



Stephen A. Purves, FACHE
President & CEO

March 16, 2015

Director Tom Betlach
AHCCCS
801 E. Jefferson Street, MD 4100
Phoenix, AZ 85034

FAX: 602.256.6756

Dear Tom,

You are aware from our numerous recent discussions that Maricopa Integrated Health System has entered a period of acute economic distress. Recent decisions by the state legislature have offered some relief, but even with aggressive action to reduce our operating expenses, the amount is insufficient to sustain our safety net and teaching mission as it stands now.

As you know, we are working through a strategic planning process that addresses appropriate strategic partnerships and alternative models of health care delivery that will help us continue to fulfill our statutory responsibilities as a special health care district. We are also addressing shorter-term working capital requirements to ensure the stability of our teaching programs and services to populations that may be unable to receive services elsewhere. We therefore are investigating alternatives to monetize non-core services as a means of providing this capital. The Maricopa Health Plan and Maricopa Care Advantage Plan are services that are under consideration for divestiture or some form of combination with others. We fully understand that MIHS is a contractor with AHCCCS and that your agency will have the final decision on whether our plans are acceptable. The purpose of this letter is to introduce this concept and request your suggestions and guidance into how this strategy should be considered.

For this transaction to be successful MIHS must be able to garner enough value to offset the longer term benefits realized through offering the network and further, services to AHCCCS beneficiaries must not be compromised. We are currently studying the economic and patient flows to better understand the potential impact on our delivery system of discontinuing direct ownership of these contracted plans. We have engaged valuation consultants to assist us in this endeavor and we will

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be entering into discussions shortly with potential suitors. These discussions are expected to take 3 to 6 months before any recommendation can be made to the District Board and we will keep you apprised of these discussions along the way.

Of course we want to make sure that this anticipated transaction is in the public's best interest and, assuming that we can come to terms, we believe it will be. We look forward to working with you as we move forward.

Sincerely,

A handwritten signature in blue ink, appearing to read "Stephen A. Purves". The signature is fluid and cursive, with a long horizontal stroke at the end.

Stephen A. Purves