



H.S. Grace & Company, Inc.

## Healthcare Plan Claims *By Bankrupt Physician Practice Management Group*

### **Allegations**

H.S. Grace & Company, Inc. (HSG) was engaged by counsel for a group of related healthcare plans (Plans) which was being sued by the trustee of a litigation trust (Plaintiff). The Plans had entered into a series of contracts for medical care services for the Plans' enrollees with a national physician practice management company (Company). When the Company fell behind in payments to the medical care providers, the Plans made payments directly to the medical care providers to avoid problems for the Plans' enrollees. At the same time the Plans ceased paying the full capitation and other payments of several million dollars per month to the Company. The Company filed a voluntary Chapter 11 petition. Under the plan of reorganization the Company's claims against the Plans for a turnover of estate property as a result of various setoffs, withholds and or reductions from capitation and other payments due to the Company were transferred to the trust. The trustee of the trust sued the Plans for recovery of the sums withheld and for actual and punitive damages as a result of the willful violation of the Automatic Stay.

### **Analysis**

HSG examined the national agreement and the multiple regional agreements between each of the Plans and the Company together with other documentation regarding the agreements to determine whether the non-payment of the capitation and other payments to the Company was authorized under the terms of the agreements and whether the payments to the medical care providers were properly made under the terms of the agreements. We also reviewed the Expert Report of the Plaintiff's expert in support of the claims of the Plaintiff, which report assumed that the payments made by the Plans were outside of the terms of the various agreements in concluding that the Company was owed a sum in excess of \$1 million.

Our Report, based on the analysis of the information resulting from our examination, demonstrated that the direct payments to the medical care providers and the withholding of the full capitation and other payments were authorized under the terms of the applicable agreements and that the Plans had paid all of the capitation and other payments due to the Company. Our Report further questioned the basis for several items included by the Plaintiff's expert in the calculation of the sum stated to be owed by the Plan.

### **Result**

Counsel for the Plans used our Report to negotiate a favorable settlement of the matter.

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*H.S. Grace & Company, Inc. is a team of senior executives who diagnose and resolve critical corporate problems in business governance, operations, finance and control. With more than 1,000 years of experience, our goal is to help companies enhance shareholder value, protect reputation and their long-term ability to succeed, avoid and manage litigation, and navigate major changes such as mergers and acquisitions or bankruptcies. We often serve as consulting and testifying experts, identifying and analyzing critical business issues.*

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