

July 2, 2014

James Stover, Chief Executive Officer
University Family Care
2701 East Elvira Road
Tucson, AZ 85756

SUBJECT: Auto-Assignment Cap, AHCCCS Contract #YH14-0001-02

Dear Mr. Stover:

AHCCCS received your letter dated July 1, 2014 regarding the proposed potential acquisition of The University of Arizona Health Network (UAHN) by Banner Health.

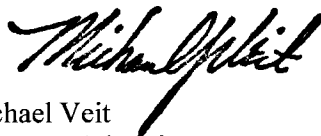
As detailed by ACOM Policy 317, AHCCCS will be conducting our due diligence over the next several months, which will include a robust stakeholder input process. AHCCCS will be looking at a number of issues as part of the review. One item of utmost importance for the agency is limited member impact during any transition.

As a way to achieve this objective, AHCCCS is exercising the authority stipulated in Section D, paragraph 6, of our contract, which states that "AHCCCS may change the algorithm at any time during the term of the contract in response to Contractor specific issues (e.g. imposition of an enrollment cap) or in the best interest of the AHCCCS program and/or the State." This auto-assignment cap will be instituted in all Geographical Service Areas for UAHN/ University Family Care (UFC). Members will retain the right to choose UFC. This cap on the auto assignment will be in place as of July 9, 2014.

The AHCCCS Mergers and Acquisitions policy states that the agency may terminate, modify or continue the contract in its current form. The auto-assignment cap allows the agency time to conduct its due diligence under the policy and explore processes to minimize member disruption. These measures do not reflect an agency position on the proposed merger nor are they connected to UFC performance issues.

Additional correspondence from AHCCCS will follow in the near future regarding the proposed acquisition. Should you have any questions please feel free to contact Kari Price at 602-417-4625.

Sincerely,



Michael Veit
Contracts Administrator

Cc: Kari Price, Assistant Director DHCM
Shelli Silver, Assistant Director DHCM
Virginia Rountree, Operations Administrator
Diana Alvarez, Operations Manager
Stephanie Lefkowski, Finance Manager