



# Phoenix Health Plan

January 05, 2017

**DELIVERED VIA EMAIL**

Ms. Michelle Holmes  
Operations Compliance Officer  
Michelle.Holmes@azahcccs.gov  
AHCCCS – Division of Health Care Management  
701 E. Jefferson  
Phoenix, AZ 85034

Dear Ms. Holmes:

In accordance with contract YH14-0001, Section D, Paragraph 52 (Merger, Reorganization, Joint Venture 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 change in ownership. Care1st Health Plan Arizona, Inc. and WellCare Health Plans, Inc. have signed a definitive agreement to purchase Phoenix Health Plans Medicaid line of business, including membership and certain provider 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 of ownership. However, the parties respectfully request review and approval such that the Transaction may be closed by May 1, 2017.

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***

*Under the Transaction, Care1st Health Plan Arizona, Inc. (Care1st) will be purchasing certain assets of VHS Phoenix Health Plan, Inc. ("Phoenix Health Plan" or "PHP"), including its AHCCCS Acute Care Program members. The purchasing entity will be Care1st, which is a wholly-owned subsidiary of The WellCare Management Group, Inc.*

*As background, 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, pursuant to which WMG agreed to acquire Care1st along with several affiliates. This transaction closed on December 31, 2016.*

*On December 20, 2016, after entering into the aforementioned transaction, WMG, VHS of Phoenix, Inc. ("PHP Parent") and Phoenix Health Plan entered into an Asset Purchase Agreement (the "Asset Purchase Agreement"), pursuant to which WMG agreed to acquire certain assets of Phoenix Health Plan. Following its acquisition of Care1st, WMG intends to*

assign its rights under the Asset Purchase Agreement to Care1st so that Care1st may be the acquiring entity of the PHP membership.

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

**b. Any material change to operations as specified in ACOM Policy 439 and the Acute Care contract**

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."

Since this transaction involves a transfer of membership (approximately 40,000 members) from PHP to Care1st, Care1st will need to increase its operational capacity in its production areas such as Claims, Member Services, Clinical Operations, Claims Disputes & Appeals, Encounter Management, and support areas in order to meet the increased volume levels. The areas with the highest volume of additional staffing are Claims, Member Services and Prior Authorization. Care1st has already projected increased staffing needs and are sourcing candidates to meet the following training/on-boarding schedule:

Department	Date	Description
Claims	2/6/2017	Training class #1 begins
	3/27/2017	Training class #2 begins
Member Services	2/6/2017	Training class #1 begins
	3/6/2017	Training class #2 begins
Prior Authorization	2/15/2017	Training begins

PHP and Care1st are working closely together to review potential PHP staff that can be hired by Care1st and to coordinate timing in which that may occur due to PHP's commitments to continue business operation through the run out timeframe and other organizational needs.

Care1st is also meeting with its key vendors, administrative services contractors, and providers where it has exclusive relationships to make sure these vendors and providers are prepared for the additional volume leading up to the transition date. These include: Advantica (Dental Administrator), Professional Cares (Home Health), Preferred Homecare (DME & Infusion), Nationwide (Vision), MTBA (a Non-Emergency Transportation vendor), Sonora Quest (Lab), MedImpact (PBM), etc.

Care1st is aware of AHCCCS' recent concern with the additional volume that MTBA has assumed related to other market changes and will closely evaluate their performance and determine quickly the best way to handle this critical service. Care1st and MTBA have met monthly for over 6 years and use joint operating committee meetings to stay ahead of issues.

Care1st recognizes that even though it is not making any material change to its core operations, members being transferred from PHP will experience changes. They will call a different number; they will be transported by a different non-emergency medical transportation vendor, etc. It is the goal of Care1st and PHP to minimize the impact of this change to ensure uninterrupted service and ongoing access to care.

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 currently meets the AHCCCS performance bond requirements and will work closely with AHCCCS to make the appropriate adjustments to cover the additional membership received prior to the member transfer date.*

3) Documents including the following:

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

*Care1st Health Plan Arizona, Inc. (Care1st)*



**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**

*Care1st's most recent organization chart is attached hereto as Exhibit B.*

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

*The most recent audited financial statement for PHP is attached hereto as Exhibit C.*

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

**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 for the consolidated Care1st business with the additional membership are in the process of being prepared and will be provided to AHCCCS no later than 90 days prior to the closing date of May 1, 2017.*

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**

*PHP will continue providing all services prior to member transition.*

*PHP and Care1st recognize that it is critical to mitigate service interruption to members and ensure ongoing access to care. There are several areas that will be addressed to mitigate service interruption:*

- 1) *Communication*
- 2) *Care Continuation / Care Coordination*
- 3) *Provider Network*
- 4) *Pharmacy*
- 5) *Grievance Tracking*

