



Corporate Office  
Health Net Access, Inc.  
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Tempe, AZ 85281

August 7, 2015

Thomas Betlach  
Director, Arizona Health Care Cost Containment System  
801 East Jefferson Street  
MD 4100  
Phoenix, AZ 85034

Delivered via email: [Thomas.Betlach@azahcccs.gov](mailto:Thomas.Betlach@azahcccs.gov)

Re: Notification of Acquisition and Request for Prior Approval

Dear Director Betlach:

In accordance with Contract No. YH14-0001 between the Arizona Health Care Cost Containment System (“AHCCCS”) and Health Net Access, Inc. (“HN Access”), Section D, Paragraph 52 (Merger, Acquisition, Reorganization, Joint Venture, and Change of Ownership), as well as AHCCCS Contractor Operations Manual, Policy 317 (Change in Contractor Organizational Structure), please accept this letter as official notification of a proposed change of ownership of Health Net, Inc. (“HNI”), a publicly traded Delaware corporation and the ultimate parent of HN Access, by Centene Corporation (“Centene”). HN Access is a party to amended Contract No. YH14-0001 with AHCCCS, dated April 1, 2015 (the “Contract”).

On July 2, 2015, HNI entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Centene Corporation, a publicly traded Delaware corporation, the result of which is that, upon closing, Centene will directly own 100% of the issued and outstanding shares of capital stock of HNI, and will thereby indirectly own 100% of the issued and outstanding shares of HN Access. The closing of the Merger Agreement is subject to certain conditions, including the receipt of required approvals from government regulators.

Centene provides programs and services to government sponsored healthcare programs, with a focus on under-insured and uninsured individuals. Centene provides coverage to individuals through a variety of government programs, including Medicaid, the State Children’s Health Insurance Program (“CHIP”), Long Term Care (“LTC”), foster care, dual-eligible individuals (“Duals”), and the Supplemental Security Income Program, also known as the Aged, Blind, or Disabled Program (“ABD”). Starting in 2014, Centene also began providing coverage to individuals covered through the federally-facilitated and state-based Health Insurance Marketplaces (“HIM”). Centene is also a long-standing participant in the AHCCCS program through its two Arizona subsidiaries: Cenpatico of Arizona (“Cenpatico”), which began operations in 2005, and Bridgeway Health Solutions (“Bridgeway”), which began operations in 2006.

Centene is acquiring HNI as a strategic expansion of the company. By joining the two organizations, Centene will be able to better serve the populations in its service areas. The acquisition will also allow Centene to strengthen its leadership in Medicaid and expand its participation in non-Medicaid markets. In Arizona, the acquisition of HN Access will enable Centene to put its well-established processes and systems in place to serve the Acute Care members covered by HN Access. In addition, Centene will be able to leverage the strength of its Arizona executive team to improve services for HN Access members. Arizona is a key strategic state for Centene as evidenced by the establishment of distributed corporate functions in Tempe and Tucson, the presence of its two Arizona health plans and multiple specialty company offices – resulting in over 1,300 Centene employees in Arizona by the end of 2015. With this acquisition, Arizona will be in the top five states for Centene in terms of revenue, further increasing its importance in Centene’s overall strategic planning. Finally, the addition of HN Access broadens the range of programs in partnership with AHCCCS, whose thought leadership in Medicaid public policy has carryover benefit for Centene in its other states.

Following the closing of the transaction that is the subject of the Merger Agreement, HN Access will continue to operate as a separate corporation and as the contract-holder for the Contract. Centene and HNI have begun the integration planning process, including the identification of the optimal management structure. This integration planning process will facilitate a smooth and compliant transition of the HN Access operations for the benefit of members and improve the operational process to ensure that all contractual obligations are met. The Centene model is to perform operational functions in the contract state (e.g., Arizona) except for claims processing and information technology.

As part of these changes, effective as of closing, Paul Barnes (Chief Executive Officer of Bridgeway) will become the Chief Executive Officer of HN Access, while remaining the senior point of contact for all Centene programs with AHCCCS. At the point of closing, HN Access staff will report to him. By September 30, Centene and HNI will finalize the specific changes to the organizational structure for HN Access, including the identification of individuals for each position identified as “Key Staff” under the AHCCCS contract. Two principles will be followed in developing this organizational structure: 1) selecting from HN Access and Bridgeway staff the most qualified individual to fill the respective role including compliance with contractual requirements and 2) maximizing the Arizona-based staff (beyond the specific requirements of the AHCCCS contract).

In addition, there will be a combined HN Access and Bridgeway board that is expected to have more external members than internal ones and have strong representation from physicians, other health care providers and community leaders, similar to the current Bridgeway board. AHCCCS will be notified of the resulting board composition as part of this approval process.

Please see the attached document for the initial transition plan addressing AHCCCS’s primary focus areas for a contractor’s change of ownership. As you will see in this document, there are a number of areas where more specific actions and decisions need to be detailed. Centene and HNI are working towards the necessary level of specificity by September 30. As part of this process, Centene and HNI will work with AHCCCS to jointly determine the benchmarks and milestones to ensure a successful transition. HN Access, HNI, and Centene recognize that with this organizational change, AHCCCS needs to be confident that the following conditions are met:

- Ensuring uninterrupted services and ongoing access to care and choice for members;

- Under its new ownership, HN Access' ability to maintain and support the AHCCCS contract requirements, including commitments in the proposal submitted to AHCCCS during procurement;
- Ensuring that major functions of HN Access' organization, as well as AHCCCS programs, are not adversely affected; and
- Maintaining the integrity of a fair and competitive AHCCCS procurement process for managed care contracts.

In this organizational change, Centene and HNI are guided by the desire to maintain continuity of care and services for members and providers while improving the operational performance of HN Access. It is understood that the request for AHCCCS' approval is in the context of multiple compliance actions for HN Access. None of the parties would minimize the challenges in resolving all of those outstanding issues. Some may be more straight-forward and will be achieved more quickly given Centene's philosophical commitment to local management and operational control. Other issues are more complicated, involving information systems for example. Nevertheless, it is the commitment of both organizations that these issues will be addressed with urgency and resources will be devoted from across the organizations to resolve all issues as quickly as possible. AHCCCS has been clear in its communication related to the compliance actions and all parties understand the challenge at hand with the commitment to resolve.

Paul Barnes and I look forward to answering any questions that you may have and providing any additional information that AHCCCS will require in order to approve this transaction. Centene has expressed its clear support to the commitments described in this letter. More specifics on the transition plan will be submitted to you by September 30, 2015. We are looking forward to being part of an organization with the reputation and capability in Medicaid that Centene has created over the last 31 years.

If you have any questions, please do not hesitate to contact me at [Gay.Ann.Williams@healthnet.com](mailto:Gay.Ann.Williams@healthnet.com) or (602)794-1464.

Respectfully submitted,



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

Cc: Jay Dunkleberger, AHCCCS

Attachments:

- Corporate Structure (post-closing)
- Health Net Access Transition Plan
- Health Net Access Financial Statements
- Centene 10K (including audited financial statement)