

December 30, 2019

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

RE: 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 Veritage, LLC whose sole member is Blue Cross Blue Shield of Arizona, Inc. (BCBSAZ). AHCCCS has received and reviewed the additional information submitted by SHCA and BCBSAZ and completed its due diligence process in accordance with the requirements of AHCCCS Contractor Operations Manual (ACOM) Policy 317.

In support of AHCCCS' commitment to be a transparent public program, an opportunity for the public to express any thoughts or concerns related to this proposed acquisition was provided. AHCCCS has shared this information on its website.

Based upon the submitted transition plan, additional information and clarification received, the proposed acquisition is **approved** contingent upon the following items being submitted to AHCCCS as soon as possible, but no later than January 17, 2020:

- SHCA Section 4.05 of the Disclosure Schedule: The submitted financial statements do not tie to the submitted Balance Sheet and Income Statement breakdown by line of business for the six-months-ended 03/31/2019 as referenced within the SPA. SHCA shall provide an updated breakdown, by line of business, complete with explanations of any differences in the submitted financial statements to AHCCCS for these time periods.
- Health Choice Integrated Care (HCIC): SHCA shall provide a Performance Bond for HCIC in the amount of \$7,173,026 to support the outstanding liabilities as of 09/30/2019 or an updated balance sheet for consideration of a reduced amount.

AHCCCS appreciates the commitments made throughout this process by SHCA and BCBSAZ. AHCCCS will continue to work with the plan directly throughout the acquisition and transition period regarding any additional feedback or concerns that arise.

Lastly, SHCA and BCBSAZ have provided assurance of their commitment to offer AHCCCS members the same level of service the health plan has historically delivered.

Please note, AHCCCS' approval extends only to the change of ownership, and does not include additional filings that may be submitted as a result of the change of ownership such as system changes or subcontract agreement changes. SHCA must provide AHCCCS with the official date of acquisition once finalized as well as any other outstanding deliverables as delineated in ACOM Policy 317.

Thank you for your patience and continued cooperation as we conducted our review of this submission. Should you have any questions regarding this communication, please contact Christina Quast directly at 602-417-4527 or at Christina.Quast@azahcccs.gov.

Sincerely,



Jami Snyder
Director
AHCCCS

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