**Communication** *The goal is to make members and providers aware of the transition and the importance placed on ensuring uninterrupted service and ongoing access to care.*

**PHP Responsibilities**

1. *Member notification of transition (attached as Exhibit E)*
2. *Provider notification (attached as Exhibit F)*
3. *Implement call scripts for member services and provider network operations for member and provider inquiries (attached as Exhibit G and H)*
4. *Website posting of key member and provider communications*

**Care1st Responsibilities**

1. *Provider notification of membership changes (attached as Exhibit I)*
2. *Vendor notification of increase in membership*
3. *Implement call scripts for member services and provider network operations for member and provider inquiries (attached as Exhibit J and Exhibit K)*
4. *Website posting of key member and provider communications*

*In addition, the customer service staff at PHP and Care1st will work together to ensure appropriate messaging and appropriate assistance is provided to both members and providers. Transition meetings are being set up to ensure staff is adequately equipped to answer questions and are able to identify issues that need to be conveyed to management and the transition team as necessary.*

**Care Continuation / Care Coordination and Compliance with ACOM Policy 440 E. 2.f**  
*PHP will transfer necessary member information to Care1st via the DEF files regularly used by AHCCCS for large member transitions (data will be transferred to other plans as described below in PHP responsibility item 2.) The DEF files will identify ongoing care/care coordination needs so that services are not interrupted and access to care is continued. PHP will not transfer PHI until approval is received by AHCCCS.*

**PHP Responsibility**

1. *Provide key member data transfer in accordance with the defined AHCCCS DEF process to Care1st*
2. *Provide key member data transfer in accordance with the defined AHCCCS DEF or ETI process to member's plan of choice, if not Care1st (DEF vs. ETI dependent on size of member movement and plan request)*
3. *Provide open authorization data to Care1st Provide data linking members to current PCP and dental home*
4. *Work closely with Care1st to provide any additional data or records needed to identify*

the current and ongoing care needs

5. Consistent with ACOM Chapter 500, work with members on continuity of care issues and ease member concerns about the transition to Care1st or member's plan of choice

#### Care1st Responsibility

1. Care1st will use the DEF file data to prepare for member continuity of care and to identify members in need of care coordination. This information will be utilized by case management and prior authorization teams.
2. The DEF file data will be placed in a database similar to that which was developed for the 2013 Pima County transition for use by Care1st staff in care coordination and transition
3. Utilize open authorization data to honor PHP authorizations for up to 90 days following the member transition date
4. Waive out of network prior authorization requirements for transitioning members for 90 days following the transition date
5. Utilize data linking members to current PCP and dental home when assigning incoming members to their PCP and dental home

In addition, the following special considerations for high needs/high cost members include:

- Transition meetings to be coordinated by Deb Morgan and Kathy Hoffman, the Care Coordinators identified below
- Rounding between nursing staff at PHP, Care1st, and Mercy Maricopa for knowledge transfer of the cases involved
- Data transfer
- Care Plan transfer

**Provider Network and Member Continuity of Care** The goal is to maximize network overlap and in any cases where that isn't possible ease the transition to network providers.

#### PHP Responsibility

1. In order to identify network gaps, supply Care1st with complete PHP Maricopa contracted network information (Primary Care, Behavioral Health, Dental, Specialist, Facility, Ancillary, Pharmacy, Other identified by Care1st)
2. Assist Care1st in identifying network gaps specific to the high need / most vulnerable populations

#### Care1st Responsibility

1. Gap analysis of PHP and Care1st hospital network and PCP network have been completed.
  - **Hospital Network**  
As of the date of this Plan submission, Care1st is contracted with all but two of the same hospital systems as PHP. Care1st is attempting to secure contracts with both of these hospital systems.
  - **Primary Care Physician Network**
    - a. As of the date of this Plan submission, there is a 91%+ overlap between PHP's primary care network and Care1st's network. Care1st and PHP will undertake efforts to address the membership where no overlap was identified in order to ensure member choice and continuity of care. Care1st is evaluating eligible gap PCPs for contracting.
    - b. Initial analysis indicates approximately 15 primary care agreements that Care1st will focus on completing, which will increase overlap to 96%+. In addition, as part of the transaction, some of these 15 primary care contracts may be able to be assigned to Care1st, which will increase overlap and may reduce or eliminate some of these PCP contracting efforts.

2. PHP is currently in the process of providing Care1st with PHP's Maricopa contracted behavioral health, specialist, ancillary and pharmacy network information for Care1st to utilize to complete a similar gap analysis.
3. To expedite the contracting process, providers recruited to fill a network gap will be processed quickly through the use of provisional and expedited credentialing processes pending completion of the standard credentialing process.
4. Referrals to non-contracted providers will also occur along with special provisions such as letters of agreement with non-contracted providers to accommodate members' needs, in particular high needs/high cost members, until an equivalent provider is located, or if possible, a contract with the non-participating provider is secured.

