

December 12, 2014

Scott Cummings
Chief Administrative Officer
Care1st Health Plan Arizona, Inc.
2355 East Camelback Road, Suite 300
Phoenix, AZ 85016

SUBJECT: Notification of Acquisition, AHCCCS Contract YH14-0001

Dear Mr. Cummings:

The Arizona Health Care Cost Containment System (AHCCCS) received your letter dated December 9, 2014, regarding the acquisition of Care1st Health Plan by Blue Shield of California.

As with any transition process AHCCCS' primary focus is to ensure the following:

- Uninterrupted services and ongoing adequate access to care and choice for members;
- The new entity's ability to maintain and support the contract requirements including the commitments in the proposal submitted to AHCCCS during the procurement process;
- Major functions of the Contractor's organization, as well as the AHCCCS program, are not adversely affected; and
- The integrity of a fair, competitive AHCCCS procurement process for the managed care contracts, which is one of the core founding principles of the AHCCCS program.

Given that this transaction is not expected to close until the second half of 2015, AHCCCS expects further notification and request for prior approval of this acquisition, 180 days prior to the effective date. This notification should include a detailed description of the change, new corporate structure and purpose, as well as a detailed transition plan and other required programmatic, legal and financial information outlined in detail in the AHCCCS Contractor Operations Manual (ACOM) Policy 317.

Upon receipt of your notification and transition plan AHCCCS will conduct our due diligence process looking at a number of issues as a part of the review with a focus on limited member impact which is of utmost importance to the agency. Notifications and correspondence regarding this acquisition will be posted to the AHCCCS web site to ensure a transparent process.

Please be aware, during the transition phase, AHCCCS will take additional steps permitted under our Contract and policy to safeguard our members. The AHCCCS/Care 1st Health Plan Contract YH14-0001, Section D, Paragraph 6, states "AHCCCS may change the algorithm at any time

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during the term of the contract in response to Contractor-specific issues (e.g. imposition of an enrollment cap) or in the best interest of the AHCCCS program and/or State.” In accordance with ACOM Policy 317, AHCCCS reserves the right to obtain stakeholder input on the proposed ownership change through a public notice and feedback process. AHCCCS will provide further notification regarding the imposition of an enrollment cap as well as the stakeholder input process.

Should you have any questions or concerns, please contact Kari Price at (602) 417-4625.

Sincerely,



Michael Veit
Chief Procurement Officer

cc: Kari Price, Assistant Director, DHCM
Shelli Silver, Assistance Director, DHCM
Virginia Rountree, Operations Administrator, DHCM
Diana Alvarez, Operations Manager, DHCM
Chandra, Hara, Operations and Compliance Officer, DHCM
Stephanie Lefkowski, Finance Manager, DHCM
Patty Dal Soglio, Care 1st Health Plan