



**Transition Plan  
Submitted in Connection with the  
Acquisition of Care1st Health Plan Arizona, Inc. by  
WellCare Health Plans, Inc.**

Following the guidelines established in the AHCCCS Contractor Operations Manual (ACOM), Policy 317 (Change in Contractor Organizational Structure) and contract YH14-0001, Section D, Paragraph 52 (Merger, Reorganization, Joint Venture and Change of Ownership) and Section D, Paragraph 44 (Material Change to Business Operations), Care1st Health Plan Arizona, Inc. and WellCare Health Plans, Inc. respectfully submit this Transition Plan, detailing all aspects of the Transaction (as defined below) between Care1st Health Plan and WellCare Health Plans, Inc.

ACOM Policy 317 requires that a transition plan be submitted to AHCCCS 180 days prior to the effective date of any proposed merger, acquisition, reorganization or change of ownership. However, the parties respectfully request review and approval such that the Transaction may be closed by December 31, 2016.

The transition plan must address a number of elements pursuant to ACOM Policy 317. The following outlines the required elements and the responses to each element:

**1) A letter of explanation which includes the following information:**

**a. The type of entity if a new entity will be formed and/or any changes to existing entity**

*The corporate status of Care1st AZ (defined below) will not change as a result of the Transaction. On September 30, 2016, The WellCare Management Group, Inc. ("WMG"), a wholly owned subsidiary of WellCare Health Plans, Inc. ("WellCare"), and Care1st Health Plan ("Care1st CA") entered into a Stock Purchase Agreement, dated as of September 30, 2016 (the "Stock Purchase Agreement"), pursuant to which WMG will acquire all of the issued and outstanding capital stock (the "Transaction") 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"). After the Transaction closes, Care1st AZ will operate as direct (and indirect with respect to CHPAS) wholly owned subsidiaries of WMG. Care1st AZ's operations will not change as the Transaction only results in the change of ownership of Care1st AZ from CHP CA to WMG and does not have an impact on operations.*

*A copy of the Stock Purchase Agreement (redacted to remove confidential and proprietary information) is attached hereto as Exhibit A.*



**b. Any material change to operations as specified in the Acute Care contract.**

*As stated in response to Item 1(a) above, there will be no material change to the operations of Care1st AZ as a result of the Transaction. A material change to operations is defined in the Acute Care contract, Section D, Paragraph 44, as a “any change in overall business operations (e.g., policy, process, protocol, such as prior authorization or retrospective review) that affects, or can reasonably be foreseen to affect, the Contractor's ability to meet the performance standards as described in this contract including, but not limited to, any changes that would impact or is likely to impact more than 5% of total membership and/or provider network in a specific GSA.”*

*While the Transaction will result in a change of ownership of Care1st AZ, all health plan operations, across all product lines (AHCCCS Acute, Division of Developmental Disabilities/DDD, Medicare Advantage, and Care1st Health Plan Services/TPA) will remain consistent with the current model. Specifically, health plan functions such as Clinical Operations (quality management, medical management/utilization management, case management, pharmacy operations), Compliance, Provider Network Operations, Claims, Claim Disputes and Appeals, Member Services, Finance, Information Systems and Community Outreach will be administered as they are currently administered, led by the same leadership team currently employed by Care1st AZ. There will be no impact to Care1st AZ's ability to continue to meet and exceed the performance standards outlined in the contract or fulfill the commitments outlined in Care1st AZ's response to the Request for Proposal YH14-0001. Furthermore, there will be no change in the services offered to Care1st AZ's members, nor will there be any change to Care1st AZ's provider network (other than customary changes made in the ordinary course of business).*

*Any future material changes will be implemented in accordance with AHCCCS's defined prior approval process.*

**c. In the case of a State Agency, any state or federal legislation, rule or action that necessitates a change in Organizational Structure.**

*Not Applicable.*

**2) Proof that any performance bond requirements have been met by the new entity, if the original entity is no longer a going-concern. The Performance Bond shall be in a form acceptable to AHCCCS. See ACOM Policy 305. (This may be submitted 90 days prior to the effective date).**

*Care1st AZ currently meets the AHCCCS performance bond requirements. Since Care1st will continue to be a going-concern following the Transaction, the Care1st performance bond will remain in effect following the change of ownership contemplated by the Transaction.*



**3) Documents including the following:**

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

*WellCare intends to operate Care1st AZ using the same name, logo and brand in Arizona as is currently used.*

**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.**

*The organizational chart for Care1st AZ will remain the same following the Transaction. Scott Cummings will continue to lead Care1st AZ, but with the change in ownership, will now report to Kelly Munson, Senior Vice President, Division President and Product for WellCare.*

*Care1st AZ will maintain compliance with staffing requirements, as outlined in Section D, Paragraph 16 (Staff Requirements and Support Services) of contract YH14-0001. WellCare has no plans to make changes to the team currently employed by Care1st AZ other than in the normal course of operations.*

*The Care1st AZ organizational chart with changes highlighted is attached hereto as Exhibit B.*

*Organizational charts for the WellCare Group of Companies, illustrating both current and post-acquisition structures, is attached hereto as Exhibit C.*

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

*The most recent audited financial statements for Care1st AZ is attached hereto as Exhibit D.*

*The most recent audited financial statements for WellCare are reflected in the 2015 Form 10-K, filed with the U.S. Securities and Exchange Commission, and attached hereto as Exhibit E. Page 80 includes the independent auditor's opinion on WellCare's internal control over financial reporting. Beginning on the 83<sup>rd</sup> page are WellCare's financial statements, footnotes thereto and the independent auditor's opinion (i.e., ppgs. F-1 through F-42).*



