

Health Net Access, Inc.
Arizona Transition Plan
Centene Corporation Acquisition and Change of Ownership

Following the guidelines established in 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), Health Net Access, Inc. (“HN Access”) respectfully submits this transition plan, detailing the merger between Health Net, Inc. (“HNI”), a Delaware corporation, and Centene Corporation, a Delaware corporation (“Centene”), and the resulting change of ownership of HN Access (the “Transaction”). HN Access is a party to amended Contract No. YH14-0001 with AHCCCS, dated April 1, 2015 (the “Contract”).

Under ACOM 317, AHCCCS contractors must submit a transition plan to AHCCCS at least 180 days prior to the effective date of a proposed merger, acquisition, reorganization, or change of ownership. The transition plan contains several required elements, including the following:

1) A letter of explanation that includes:

a. the type of entity formed;

HN Access’s corporate structure will not change as a result of the Transaction. However, HN Access will become an indirect wholly-owned subsidiary of Centene, as described in the notification letter.

b. Any material change to operations as specified in Section D of the AHCCCS contract

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.”

Under that definition, there are planned material changes to operations. 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 that point, HN Access staff will report to him. By September 30, Centene and HNI will finalize the specific changes to organizational structure for HN Access, including the identification of individuals for each position identified as “Key Staff” under the AHCCCS contract. The finalized organizational chart will be submitted to AHCCCS at that time as an updated section of this transition plan.

Centene will be implementing its operational policies, procedures and processes that are in compliance with AHCCCS and Arizona state regulations. Current and future HN Access staff will be fully trained in these processes, including in the areas of medical management, behavioral health management, quality management, maternal child health, disputes/appeals, provider contracting, and claims adjudication.

There will be a combined HN Access and Bridgeway board, with composition consistent with the Centene core philosophy. AHCCCS will be notified of the resulting board composition as part of this approval process.

Finally, an evaluation will be completed by September 30 to determine the necessary operational changes to ensure compliance with all AHCCCS contractual requirements, including but not limited to those which have resulted in an AHCCCS compliance action.

2) Proof that any performance bond requirements have been met by the new entity, if the original entity is no longer a going-concern.

HN Access will continue to be a going-concern.

3) Documents including the following:

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

Centene's acquisition of HNI will not result in a change to HN Access's name or logo at the time of closing. This will ensure continuity for HN Access members and providers, as well as reduce administrative burden on AHCCCS and other parties. Any future decisions around these issues will be subject to AHCCCS policies and approval.

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

HN Access will submit a complete organizational chart by September 30 including the identification of individuals for each position identified as "Key Staff" under the AHCCCS contract. Two principles will be followed in developing this organization 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 minimal requirements of the AHCCCS contract). The Centene model is to perform operational functions in the contract state (e.g., Arizona) except for claims processing and information technology. Effective as of closing, Paul Barnes will serve as the Chief Executive Officer for HN Access.

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

Please see the attached documents for current audited financial statements for HN Access.

Please see the attached documents for current audited financial statements for Centene. Centene's audited financial statements start on page 55 of the attached Centene 10K.

- d. Pro forma financial statements of resulting entity post-merger, which include at minimum a balance sheet, statement of revenues and expenses and statement of cash flows for the subsequent three years, as well as enrollment projections and footnotes detailing assumptions. The format may be the same as the audit format, but the AHCCCS lines of business must be detailed separately as is required in the annual audit report.**

Centene and HNI will work together to develop the necessary pro-forma statements to submit to AHCCCS by September 30.

4) A description of the following:

- a. An assessment of potential interruptions of services to members, and steps HN Access is taking to ensure there are no interruptions**

Given the fact that the HN Access name and identity will not change at the time of closing, this transaction should be invisible to members and providers. The organizational analysis to be completed by September 30 will focus on retaining and engaging the most qualified staff. It is anticipated that will include qualified HN Access staff who are currently serving members and providers augmented by additional Arizona staff equipped to serve members with excellence. As a result of this organizational analysis, additional information will be submitted to AHCCCS regarding activities to ensure service continuity for members.

- b. Any changes in management and staffing overseeing the HN Access Acute Care contract**

HN Access will submit a complete revised organizational chart by September 30 including the identification of individuals for each position identified as "Key Staff" under the AHCCCS contract. Two principles will be followed in developing this organization 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 minimal requirements of the AHCCCS contract). Effective as of closing, Paul Barnes will serve as the Chief Executive Officer for HN Access.

- c. Any changes to existing administrative services subcontracts of HN Access**

At this time, no administrative services subcontracts have been identified for change. However, the parties are continuing to evaluate any opportunity for operational improvement, including through administrative service subcontracts. At the point that any subcontracts are identified for change as part of this transaction, HN Access will

submit that information as part of the transition plan. It is also recognized that changes in administrative service subcontracts at any time fall under AHCCCS contractual requirements and compliant processes will be followed at that time.

d. Any changes to administration of critical components of organization, including but not limited to information systems, prior authorization, claims processing, or grievances.

Centene will be implementing its operational policies, procedures and processes consistent with its other state Medicaid programs serving similar populations. Of course, these processes will be modified based on AHCCCS contractual and other Arizona requirements. Current and future HN Access staff will be fully trained in these processes, including in the areas of medical management, behavioral health management, quality management, maternal child health, disputes/appeals, provider contracting, and claims adjudication.

In addition, Centene will be evaluating all options for operational improvement and compliance, which may include changes in information systems and claims processes. HN Access will provide additional information of any such changes in critical components as soon as such changes are determined.

e. HN Access's plan for communicating change to members including a draft notification to be distributed to affected members and providers

No later than forty-five days prior to the effective date of the change in ownership, HN Access will provide a notification via letter to all members and providers. In addition, a message to members and providers will be placed on the HN Access website at that time. Additionally HN Access membership will be notified via an article in the member newsletter at or around the time of closing. The specific content of all communications will be submitted to AHCCCS by September 30 for review and approval.

f. HN Access'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 prior to regulatory approval. If a change is desired, we will follow all AHCCCS requirements.

g. Any anticipated network changes

We do not expect any changes to the network other than those in the ordinary course of business.

HN Access also acknowledges that per ACOM 317, the following additional materials must be submitted no later than 45 days prior to the effective date of the change of ownership:

- 1) ACH vendor authorization form.
- 2) Information regarding HN Access's Disclosure of Ownership and Control and Disclosure of Information on Persons Convicted of a Crime in accordance with 42 CFR §§ 101 through 106, the Contractual Provisions in Section D, Corporate Compliance and ACOM Policy 103.

In addition, upon AHCCCS's approval of the Transaction, HN Access recognizes that the following materials must be submitted to AHCCCS within 120 days after the change of ownership:

- 1) The articles of incorporation that will be in effect at the time of the transition, if applicable.
- 2) Copies of all affiliation agreements.
- 3) Any additional information requested by AHCCCS.

The information provided related to this change of ownership shows the parties' commitment to providing high quality care to Arizona Medicaid beneficiaries and abiding by the AHCCCS RFPs and contracts.

We look forward to answering any questions AHCCCS may have. Please do not hesitate to contact Gay Ann Williams at Gay.Ann.Williams@healthnet.com or (602)794-1464.