**Pharmacy** - The goal is to ensure uninterrupted pharmacy service and ongoing access to medications for the transitioning members.

**PHP Responsibility**

1. Provide required data/information that allows Care1st to ensure uninterrupted pharmacy service and ongoing access to medications for the transitioning members:
  - Provide drug formulary at (1) the NDC level and (2) the drug/strength level from PBM
  - Provide Prior authorizations file from the PBM for last 12 months
  - Provide PA file for J-codes, S-codes and A-codes (covered under med)
  - Provide Pharmacy claims history for last 12 months
  - Provide List of the pharmacy network (covered under network analysis)

**Care1st Responsibility**

1. Compare and contrast the PHP formulary with Care1st to identify any gaps within 90 days prior to closing
2. Gaps identified will be matched against claims history to add PA or request additional information
3. Utilize the prior authorization file to evaluate the existing PA's to extend or request additional information
4. Load the claims history to Care1st PBM to establish prescription history
5. Identify and address any gaps in pharmacy network based on a geo-access data analysis

**Grievance Tracking** - The goal is to minimize member grievance by properly executing member communication plan, care continuation / care coordination plan, provider network plan, and pharmacy plan.

**PHP Responsibility**

1. Track member grievances specific to this member transition through June 1, 2017
2. PHP will create a specific code for these grievances in order to track, report, trend and develop specific actions as necessary
3. Report findings as requested by AHCCCS

**Care1st Responsibility**

4. Track member grievances specific to this member transition for a period defined by AHCCCS
5. Care1st will create a specific code for these grievances in order to track, report, trend and develop specific actions as necessary
6. Report findings as required by AHCCCS

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

The management and staffing of Phoenix Health Plan will not be acquired by Care1st. Care1st currently has adequate management and staffing and understands that additional staffing will be needed to accommodate this transition for certain functions as discussed in item 1.b. above.

For Care1st, no changes to management are foreseen outside of normal business practices.

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

Phoenix Health Plan's administrative services subcontracts will not be transitioned over to Care1st as they already have existing administrative staff and administrative services subcontracts. Care1st's existing contracts are able to handle the increase in membership. As discussed in item 1.b., Care1st is working with its administrative services providers to make sure they are aware of and prepared for the growth.

**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**

Members will be transitioned onto Care1st's existing platform. As discussed in item 4.a. (Care Continuation/Coordination), PHP will work with Care1st to transfer over information needed to administer all components of the contract.

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

The PHP and Care1st member communication plan is detailed in item 4.a. (Communication). It is Phoenix Health Plan's intention to mail the member letter within 3 business days following approval by AHCCCS.

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

Due to the nature of this Transaction, neither PHP nor Care1st (or member's plan of choice) will need to make changes to its critical member information. As part of the member transition process, transitioning members will receive Care1st's (or plan of choice's) existing new member welcome materials and ID card.

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

There are no expected changes to the network outside the ordinary course of business (other than network gap closures as described in 4.a. Provider Network above). In addition, it is not expected that key provider partners will 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.

Both PHP and Care1st have identified senior level staff to lead both the administrative transition and care coordination efforts.

PHP	Care1st
Transition Coordinator Diana Alvarez Director of Compliance/Grievance and Appeals <a href="mailto:dalvarez1@abrazohealth.com">dalvarez1@abrazohealth.com</a> 602-824-3801  Care Coordinator Deb Morgan Sr. Director, Medical Services <a href="mailto:deb.morgan@tenethealth.com">deb.morgan@tenethealth.com</a> 602-824-3967	Transition Coordinator Susan Cordier Chief Operating Officer <a href="mailto:Scordier@care1st.com">Scordier@care1st.com</a> 602-778-8322  Care Coordinator Kathy Hoffman AVP, Clinical Operations <a href="mailto:khoffman@care1st.com">khoffman@care1st.com</a> 602-778-8349

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 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 42 C.F.R. 101 through 106, the Contractual Provisions in Section D, Corporate Compliance, and ACOM Policy 103.

Due to the nature of this transaction, these items are not applicable.

Additionally, we acknowledge that upon AHCCCS approval, AHCCCS requests the following documents 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).

Due to the nature of this transaction, these items are not applicable.

The information provided related to this member transition reflects the commitment of PHP and Care1st to work closely together to ensure uninterrupted service and ongoing access to care for the transitioning members.

If you have any questions, please do not hesitate to contact Matt Cowley, Chief Executive Officer of PHP, at [mccowley@abrazohealth.com](mailto:mccowley@abrazohealth.com) or 602-824-3812, or Scott Cummings, Chief Administrative Officer of Care1st, at [scummings@care1st.com](mailto:scummings@care1st.com) or 602-778-1860.

Sincerely,



Matt Cowley  
 Chief Executive Officer  
 Phoenix Health Plan