



Corporate Office  
Health Net Access  
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Tempe, AZ 85281

September 25, 2015

Jay Dunkleberger, Operations Compliance Officer

Arizona Health Care Cost Containment System

801 East Jefferson Street

Phoenix, Arizona 80534

RE: Health Net Access; AHCCCS Contract YH14-0004; Notification of Acquisition and Transition Plan

Dear Jay:

As you know, on August 7, 2015, Health Net Access, Inc. (HNA) provided your office with notification of a proposed change of ownership of Health Net, Inc., a publicly traded Delaware corporation and the ultimate parent of HNA, by Centene Corporation. HNA is a party to amended Contract No. YH14-0004 with AHCCCS, dated April 1, 2015 (the "Contract"). With this letter, HNA is responding to the correspondence from Virginia Rountree dated September 4, 2015 and is enclosing the Transition Plan promised with our initial notification. The attached Transition Plan follows the requirements of the Contract as well as AHCCCS Contractor Operations Manual, Policy 317 (ACOM 317) (Merger, Acquisition, Reorganization, Joint Venture and Change of Ownership Requests). Thank for you the opportunity to submit this information to AHCCCS.

As we have discussed with the Director and your office, the proposed acquisition of Health Net, Inc. by Centene, which includes HNA, will bring the strong Medicaid program and management experience of Centene to the HNA organization. Centene is a long standing participant in the AHCCCS program through Cenpatico of Arizona and Bridgeway Health Solutions. Centene is committed to supporting the citizens of Arizona by maintaining and expanding its business in Arizona, one of its key strategic states. After the proposed transaction close, Centene will employ its central philosophy of local control for managing Medicaid programs. All direct management functions that support the HNA business will be Arizona-based and led by Paul Barnes, the current CEO of Bridgeway. In addition, Centene has committed to moving the HNA claims payment to the Centene information system after closing as quickly as practicable, while ensuring no disruption. In addition to the system migration, the HNA call center function will be moved to Arizona, along with various other support activities that currently reside outside this state. Work is already well underway to review and assess HNA policies and procedures to ensure a smooth transition that will be seamless to the members and compliant with all AHCCCS requirements. HNA and Centene are collaborating to develop a comprehensive Transition Plan

to ensure that the Acute Care members covered by HNA experience no disruption, and both plans will continue to work together through implementation.

Specifically, HNA and Centene are very focused and aligned with AHCCCS' goals to ensure:

- Uninterrupted services and ongoing adequate access to care and choice for members;
- Major functions of the Contractor's organization, as well as the AHCCCS program, are not adversely affected;
- The Contractor's ability to maintain and support the contract requirements including the commitments in the proposal submitted to AHCCCS during the procurement process; and
- The integrity of a fair, competitive AHCCCS procurement process for the managed care contracts, which is one of the core founding principles of the AHCCCS program.

With respect to the specific issues raised in the September 4, 2015 correspondence:

1. Acquisition Date: We do not have a specific date for the closing of the Merger Agreement as it is dependent on regulatory approvals. Centene and Health Net are seeking approval from all other state regulators by the end of 2015. Both Centene and Health Net intend to hold shareholder approval meetings on October 23, 2015. As such, we hope to have all regulatory approvals by the end of 2015 and Centene will then acquire Health Net, Inc. by early 2016.
2. Other jurisdictions: While Health Net, Inc. entities have licenses in many of the United States, the focus of the regulatory approvals is in California, Arizona and Oregon. In California, Health Net of California, Inc., Managed Health Network and Health Net Community Solutions submitted notices of material modification to the California Department of Managed Health Care (DMHC) and Centene submitted a Form A application to the California Department of Insurance. In Arizona, Centene also submitted a Form A application to the Arizona Department of Insurance and Health Net, Inc. submitted the notice and transition request to your department. In Oregon, Centene also submitted a Form A application to the Oregon Insurance Division. On August 27, 2015, we submitted a chart to Director Betlach which listed the various state and federal approvals that are required by this acquisition. A copy is also included as an attachment to the Transition Plan.
3. Financial Information: The attached Transition Plan addresses how the new Tax ID will be handled. Centene and Health Net, Inc. have the same fiscal year, so there is no accommodation that needs to be made for differing fiscal years. Bridgeway will continue with its present fiscal year which corresponds to the AHCCCS contract year.
4. Operational and System Changes: The attached Transition Plan addresses the proposed operational and systems changes and describes the positive impact on AHCCCS members and providers, including the provision of GMH/SA services to dually eligible members, claims processing and payment, and grievance and appeals processes. As discussed in the Transition Plan, we do not intend to have any network changes or impact to the network.
5. New Corporate Structure: The attached Transition Plan provides more details on the proposed new corporate structure for HNA and the rationale for that structural design. As you will see, Centene intends to employ its local focus to HNA as it currently operates at Bridgeway and Cenpatico, including location of the call center in Tucson. As such, the rationale supporting the structure is to have the key Arizona leadership of Bridgeway lead HNA with this local focus.
6. Key Staff: The attached Transition Plan describes the roles of key individuals and provides the proposed organization.
7. Compliance Issues: We believe that HNA has made significant progress to cure the areas of noncompliance with AHCCCS contractual requirements identified through Notices to Cure or Sanction by AHCCCS. We also believe that our 2015 AHCCCS Focused Operational Review

results further demonstrate the solid improvement in our medical management structure and processes. HNA has also implemented significant changes in our compliance efforts over the most recent contract period. We believe this progress translates to positive outcomes related to our delivery of quality care and service to HNA members. We are prepared to meet the program requirements and the needs of our dually eligible members with the implementation of the GMH/SA program, and we trust that the commitment to this program has been demonstrated in our monthly meetings and regular submissions to AHCCCS. The dedicated HNA team in Arizona is now comprised of much more experienced, seasoned employees who have made strides in managing the delivery of medical services, quality, member/provider appeals, and provider education areas. Centene will bring even more strength to these areas with the ultimate result of HNA being a fully compliant plan which will continue to pursue excellence.

We understand that AHCCCS will conduct a review of the Transition Plan with a focus on member impact and contract compliance. HNA and Centene are working closely together to ensure that there is no disruption to the members or providers for either plan. The Transition Plan addresses those issues in detail.

HNA and Centene leaders are working with the current HNA employees to assure that the continuity of business processes and controls that reside in Arizona today are maintained and supported after the acquisition is completed. Again, these plans are more fully described in the attached Transition Plan.

I look forward to continuing to provide you and the AHCCCS staff with information and details regarding this Transition Plan. Paul Barnes, Bridgeway CEO, and I welcome opportunities to meet with you to provide regular updates regarding the transition, and to providing any additional information you may require. Thank you again for the opportunity to submit these materials.

Sincerely,



Gay Ann Williams, Vice President  
Health Net Access Plan Administrator  
Health Net Access

CC: Tom Betlach, Director, AHCCCS  
Paul Barnes, CEO, Bridgeway