Following the guidelines established in the AHCCCS Contractor Operations Manual (ACOM), Policy 317 (Merger, Acquisition, Reorganization, Joint Venture and Change of Ownership Requests) and contract YH14-0004, Section D, Paragraph 52 (Merger, Reorganization, and Change of Ownership) and Section D, Paragraph 44 (Material Change to Operations), Care1st Health Plan Arizona (Care1st AZ) respectfully submits the following transition plan, detailing all aspects of the Transaction between Care 1st Health Plan, Inc., California Physicians’ Service, Inc., a California nonprofit corporation, d/b/a/ Blue Shield of California, and Cumulus Holding Company, Inc.

ACOM 317 requires that a transition plan be submitted to AHCCCS prior to the effective date of any proposed merger, acquisition, reorganization or change of ownership. The transition plan must address a number of elements. The following states the required elements and Care1st AZ’s response to each element:

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

<table>
<thead>
<tr>
<th>a. The type of entity if a new entity will be formed (Limited Liability Companies (LLCs) are not acceptable).</th>
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<tbody>
<tr>
<td>Care1st AZ’s corporate status will not change as a result of the transaction. As stated in the notification letter, Cumulus Holding Company, Inc. (“Cumulus”) is a newly created nonprofit affiliate of a California based nonprofit health plan, California Physicians’ Service, Inc. d/b/a/ Blue Shield of California (“CPS”). Care1st Health Plan, Inc., the parent company of Care1st AZ, has entered into a Stock Purchase Agreement, dated as of December 4, 2014, with CPS and Cumulus, contemplating the sale by Care1st shareholders of all of the issued and outstanding shares of Care1st to CPS through Cumulus. After the transaction closes, Care1st AZ will operate as an indirect controlled affiliate of CPS and Cumulus, and a direct wholly owned subsidiary of Care1st Health Plan. The change of stock ownership will result in Cumulus becoming the parent corporation to the Care1st AZ health plan, but the health plan will operate as a separate corporation, consistent with current operations.</td>
</tr>
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<tr>
<th>b. Any material change to operations resulting from the new arrangement as specified in the Acute Care contract, Section D, Paragraph 44 (Material Change to Operations).</th>
</tr>
</thead>
</table>
| A material change to operations is defined in the Acute Care contract, Section D, Paragraph 44, as a “change in overall business operations (i.e. policy, process, protocol, such as prior authorization or retrospective review) which affects, or can reasonably be foreseen to affect, the Contractor’s ability to meet the performance standards as }
described in [the] contract. It also includes any change that would impact more than 5% of total membership and/or provider network in a specific GSA.”

There will be no material change to operations as a result of the transaction. While Cumulus’s acquisition of Care1st stock will result in a change of ownership, all health plan operations, across all product lines (AHCCCS Acute, Division of Developmental Disabilities/DDD, Medicare Advantage, and Care1st Health Plan Services/TPA) will remain consistent with the current model. Specifically, health plan functions such as Clinical Operations (quality management, medical management/utilization management, case management, pharmacy operations), Compliance, Provider Network Operations, Claims, Claim Disputes and Appeals, Member Services, Finance, Information Systems and Community Outreach will be administered as they are currently administered, led by the same leadership team within the Care1st AZ health plan and administered using the same software and systems we are using currently. There will be no impact to Care1st AZ’s ability to continue to meet and exceed the performance standards outlined in the contract or fulfill the commitments outlined in our response to the Request for Proposal YH14-0001. Furthermore, there will be no change in the services offered to our members, nor do we expect that there will be any change to the health plan’s provider network as a result of the change.

Any future material changes will be implemented in accordance with AHCCCS’s defined prior approval process.

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 306. (This may be submitted 90 days prior to the effective date).

The original entity, Care1st AZ, will continue to operate after the closing, and it is a going concern.

3) Documents including the following:

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

We will retain the Care1st AZ name, logo and brand in Arizona.

