

Magellan Complete Care of Arizona, Inc Transition Plan

Magellan Complete Care of Arizona, Inc. (“MCC of Arizona”) hereby submits its Transition Plan, detailing all aspects of the proposed sale of MCC of Arizona to Molina Healthcare, Inc. (“Molina”) in accordance with the AHCCCS Contractor Operations Manual (“ACOM”) Policy 317 (Change in Contractor Organizational Structure) and Contract No. YH19-0001-07 Section D, Paragraph 49 of the ACC contract.

ACOM Policy 317 requires that a Transition Plan be submitted to AHCCCS 180 days prior to the effective date of any proposed merger, acquisition, reorganization, or change in ownership. The following outlines the required elements and the response to each element pursuant to ACOM 317.

1. A letter of explanation which includes the following information:

a. The type of entity if a new entity will be formed and/or any changes to existing entity.

On April 30, 2020, Magellan Health, Inc. (“Magellan”) and Molina entered into a Stock and Asset Purchase Agreement (the “Purchase Agreement”) pursuant to which Molina will purchase and acquire from Magellan equity interests in certain entities including MCC of Arizona and related assets through which the Magellan Complete Care business is operated (the “MCC Business”).

The proposed transaction would result in Molina acquiring, directly or indirectly, ownership of 100% of the stock of, and ultimate control of MCC of Arizona, which provides healthcare services to Arizona beneficiaries pursuant to Managed Care Contract YH19-0001-07. MCC of Arizona will continue to maintain its separate corporate existence and remain the Contractor under Contract YH19-0001-07 following the closing of the acquisition.

b. Any material change to operations as specified in ACOM Policy 439 and Contract.

To ensure a smooth transition of the ownership and operations of MCC of Arizona to Molina, Magellan and Molina have agreed to enter into a form of transition services agreement whereby Magellan and its affiliates will continue to provide certain services to MCC of Arizona for a transition period of 12 months, or as otherwise agreed by the parties, following the closing.

With the exception of certain agreements with Magellan Rx Management, LLC for the provision of pharmacy benefit services, MCC of Arizona will withdraw from its existing agreements with Magellan affiliates including the master services agreement, and will enter into Molina’s Administrative Services Agreement following the closing. The Administrative Services Agreement will be submitted to AHCCCS in accordance with ACOM Policy 439.

c. In the case of a State Agency, any state or federal legislation, rule or action that necessitates a change in Organizational Structure.

Not applicable

2. Proof that any performance bond requirements have been met by the new entity, if the original entity is no longer a going concern. The Performance Bond shall be in a form acceptable to AHCCCS. See ACOM Policy 305. (This may be submitted at the 90 day timeframe noted above.)

As MCC of Arizona will continue to be the Contractor following the acquisition, the current performance bond will remain in place following closing of the acquisition.

3. Documents including the following:

a. The formal name and any proposed logo used by the resulting organization.

Under the terms of the Purchase Agreement, Molina must discontinue the use of the Magellan name and logo. We will supplement this submission with information related to Molina's proposed name and logo changes for MCC of Arizona that would be effective no later than three months following closing. In addition, MCC of Arizona will provide a detailed plan in accordance with ACOM 439 regarding the impacted material changes and outline the communication plan for members and providers.

b. The organizational chart of the resulting organization or proposed changes to the existing organizational chart if a new entity is not being formed.

The proposed post-acquisition organizational chart is attached as Exhibit A. The chart illustrates Magellan Complete Care of Arizona, Inc., an Arizona corporation, operating under the Molina Healthcare, Inc. holding company.

c. Current audited financial statements of current Contractor and the merging entity.

This transaction is a stock purchase; not a merger. Attached hereto are the most recent financial statements of MCC of Arizona:

- Exhibit B.1 – MCC of Arizona Financial Statements and Supplementary Information – Statutory Basis for the years ending December 31, 2018 and 2019; and
- Exhibit B.2 – MCC of Arizona Financial Statements (GAAP) for the years ending December 31, 2018 and 2019

d. Pro-forma financial statement of entity resulting from the change in organizational structure which shall include at a minimum a balance sheet, statement of revenues and expenses and statement of cash flows for the

subsequent three years as well as enrollment projections and footnotes detailing assumptions.

