

February 6, 2015

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

RE: Notification of Acquisition, AHCCCS Contract YH14-0001, Request for Prior Approval

Dear Mr. Cummings:

The Arizona Health Care Cost Containment System (AHCCCS) received your follow up notice dated January 5, 2015, regarding the acquisition of Care1st Health Plan by California Physicians' Service, Inc. (CPS), dba Blue Shield of California.

AHCCCS is reviewing the request and the transition plan, organization chart, financials, member script, and provider notice submitted with the notice.

AHCCCS understands that the mission of Blue Shield of California is "to improve the lives of all Californians by making health care accessible, effective, and affordable....." Clearly Blue Shield of California is fulfilling their mission by serving the Medicaid population through acquiring a plan in the Medi-Cal system. The Blue Shield of California press release from December 8, 2014, noted that Care1st primarily serves members in Southern California and has a smaller membership presence in Arizona and Texas. As of January 1, 2015, Care 1st had over 100,000 members in Arizona after preferential member assignment to increase enrollment upon award of the 2013 contract, which is a significant portion of the 473,000 Medicaid lives included in the acquisition. Care 1st was awarded a contract two years ago based on the quality plan it is today and what it offers to the AHCCCS program. AHCCCS wants to understand Blue Shield's commitment to and strategic plan for Arizona. The following additional information or clarification is required:

- A statement from Blue Shield of California regarding the company's long-term intentions with this purchase of an Arizona Medicaid plan and its assurance that this transaction will not just be a short term holding as the company looks for another buyer.
- A copy of the license agreement between Blue Shield and the Blue Cross Blue Shield Association.
- An organizational chart illustrating the relationships between Cumulus, California Physicians' Service dba Blue Shield and Care 1st.
- Confirmation/disclosure as to whether the Employer Identification Number (EIN) for Care 1<sup>st</sup> is changing.
- The date of acquisition.

Scott Cummings  
Page 2  
February 6, 2014

Prior to making a final decision regarding approval of the change of ownership request, AHCCCS is requiring Care1st and CPS to submit final versions of the following documents.

- The agreement(s) between Care1st and CPS regarding the acquisition and/or change in ownership/change in membership.
- Documents necessary to effectuate the change in ownership/change of membership of Care1st.
- The Articles of Incorporation and By-Laws of Care1st that will be in effect at the time of transition.

Please submit responses to the above information and any questions or concerns to Chandra Hara at 602-417-4530 or via email at [Chandra.hara@azahcccs.gov](mailto:Chandra.hara@azahcccs.gov).

Sincerely,

A handwritten signature in black ink, appearing to read 'Chandra Hara', with a long horizontal flourish extending to the right.

Chandra Hara  
Operations Compliance Officer  
AHCCCS Division of Health Care Management

cc: Kari Price, Assistant Director, DHCM  
Shelli Silver, Assistance Director, DHCM  
Virginia Rountree, Operations Administrator  
Diana Alvarez, Operations Manager  
Stephanie Lefkowski, Finance Manager