



May 26, 2017

Thomas Betlach
Director, Arizona Health Care Cost Containment System ("AHCCCS")
801 E. Jefferson St. MD 4100
Phoenix, AZ 85034

Re: Notification of Acquisition and Request for Prior Approval – Health Choice Arizona

Dear Director Betlach:

In follow up to Carl Whitmer's conversation with you earlier this week, and in accordance with Contract No. YH14-0001-07 between the Arizona Health Care Cost Containment System and Health Choice Arizona, Inc. ("Health Choice"), Section D, Paragraph 52 (Merger, Acquisition, 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 proposed merger of IASIS Healthcare Corporation ("IASIS"), the ultimate parent corporation of Health Choice, with a wholly owned subsidiary of Steward Health Care System LLC ("Steward"). This notice is accompanied by the initial filing of the transition plan. We deliver this notice simultaneously with Health Choice Integrated Care LLC's notification of this proposed merger transaction pursuant to Contract No. YH17-0001-02 and YH17-0003-02.

On May 18, 2017, IASIS entered into an agreement and plan of merger with Steward the result of which is that, upon closing, Steward will directly own 100% of the issued and outstanding shares of capital stock of IASIS and will thereby indirectly own 100% of the issued and outstanding shares of Health Choice.

The merger of IASIS and Steward brings together two national leaders in the development and operation of integrated health care systems that deliver high quality, cost-effective care. The resulting combined organization will be well-positioned to continue IASIS' and Health Choice's efforts to seek innovative, cost-efficient and value-based solutions to delivering care, which are designed to provide greater patient access to care, better provider and member experiences, healthier patient populations and lower per capita health care costs.

IASIS's and Steward's complementary operations form the basis of a natural, synergistic partnership. As you are aware, in addition to its Health Choice health plans and integrated



ACO physician-led networks, IASIS operates integrated health care systems in 6 states, including Arizona. Steward is a physician-led, community-based health care organization with more than 4,500 physicians, 18 hospital campuses, 25 affiliated urgent care provider locations, and 9 community health center sites in 4 states.

Steward has nearly 80 percent of its Massachusetts patients, including more than 50,000 Medicaid enrollees, participating in risk-based alternative payment models. The Centers for Medicare and Medicaid (“CMS”) recognized Steward as the top system in the Medicare Pioneer ACO program in Massachusetts (using combined quality and cost metrics) and in the top two systems nationally. Steward also has received top quality and safety honors from numerous industry groups, including The Leapfrog Group (where all of Steward’s Massachusetts hospitals have earned an “A” rating) and *U.S. News and World Report*, in recognition of meeting the highest quality industry standards.

Importantly, while the ultimate parent organization of Health Choice will be changing under the proposed plan of merger, the commitment to the State of Arizona, AHCCCS, and its health plan members is not. Steward and IASIS both value the partnership that Health Choice has formed with AHCCCS over more than two decades and are committed to continuing to serve AHCCCS members by enhancing access to care, improving health outcomes and patient and provider experiences, and ensuring quality and cost-effective care. Health Choice is central to the new, combined organization’s goals, and Health Choice intends to demonstrate its continued commitment to serving AHCCCS members by participating in the next request for proposal process in November 2017.

Accordingly, please note the following, which we expect to discuss with you in further detail:

- Steward does not contemplate any change in the leadership or operations of Health Choice as a result of the proposed merger. Following the closing of the proposed merger, Health Choice will continue to be headquartered in Phoenix, Arizona. Steward also does not contemplate any changes to staffing, procedures, or policies as a result of the proposed merger other than through ordinary course operations. We have attached an initial transition plan that provides further detail on our anticipated post-merger operations.
- The combined entity will continue to have more than sufficient financial resources to support all of Health Choice’s commitments to the State of Arizona, AHCCCS and AHCCCS’ health plan members.
- Health Choice’s provider networks will not change as a result of the proposed merger transaction other than through ordinary course operations following the closing of the proposed merger; indeed, a central focus for Steward will be ensuring that Health



Choice further pursues clinically integrated physician and provider networks that reward high quality outcomes through value-based arrangements.

We look forward to answering any questions you may have and are happy to provide any additional information you might find helpful in your consideration of this proposed merger. Please do not hesitate to contact me at (480) 731-3505 or muchrin@iasishealthcare.com with any questions or requests.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Uchrin", is positioned above the typed name.

Mike Uchrin
Chief Executive Officer

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