Additionally, the following financial statements of Molina and MCC of Arizona are provided:

- Exhibit B.3 – Molina Healthcare, Inc. Annual Report on Form 10-K for the year ended December 31, 2019;
- Exhibit B.4 – Molina Healthcare, Inc. Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020; and
- Exhibit C - pro-forma financial statements of MCC of Arizona following the closing.

4. A description of the following:

a. An assessment of any potential interruption of services to members, and the steps Contractor is taking to ensure there are no interruptions.

MCC of Arizona will be working with Molina to ensure that the transition for AHCCCS members and providers is as seamless as possible. There will be no changes to MCC of Arizona's provider network as a result of the transaction. AHCCCS members will have access to the same extensive network and providers will continue to operate under existing contracts. Members will continue to have access to their current providers. No changes to the administration of critical components of MCC of Arizona including, but not limited to, information systems, prior authorization, claims processing or grievances are contemplated. Molina and MCC of Arizona use the same claims processing platform and Molina will maintain existing policies and procedures.

Magellan and Molina are committed to a transition to ownership by Molina that is seamless to MCC of Arizona members and providers.

b. Any changes to the management and staffing of the operation currently overseeing services provided under the contract.

Given the form of the transaction, i.e., stock purchase with transition services agreement and retention of MCC of Arizona employees through offers of employment by Molina, as well as Magellan's and Molina's commitment to a seamless transition to Molina's ownership of the MCC Business including MCC of Arizona, the parties do not anticipate any interruption of services to members. Magellan and Molina will work closely with AHCCCS to avoid any potential interruption to members.

Consistent with the parties' commitment to a seamless transition for members and providers and to ensure continuity of services, Molina will offer employment to MCC of Arizona employees as well as certain management employees, including MCC of Arizona's current chief executive officer.

Following the closing, MCC of Arizona's Board of Directors is anticipated to consist of the following members:

<u>Director</u>	<u>Current Title</u>
Minnie Andrade	CEO - MCC of Arizona
Chrissie Cooper	President – Magellan Complete Care
Marc Russo	EVP, President, Medicaid Health Plans, Molina

The day-to-day affairs of MCC of Arizona are anticipated to be managed by the following executive officers:

<u>Officer</u>	<u>Title</u>
Minnie Andrade	CEO
Jeff Barlow	Secretary
Thomas Tran	Treasurer

An organizational chart including key positions will be submitted prior to the close.

c. Any changes to existing Administrative Service Subcontracts.

Following the closing, MCC of Arizona will continue to maintain its separate corporate existence and remain the Contractor under Contract YH19-0001-07. There will be no changes to MCC of Arizona’s provider network as a result of the transaction. Members will continue to have access to their current providers. Magellan and Molina are committed to a transition to ownership by Molina that is seamless to MCC of Arizona members and providers.

As outlined above, with the exception of certain agreements with Magellan Rx Management, LLC for the provision of pharmacy benefit services, MCC of Arizona will withdraw from its existing agreements with Magellan affiliates including the master services agreement, and will enter into Molina’s Administrative Services Agreement following the closing. The form Administrative Services Agreement is provided for your review at Exhibit D.

To ensure a smooth transition of the ownership and operations of MCC of Arizona to Molina, Magellan and Molina have agreed to enter into a form of transition services agreement whereby Magellan and its affiliates will continue to provide certain services to MCC of Arizona and its members and providers for a transition period following the closing. Consistent with the goal of ensuring a smooth transition, Molina will offer employment to MCC of Arizona’s employees.

d. Any changes to administration of critical components of organization, including but not limited to information systems, prior authorization, claims processing, or grievances.

The existing claims administration, processing system and structure will remain intact at closing. This includes current state processes for prior authorizations, claims adjustments, pended claims, and post processing. AHCCCS will be notified of any major operational changes within the appropriate time frame that may occur due to the ordinary course of business.

e. Plan for communicating change to members including a draft notification to be distributed to affected members and providers

With connection with the anticipated plan name and logo change discussed above, we will supplement our transition plan with a detailed communication plan as applicable and required by ACOM 439. If AHCCCS desires changes or any additional information, we will follow all of the agency's requirements.

f. Plan for changes to critical member information, including the website, member and provider handbook, and member ID card

For the first year following the closing, and with the exception of name and logo changes as noted above, there will be no changes to critical member information, including the website, member handbook, provider manual and member ID card.

g. Any anticipated network changes

We do not expect any changes to the network other than those in the ordinary course of business.

We look forward to answering any questions AHCCCS may have.