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17	Receivership Management, Inc.		
	UNITED STATES DISTRICT COURT		
18	CENTRAL DISTRICT OF CALIFORNIA		
19	R. ALEXANDER ACOSTA,	CASE NO 10 CV 778 NAVE (MAA)	
20	Secretary of Labor, United States	CASE NO. 19-CV-778-MWF (MAAx) Honorable Michael W. Fitzgerald	
21	Department of Labor	Ç	
22	Plaintiff,	INDEPENDENT FIDUCIARY'S REVISED ORDERLY PLAN OF LIQUIDATION	
23	V.	EIQUIDITION	
24	RIVERSTONE CAPITAL, LLC, a		
25	California limited liability corporation; et al.,		
26	Defendants.		
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Pursuant to the Temporary Restraining Order entered on February 7, 2019 (DE #22) and the Consent Judgment and Order entered on March 13, 2019 (DE #41), Receivership Management Inc. was appointed Independent Fiduciary of the Riverstone MEWA Health Plan and all participating plans (hereafter referred to as the "Plan"). On February 28, 2019, the Independent Fiduciary submitted a Notice to the Court that it had determined the Plan to be unstable and not viable, and pursuant to its authority, indicated it would terminate the Plan effective March 8, 2019 at 11:59 p.m. Pacific time. In its notice to the Court, the Independent Fiduciary stated it would submit a proposed orderly plan of liquidation to the Court (hereafter referred to as the "Liquidation Plan") on or before March 29, 2019 (DE #27). Pursuant to the Court's Consent Order and Judgment, the Court recognized and acknowledged the Independent Fiduciary's authority to have terminated the Plan and ordered the submission of a Liquidation Plan on or before March 29, 2019 for the Court's review and approval (DE #41 at p. 6, ¶ 3).

The Independent Fiduciary filed its Motion to Approve Its Liquidation Plan and for Order Providing All Writs Act Protection (DE #48) on March 29, 2019. The Plaintiff Secretary of Labor filed his non-opposition to the Liquidation Plan (DE #49), but objections were filed by six Sponsoring Employers.¹ The Independent Fiduciary's Motion was heard on April 29, 2019.² On May 1, 2019, the Court entered an Order (DE #89) which deferred ruling upon the Independent Fiduciary's Motion and ordered that the Independent Fiduciary, on or before May 6, 2019, file a revised proposed liquidation plan consistent with the matters addressed at the April 29, 2019 hearing and as otherwise noted in its May 1, 2019 Order. This filing is the Independent Fiduciary's Revised Liquidation Plan, which

The six objecting Sponsoring Employers were (1) Nations Reliable Lending, LLC (DE ##54 and 55); (2) Systems Paving, Inc. (DE #59); (3) SCE Partners, LLC d/b/a Hard Rock Hotel and Casino Sioux City (DE #51); (4) California Expanded Metal Products Co. (DE #63); (5) FPI Management, Inc. (DE #72); and (6) Burke Williams Day Spa (DE #77).

At the April 29, 2019 hearing, counsel for an additional Sponsoring Employer, City of Modesto, made oral objections.

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the Independent Fiduciary intends to be an amendment of the Plan Documents. See DE #41 at p. 3, ¶2.d.

Preliminary Actions of the Independent Fiduciary

- 1. As of February 28, 2019, and the days following as needed, the Independent Fiduciary, through the third-party administrators, Hawaii Mainland Administrators ("HMA") and S&S Health ("S&S"), mailed Notices of Termination to the Plan's fiduciaries, Sponsoring Employers, current and former administrators, medical service providers and current and former employee Plan participants advising them of the Independent Fiduciary's determination to terminate the Plan effective March 8, 2019.
- 2. The above-referenced Notice of Termination, provided to the Sponsoring Employers, the employee Plan participants and medical providers, who/which provided services to participants, stated that:
 - a. The Plan is being terminated under the authority of the Independent Fiduciary and will be liquidated under an Orderly Plan of Liquidation to be submitted and approved by the U.S. District Court for the Central District of California.
 - b. Benefits under the Plan will cease on March 8, 2019 at 11:59 p.m. Pacific time for member participants, (i.e. covered employees and their dependents), whose premium equivalents/contributions have been received by the Plan for benefit coverage for the month of February, 2019, and the partial month of March, 2019. For member participants whose premium equivalents/contributions for benefit coverage for the through March 2019 have not been received by the Plan, coverage will end as of the last period of coverage for which premium equivalents/contributions have been received by the Plan.

