



**THE UNIVERSITY OF ARIZONA  
HEALTH PLANS**

University Family Care

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July 1, 2014

Tom Betlach  
Director, Arizona Health Care Cost Containment System  
801 E. Jefferson St.  
MD 4100  
Phoenix, AZ. 85034

Delivered via email: [Thomas.Betlach@azahcccs.gov](mailto:Thomas.Betlach@azahcccs.gov)

Dear Director Betlach,

In accordance with contract YH14-0001-02 between AHCCCS and The University of Arizona Health Plans – University Family Care, Inc. (UFC), Section D, Paragraph 52 (Merger, Reorganization and Change of Ownership), as well as AHCCCS Contractor Operations Manual, Policy 317 (Merger, Acquisition, Reorganization, Joint Venture and Change of Ownership Requests), please accept this letter as official 180-day notification of the intent of The University of Arizona Health Network (UAHN) and all of its affiliated companies, including UFC, to be acquired by Banner Health (Banner), a not-for-profit Arizona based entity, effective January 1, 2015.

The primary purpose for the change in ownership is to leverage Banner's significant capabilities in the area of improved health outcomes to continue to advance UAHN and the academic teaching programs through innovation, while also aligning the teaching programs in Phoenix and Tucson with a single clinical enterprise. In addition, alignment between Banner and UFC will allow UFC to remain competitive from a technological standpoint, enhancing opportunities for innovation in clinical programs focused on vulnerable populations and payment reform models intended to improve the quality of care to the AHCCCS population while driving down cost, which is a key strategic priority for AHCCCS.

Banner, UAHN and UFC share AHCCCS' commitment to the Medicaid program. While more specific detail will be provided in the transition plan, I want to share some high level points that address AHCCCS' obligation to:

- Ensure uninterrupted services and ongoing adequate access to care and choice for members;
- Ensure 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;
- Ensure major functions of the Contractor's organization, as well as AHCCCS programs, are not adversely affected; and
- Ensure the integrity of a fair, competitive AHCCCS procurement process for managed care contracts, which is one of the founding principles of the AHCCCS program.



## General Structure

Banner recognizes that UFC is a successful, well-regarded health plan that is providing value to AHCCCS members in ten counties across Arizona, spanning both urban and rural areas of the state. Banner acknowledges that UFC has key strategic partnerships with other entities (Maricopa Integrated Health System and Cenpatico of Arizona). It is not the intent of Banner to disrupt these partnerships in any manner. Furthermore, Banner is supportive of the strategic alliances that UFC has built for the purpose of improving health services to vulnerable populations. Banner understands that UFC has a subcontract to manage Maricopa Health Plan (MHP) for Maricopa Integrated Health System (MIHS) and that the MIHS Board of Directors and MIHS leadership govern the direction of MHP. Banner also recognizes the importance of integrated physical and behavioral health for those with either a serious mental illness (SMI) or a behavioral health condition. Banner understands that UFC has partnered with Cenpatico to respond to the upcoming RFP to deliver an integrated care model to members in greater Arizona. While Banner is not participating in the development of the proposal, Banner will fully support the partnership if the contract is awarded to UFC/Cenpatico, and will leverage Banner's experience and knowledge to assist the UAHN delivery system in Southern Arizona in the implementation of an integrated delivery model.

Banner also recognizes that the health plan's operational needs are different than that of a delivery system and that the health plan's independence is critical to ensure its continued success. Therefore, in order to ensure continued success, underscored by uninterrupted services and enduring key partnerships, Banner is committed to maintaining the health plan independence, infrastructure, including plan functions and leadership as they currently operate. In those areas where UFC can leverage the strength of Banner's capabilities in technology and innovation to improve health outcomes and reduce the overall healthcare cost trend for AHCCCS members, UFC and Banner will work together to further collaborate to enhance the capabilities of the health plan.

Ultimately, the UAHN acquisition by Banner will facilitate a member substitution in which Banner will become the parent corporation, but the health plan independence and operations will remain consistent with the current model.

