

STATE OF MICHIGAN  
CIRCUIT COURT FOR THE 30TH JUDICIAL CIRCUIT  
INGHAM COUNTY

PATRICK MCPHARLIN, DIRECTOR  
OF THE DEPARTMENT OF INSURANCE AND  
FINANCIAL SERVICES,

Petitioner,

v

CONSUMERS MUTUAL INSURANCE OF  
MICHIGAN,

Respondent.

Case No. 15-948-CR

HON. JAMES S. JAMO

[IN LIQUIDATION]

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In Re: Consumers Mutual Insurance of Michigan  
v Allegiance Health

PROVIDER PETITION  
NO. 4

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Christopher L. Kerr (P57131)  
Aaron W. Levin (P81310)  
Assistant Attorneys General  
Attorneys for Petitioner  
Corporate Oversight Division  
P. O. Box 30755  
Lansing, MI 48909  
(517) 373-1160

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**PETITION FOR ESTABLISHMENT OF COURT  
PROCEDURES TO ADJUDICATE LIQUIDATOR'S  
CLAIMS AGAINST ALLEGIANCE HEALTH**

**INTRODUCTION**

Patrick M. McPharlin, Director of the Michigan Department of Insurance and  
Financial Services ("DIFS"), as Liquidator of Consumers Mutual Insurance of

Michigan (the “Liquidator”), by and through his attorneys, Bill Schuette, Attorney General, and Christopher L. Kerr and Aaron W. Levin, Assistant Attorneys General, files this petition (“Petition”) pursuant to 500.8121(1)(f) for a Court Order establishing procedures for this Court’s adjudication of the Liquidator’s claims for refunds of Consumers Mutual Insurance of Michigan (“Consumers Mutual”) overpayments made to certain healthcare providers, including in this instance, Allegiance Health.<sup>1</sup>

In addition, the Liquidator files this Petition pursuant to MCL 500.8105(1) to prevent Allegiance Health’s interference in this liquidation by refusing to refund Consumers Mutual for overpayments made to Allegiance Health that the Court adjudicates as outstanding, due, and owing to Consumers Mutual and orders Allegiance Health to pay. These refunds represent assets of the Consumers Mutual liquidation estate that the Liquidator has requested Allegiance Health to repay, but to date Allegiance Health has refused, subjecting it to a claim of interference with the Liquidator’s duties and obligations in this proceeding. In support of this Petition, the Liquidator states as follows:

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<sup>1</sup> Several healthcare providers owe Consumers Mutual similar overpayment refunds. For purposes of identification, this Petition is sub-captioned *In re: Consumers Mutual Insurance of Michigan v Allegiance Health, Provider Petition No. 4.*

## FACTS

1. On November 13, 2015, the Court entered an Order placing Consumers Mutual into rehabilitation and appointing the Director as the Rehabilitator of Consumers Mutual (the “Rehabilitator”).

2. On February 3, 2016, the Rehabilitator filed with the Court a Petition for Order Converting Rehabilitation to Liquidation and for Judicial Declaration of Insolvency of Consumers Mutual Insurance of Michigan (“Liquidation Petition”), which sought: (a) an order converting the rehabilitation of Consumers Mutual to a liquidation proceeding; and (b) a judicial declaration of Consumers Mutual’s insolvency.

3. On February 10, 2016, the Court granted the Liquidation Petition and entered an Order of Liquidation and Declaration of Insolvency of Consumers Mutual (“Liquidation Order”). Pursuant to the Liquidation Order, the Court appointed the Director as the Liquidator of Consumers Mutual and affirmed the Liquidator’s appointment of James Gerber and Julieanne Gulliver as Special Deputy Liquidators (the “Special Deputy Liquidators”).

4. The Liquidation Order granted the Liquidator all the powers contained in MCL 500.8121, including the power to “collect all debts and money due and claims belonging to” Consumers Mutual, and to “do other acts as necessary or expedient to collect, conserve, or protect the assets or property” of Consumers Mutual. MCL 500.8121(1)(f).