1 3. The Independent Fiduciary has been working with the stop loss insurance company, Berkley Health and Accident ("Berkley"). Berkley issued 23 3 individual stop loss policies to 23 Sponsoring Employers. As set forth in other 4 filings with this Court (e.g. DE #27-1 at ¶ 7; DE #43, pp. 6-7, ¶ C.6.), those are the 5 only stop loss policies that were issued regarding the Riverstone MEWA. Each of those policies terminated on February 28, 2019 for those employers that paid, or 6 made arrangements to have paid, stop loss premiums through that date. Several of 7 8 the twenty-three Sponsoring Employers identified by the Independent Fiduciary as 9 having had individual Berkley stop loss policies have not paid stop loss premiums though February 2019 and thus, to the Independent Fiduciary's understanding, 10 have "early terminated" their stop loss policy. As to the remainder, some of the 11 12 Sponsoring Employers have paid Berkley directly stop loss premiums owed through February 2019 (and have understandings directly with Berkley as to stop 13 loss coverage). Others have paid, through the Independent Fiduciary, the Berkley 14 15 stop loss premium through February 2019. Originally, under each stop loss policy, amounts incurred for covered expenses under the Plan during the stop loss policy 16 period above the stop loss policy's deductible would be considered for 17 reimbursement by Berkley if paid by the policyholder on or before May 31, 2019 18 ("Loss Paid Date"). However, Berkley has agreed to extend that May 31, 2019 19 20 date to July 31, 2019 for those policyholders that did not terminate their stop loss 21 coverage prior to February 28, 2019 - i.e. those employers/policy holders that have paid, or made arrangements to pay, the stop loss premium through February 28, 22 23 2019. This extension of the "Loss Paid Date" from May 31, 2019 to July 31, 2019 will allow the applicable employers/stop loss policyholders time under the Revised 24 25 Liquidation Plan set forth herein, to pay claims which, in turn, could be eligible for 26 stop loss reimbursement from Berkley.

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4. Upon record verification, the Independent Fiduciary, through the third-party administrators, has issued Evidence of Coverage letters, as provided under the Affordable Care Act, to the Plan's participants.

Independent Fiduciary's Revised Liquidation Plan

I. <u>Dual Tracks Regarding Unpaid Provider Invoices That Implicate</u> Potential Stop Loss Coverage and Those That Do Not.

Upon the Court's instructions that a two track process would be more productive and efficient (DE #89 at p. 16), the Independent Fiduciary herein presents a dual track for medical claims that may implicate potential stop loss coverage as opposed to those that do not. For those Sponsoring Employers who have directly or indirectly paid to Berkley stop loss premiums through the stop loss policy period of February 2019, shorter, more immediate deadlines are needed in order to address Berkley's "Loss Paid Date" of July 31, 2019. As set forth below, the deadline for all providers to submit all provider medical invoices to the applicable third-party administrator is May 28, 2019.

A. Provider Invoice Claims and Related Deadlines That Implicate Stop Loss Coverage

i. The deadline for <u>all</u> providers to submit <u>all</u> provider medical invoices to the applicable third-party administrators is May 28, 2019.³

The original (Proposed) Liquidation Plan (DE #48-2) set forth a run-off period containing a May 7, 2019 provider invoice deadline. Notice of that May 7, 2019 deadline was mailed to all providers known to the third-party administrators in early April, 2019. (See DE #62-1 at p. 4:18-21). Because the Court is entering an order, pursuant to 28 USC § 1651 ("All Writs Act"), that will bar any provider from pursuing participating employees, Sponsoring Employers and/or the Riverstone MEWA assets regarding any invoice not submitted by the end of the run-off period, the Court has instructed the Independent Fiduciary to email and mail a copy of this Revised Liquidation Plan to 1) all Sponsoring Employers, 2) all participating employees and 3) all providers (DE #89 at p. 18) as soon as possible after Court approval of this Revised Liquidation Plan. The Independent Fiduciary will also include in that mailing/emailing a copy of the Order approving the Revised Liquidation Plan and which provides the All Writs Act protections. To ensure adequate notice to providers, the Independent Fiduciary has extended the run-off period to May 28, 2019. Note here that neither the third-party administrators nor the Independent Fiduciary have comprehensive or readily accessible e-mail contact information for the participating employees or for to the providers, see DE #61-1 at p. 2:14-17; accordingly, the Revised Liquidation Plan and Court Order will be mailed to the participating employees and

