

September 13, 2019

Via Email

Ms. Lola Davis
AHCCCS Operations and Compliance Officer
801 East Jefferson
Phoenix, AZ 85034
Lola.Davis@azahcccs.gov

Re: Response to AHCCCS September 6, 2019 Letter Regarding the Request for Approval of the Merger Agreement between Centene Corporation and WellCare Health Plans, Inc.

Dear Ms. Davis:

We appreciate receiving the September 6, 2019 requests from Christina Quast for additional information and clarification regarding the Request for Approval and Initial Transition Plans of Care1st Health Plan Arizona (“Care1st”) and Arizona Complete Health–Complete Care Plan (“AzCH-CCP”), submitted on May 3, 2019 and updated on July 10, 2019, regarding the Agreement and Plan of Merger dated March 26, 2019 between Centene Corporation and WellCare Health Plans, Inc. Set forth below are responses to those requests (for ease of reference, each request is copied below in bold, followed by our response to each request). Capitalized terms used herein not otherwise defined shall have the meanings given to such terms in the Request for Approval and Transition Plan.

- **Clarification regarding the performance bond mentioned in the Central GSA Transition Plan, Financial Reporting section:**
Status updates will be provided to meet the minimum capitalization requirements. This also includes a status on securing a performance bond.

In accordance with ACOM 305 and ACOM 418, prior to the Central GSA membership being moved from Care1st to AzCH-CCP, a request will be made to AHCCCS for the performance bond form and amount as well as any necessary equity adjustments for both AzCH-CCP and Care1st. At the time of the membership transfer, the performance bond amount will increase for AzCH-CCP (South and Central GSA membership and monthly capitation) and decrease for Care1st (North GSA membership and monthly capitation). Financial reporting for both Care1st and AzCH-CCP will include the required footnote disclosure regarding meeting the AHCCCS Performance Bond and Equity per member requirements.

- **What impact will the merger have on the structure of Medicare Advantage Duals Special Needs Plans of Care1st and AzCH-CCP?**

Pursuant to the AHCCCS contractual requirements, (1) AzCH-CCP will continue to offer a Medicare Advantage Duals Special Needs Plan (“D-SNP”) in the South GSA throughout its AHCCCS Complete Care (“ACC”) contract period; (2) Care1st will continue to offer a D-SNP plan in the North GSA throughout its ACC contract period; and (3) in the Central GSA, AzCH-CCP and Care1st will each continue to operate their respective D-SNP plans until January 1 of

the CMS contract year following the year in which the Care1st Medicaid members transition to AzCH-CCP. Any members still enrolled in the terminating D-SNP plan at that time will be required to select a new Medicare plan effective January 1 following CMS's service area reduction process. In anticipation of this, the Care1st dual-eligible members will be encouraged to align their Medicaid and Medicare plans. The plans recognize the challenges this transition will present to members affected by this change and will work closely with members to provide personalized assistance to help them with this process.

For example, if the transition of Care1st Medicaid members to AzCH-CCP occurs on October 1, 2021 (following the proposed 18 month transition period in the Central GSA), those members will be encouraged to align their Medicaid and Medicare plans with the surviving D-SNP plan effective January 1, 2022. The D-SNP plan that will be terminated will then follow the CMS service reduction process, notifying its existing members in Maricopa, Pinal and Gila Counties that it will not be an option on January 1, 2022. These members may be enrolled in AzCH-CCP's Medicaid plan or another Medicaid plan.

Care1st's D-SNP plan in the North GSA and AzCH-CCP's D-SNP plan in the South GSA will continue to be offered per the terms of the AHCCCS contract and to encourage alignment of the Medicare and Medicaid benefit to our members.

- **What impact will the merger have on the Employer Identification Number/Tax Identification Number (EIN/TIN) of Care1st and AzCH-CCP?**

The merger will not result in changes to Care1st's or AzCH-CCP's EIN/TIN. For reference, below are the respective numbers for Care1st and AzCH-CCP:

- Care1st EIN: 57-1165217
- AzCH-CCP EIN: 46-2616037

- **What impact will the merger have on the equity of Care1st and AzCH-CCP?**

This information is addressed in the confidential pro-forma financial statements submitted to AHCCCS on August 14, 2019.