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

The organizational chart for Care1st AZ will remain the same under the new ownership.
The health plan will maintain compliance with staffing requirements, as outlined in Section D, Paragraph 16 (Staff Requirements and Support Services) of contract YH14-0001-04. Furthermore, Cumulus has no plans to make changes to the composition of the current staff barring occurrences that require personnel action consistent with standard business practices. For reference, the current Care1st AZ organizational chart is attached (see Attachment 1).

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

The most recent audited financial statements for Care1st AZ and CPS are attached (see Attachments 2 and 3).

d. Pro-forma financial statements of the resulting entity post-merger.

Pro-forma financial statements for the resulting entity will be furnished when completed.

4) For mergers, acquisitions, reorganizations, joint ventures or changes in ownership of organizations currently providing services to AHCCCS members, a description of the following:

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

Due to the nature of this ownership change as described in the notification letter and in further detail within this document, there will be no interruption of services to members as a result of this transaction.

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

Barring occurrences that require personnel action consistent with standard business practice, neither Care1st AZ nor Cumulus will make any changes to the management and staffing of the health plan in conjunction with the change in ownership.

c. Any changes to existing administrative services subcontracts.

All administrative services subcontracts will remain in place and unchanged under the Cumulus ownership. In the event any changes are made following closing, Care1st AZ will obtain all required approvals from AHCCCS.

d. Any changes to the administration of critical components of the organizations, including but not limited to information systems, prior authorization, claims processing or grievances.
As stated in the response to item 1b, Care1st AZ and Cumulus do not anticipate any changes to the administration of critical operational components/functions of the health plan. Following the transition, as the multi-year integration process continues to develop or in the normal course of business, we may look to implement changes that will enhance our operations and better serve the AHCCCS program and our membership. If and when these occur, we will follow the defined AHCCCS prior approval process for such changes.

e. The Contractor’s plan for communicating the change to members, including a draft notification to be distributed to affected members and providers.

On December 8, upon public announcement of the potential change of ownership, all Care1st AZ staff that interface with members, providers and stakeholders were trained on a list of key talking points (see Attachment 4). In addition, a blast fax communication was sent to contracted providers (see Attachment 5).

The message is written to assure members, providers and stakeholders that there will be no change to services or contractual arrangements and that regulatory approval must be received prior to any change of ownership. To-date, interest has been minimal.

Since the Care1st AZ name/logo/brand will be retained, we will notify the membership via an article in the member newsletter at or around the time of closing.

f. The Contractor’s plan for changes to critical member information, including the website, member and provider handbook and member ID card.

Since the current name/logo/brand will be retained, we do not anticipate the need for changes to member information.

g. Any anticipated changes to the network.

Because neither Cumulus nor CPS is currently in the Arizona healthcare market and does not bring any competitive affiliations, we do not expect any changes to the network other than in the ordinary course of business. We do not expect our key provider partners to respond negatively to this change in ownership. Reaction received to date has all been very positive.

Per ACOM 317, Care1st AZ understands that the following documents must also be submitted to the appropriate AHCCCS division no later than 45 days prior to the effective date of the change of ownership and commencement of operations:

Additionally, we acknowledge that upon AHCCCS approval, the following documents must be submitted within 120 days of the completed change of ownership:

1) The articles of incorporation, if applicable.
2) Copies of all affiliation agreements.
3) Any additional information requested by AHCCCS.

The information provided related to this change in ownership reflects the commitment of each of Care1st AZ, Cumulus, and CPS to continue to build on the infrastructure established over the past 11 years. Cumulus and CPS recognize the success that Care1st has experienced in Arizona and that the key to that success is centered on the experienced and dedicated staff and the solid operational foundation that has been established. All efforts will be to maintain and grow that infrastructure in order to continue to meet and exceed AHCCCS expectations and evolve in this rapidly changing health care environment.

If you have any questions, please do not hesitate to contact me at scummings@care1st.com or 602.778.1860.