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ii. Between May 28, 2019 and June 14, 2019, the third-party dministrators will focus, as their priority, upon review and adjudication of the rovider medical invoices that relate to a potential stop loss claim as to those ponsoring Employers which have maintained that coverage through payment to erkley of stop loss premiums through February 2019. Said review and djudication will address provider medical invoices received by the applicable nird-party administrator regarding dates of service for which the particular ponsoring Employer had paid for participation in the Riverstone MEWA Plan e.g. if the Sponsoring Employer paid through January 2019, provider invoices with dates of service through January 31, 2019 will be addressed; if the Sponsoring Imployer paid the Riverstone MEWA through February 28, 2019, provider avoices with dates of service through February 28, 2019 will be addressed). Said eview and adjudication will be pursuant to the applicable Plan Document and will ake into account all employee responsibility issues (copayments, deductibles, coinsurance, etc.).

iii. The third-party administrators will issue, on or before June 14, 2019, the adjudicated unpaid provider medical invoice claims run addressing claims that implicate potential stop loss coverage to the relevant Sponsoring Employers ("stop loss claims run").

iv. The relevant Sponsoring Employers will have until July 15, 2019 to have (a) discussed and resolved questions regarding the June 14th stop loss claims run with the TPA/Independent Fiduciary, and (b) paid/funded the amount of the unpaid provider medical invoices to the relevant third-party administrator for payment to the provider(s) of the particular claim(s) that relate to the potential stop loss claim or negotiated a reduced amount with the provider(s) and paid/funded that reduced amount to the relevant third-party administrator for payment to the

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providers to the addresses known for them and e-mailed to the extent e-mail addresses are readily available.

the case of any negotiated reduction, the Sponsoring Employer is required to secure a release from the provider in favor of the Sponsoring Employer, the participating employee (except as to any employee responsibility amount), the Riverstone MEWA Liquidation Estate assets and the Independent Fiduciary, which release shall be in a format approved by this Independent Fiduciary.⁴ Failure to obtain a release in the context of a negotiated payment will result in to the Sponsoring Employer not being allowed to claim the amount negotiated and paid in the Proof of Claim process set forth below.

provider(s) of the particular claim(s) that relate to the potential stop loss claim. In

v. After July 15, 2019, but before July 31, 2019, the relevant third-party administrator and the relevant Sponsoring Employer are to be in contact with Berkley regarding submission of what is required by Berkley regarding presentation of a stop loss claim for consideration of eligibility and potential reimbursement under the particular stop loss policy. Failure to address these issues on or before July 31, 2019, to the Independent Fiduciary's understanding, would jeopardize, if not foreclose, a stop loss reimbursement claim being made by the Sponsoring Employer/stop loss policy holder.

vi. Upon payment by the Sponsoring Employer of the medical invoices set forth in its stop loss claims run, the third-party administrator will issue Explanations of Benefits ("EOBs") to the relevant participating employee and medical provider. The participating employee will have sixty (60) days from the issuance of the EOB to submit an appeal for internal review. Internal review will be conducted in accordance with applicable Plan Documents and ERISA's claims and appeal procedures. If after internal review, a final adverse benefit determination is issued, the employee will have thirty (30) days to seek an external

The two third-party administers (HMA and S&S) are willing to assist any Sponsoring Employer in negotiating reduced amounts with providers. Such would be upon separate agreement as between the Sponsoring Employer and the third-party administrator, paid for by the Sponsoring Employer.

review. The basis of granting external reviews will be on the basis of what is provided for in the applicable Plan Documents. If approved for external review, the external review findings will issue within thirty (30) days of the approval of the request for external review. Findings of the external review shall be final, subject to an employee's right to bring a civil action under ERISA § 502(a)(1)(B).

B. <u>Provider Invoice Claims and Related Deadlines That Do Not Implicate Potential Stop Loss Coverage.</u>

- i. The deadline for <u>all</u> providers to submit <u>all</u> provider medical invoices to the applicable third-party administrator is May 28, 2019.⁵
- ii. The third-party administrators will have until June 28, 2019 to review and adjudicate the non-stop loss provider medical invoices. Said review and adjudication will address provider invoices received by the applicable third-party administrator regarding dates of service for which the particular Sponsoring Employer had paid for participation in the Riverstone MEWA Plan (e.g. if the Sponsoring Employer paid through January 2019, provider invoices with dates of service through January 31, 2019 will be addressed; if the Sponsoring Employer paid the Riverstone MEWA through February 28, 2019, provider invoices with dates of service through February 28, 2019 will be addressed; if the Sponsoring Employer paid the Riverstone MEWA through March 8, 2019, provider invoices with dates of service through March 8, 2019 will be addressed). Said review and adjudication will be pursuant to the applicable Plan Document and will take into account all employee responsibility issues (copayment, deductible, coinsurance, etc.).
- iii. The Independent Fiduciary, through the applicable third-party administrator, will issue on or before June 28, 2019 the adjudicated non-stop loss unpaid provider medical invoice claims run ("non-stop loss claims run") to each

See footnote 3 infra.

