



August 25, 2014

Tom Betlach
Director, Arizona Health Care Cost Containment System
801 E. Jefferson Street, MD 1400
Phoenix, AZ 85034

Dear Director Betlach:

On behalf of the Arizona Board of Regents, the governing body for our three state universities, we write in support of the merger of the University of Arizona Health Network (UAHN), including University Family Care (UFC), into Banner Health.

As you know, the healthcare landscape is rapidly changing as a result of the Affordable Care Act and Governor Brewer's Medicaid Restoration Plan. Health care providers must quickly adapt serving larger populations while maintaining quality and costs. Further, Arizona has long been in need of a stronger academic medical center. Academic medical centers serve as the educational and training grounds for future doctors, are home to groundbreaking medical research, and offer complex care to patients.

When the Board of Regents hired University of Arizona President Ann Weaver Hart, members of the board cited building a stronger academic medical center as a key priority. The University of Arizona Health Network, home to the University of Arizona Medical Center, the clinical partner and training center for doctors in training at the University of Arizona College of Medicine-Tucson, had also realized that a change was necessary to fulfill its vision for success. Limitations in market size and ongoing financial constraints were prohibiting UAHN from becoming a statewide academic delivery system with state-of-the-art equipment and facilities that enhances research statewide, becomes a leader in population health management, and provides the highest quality of care for Arizonans.

To create better financial security, build on UAHN's foundation and open the door for future health care opportunities, the UAHN board took action to identify an Arizona-based partner that could fortify the organization's ability to maintain and improve a clinical environment long into the future. They found that partner in Banner Health. The Board of Regents, as the

BOARD MEMBERS

Chair Mark Killian, Mesa
Jay Heiler, Paradise Valley
Greg Patterson, Scottsdale
Rick Myers, Tucson
Ram Krishna, Yuma
LuAnn H. Leonard, Polacca
Bill Ridenour, Paradise Valley
Ron Shoopman, Tucson

STUDENT REGENTS

Valerie Hanna, UA
Mark Naufel, ASU

EX-OFFICIO

Governor Janice K. Brewer
Superintendent of Public
Instruction John Huppenthal

ENTERPRISE EXECUTIVE COMMITTEE

Eileen I. Klein, *Board President*
Michael M. Crow, *ASU President*
Rita Cheng, *NAU President*
Ann Weaver Hart, *UA President*

governing body for the UA and owner of the land currently leased to the University of Arizona Medical Center, has affirmed their decision to merge.

We believe the proposed merger of UAHN and UFC into Banner is a tremendous opportunity for an Arizona-based organization to become a regional and national leader in transforming and advancing health care delivery.

The proposed merger will create a statewide health care organization and a comprehensive new model for academic medicine, one that is focused on improving patient and member experiences at lower costs through valued-based or accountable care organizations, utilizing population health management models that emphasize wellness.

It will also expand capabilities for complex academic/clinical programs such as transplantations, neurosciences, genomics-driven precision health, geriatrics and pediatrics with opportunities in other areas.

In Tucson, \$500 million in capital funding will be infused into the University of Arizona Medical Center and other pivotal projects such as a major outpatient center where faculty will practice and medical students will learn and patients can have better access to their care providers.

It will serve as a vital economic catalyst as Arizona's largest private employer with major academic medical centers affiliated with University of Arizona Colleges of Medicine in Tucson and Phoenix, thereby expanding the bio science sectors in our two largest cities.

It will also secure long-term and significant private support to enhance the training of future physicians at the University of Arizona Colleges of Medicine in Tucson and Phoenix as Banner will serve as a primary clinical partner, plus it will maximize the value of ongoing state funding needed annually through legislative appropriations. It also creates a broader platform to train more physician specialists and allied health professionals, including pharmacists and advanced practice nurses for Arizona. We believe it is to the advantage of the state and its citizens to provide a training environment that attracts and encourages physicians to reside here in Arizona as our state continues to be one of the fastest growing in the nation and the need for additional physicians is also increasing.

With respect to University Family Care specifically, we believe that the proposed merger will bolster services to our most vulnerable populations as

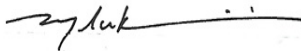
they too will be beneficiaries of the above mentioned enhancements to UAHN's current care.

We'd also like to note that we recognize what a valuable community resource UAHN is to Southern Arizona and we are committed to keeping it as such. To that end, we will work to preserve existing partnerships and affiliations to ensure continuity of services. Uninterrupted services to UFC members and access to high-quality care is of the utmost importance to ABOR as it contemplates final approval of the proposed merger.

We are energized by the impact the proposed merger of UAHN, UFC and Banner will have on the University of Arizona and its research and health care training capabilities, the future of health care delivery in Arizona, our residents and our state's economy. The proposed merger will help the UA achieve strategic goals for our state and fulfill its mission of enriching the lives of the people of Arizona through education, research and business partnerships.

Thank you for the opportunity to offer support for this important transaction for the state of Arizona.

Sincerely,



Mark Killian
Chairman



Eileen I. Klein
President