5. MCL 500.8105(1) further authorizes the Liquidator to apply for any order that may be necessary and proper to prevent “[i]nterference with the receiver or with a proceeding under this chapter” and “[w]aste of the insurer’s assets.”

6. Paragraph 14 of the Liquidation Order provides that

Any person or entity with possession, custody, or control of assets . . . of . . . Consumers Mutual shall immediately:

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(b) Tender possession, custody, and control of such assets . . . to the Liquidator/Special Deputy Liquidators.

7. Pursuant to MCL 500.8106 and paragraph 15 of the Liquidation Order, any interference with the Liquidator in this liquidation proceeding may be punished by a “fine not exceeding \$10,000.00, or imprisonment for a term of not more than 1 year, or both.”

8. As the Liquidator worked to marshal all assets of the Consumers Mutual liquidation estate, the Liquidator identified numerous healthcare providers, including but not limited to Allegiance Health, that had received overpayments from Consumers Mutual and, therefore, owed refunds to Consumers Mutual of the overpayment amounts. These refunds are assets of the Consumers Mutual liquidation estate.

9. In November 2016, the Liquidator mailed demand letters to Allegiance Health and each other provider that owed a refund to Consumers Mutual. A sample of this form letter is attached as Exhibit 1. The letters to the various providers identified each overpayment and the total refund amount due to Consumers Mutual. The letters informed each provider of the Liquidation Order

entered by this Court and that if payment was not provided within 30 days, the Liquidator would pursue additional legal action in this Court. Some providers promptly refunded the overpayments to Consumers Mutual. Allegiance Health, however, did not respond to the November 2016 letter or to the follow-up demand letter that the Liquidator mailed to Allegiance Health in November 2017, a copy of which is attached as Exhibit 2. Accordingly, Allegiance Health has refused to provide refunds of overpayments made by and owed to Consumers Mutual. The total amount of refunds due from Allegiance Health is \$19,094.29. Support for the amount of the refund the Liquidator has determined Allegiance Health owes is attached as Exhibit 3.

10. As of the date of this Petition, the Allegiance Health refunds are over 90 days past due. Allegiance Health's refusal to pay refunds has created additional burdens and costs for the Liquidator, which further reduces the assets of the liquidation estate.

11. Contemporaneously with the filing of this Petition, the Liquidator has served a copy of this Petition on Allegiance Health.

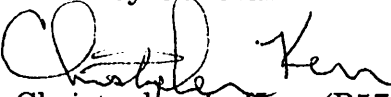
12. To allow Allegiance Health the opportunity to provide any information or argument it may have to show why this Court should not order prompt payment of the refunds totaling \$19,094.29, the Liquidator requests that the Court enter the proposed order attached as Exhibit 4, which grants this Petition and sets a schedule for Allegiance Health's response and oral argument.

13. Upon the Court's entry of an order against Allegiance Health requiring prompt payment of all refunds due to Consumers Mutual, Allegiance Health's refusal to pay these refunds as ordered—which are assets of the Consumers Mutual liquidation estate—would constitute interference with the Liquidator's conduct of this proceeding, subjecting Allegiance Health to additional fines and penalties under MCL 500.8106 and paragraph 15 of the Liquidation Order.

**RELIEF REQUESTED**

WHEREFORE, for the reasons stated above, the Liquidator respectfully requests the Court to grant this Petition for Establishment of Court Procedures to Adjudicate Liquidator's Claims against Allegiance Health and to enter the proposed order attached as Exhibit 4.

Respectfully submitted,

Bill Schuette  
Attorney General  
  
Christopher L. Kerr (P57131)  
Aaron W. Levin (P81310)  
Assistant Attorneys General  
Attorneys for Petitioner  
Corporate Oversight Division  
P. O. Box 30755  
Lansing, MI 48909  
(517) 373-1160

Dated: November 7, 2018

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11/17/2016

[REDACTED]  
[REDACTED]  
[REDACTED]

Re: Overpayment of Claims

Dear Provider,

CMI has made multiple attempts to recover claims overpayments made to you. As of this date, payment has not been received for claim overpayment(s) listed on the attached sheet.

