

November 22, 2019

Shawn Nau
Chief Executive Officer
Steward Health Choice Arizona
410 N. 44th Street
Phoenix, AZ 85008

SUBJECT: Notification of Acquisition and Request for Prior Approval

Dear Mr. Nau:

The Arizona Health Care Cost Containment System (AHCCCS), Division of Health Care Management (DHCM), is in receipt of the “Change in Organizational Structure: Transition Plan, Initial Documents CY2020” submitted by Steward Health Choice Arizona on November 6, 2019, regarding the sale of Steward Health Choice Arizona, Inc. (SHCA) to Blue Cross Blue Shield of Arizona, Inc. (BCBSAZ).

AHCCCS has reviewed the initial submission and is requesting clarification for the following:

- Provide confirmation of the resulting plan name and logos that will be utilized for each line of business (ACC, RBHA and DSNP)
- Provide a post-close organizational chart that includes staff names and positions, as the initial submission only includes corporation names.
- The Transition Plan indicates, “It is anticipated that in the near term, current management and staff will remain in place.” Provide clarification regarding the length of time meant by “near term.”
- Provide an anticipated close date of the transaction.
- Submit a complete copy of the executed Stock Purchase Agreement. This submission shall not be redacted; however, a redacted version may also be submitted for public communication.
- Pro Forma financial statements are required to be submitted to AHCCCS and are essential in AHCCCS’ analysis of the Transition Plan. If the Pro Formas are not yet available for submission, provide a realistic estimate of the date in which they will be submitted.

In addition to the above clarification on the November 6th submission, AHCCCS is asking for further explanation regarding the Due To/From Affiliate Account Balances:

- Significant account balances reported as of June 30, 2019 as Current Due From Affiliates existed as reflected below:
 - Current Due from Affiliates to Steward Health Choice Arizona - ACC, a division of Steward Health Choice of Arizona Inc. was \$216,013,735 as of

- June 30, 2019, unaudited quarterly financial statements prepared by SHCA - ACC management.
- Current Due from Affiliates to Steward Health Choice Generations (SHCG), a division of Steward Health Choice of Arizona, Inc., was \$33,530,479 as of June 30, 2019, unaudited quarterly financial statements prepared by SHCG management.
 - Current Due from Affiliates to Steward Health Choice Arizona RBHA (Steward RBHA), a division of Steward Health Choice of Arizona, Inc., was \$22,391,444 as of June 30, 2019, unaudited quarterly financial statements prepared by management of Steward RBHA.
- Provide a plan related to the Current Due From Affiliate account balances for SHCA-ACC, SHCG and Steward RBHA.

As a component of our due diligence process, and pursuant to ACOM Policy 317, AHCCCS has also engaged in obtaining stakeholder input regarding the proposed acquisition through a public notice and feedback process. Upon completion of the public feedback process, AHCCCS will review responses received as part of the overall review and approval process.

A response to the above is required in order for AHCCCS to complete its review as a component of our due diligence process and must be submitted to Scott Jewart, AHCCCS Operations and Compliance Officer, via SharePoint **by close of business, December 6, 2019.**

Should you have any questions, please contact me directly at 602-417-4527 or at Christina.Quast@azahcccs.gov.

Sincerely,



Christina Quast
Operations Administrator
Division of Health Care Management, AHCCCS

cc: Shelli Silver, AHCCCS
Matthew Isiogu, AHCCCS
Jakenna Lebsock, AHCCCS
Michelle Holmes, AHCCCS
Scott Jewart, AHCCCS
Nicole Larson, SHCA