

19TH JUDICIAL DISTRICT COURT FOR THE PARISH OF EAST
BATON ROUGE

STATE OF LOUISIANA

NUMBER: 485 005

DIVISION: N

J. ROBERT WOOLEY, AS ACTING COMMISSIONER OF INSURANCE
FOR THE STATE OF LOUISIANA
VERSUS
GULF SOUTH HEALTH PLANS, INC.

FILED: _____

DEPUTY CLERK

MOTION SEEKING APPROVAL OF PLAN FOR FINAL DISTRIBUTION
OF ASSETS OF GULF SOUTH HEALTH PLANS, INC. TO
NON-SETTLING PARTICIPATING PROVIDERS

NOW INTO COURT through undersigned counsel come Gulf South Health Plans, Inc. ("Gulf South"), a Louisiana health maintenance organization, and J. Robert Wooley, in his capacity as Acting Commissioner of Insurance for the State of Louisiana and court-appointed administrative regulator of Gulf South Health Plans, Inc. (the "Commissioner"), who represent as follows:

1.

On June 18, 2001, the Commissioner filed a petition for the wind up of the affairs of Gulf South (the "Gulf South Wind Up Petition") and, on June 19, 2001, an order was entered in this matter approving the wind up of Gulf South under the administrative regulation of the Commissioner.

2.

In addition, the Court granted preliminary approval of the proposal of General Health System ("General Health") to fund the obligations of Gulf South (the "General Health Funding Proposal"), and following a hearing on April 29, 2002, and by order dated May 3, 2002, granted final approval of the General Health Funding Proposal, save for the claims asserted by the Our Lady of the Lake Regional Medical Center ("OLOLRMC") claimants. A hearing on the claims of the OLOLRMC claimants is presently scheduled for September 23, 2002.

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PARISH OF EAST BATON ROUGE

3.

On May 3, 2002, in connection with the Court's ruling on the General Health Funding Proposal, the Court entered an "Order Granting Final Approval of Proposal to Fund Wind Up Plan, Approving Settlements With Certain Participating Providers, Amending the Wind Up Plan, and Authorizing and Approving Notice to Other Participating Providers of the Opportunity to Settle Their Claims on the Same Terms and Conditions" (the "Approval Order").

4.

The Approval Order, among other things, approved settlement agreements that had previously been reached with various Gulf South participating providers (the "Settling Providers"), and authorized Gulf South and General Health to make a settlement offer (the "Gulf South Settlement Offer") to each of the remaining Gulf South participating providers to which Gulf South shows it owes money (the "Remaining Providers") under the same terms and conditions offered the Settling Providers.

5.

The Approval Order also approved a priority of payment schedule as follows:

- a. Administrative expenses of the Wind Up Plan;
- b. Unpaid federal and state employment and withholding taxes;
- c. Accrued annual license taxes due to the State of Louisiana;
- d. Claims by enrollees and subscribers for reimbursement of amounts paid by them;
- e. Claims of providers, in the following order:
 - i. Non-participating providers;
 - ii. Participating non-affiliated providers that accept the Settlement Offer;
 - iii. Participating non-affiliated providers that do not accept the Settlement Offer;
 - iv. Participating affiliated providers;
- f. Claims of all other creditors (based on the date and time the claim is received).

6.

The Approval Order was designated a final order, and no party has appealed therefrom.

7.

Now that this Court has approved the Gulf South Wind Up Plan and the General Health Funding Proposal, and authorized Gulf South and General Health to offer the Remaining Providers the opportunity to settle their claims against Gulf South under the same terms and conditions offered the Settling Providers, Gulf South desires to implement a procedure to distribute all assets (both current and future, as such assets become available) of Gulf South in accordance with the terms of, and priority of payment schedule set forth in, the Gulf South Wind Up Plan (which schedule, now amended as shown above, specifically addresses payment of those Gulf South providers which ultimately accept the Gulf South Settlement Offer, and those which do not).

8.

Movers show that the priority claims listed as items a, b and c in the priority of payment schedule set out in paragraph 5 above have, for the most part, been paid current, and are being maintained as current on an ongoing basis in the Wind Up Proceeding. Further, Movers believe that the claims of all non-participating Gulf South providers (those providers who did not have a contract with Gulf South to provide professional and/or hospital services, within the scope of their licenses, to Gulf South members, enrollees, and subscribers) and the claims of all Gulf South members, enrollees and subscribers have, for the most part, been paid and/or resolved. See priority of payment schedule from Approval Order, claims designated at d and e(i), set out in paragraph 5 above.

