

September 04, 2015

Gay Ann Williams
Vice President, Plan Administrator
Health Net Access
1230 W. Washington St.
Tempe, AZ 85281

**SUBJECT: August 7, 2015 Notification of Acquisition and Request for Prior Approval,
AHCCCS Contract YH14-0001**

Dear Ms. Williams:

The Arizona Health Care Cost Containment System (AHCCCS) received your Notification of Acquisition and Request for Prior Approval dated August 7, 2015 regarding the acquisition of Health Net Access (HNA) by Centene Corporation which included the following documents:

- Draft organizational charts
- Centene Corporation's form 10-K
- HNA's financial statements
- Draft Transition Plan

The notification and draft Transition Plan indicates that HNA will fully address the requirements of the AHCCCS Contractor Operations Manuals Policy 317 (ACOM 317) in an additional submission on September 30, 2015.

As with any transition process AHCCCS' primary focus is to ensure:

- Uninterrupted services and ongoing adequate access to care and choice for members;
- Major functions of the Contractor's organization, as well as the AHCCCS program, are not adversely affected;
- The new entity's ability to maintain and support the contract requirements including the commitments in the proposal submitted to AHCCCS during the procurement process; and
- The integrity of a fair, competitive AHCCCS procurement process for the managed care contracts, which is one of the core founding principles of the AHCCCS program.

In addition, of particular focus with this acquisition and transition are the current outstanding non compliance issues with AHCCCS contract by HNA. A second concern is the potential use of key Bridgeway resources by Centene to facilitate this transition and operate HNA subsequent to the acquisition. AHCCCS wants to fully ensure and understand that there is not an impact on other important lines of business.

AHCCCS will conduct a review process of the complete Transition Plan with a focus on limited member impact and contract compliance which are of utmost importance to the agency, with

review of a number of elements as outlined in ACOM Policy 317, including but not limited to the following:

- Acquisition date
- An overview of all jurisdictions encompassed by the proposed acquisition of Health Net, Inc. by Centene Corporation and all associated required regulatory approvals
- Financial information including need for new Tax I D and plan for reconciliation of differing fiscal years
- All operational and system changes and impacts including but not limited to provision of GMH/SA services to dually eligible members; network changes and/or impacts; claims processing and payment; grievance and appeals processes; and specific associated timelines for changes
- New corporate structure and rationale for structure design
- Identification of key staff and local presence
- Centene's plan to address and resolve existing outstanding HNA compliance issues including corrective actions, responsible individuals and timelines for completion

AHCCCS has continued concerns regarding HNA's non compliance with contract requirements and will look for and evaluate specific strategies and actions in the Transition Plan to be implemented by Centene to remediate the existing outstanding HNA compliance issues and ensure compliance going forward. Additionally, AHCCCS reserves the right to conduct onsite readiness review of key functional areas including but not limited to claims processing and payment system, member call center, etc. after the date of the acquisition to ensure contract compliance.

In addition, as Centene develops its leadership and organizational structure and looks to select the most qualified candidates to fill key staff positions from current staff at HNA and Bridgeway as outlined in the draft Transition Plan; and as Centene transitions HNA to Centene operations and systems, AHCCCS will closely monitor Bridgeway's, performance to evaluate any impacts to its operations and to ensure the continued provision of quality services to Bridgeway members.

Please be advised that in accordance with AHCCCS Contract and policy, AHCCCS may take additional steps to safeguard members. The AHCCCS/Health Net Access Contract YH14-0001, Section D, Paragraph 6, states "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 State." Given that HNA is currently under an enrollment cap for auto assignment due to multiple compliance actions, AHCCCS will maintain this enrollment cap through the transition and until such time as HNA or Centene has satisfied all requirements of the compliance actions. An enrollment cap for choice assignment may also be considered and applied during the transition period.

In accordance with ACOM Policy 317, AHCCCS reserves the right to obtain stakeholder input regarding the proposed ownership change through a public notice and feedback process. AHCCCS will provide further notification regarding the stakeholder input process, any further cap on enrollment and additional audit activities.

In addition, please ensure all correspondence related to the acquisition and transition is submitted through your assigned AHCCCS Operations Compliance Officer, Jay Dunkleberger at Jay.Dunkleberger@azahcccs.gov. Should you have any question or concerns regarding this letter, please contact Virginia Rountree at 602-417-4122 or @ virginia.rountree@azahcccs.gov.

Sincerely,

Virginia Rountree
Interim Assistant Director
DHCM

cc: Susan Gilkey, Director, Regulatory and Reporting Compliance Officer HNA
Chandra Hara, Operations and Compliance Officer HNA
Paul Barnes, President and CEO Bridgeway Health Solutions
Shelli Silver, Assistant Director, DHCM
Christina Quast, Operations Manager, DHCM
Cynthia Layne, Finance Manager, DHCM
Jay Dunkleberger, Operations Compliance Officer, DHCM
Brenda Gobeli, Operations Compliance Officer, DHCM
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