



Blue Shield of California's proposed acquisition of Care1st, a for-profit Medi-Cal/Medicare company, and Blue Shield's loss of state tax-exempt status together present critical issues with far reaching implications for health care coverage and delivery in California. The Department of Managed Health Care (DMHC) is currently reviewing the proposed acquisition. We, the undersigned organizations, urge DMHC to ensure that the public's long held assets are preserved and, should the acquisition be approved, strong consumer protections included to ensure that the transaction is in the best interest of California consumers. In this vein, we urge DMHC to:

- **Find that Blue Shield of California, like virtually all nonprofit health care service plans, holds assets subject to a charitable trust;**
- **Encourage Blue Shield to disclose to DMHC and the public the facts before the Franchise Tax Board (FTB) and the findings of the FTB regarding revocation of Blue Shield's tax-exempt status;**
- **Guard against private inurement in the proposed transaction that may benefit either Blue Shield or Care 1st's officers, trustees, board members, or staff;**
- **Review the proposed transaction under CA Health & Safety Code §1399.71, rigorously evaluate Blue Shield's current public benefit obligations, and require strong public benefit commitments from the plan and its subsidiaries/affiliates moving forward;**

- **Impress public benefit obligations on Blue Shield to ensure that it maintains healthy but not excessive reserves, and performs other activities that benefit the needs of lower-income and vulnerable consumers;**
- **Carefully evaluate the price offered in the transaction to ensure that Blue Shield is not overpaying for Care 1st, especially given the non-monetary, intangible benefits that Care 1st will obtain by joining with Blue Shield (including the brand);**
- **Ensure that Blue Shield has the skills, expertise, and community engagement needed to serve a low-income, diverse population, including being an active and effective participant in Healthy San Diego;**
- **Require Blue Shield to contribute resources to its Blue Shield Foundation at a rate at least commensurate with the rate of its revenue growth;**
- **Require heightened monitoring of Blue Shield's management of Medi-Cal enrollees, should DMHC approve the transaction, and take any needed corrective action;**
- **Impose enforceable conditions on Blue Shield to ensure it fulfills its commitment and responsibilities to its commercial enrollees, including remedying deficiencies and providing adequate networks.**
- **Should this transaction be approved, Blue Shield must be required to lower the incidence of and basis for consumer complaints in all lines of its business, and implement improvements in quality of and access to care, patient satisfaction, and cost control; and**
- **Require Blue Shield to commit to not move forward with rate increases the Departments deem to be unreasonable.**

Please contact Betsy Imholz, Consumers Union (bimholz@consumer.org) or Tam Ma, Health Access (TMa@health-access.org) with any questions.

Thank you.

Sincerely,

Asian Americans Advancing Justice
 Asian Law Alliance
 California Black Health Network
 California Pan-Ethnic Health Network
 Cal PIRG
 Community Health Councils
 Consumers Union
 Greenlining Institute
 Health Access
 Maternal and Child Health Access
 National Health Law Program
 National Immigration Law Center
 Western Center on Law and Poverty