in the next 60 to 90 days.

Please note that the above is merely an overview of the next steps and what we will propose to the Court regarding the ultimate settlement of outstanding claims. We will not know the exact claims settlement process until we receive the Court's order approving a rehabilitation plan. In the meantime, you may find the attached FAQs helpful. As a reminder, the Department will be posting all correspondence and relevant materials along with FAQs to the SCHC-dedicated webpage that you might find helpful.

**FUTURE COMMUNICATIONS TO BE DISTRIBUTED VIA ELECTRONIC MAIL**

Please note that all future correspondence will only be distributed via electronic mail in an effort to minimize expenses and overhead costs that would otherwise reduce the amount of assets available for payment of claims liabilities. Of course, these communications will also be posted to the SCHC-dedicated webpage on the Department's website (<http://doi.sc.gov/840/SCHC>).

Thank you for your continued patience and cooperation.

**QUESTIONS REGARDING THE PLAN OR THE REHABILITATION PROCESS**  
Attn: Mike FitzGibbons | 1 (888) 721-2667 | [t.stone@schealthco-op.com](mailto:t.stone@schealthco-op.com)

**TO CONTACT THE SCDOI REGARDING THE PLAN**  
(803) 737-6081 | [SCHCinfo@doi.sc.gov](mailto:SCHCinfo@doi.sc.gov)

**SCHC-DEDICATED WEBPAGE (FOR COPIES OF CORRESPONDENCE & RELATED DOCUMENTS)**  
[www.doi.sc.gov/840/SCHC](http://www.doi.sc.gov/840/SCHC)

**South Carolina Health Cooperative, Inc.,  
A Multiple Employer Self-Insured Health Plan,  
In Rehabilitation**

---

**FREQUENTLY ASKED QUESTIONS FOR PROVIDERS:**

**1. What do we need to do now?**

Providers should do the following:

- a) Stay any litigation and collection proceedings pending or contemplated against the member employers and their covered employees for the Plan's unpaid claims liability until further notice.*

Via the Court's Consent Order, you cannot pursue collection actions against the members and their employees for the Plan's outstanding claims liability in order to give the Rehabilitator an opportunity to get a claims procedure in place. You will be notified of the process and any other information attributable to this claims procedure.

- b) Submit the contact information for a designated point of contact.*

The Special Deputy Receiver is asking that each provider appoint one contact person at your organization who we can communicate with regarding the ongoing rehabilitation and reconciliation of the Plan's unpaid claims liability, including the distribution of an initial, pro rata payment to providers.

Please forward this contact person's information to:  
Ms. Tracey Stone  
South Carolina Health Co-Operative in Rehabilitation  
1-888-721-2667 or [t.stone@schealthco-op.com](mailto:t.stone@schealthco-op.com)

The contact information should include a valid phone number and email address for the primary point of contact.

- c) Ensure that all eligible, outstanding claims have been submitted to the Plan.*

Nothing at this time other than to ensure that you have submitted all outstanding claims for services rendered before December 1, 2014 to the Plan's covered enrollees in accordance with the Plan's claims submission process. Timely submission of complete claims will permit a prompt adjudication of unpaid services rendered and equipment provided.

**2. When can we expect payment of our outstanding claims?**

We are planning an initial distribution to the Plan's providers within 60 to 90 days. This equal pro rata payment will be based upon the unpaid liability as recorded in books maintained by the Plan's third party administrator. This initial payout to providers is a good-faith effort to provide them with some relief through a partial pro rata distribution of currently available funds. A final payment is undetermined at this time

**South Carolina Health Cooperative, Inc.,  
A Multiple Employer Self-Insured Health Plan,  
In Rehabilitation**

---

**3. We have already sent our outstanding claims to the Plan's TPA, do we need to resend?**

No. If the claim has been filed in accordance with the Plan's claims submission process, there is no need to resend.

**4. When is the deadline for filing claims?**

The proposed deadline will be included in the proposed rehabilitation plan and will ultimately be set by the Court. Please visit SCHC-dedicated webpage at [www.doi.sc.gov/840/SCHC](http://www.doi.sc.gov/840/SCHC) regularly to assure you are aware of any changes and news involving the Rehabilitation Plan

**5. I was told the South Carolina Department of Insurance was paying all claims, is this correct?**

No, the SCDOI is not paying claims. The Plan is the only entity responsible for unpaid claims.