**Total overpayment refund due CMI: \$ [REDACTED]**

On February 10, 2016, the Honorable James S. Jamo, Ingham County Circuit Court Judge, entered an Order placing Consumers Mutual Insurance of Michigan into Liquidation (Case Number 15-948-CR). This debt is an asset of the Consumers Mutual Insurance of Michigan Liquidation Estate. If payment is not received within 30 days from the date of this letter, the Special Deputy Liquidator will be forced to proceed with legal action to collect this debt in Ingham County Circuit Court.

Please forward a check or money order in the amount listed above to:

Consumers Mutual Insurance of Michigan  
P.O. Box 1738  
Fort Mill, SC 29716

If you have questions in regards to this refund request, please contact our office at (877) 371-9112.  
Thank you,

Yours truly,

A handwritten signature in cursive script, appearing to read 'James Gerber', is written in black ink.

James Gerber  
Special Deputy Liquidator  
Consumers Mutual Insurance of Michigan





11/17/2016

[REDACTED]  
[REDACTED]  
[REDACTED]

**Claims Detail**

<u>Member ID</u>	<u>Last Name</u>	<u>First Name</u>	<u>Date of Service</u>	<u>Claim #</u>	<u>Refund Owed</u>
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	\$ [REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	\$ [REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	\$ [REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	\$ [REDACTED]

**Total Refund Owed to CMI: \$ [REDACTED]**

If you have recently sent payment, please disregard. If you have question regarding refund amount, please contact CMI at 1-877-371-9112 for further assistance.

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11/8/2017

ALLEGIANCE HEALTH  
DRAWER 64000 DEPT 64787  
DETROIT, MI 48264-1234

Re: Overpayment of Claims

Dear Provider,

CMI had previously sent your office a letter in November 2016 to recover claims overpayments made to you. As of this date, payment has not been received for claim overpayment(s) listed on the attached sheet nor have we received a written objection from your office indicating reasons why these amounts are not owed to CMI.

**Total overpayment refund due CMI: \$19,094.29**

On February 10, 2016, the Honorable James S. Jamo, Ingham County Circuit Court Judge, entered an Order placing Consumers Mutual Insurance of Michigan into Liquidation (Case Number 15-948-CR). This debt is an asset of the Consumers Mutual Insurance of Michigan Liquidation Estate. If payment is not received within 30 days from the date of this letter, the Special Deputy Liquidator will be forced to proceed with legal action to collect this debt in Ingham County Circuit Court.

Please forward a check or money order in the amount listed above to:

Consumers Mutual Insurance of Michigan  
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If you have questions in regards to this refund request, please contact our office at (877) 371-9112.

Thank you,

Yours truly,

A handwritten signature in cursive script, appearing to read 'James Gerber', is written in black ink.

James Gerber  
Special Deputy Liquidator  
Consumers Mutual Insurance of Michigan



11/8/2017

ALLEGIANCE HEALTH  
DRAWER 64000 DEPT 64787  
DETROIT, MI 48264-1234

**Claims Detail**

<u>Member ID</u>	<u>Last Name</u>	<u>First Name</u>	<u>Date of Service</u>	<u>Claim #</u>	<u>Refund Owed</u>
██████████	██████████	██████████	20151118	5033787702	\$20.09
██████████	██████████	██████████	20150727	5018028210	\$12,060.35
██████████	██████████	██████████	20150623	5019808208	\$6,928.70
██████████	██████████	██████████	20150720	5021605304	\$85.15

**Total Refund Owed to CMI: \$19,094.29**

If you have recently sent payment, please disregard. If you have question regarding refund amount, please contact CMI at 1-877-371-9112 for further assistance.