9.

Participating non-affiliated Gulf South providers (those providers not affiliated with General Health who did have a contract with Gulf South to provide professional and/or hospital services, within the scope of their licenses, to Gulf South members, enrollees, and subscribers) owed sums by Gulf South will be offered the opportunity to participate in and accept the Gulf South Settlement Offer. The Approval Order and related pleadings and documents establish a plan

for the distribution of Gulf South assets to such Remaining Providers which accept the Gulf South Settlement Offer. See priority of payment schedule item e(ii), paragraph 5, above. This Motion seeks to establish a plan for distribution of Gulf South assets to such providers which do *not* accept the Settlement Offer (“Non-Settling Providers”). See priority of payment schedule item e(iii), paragraph 5, above.

10.

Since the entry of this Court’s orders of June 19, 2001, Gulf South has engaged in a process of adjudicating and determining the amounts owed by Gulf South to each participating provider, which process, for the most part, with limited exceptions described below, has been completed to Movers’ satisfaction.

11.

Pursuant to the Approval Order, and related pleadings and documents, Gulf South will shortly mail to all Remaining Providers a package of documents presenting the Gulf South Settlement Offer. Included therein will be a specific statement of the amount adjudicated and determined by Gulf South to be owed to each such provider (the “Principal Claim Amount”, as defined in the settlement documents).

12.

As a condition precedent to acceptance of the Gulf South Settlement Offer, a Remaining Provider must accept, ~~without reservation or right to appeal~~, Gulf South’s adjudication of the participating provider’s Principal Claim Amount and corresponding Base Settlement Amount as these terms are defined in the court-approved settlement documents. Accepting providers will receive payment as funds become available and in accordance with the terms of the Approval Order and the related court-approved documents.

13.

At present there is no plan for distribution of Gulf South assets to Remaining Providers who elect *not* to accept the Gulf South Settlement Offer (“Non-Settling

Providers”). No mechanism presently exists for confirming the adjudicated principal claim amount due each Non-Settling Provider, particularly if any such Non-Settling Provider disagrees with Gulf South as to the amount owed, or for confirming Gulf South’s records regarding participating provider accounts reflecting either negative or zero balances.

14.

For these reasons, Movers respectfully request that the Court issue an order authorizing Gulf South to proceed with an asset distribution plan (“Final Provider Distribution Plan”) that will permit the prompt distribution of Gulf South assets to Non-Settling Providers as funds become available, while maximizing the economical use of remaining Gulf South personnel and resources.

15.

In support of this Motion and the Final Provider Distribution Plan, Movers respectfully advise the Court that:

- (a) Gulf South has, for more than twelve months, faithfully and diligently engaged in a process of adjudicating the total amounts that remain due and owing all Gulf South participating providers;
- (b) Gulf South ceased adjudication of such total amounts on May 13, 2002, except as specified in paragraph 22 below, and will utilize the amounts Gulf South has determined to be due and owing in making the Gulf South Settlement Offer to its Remaining Providers;
- (c) Movers are confident that the amounts adjudicated by Gulf South as of May 13, 2002, are accurate within a reasonable, and not material, margin of error;
- (d) Movers show there are some 1,600 participating providers owed sums by Gulf South, and that these provider accounts involve a tremendous number of individual claims for payment for individual services rendered, such that the ongoing expense of maintaining personnel and equipment for further adjudication, after approximately one year of account reconciliation, is significant;
- (e) Movers further show that a total of approximately 3,100 participating providers contracted to provide services to Gulf South members during the three-year period prior to the Wind Up Proceeding; that these providers were sent the initial notice of this Wind Up Proceeding, for an opportunity to present claims; and that Gulf South’s records as of May 13, 2002 reflect negative or zero balances for all such providers, except the 1,600 described in the previous sub-paragraph;
- (f) Movers believe that the costs of engaging in any additional adjudication of these amounts and accounts under these circumstances would outweigh any benefit to be gained therefrom;

- (g) Movers further believe that the costs associated with formally reconciling the total amount due each Non-Settling Provider which might subsequently disagree with the amount adjudicated by Gulf South would likewise outweigh any benefit to be gained therefrom; and
- (h) Movers show that, in order to comply with the Wind Up Plan, the General Health Funding Proposal, and the priority of payment schedule approved by the Court, and in order to facilitate an orderly wind up of the affairs of Gulf South, it is necessary to achieve finality with regard to the complex provider claim accounting procedures involved in Gulf South's Wind Up Proceeding.