**d. Pro-forma financial statements of the entity resulting from the change in organizational structure which shall include at a minimum a balance sheet, statement of revenues and expenses and statement of cash flow for the subsequent three years as well as enrollment projections and footnotes detailing assumptions. The format can be the same as the audit format; however the AHCCCS lines of business should be detailed separately just as required in the annual audit report.**

*Pro-forma financial statements are in the process of being produced and will be furnished when completed.*

**4) A description of the following:**

**a. An assessment of any potential interruption of services to members, and steps the Contractor is taking to ensure there are no interruptions.**

*As the Transaction contemplates only a stock acquisition and not any changes to operations, no interruption of services is expected to members as a result of the Transaction.*

**b. Any changes to the management and staffing of the organization currently overseeing services provided under the contract.**

*WellCare has been impressed by Care1st AZ's performance, which was a major factor in its decision to enter into the Transaction. Because WellCare uses a local approach to delivering Medicaid and Medicare Advantage, and does not have these lines of business in Arizona, WellCare plans for the Care1st AZ team to continue serving the Medicaid and Medicare Advantage populations of Arizona.*

*Care1st AZ will maintain compliance with staffing requirements, as outlined in Section D, Paragraph 16 (Staff Requirements and Support Services) of contract YH14-0001. WellCare has no plans to make changes to the team currently employed by Care1st AZ other than in the normal course of operations.*

**c. Any changes to existing administrative services subcontracts.**

*During the term of the Transition Services Agreement (as defined in 4(d) below), we expect that all administrative services subcontracts will remain in place and unchanged following the Transaction. In the event any changes are made following the closing of the Transaction, Care1st AZ will obtain all required approvals from AHCCCS.*



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

*Care1st AZ has relied on its immediate parent company, Care1st CA, for support related to IT infrastructure and various IT services. At the time of the closing of the Transaction, Care1st CA and Comprehensive Health Management, Inc., a wholly owned subsidiary of WellCare, will enter into a Transition Services Agreement providing that, for up to a 12 month period following the Transaction, Care1st CA will continue to provide all of the IT support and services it currently renders. This period will allow Care1st AZ and WellCare to thoughtfully transition those services either to Care1st AZ, WellCare or another third party vendor in order to minimize any disruption to operations.*

*Otherwise, Care1st AZ and WellCare do not anticipate any near term changes to the administration of critical operational components/functions of the health plan. Over time, Care1st AZ and WellCare may look to implement changes that will enhance operations and better serve the AHCCCS program and Care1st AZ's membership in Arizona. If and when these occur, Care1st AZ and WellCare will follow the defined AHCCCS prior approval process for such changes.*

**e. The Contractor's plan for communicating the change to members, including a draft notification to be distributed to affected members and providers.**

*The Transaction was publicly announced on October 5, 2016. Following the public announcement, a communication was sent to contracted providers and office staff. See communication attached hereto as Exhibit F.*

*In addition, all Care1st AZ personnel that interface with members, providers and stakeholders were trained on a list of key talking points. See talking points attached hereto as Exhibit G.*

*Both the communication and the talking points were written to assure members, providers and stakeholders that there will be no change to services or contractual arrangements and that regulatory approval must be received prior to any change of ownership.*

*Finally, since the Transaction contemplates Care1st AZ continuing to operate using its current name, logo and brand, Care1st AZ will notify its membership via an article in the member newsletter at or around the time of closing of the Transaction. The proposed article has been submitted to AHCCCS for review prior to publication. See proposed member newsletter article attached hereto as Exhibit H.*



**f. The Contractor's plan for changes to critical member information, including the website, member and provider handbook and member ID card.**

*Since Care1st AZ will continue to operate using its current name, logo and brand, Care1st AZ does not anticipate the need for changes to member or provider materials and related information.*

**g. Any anticipated changes to the network.**

*WellCare and Care1st AZ do not expect any changes to the network outside the ordinary course of business. In addition, WellCare and Care1st AZ do not expect Care1st AZ's key provider partners to respond negatively to the change in ownership contemplated by the Transaction.*

**h. In the case of a State Agency, any changes in federal or state funding that directly impact the AHCCCS line of business.**

*Not Applicable.*

Per ACOM Policy 317, Care1st AZ understands that the following documents must also be submitted to the appropriate AHCCCS division no later than 45 days prior to the effective date of the change organizational structure and commencement of operations under the new structure:

- 1) Automatic Clearing House (ACH) Vendor Authorization Form.
- 2) Information regarding Disclosure of Ownership and Control and Disclosure of Information on Persons Convicted of a Crime in accordance with the 42 C.F.R. 101 through 106, the Contractual Provisions in Section D, Corporate Compliance and ACOM Policy 103.

Additionally, we acknowledge that upon AHCCCS approval, the following documents must be submitted within 120 days of the completed change of ownership:

- 1) The articles of incorporation, if applicable, including copies of all affiliation agreements.
- 2) Any proposed change to the Employer Identification Number/Tax Identification Number (EIN/TIN)

The information provided related to this change in ownership reflects the commitment of Care1st AZ and WellCare to continue to build on the infrastructure established over the past 13 years. WellCare recognizes the success that Care1st AZ has experienced in Arizona and



that the key to that success is centered on the experienced and dedicated staff and the solid operational foundation that has been established. All efforts will be to maintain and grow that infrastructure in order to continue to meet and exceed AHCCCS expectations and evolve in this rapidly changing health care environment.

If you have any questions, please do not hesitate to contact Scott Cummings, Chief Administrative Officer of Care1st AZ, at [scummings@care1st.com](mailto:scummings@care1st.com) or 602.778.1860.