

Exhibit A

UNDERTAKINGS

California Physicians' Service d/b/a Blue Shield of California ("Blue Shield"), Cumulus Holding Company, Inc. ("Cumulus"), and Care 1st Health Plan ("Care 1st") have entered into a stock purchase agreement, pursuant to which Cumulus, a wholly-controlled, direct subsidiary of Blue Shield, will purchase 100% of the outstanding shares of Care 1st. As a result, Care 1st will become a direct subsidiary of Cumulus, and become an indirect subsidiary of Blue Shield. Care 1st will subsequently convert from a California for-profit corporation to a California nonprofit mutual benefit corporation.

Blue Shield and Care 1st have filed documents related to this transaction in Notices of Material Modification Nos. 20150295 and 20150302.

Blue Shield, Cumulus, and Care 1st agree to the following Undertakings and acknowledge that any Orders issued by the Department of Managed Health Care ("Department") approving Material Modifications Nos. 20150295 and 20150302 incorporate and are conditioned upon the undertakings set forth below, and that the undertakings are enforceable as Orders of the Department. References below to "transaction" or "acquisition" shall refer to the acquisition and conversion of Care 1st, including the creation of Cumulus. All reports required by these undertakings will be filed via the Department's E-filing system.

Undertaking 1

Care 1st will not take any of the following actions prior to submitting a Notice of Material Modification ("Notice") with, and receiving approval from, the Department:

- (a) Cosign or guarantee any portion of any current or future loans and/or credit facilities entered into by Blue Shield, Cumulus or any other affiliate of Care 1st.
- (b) Permit any portion of loans obtained by Blue Shield, Cumulus or any other affiliate of Care 1st to be assumed by Care 1st unless Care 1st is currently a party to a loan; or
- (c) Allow a pledge or hypothecation of Care 1st's assets in any way connected with any current or future loans made to Blue Shield, Cumulus or any other affiliate of Care 1st.

This Undertaking does not supersede Care 1st's obligation to file a Notice of Material Modification when required by Section 1352(b), Rule 1300.52.4(d), or any other provision in the Knox-Keene Act and California Code of Regulations, title 28 (collectively, the "Act").

Undertaking 2

Care 1st will not make distributions of cash or property or in any other way upstream any funds or property to its parent companies or affiliates ("Affiliate Company

Distributions”) if such actions 1) would cause Care 1st to fail to maintain 250 percent (250%) of the minimum tangible net equity calculated, at all times, on a statutory basis applicable to full-service health plans pursuant to Rule 1300.76, 2) would result in insufficient working capital or insufficient cash flows necessary to provide for the retirement of existing or proposed indebtedness as determined by the Department, or 3) would affect the ability of Care 1st to provide health care services as required by the Act as determined by the Department.

For purposes of these undertakings, “Affiliate Company Distributions” shall not be deemed to refer to payments made under the terms of any administrative service agreement or tax sharing agreement which has been filed with and received approval from the Department.

Undertaking 3

Care 1st will ensure that written disclosure of Undertakings 1 and 2 is provided to any and all future holders of any loans and/or credit facilities of Care 1st’s affiliates, to the extent Care 1st’s assets are involved in such loans and/or credit facilities, to ensure the holder of such instrument(s) has written notice that the satisfaction of any obligations under such instrument(s) is subordinated to Care 1st’s obligations under the Act.

Undertaking 4

Blue Shield represented in its filing dated January 30, 2015, for Filing No. 20150295, that immediately following the closing of the transaction, Care 1st would be converted to California nonprofit mutual benefit corporations. Within five calendar days of the closing of the transaction, Care 1st will file a conformed copy of its filing effectuating the conversion with the California Secretary of State. Within forty five (45) days of the closing of the transaction, Care 1st Health Plan Partner (QIF), an affiliate of Care 1st, will file a conformed copy of its filing effectuating the conversion with the California Secretary of State. Within five calendar days of the California Secretary of State’s respective approvals of Care 1st’s and this affiliate’s amended Articles of Incorporation as nonprofit mutual benefit corporations, Care 1st will file, via filings in the Department’s e-Filing system’s Undertakings Tracking function, Care 1st’s and the affiliate’s Amended Articles of Incorporation and other relevant documents demonstrating the nonprofit status of Care 1st, with Cumulus as Care 1st’s sole member, and Care 1st Health Plan Partner (QIF). The Department may seek injunctive relief pursuant to subsection (i) of Undertaking 25 in the event Care 1st or its affiliate fail to so demonstrate. Such injunctive relief does not preclude the Department from taking any other actions as described in Undertaking 25.