16.

Movers' proposed Final Provider Distribution Plan would encompass the following:

- (a) acceptance and confirmation of the amounts Gulf South has finally adjudicated and determined remain due and owing each Remaining and/or Non-Settling Provider as of May 13, 2002, as set forth on the Fully Insured Claim Adjudication and Determination Schedule, to be provided the Court as **Exhibit A**, for review under seal;
- (b) cessation of any further reconciliation or adjudication efforts, except those specified in paragraph 22, below, to reduce wind up expenses and preserve Gulf South assets for distribution;
- (c) approval for payment of the amounts reflected on Exhibit A in accordance with the General Health Funding Proposal, and other prior Orders of the Court, as funds become available; and
- (d) confirmation of Gulf South's records and accounts relative to all participating providers, besides the Remaining Providers to whom the Gulf South Settlement Offer will be presented, for which Gulf South's records reflect negative or zero balances.

17.

Gulf South will mail out notices to each Remaining Provider which will include each such provider's Principal Claim Amount, as reflected on Exhibit A, resulting from Gulf South's adjudication process. Those Remaining Providers which agree with or elect to accept their Principal Claim Amount, and elect to accept the settlement, will be subject to and paid in accordance with the procedures set forth in the previously-filed Settlement Motion and Approval Order. Non-Settling Providers will be paid in accordance with the priorities and schedule set forth in the Wind Up Plan and the General Health Funding Proposal, and will further be subject to the Final Provider Distribution Plan and Exhibit A, as

proposed herein, unless they file a timely objection to this Motion and the Final Provider Distribution Plan, in the manner hereafter described.

18.

Additionally, Gulf South will mail out notices to all additional participating providers which contracted to provide services to Gulf South members during the last three years, but for which Gulf South's records reflect either a negative or a zero balance. The notice will advise each such provider that (i) its account with Gulf South reflects either a negative or a zero balance, and (ii) such provider must timely object to this Motion and Final Provider Distribution Plan, in the manner hereafter described, in order to dispute its account.

19.

Movers request that this Court order any Non-Settling Provider, or provider for which Gulf South shows a negative or a zero balance, that has an objection to the instant Motion and/or the Final Provider Distribution Plan to submit such objection in writing, and to file such objection with the Clerk of Court in the above-captioned matter by a date and time to be set by the Court, with copies to be delivered to the Court and to be served on counsel for Gulf South, General Health, and the Commissioner.

20.

Movers further request that this Court notice for hearing the instant Motion Seeking Approval of the Final Provider Distribution Plan and any objections timely filed thereto.

21.

Movers also request authority from the Court for Gulf South to provide a notice of the filing of this Motion, of the opportunity to object thereto, and of the Motion hearing date, substantially in the form of the notice attached as **Exhibit B**, to all Gulf South participating providers. Gulf South will provide such notice by mail to all participating providers, and post said notice on Gulf South's website at www.gulfsouth.com.

22.

Movers further advise the Court that there are a few participating providers or groups of affiliated providers for which Gulf South remains engaged in some form of reconciliation or adjudication process. These adjudications are ongoing due to continuing objections to account balances, or to other circumstances unique to each such provider and/or their accounts with Gulf South. Such participating providers are identified on the list to be provided the Court as **Exhibit C**, for review under seal. Movers propose that the participating providers listed on **Exhibit C** shall be exempted from the present Motion and proposed Final Provider Distribution Plan, but reserve the right to submit a supplemental motion seeking approval of a plan for distribution of assets to the listed providers, in the future as necessary.

23.

This motion is further subject to the terms of the April 29, 2002 Stipulated Order, and does not seek to alter the rights and reservations of the OLOLRMC Entities as set forth therein, all of which are preserved.

24.

The Commissioner has no objection to the filing of this motion and/or to the relief sought herein.

