Steward Health Choice Arizona, Inc.
Ownership Transition Plan

Steward Health Choice Arizona, Inc. (“SHCA”) hereby submits its Transition Plan, detailing all aspects of the proposed sale of SHCA to Blue Cross Blue Shield of Arizona, Inc. (“BCBSAZ”), in accordance with the AHCCCS Contractor Operations Manual (“ACOM”) Policy 317 (Change in Contractor Organizational Structure) and Contract Nos. YH17-0001, YH17-0003, and YH19-0001, Section D, Paragraph 42 (Material Change in Business Operations) of the ACC contract and paragraph 18.17 of the Regional Behavioral Health Authority contracts.

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 in ownership. The following outlines the required elements and the response to each element pursuant to ACOM 317.

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.

   On October 31, 2019, Steward Health Care System LLC (“Steward”), IASIS Healthcare LLC (“Seller”) and HC Arizona Holdings LLC (“Holdings”) entered into a stock purchase agreement (the “SPA”) for the sale to BCBSAZ of 100% of the issued and outstanding stock of SHCA. In accordance with the SPA, immediately prior to closing of the transaction, and upon AHCCCS’ approval, Seller may contribute 100% of the issued and outstanding stock of SHCA to Holdings, which is currently a wholly-owned subsidiary of Seller. Upon closing of the transaction, Seller or Holdings (as the case may be) will transfer 100% of the equity of SHCA to BCBSAZ. BCBSAZ will acquire SHCA through its wholly owned subsidiary, Veritage LLC. As part of the transaction, through its wholly owned subsidiary Veritage LLC, BCBSAZ also will acquire from Seller or Holdings (as the case may be) 100% of the issued and outstanding stock of Health Choice Management Co. (“HCMC”), which provides certain services to SHCA. The relationship between SHCA and HCMC will remain in place.

   Other than the change in trademark, BCBSAZ does not anticipate any changes to SHCA other than those required through the normal course of operations.

   b. Any material change to operations as specified in ACOM Policy 439 and Contract.

   BCBSAZ does not anticipate any changes to SHCA other than those required through the normal course of operations.

   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 at the 90 day timeframe noted above.)

As SHCA will continue as a going concern, the performance bonds currently in place will remain in place.

3. Documents including the following:
   a. The formal name and any proposed logo used by the resulting organization.

   The legal name of the resulting organization will be “Health Choice Arizona, Inc.”. The proposed logo will be:

   ![Health Choice Arizona Logo]

   b. The organizational chart of the resulting organization or proposed changes to the existing organizational chart if a new entity is not being formed.

   The current organizational chart for SHCA is attached as Exhibit A and the post-sale organizational chart is attached as Exhibit B. Additionally, the Veritage LLC Articles of Incorporation are included as Exhibit I. The charts illustrate that the only change to the organizational structure resulting from the transaction will be that after the sale, Shawn Nau, the Chief Executive Officer of SHCA, who currently reports to Troy Smith, President of Steward Health Choice’s national health plan operations division, will report to Steve Melody, who will be the Government Operations Officer of BCBSAZ’s Medicaid segment.

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

   This transaction is a stock purchase and not a merger.

   The most recent audited financial statement of BCBSAZ is attached as Exhibit C.

   The most recent audited financial statement of SHCA is attached as Exhibit D.

   d. Pro-forma financial statement of 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 flows for the subsequent three years as well as enrollment projections and footnotes detailing assumptions.

Pro forma financial statements, including enrollment projections and footnotes detailing assumptions are in the process of being finalized and will be furnished promptly under separate cover.

4. A description of the following:
   a. An assessment of any potential interruption of services to members, and the steps Contractor is taking to ensure there are no interruptions.

   BCBSAZ will be working with Steward to ensure that the transition for AHCCCS members and providers is as seamless as possible. It is anticipated that AHCCCS members will have access to the same extensive network and providers will continue to operate under existing contracts. Additionally, BCBSAZ does not anticipate making any significant changes to claims and payment systems. BCBSAZ and SHCA are committed to offering members the same level of customer service that has been historically provided in compliance with AHCCCS requirements, and to ensuring that there will be no disruption in service to members as a result of the transaction. BCBSAZ does not anticipate any material changes to existing provider contracts as a result of the transaction.

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

   BCBSAZ recognizes that the plan currently has several of the AHCCCS key positions that are not filled with permanent employees. BCBSAZ will be working with the SCHA leadership team to ensure those positions are filled. It is anticipated that in the near term, current management and staff will remain in place, and SHCA’s headquarters will remain in Phoenix, Arizona, with the northern Arizona office remaining in Flagstaff, Arizona.

   c. Any changes to existing Administrative Service Subcontracts.

   BCBSAZ does not anticipate any material changes to current Administrative Services Subcontracts as a result of the transaction.

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

   In order to avoid any potential disruption in services to members, BCBSAZ does not anticipate any immediate changes to operations of SHCA as a result of the transaction. Critical components of the organization, including but not limited to information systems, prior authorization, claims processing, and grievances, will remain consistent with current operations,
any changes already approved by AHCCCS and in process by SHCA will continue as planned. If, in the future, material changes to operations are contemplated, BCBSAZ will request approval from AHCCCS of such changes pursuant to ACOM 439 and the relevant provisions of the Contracts.

e. The Contractor’s plan for communicating the changes to members, including a draft notification to affected members and providers.

The transaction was announced publicly on November 5, 2019. We have created talking points for staff and will provide ongoing training to our member and provider representative staff to respond to any questions or concerns. Talking points for our staff are attached as Exhibit E and Exhibit F.

We will include a notice explaining the transaction in our member and provider newsletters following the close of the transaction. We will also mail notices to both providers and members to inform them of the transaction and will include the notice on our website. Provider and member notices are attached as Exhibits G and H.

The goal for all communications with both members and providers is to provide reassurance that the transaction will be seamless and not negatively impact members or providers. As noted above, members will have the same benefits and options for accessing care, providers will continue to operate under existing contracts, and claims and payment systems are not changing.

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

The SHCA website will include the notice about the BCBSAZ acquisition after the transaction closes, as indicated above, but otherwise will remain the same with the exception of the name and logo changes. Member ID cards and other member and provider materials will be reissued in the current format, but with the Health Choice Arizona name and logo.

g. Any anticipated changes to the network.

As noted above, BCBSAZ does not anticipate any material changes to provider contracts as a result of the proposed acquisition outside of the ordinary course of business. Thus, the provider network will not be changed as a result of the transaction. We continue to value our provider partnerships, which we believe are key to SHCA’s historical and future success.

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

Not applicable.
Per ACOM Policy 317, 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 of organizational structure and commencement of operations under the new structure:

- Automatic Clearing House (ACH) Vendor Authorization Form

Each of the above items will be submitted to the appropriate AHCCCS division within the next 30 days.

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

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

Due to the simplified nature of this transaction, we anticipate that the above items will also be submitted within the required timeline.

The information provided in this Transition Plan reflects the commitment of Steward and BCBSAZ to work closely together to ensure seamless uninterrupted service and ongoing access to care for both members and providers.

If you have any questions, please do not hesitate to contact either Shawn Nau, Chief Executive Officer, at shawn.nau@steward.org or (928) 214-9921, or Diana Alvarez, Chief Operating Officer, at diana.alvarez@steward.org or (480) 350-2237.

Sincerely,

Shawn Nau
Chief Executive Officer
Steward Health Choice Arizona, Inc.