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Sponsoring Employer, along with a demand from the Independent Fiduciary that each Sponsoring Employer pay the amount of the employer responsibility set forth in the non-stop loss claims run.

Each Sponsoring Employer will have until August 15, 2019 to have discussed and resolved questions regarding the June 28, 2019 non-stop loss claims run with the TPA/Independent Fiduciary, and by August 15, 2019, will have reported to the Independent Fiduciary the status of its having funded/paid, through the applicable third-party administrator, the adjudicated unpaid provider invoice claims, the efforts taken to do so, the efforts taken to negotiate with the provider(s) a reduced amount and the amount of time still needed to pay/fund the adjudicated unpaid invoice amount and/or to negotiate and pay/fund the negotiated amounts. The Independent Fiduciary will discuss in good faith⁶ the date by which the particular Sponsoring Employer is to have completed the payment/funding of the claims or negotiated claims and the date upon which further reports, if applicable, are due, but said deadline will not be beyond October 28, 2019, absent specific allowance from the Independent Fiduciary. In the case of any negotiated reduction, the Sponsoring Employer is required to secure a release from the provider in favor of the Sponsoring Employer, the participating employee (except as to any employee responsibility amount), the Riverstone MEWA Liquidation Estate assets and the Independent Fiduciary, which release shall be in a format approved by the Independent Fiduciary.⁷ Failure to obtain a release in the context of a negotiated payment will result in the Sponsoring Employer not being allowed to claim the amount negotiated and paid in the Proof of Claim process set forth below.

The Independent Fiduciary, in considering when the Sponsoring Employer will be required to finalize its efforts, will be guided by considerations of the number and amounts of a particular Sponsoring Employer's unpaid claims, the efforts demonstrated by the Sponsoring Employer to address the unpaid claims and related matters.

See footnote 4 infra.

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Failure of the Sponsoring Employer to report to the v. Independent Fiduciary on or before August 15, 2019 will be considered by the Independent Fiduciary as the Sponsoring Employer's taking the position that it will not pay/fund/address the employer responsibility portion of the June 28, 2019 unpaid claims run. The Independent Fiduciary will then consider instituting an action as against the Sponsoring Employer for its refusal to pay/fund.

vi. Upon payment by the Sponsoring Employer of the medical invoices set forth in its non-stop loss claims run, the third-party administrator will issue Explanations of Benefits ("EOBs") to the relevant participating employee and medical provider. The participating employee will have sixty (60) days from the issuance of the EOB to submit an appeal for internal review. Internal review will be conducted in accordance with applicable Plan Documents and ERISA's claims and appeal procedures. If after internal review, a final adverse benefit determination is issued, the employee will have thirty (30) days to seek an external review. The basis of granting external reviews will be on the basis of what is provided for in the applicable Plan Documents. If approved for external review, the external review findings will issue within thirty (30) days of the approval of the request for external review. Findings of the external review shall be final, subject to an employee's right to bring a civil action under ERISA § 502(a)(1)(B).

II. **Proof of Claim Procedures**

The Independent Fiduciary will establish a Proof of Claim procedure by which any person or entity with legitimate claims may submit its claim ("POC Claim") as against the Riverstone MEWA Liquidation Estate assets held by the Independent Fiduciary. The Independent Fiduciary will post on the website dedicated to the Riverstone MEWA (www.receivermgmt.com/riverstonenexgenhealthplan) the POC Form and Instructions8 on or before November 1,

The mailing/e-mailing to all Sponsoring Employers, employee participants and providers ordered by the Court (See DE #89 at p. 18) will include an instruction for the recipient to view the website on or around November 1, 2019 for the POC Form and Instructions.