WHEREFORE, Gulf South and the Commissioner pray that:

- (a) the Court authorize Gulf South and the Commissioner to issue a notice to the Gulf South participating providers identified in this Motion, in substantially the form attached to this Motion as **Exhibit B**, by mail and at Gulf South's website (www.gulfsouth.com), notifying of the filing of this Motion, of the opportunity to object in writing thereto, and of the date for hearing on said Motion and objections;
- (b) the Court receive Movers' **Exhibit A**, the Fully Insured Claim Adjudication and Determination Schedule of adjudicated amounts due Gulf South providers as of May 13, 2002, and **Exhibit C**, a list of

Gulf South participating providers for which Gulf South remains engaged in an adjudication process, and which providers are to be excepted from this Motion and the requested Final Provider Distribution Plan, which exhibits are to be accepted for review by the Court under seal;


- (c) the Court order that all Gulf South participating providers who wish to object to this Motion or the referenced Final Provider Distribution Plan be required to submit such objection in writing, and to file such objection with the Clerk of Court in this matter on or before a date and time to be determined by the Court, with copies to be delivered to the Court and served on counsel for Gulf South, General Health, and the Commissioner;
- (d) that, after notice and all due proceedings, the Court grant this Motion and approve the Final Provider Distribution Plan submitted by Movers herein; and
- (e) for all other appropriate relief.

Respectfully Submitted,

By Attorneys:

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By:


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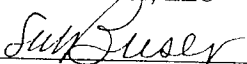
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CERTIFICATION

I hereby certify that a copy of the above and foregoing has been served upon
counsel of record on the attached service list by placing same in the United States
mail, postage pre-paid and properly addressed, this 30th day of

May, 2002.


J. WENDELL CLARK

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Exhibit A

EXHIBIT A WILL BE PROVIDED DIRECTLY TO THE HONORABLE
JUDGE JEWEL E. "DUKE" WELCH IN CONNECTION WITH THE
PRESENT MOTION, FOR REVIEW BY THE COURT UNDER SEAL.

NOTICE TO PARTICIPATING PROVIDERS
WIND UP OF GULF SOUTH HEALTH PLANS, INC.
DOCKET NUMBER 485,005 - DIVISION N
19TH JUDICIAL DISTRICT COURT FOR THE PARISH OF EAST BATON ROUGE (the "Court")

**THIS NOTICE CONTAINS IMPORTANT INFORMATION
WHICH AFFECTS YOUR LEGAL RIGHTS**

**NOTICE OF HEARING ON MOTION OF GULF SOUTH HEALTH PLANS, INC. AND J.
ROBERT WOOLEY, ACTING COMMISSIONER OF INSURANCE FOR THE STATE OF
LOUISIANA**

You are advised that Gulf South Health Plans, Inc. ("Gulf South") and J. Robert Wooley, Acting Commissioner of Insurance for the State of Louisiana ("DOI") have filed a Motion Seeking Approval of Plan for Final Distribution of Assets of Gulf South Health Plans, Inc. to Non-Settling Participating Providers (the "Motion"). The Motion is set for hearing before the 19th Judicial District Court for the State of Louisiana (Room ____, 222 St. Louis St., Baton Rouge, LA) on ____, 2002 at 9:30 a.m.

The Motion seeks an order from the Court approving a plan for final distribution of assets of Gulf South Health Plans, Inc. to Non-Settling Participating Providers which would confirm and fix the amount of the claim or the negative/zero balance reflected for each Gulf South participating provider as set forth on the Fully Insured Claim Adjudication and Determination Form included in this mailing. You are advised that if you wish to respond or object to the Motion, you must file a written objection with the Clerk of Court in this matter not later than the close of business on the ____ day of ____, 2002, and serve copies of such written objection to the Court, and to counsel for Gulf South Health Plans, Inc., General Health System, and J. Robert Wooley, Acting Commissioner of Insurance. You must further appear at the hearing scheduled above to assert your objection to approval of this Motion and the Final Provider Distribution Plan.

A copy of the Motion (without exhibits) may be obtained at www.gulfsouth.com and at the Clerk of Court, 19th Judicial District, East Baton Rouge Parish, LA.

FURTHER INFORMATION

If you want further information about Gulf South Health Plans, Inc. and/or this legal proceeding, contact your own legal counsel. If your legal counsel has questions, he/she may contact legal counsel for Gulf South or General Health.

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Legal Counsel for Gulf South: J. Wendell Clark, Esq., Adams and Reese, LLP, 225-336-5200.
Legal Counsel for General Health: David S. Rubin, Esq., Kantrow, Spaht, Weaver & Blitzer (APLC),
225-383-4703

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Exhibit C

EXHIBIT C WILL BE PROVIDED DIRECTLY TO THE HONORABLE
JUDGE JEWEL E. "DUKE" WELCH IN CONNECTION WITH THE
PRESENT MOTION, FOR REVIEW BY THE COURT UNDER SEAL.