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Claim #	Incurred From	Incurred To	Amount	Service Provider	Service Provider	Payment Provider	Payment Provider	REFUND REASON
5018028210	20150727	20150727	\$12,060.35	ALLEGIANCE HEALTH	382027689	ALLEGIANCE HEALTH	382027689	RETROACTIVE TERMINATION OF COVERAGE
5019808208	20150623	20150623	\$6,928.70	ALLEGIANCE HEALTH	382027689	ALLEGIANCE HEALTH	382027689	RETROACTIVE TERMINATION OF COVERAGE
5021605304	20150720	20150720	\$85.15	ALLEGIANCE HEALTH	382027689	ALLEGIANCE HEALTH	382027689	RETROACTIVE TERMINATION OF COVERAGE
5033787702	20151118	20151118	\$20.09	ALLEGIANCE HEALTH	382027689	ALLEGIANCE HEALTH	382027689	DUPLICATE PAYMENT
			\$19,094.29					

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PATRICK MCPHARLIN, DIRECTOR  
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[IN LIQUIDATION]

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**ORDER GRANTING PETITION FOR  
ESTABLISHMENT OF COURT PROCEDURES TO  
ADJUDICATE LIQUIDATOR'S CLAIMS AGAINST ALLEGIANCE HEALTH**

At a session of said Court  
held in the Circuit Courtrooms  
for the County of Ingham,  
State of Michigan, on the  
\_\_\_\_\_ day of \_\_\_\_\_, 2018.

PRESENT: HONORABLE JAMES S. JAMO, CIRCUIT COURT JUDGE



**WHEREAS**, Patrick M. McPharlin, Director of the Michigan Department of Insurance and Financial Services and duly appointed Liquidator of Consumers Mutual Insurance of Michigan (the “Liquidator”), has filed a Petition for Establishment of Court Procedures to Adjudicate Liquidator’s Claims against Allegiance Health (the “Petition”); and

**WHEREAS**, as described in the Petition, there is an unresolved dispute requiring this Court’s review and adjudication that has been raised by the Liquidator regarding refunds of overpayments made to Allegiance Health and the determinations on those claims made by the Liquidator and his appointed Special Deputy Liquidator James Gerber (the “Special Deputy Liquidator”); and

**WHEREAS**, the Court therefore finds it appropriate for the Court’s orderly, thorough, and fair adjudication of this dispute, as well as in the interest of judicial economy, to set a schedule for Allegiance Health’s response and oral argument and to establish certain other procedures governing the Court’s adjudication of this dispute;

**NOW, THEREFORE, IT IS HEREBY ORDERED** that the Court GRANTS the Liquidator’s Petition, and the Court will adjudicate the Liquidator’s unresolved claims regarding refunds of overpayments made to Allegiance Health, as described more fully in the Petition and the Exhibits attached thereto.

**IT IS FURTHER ORDERED** that the Court’s adjudication of the Liquidator’s claims against Allegiance Health is governed by the following procedures:

- 1) Allegiance Health will file a response to the Petition with the Court and serve its response on the Liquidator's counsel within 30 days of the date of this Order.
- 2) The Court will schedule oral argument to adjudicate the Liquidator's claims against Allegiance Health at an available date and time not earlier than 45 days after Allegiance Health files its response.
- 3) At least 7 days before the oral argument, the Liquidator may file a reply.

**IT IS SO ORDERED.**

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Honorable James S. Jamo  
Circuit Court Judge

STATE OF MICHIGAN  
CIRCUIT COURT FOR THE 30TH JUDICIAL CIRCUIT  
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**PROOF OF SERVICE**

The undersigned certifies that a copy of the **Petition for Establishment of Court Procedures to Adjudicate Liquidator's Claims against Allegiance Health**, together with this Proof of Service, was served upon the party listed below by mailing the same to the address indicated with first class postage fully prepaid thereon, on the 7<sup>th</sup> day of November, 2018:

**Allegiance Health**

Drawer 64000

Dept. 64787

Detroit, MI 48264-1234

In addition, electronic copies of the foregoing documents will be provided to the Department of Insurance and Financial Services, which will provide courtesy notice to other potentially interested individuals/entities by posting the documents on its website, [www.michigan.gov/difs](http://www.michigan.gov/difs), under the section "Who We Regulate," the subsection "Receiverships," and the sub-subsection "Consumers Mutual Ins. of Michigan."



Linda S. Miers

Legal Secretary