



October 13, 2016

Thomas Betlach  
Director, Arizona Health Care Cost Containment System  
801 E. Jefferson St.  
MD 4100  
Phoenix, AZ. 85034

Subject: Notification of Acquisition and Request for Prior Approval

Dear Director Betlach,

In accordance with contract YH14-0001 between AHCCCS and Care1st Health Plan Arizona, Inc., Section D, Paragraph 52 (Merger, Reorganization 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. This notice serves as a follow up to our initial notification letter dated October 5, 2016 and is accompanied by the initial filing of the transition plan.

Care1st Health Plan and The WellCare Management Group, Inc. ("WMG"), a wholly-owned subsidiary of WellCare Health Plans, Inc. ("WellCare") have entered into a definitive stock purchase agreement, dated as of September 30, 2016, pursuant to which WMG will acquire all of the issued and outstanding capital stock of Care1st Health Plan Arizona, Inc. ("CHPA") and ONECare by Care1st Health Plan of Arizona, Inc. ("OCHPA"). As a result of such acquisition, WMG will also acquire indirectly Care1st Health Plan Administrative Services, Inc., a wholly owned subsidiary of CHPA ("CHPAS," and together with CHPA and OCHPA, collectively, "Care1st AZ").

The acquisition of Care1st AZ adds a mature, high performing plan to WellCare's portfolio of Medicaid and Medicare plans in sixteen other states. WellCare focuses exclusively on providing government-sponsored managed care services, primarily through Medicaid, Medicare Advantage and Medicare Prescription Drug Plans, to families, children, seniors and individuals with complex medical needs. Like Care1st AZ, WellCare has focused on community-based relationships and integrated delivery of medical care and social services to provide improved health outcomes for low-income families, children, the disabled, seniors and individuals with complex medical needs.

- Over thirteen years ago, Care1st AZ was fortunate to earn its initial contract award in Arizona from the AHCCCS Administration. Over this time, Care1st AZ has established itself as a true partner to the AHCCCS program, a leader in collaboration efforts with other AHCCCS plans, and focused on adding value to the AHCCCS program. Because WellCare uses a local approach to delivering Medicaid and Medicare Advantage, and does not have these lines of business in Arizona, it plans for the Care1st AZ team to continue serving Arizonans.

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WellCare shares Care1st AZ's commitment to the AHCCCS program and will add value through its experience in other states, leadership and resources while continuing to build upon the foundation that Care1st AZ has created in Arizona.

Attached is a transition plan that addresses AHCCCS' primary focus points for this type of transition. Those points are as follows:

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

In summary, although Care1st AZ will be acquired by WellCare, there is a commitment from WellCare to fully maintain the health plan's current operations, and to add value through its vast infrastructure, rich experience focused exclusively on providing government-sponsored managed care services, and extensive experience in Behavioral Health management.

I look forward to answering any questions that you and your team have in order to gain your approval for this strategic partnership. We are excited to become part of an organization which shares our focus on community-based relationships and integrated delivery of medical care and social services.

If you have any questions, please do not hesitate to contact me at [scummings@care1st.com](mailto:scummings@care1st.com) or 602.778.1860.

Sincerely,



Scott Cummings  
Chief Administrative Officer

cc: Virginia Roundtree, Assistant Director, Division of Healthcare Management,  
AHCCCS

Kelly Munson, Senior Vice President, Division President and Product,  
WellCare Health Plans, Inc.