- **Specific to the Central GSA, what impact will the merger have on Care1st's current administrative services subcontract agreements, including but not limited to pharmacy, dental and transportation?**

At the point of closing, there will be no change to Care1st's current administrative services subcontract agreements, including but not limited to pharmacy, dental and transportation. At the point that the Care1st membership in the Central GSA transitions to AzCH-CCP, that membership will utilize the then-existing AzCH-CCP subcontracted services, including pharmacy, dental and transportation. If any changes to the Care1st subcontract agreements are desired before this point, Care1st will comply with all AHCCCS requirements.

- **Clarification regarding the pro forma financial statements and whether or not the information provided includes both AzCH-CCP and CIC RBHA finances.**

The confidential pro-forma financial statements submitted to AHCCCS on August 14, 2019 included information for CIC RBHA. Please see the assumptions accompanying those pro-form financial statements for further information.

- **What impact will this merger have on the commitments Care1st submitted with the ACC RFP bid proposal?**

All RFP commitments stated in the Care1st ACC contract will be honored by Care1st. In the North GSA, this will continue until the end of the ACC contract for Care1st members. In the Central GSA, this will continue at a minimum for Care1st members until the point at which these members transition to AzCH-CCP after the Transition Period. During the assessment process post-closing, AzCH-CCP will work with AHCCCS to evaluate the respective commitments of Care1st and AzCH-CCP and identify what is in the best interest of the combined Central GSA membership after the Transition Period. In no case will the commitments be reduced from those in the current AzCH-CCP ACC contract for Central GSA members.

- **Submit the initial overlap analysis mentioned in the Central GSA Transition Plan.**

Delivery System Analysis & Next Steps:

Care1st and AzCH-CCP will conduct a comprehensive assessment of the delivery system immediately post-closing and will submit to AHCCCS a final service delivery strategy that outlines execution steps and timing through the Transition Period.

We believe it is critical to engage the local leadership in the review and discussion of the current delivery system contracts and performance to understand and determine the best service delivery strategy with consideration of:

- Member impact of combined membership including capacity modeling. Our goal is to ensure provider change for members is minimal with the target of less than 5% of members needing to change PCPs by the end of the Transition Period.
- Specific needs of covered populations
- Quality including consideration of current provider performance and leveraging contracts and value-based contracting that support improved quality
- Rewarding provider engagement
- Contractual terms and reimbursement methodology
- Administrative ease and tools for providers & members
- Financial performance

Preliminary delivery system analysis has been completed regarding the overlap of PCPs, specialists, hospitals and other key providers. We are also reviewing member assignment to PCPs and utilization data of providers to guide the best strategy.

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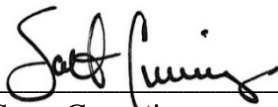
- **The \$20M Care1st dividend/equity distribution slated for 2021 shall be submitted at a later date, through the appropriate process as outlined in AHCCCS Policy, for AHCCCS review and approval.**

Care1st and AzCH-CCP acknowledge that the 2021 distribution must be submitted as outlined in AHCCCS Policy, for AHCCCS review and approval.

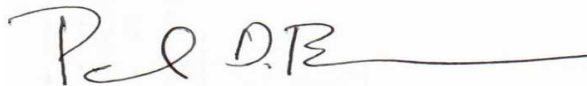
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Thank you for your assistance on this matter. Should you have any additional questions, please do not hesitate to contact Scott Cummings at (602) 778-1860 or by e-mail at SCummings@Care1stAZ.com, or Paul Barnes at (480) 567-9011 or by e-mail at pabarnes@azcompletehealth.com.

Very truly yours,



Scott Cummings
Plan President
Care1st Health Plan Arizona



Paul Barnes
Plan President
Arizona Complete Health

cc: Christina Quast, Operations Administrator, Division of Health Care Management, AHCCCS
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