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2019, and by that date the Independent Fiduciary will also mail a POC Form and Instructions to all non-medical service providers/general creditors who, to the Independent Fiduciary's knowledge, may have non-medical service provider/general creditor POC Claim. The deadline for submitting a Proof of Claim Claim is January 31, 2020. All POC Claims received after that date will be considered as untimely and subject to denial. A POC Claim can present a contingent, unliquidated claim which would have the POC Claimant stating and supporting that he/she/it has a POC Claim but that the amount of that POC Claim is not yet known or is otherwise unliquidated. Contingent POC Claims can be supplemented as the amounts of the POC Claims become known by the POC Claimant. In case contingent POC Claims unreasonably delay the POC process, the Independent Fiduciary reserves the right and authority to petition the Court to establish a POC Claim Liquidation Bar Date that would set a deadline by which all contingent POC Claims would be liquidated to a sum certain or denied.

The Independent Fiduciary will review all materials submitted in conjunction with each POC Claim and reserves the right to demand further information from the POC Claimant, which if not provided, would result in the POC Claim being denied. The Independent Fiduciary will review and adjudicate each POC Claim and issue a Notice of Determination ("NOD"). If the POC Claimant objects to the Independent Fiduciary's NOD, he/she/it can request, within thirty (30) days if the issuance of the NOD, reconsideration by the Independent Fiduciary of the NOD. A failure to request reconsideration within that thirty (30) day period will result in the NOD being final. The Independent Fiduciary will then consider the timely submitted reconsideration and its decision as to the reconsideration will be final. *See* Redacted Consent Judgment and Order (DE #41 at pp. 3–4 – the Independent Fiduciary shall have "plenary authority to administer [the Plan] which includes, but is not limited to: . . . g. Authority to adjudicate and pay or deny any and all claims submitted to the Riverstone MEWA and

Participating Plan.")

As soon as is possible after all POC claims have been processed and finalized and after all assets are collected and asset recovery efforts are completed, the Independent Fiduciary will file a (Proposed) Plan of Distribution with the Court for its review and approval regarding the distribution of assets then available to all approved claimants resulting from the POC Claim procedure. While the Independent Fiduciary reserves the right and authority to refine the general priority of claims and of distributions, at this juncture the Independent Fiduciary states that, after the payment of administrative expenses, the expected priority of Proofs of Claim and the expected priority of distribution (pro rata or otherwise) would be as follows:

- 1) Payment, first, of timely-filed approved and finalized participating employee POC Claims for reimbursement of payments he/she made of Sponsoring Employer responsibility amounts owed under the applicable Plan Document which have not been reimbursed to the participating employee by the Sponsoring Employer;
- 2) Payment, second, of timely-filed approved and finalized (a) Sponsoring Employer POC Claims seeking reimbursement of amounts paid to providers by Sponsoring Employers regarding the employer responsibility of the unpaid claims (and any other amounts), and (b) provider POC Claims as to amounts not paid by the Sponsoring Employer;
- 3) Payment, third, of timely-filed approved and finalized non-medical service/return of premium/general creditor claims; and
 - 4) Payment, fourth, of permitted untimely/late-filed POC Claims.

IV. Further Investigation/Potential Asset Recovery.

During the course of the Liquidation Plan, the Independent Fiduciary, with the assistance of counsel, will review records, transactions, claims data, and other information, and further investigate material claims or causes of action that would

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benefit the Plan. The Independent Fiduciary will also determine what courses of action it might pursue, and pursue them, in an effort to increase the assets available to the Plan for payment of claims or for payment of administrative expenses or to decrease the liability of the Plan for payment of claims and administrative expenses through payment of same by other sources.

Interim Distribution/Further Reports to Court.

If there is any possibility of an interim distribution, the Independent Fiduciary will so advise the Court. The Independent Fiduciary will file reports to the Court on a periodic basis advising as to the progress with the Liquidation Plan and the financial status of the Plan, and any other reports the Court deems necessary.

VI. Consolidation of Assets and Seeking of Further Relief.

Upon the adoption of this Liquidation Plan, the Independent Fiduciary will follow the Court's Consent Order and Judgment, as may be amended, regarding the transferring and centralizing of Plan assets. The Independent Fiduciary will move the Court for additional relief and/or for clarification, as needed, if an individual or entity fails to appropriately turn over Plan assets or fails to appropriately account or reconcile the amount(s) owed to the Plan. The Independent Fiduciary will also move the Court for additional relief and/or clarification, as needed, if matters arise warranting such.

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Dated: May 9, 2019

RECEIVERSHIP MANAGEMENT, INC.

Court-Appointed Independent Fiduciary of Riverstone MEWA and Participating Plans

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By:

Robert E. Moore, Jr.

President