## Ensure uninterrupted services and ongoing adequate access to care and choice for members

UFC and Banner fully understand the need to mitigate the interruption of services to members over the course of this transition. Given that the transaction will be a member substitution and the health plan will continue to administer all functions which they currently manage, there will be no disruption to the health plan or interruption of services for UFC's membership.

UFC and Banner also recognize the importance of providing access to care and choice for members. UFC will continue to fully administer the network and clinical functions of the health plan, placing a priority on the evaluation of network needs and ensuring that members have access to and choice of providers. No changes will be made to the internal operational model established to evaluate network adequacy and execute appropriate contractual agreements with providers as a result of the change in ownership.



**Ensure 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**

As stated above, the change in ownership will result in a member substitution to the parent corporation and will not affect the operations of the health plan. UFC's existing Executive Team, management and support staff will continue to administer the health plan, ensuring that all AHCCCS contract requirements are met. Correspondingly, the team of individuals who prepared and submitted the bid for the current Acute Care contract will remain with the health plan and will continue to oversee the successful execution of all commitments advanced in the proposal for the Acute Care contract, beginning in contract year ending 2014.

**Ensure major functions of the Contractor's organization, as well as AHCCCS programs, are not adversely affected**

This change and member substitution will not result in any changes to the current functions of the health plan. For this reason, no adverse impact, either to the health plan or to the AHCCCS program, is anticipated.

**Ensure the integrity of a fair, competitive AHCCCS procurement process for managed care contracts, which is one of the core founding principles of the AHCCCS program**

Banner and UFC recognize the importance of the AHCCCS procurement process and the need to maintain its integrity. To this point, Banner is committed to preserving the philosophy, leadership and structure of the organization that was awarded the Acute Care contract, while also working with the health plan to maximize UFC's potential so that the plan may provide even greater value to AHCCCS members as well as the AHCCCS administration.

Banner recognizes that it was one-half of a joint venture that submitted a proposal for Maricopa County in response to solicitation number YH14-0001 and that the joint venture was not awarded a contract. There are a number of key factors that distinguish the entity to be formed under the Banner acquisition from the entity that submitted the proposal. They include:

- The parent organization in this arrangement is a different entity than the entity that submitted the proposal. The proposal was a joint venture with Blue Cross Blue Shield of Arizona (BCBS). Under this arrangement, Banner will serve exclusively as the parent corporation.
- In the proposal, BCBS would have been the plan manager of the contract. With this change in ownership, UFC will continue to manage the health plan as it currently is and there will be no involvement by BCBS. This will ensure that the commitments made in the UFC proposal, as well as the philosophy of the health plan, will remain consistent with the award and that, ultimately, those commitments will be honored.



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- The proposal submitted by the Banner/BCBS joint venture was for Maricopa County only. UFC does not hold an AHCCCS contract in Maricopa County. Therefore there is no overlap between the unsuccessful proposal submitted by Banner/BCBS in Maricopa County and the successful proposal submitted by UFC for Yuma, La Paz, Yavapai, Gila, Pinal, Pima, Santa Cruz, Cochise, Graham and Greenlee Counties, nor did Banner/BCBS compete directly with UFC or any other contractor in these Counties for an AHCCCS contract during the Acute Care contract solicitation.

As previously shared, the purpose of this arrangement is to continue to build and strengthen the academic clinical enterprise of UAHN and ensure that medical education, research and patient care are at the leading edge both within Arizona and nationally, which will serve to facilitate continued improvement in the healthcare system for Arizona. The UAHN acquisition by Banner, founded on a commitment to fully maintaining the health plan's current operations, serves only to bolster the clinical and operational acumen offered by UFC as it opens up the opportunity to selectively leverage the strength of a larger corporation's innovation and resources.

I look forward to working with you during this exciting and truly evolutionary change. If you have any questions, please do not hesitate to contact me at either [James.Stover@uhealth.com](mailto:James.Stover@uhealth.com) or 520.343.8004.

Sincerely,

James V. Stover  
Chief Executive Officer

cc: Beth Lazare, Deputy Director, AHCCCS  
Kari Price, Assistant Director, AHCCCS