Undertaking 5

Prior to implementing a Change(s), as defined below, to an administrative services agreement to which Care 1st is a party, Care 1st will first file notice of the Change(s) with the Department in a Material Modification and obtain an Order of Approval for the Change(s).

“Change” is defined for purposes of this Undertaking as an amendment, modification, termination or replacement of an Administrative Services Agreement (“ASA”), which involves any of the following:

- (a) The addition of new services, or a change in the scope of services;
- (b) Any change to reimbursement terms or method for reimbursing services performed on behalf of Care 1st;
- (c) Removal of books and records documenting performance of the services performed on behalf of Care 1st pursuant to an ASA, to a location outside of California;
- (d) Change in the location of performance of any delegated function to another state or country;
- (e) Change to an entity, or to the legal identity of an entity, performing Care 1st functions on behalf of Care 1st pursuant to an ASA.

Undertaking 6

Blue Shield agrees to improve its performance on Right Care Initiative indicators, with a goal of reaching, at a minimum, the national 90th percentile performance rate for all health plans participating in the Right Care Initiative, by not later than the performance measurement period ending December 31, 2018. Blue Shield will report to the Department its action plans and progress on this undertaking every six months beginning with six months after the date of the issuance of the Order of Approval. Following the end of the 2018 performance measurement period, within sixty days Blue Shield will file a final report with the Department which includes a summary of the actions taken and outcomes.

Undertaking 7

Blue Shield agrees to improve any star rating on the 2014 Office of Patient Advocate Quality Report Card that is below two stars with a goal of bringing each rating to, at a minimum, three stars, by no later than the performance measurement period ending December 31, 2017. Blue Shield will report to the Department its action plans and progress on this undertaking every six months beginning with six months after the date of the issuance of the Order of Approval. Following the end of the 2017 performance

measurement period, within sixty days, Blue Shield will file a final report with the Department which includes a summary of the actions taken and outcomes.

Undertaking 8

Care 1st agrees to improve any one-star rating on the Medi-Cal Managed Care Health Care Options Consumer Guide that is below two stars, with the goal of bringing each rating to, at a minimum, two stars, by no later than the performance measurement period ending December 31, 2017. Care 1st will report to the Department its action plans and progress on this undertaking every six months beginning with six months after the date of the issuance of the Order of Approval. Following the end of the 2017 performance measurement period, within sixty days, Care 1st will file a final report with the Department which includes a summary of the actions taken and outcomes.

Undertaking 9

Care 1st and Blue Shield agree to participate in programs designed to promote health literacy education for a period no less than three years following the date of issuance of the Order of Approval. No later than ninety days following the date of the issuance of the Order of Approval, Blue Shield and Care 1st will file a plan with the Department specifying the programs in sufficient detail, including a description of the program and its methods and goals, for the Department to evaluate and approve prior to the plans initiating their participation.

Undertaking 10

Care 1st will ensure that Medi-Cal encounter data will be submitted accurately and timely to the Department of Health Care Services (DHCS) consistent with the Plan's obligations under the applicable Health and Safety Code and regulation provisions as well as the standards issued by the DHCS in Quality Measures for Encounter Data (published January 1, 2015) and any other guidance issued by the DHCS.

Undertaking 11

No later than six months after the date of the issuance of the Order of Approval, Care 1st and Blue Shield will file with the Department a plan to improve the Care 1st network of contracted specialty providers and Care 1st's enrollees' access to specialty care. Blue Shield will assist Care 1st in the development and maintenance of the Care 1st Medi-Cal network. Following a two-year period from the filing of the improvement plan, Blue Shield and Care 1st will file a final report with the Department which includes a summary of the actions taken and outcomes.

Undertaking 12

In its Notice of Material Modification, Blue Shield notes that it does not currently participate in the Medi-Cal program. Within three months after the date of the issuance of

the Order of Approval, Blue Shield will file a report to the Department describing its plan to become proficient in the Medi-Cal program. Blue Shield will include a commitment to being an active and effective participant in Healthy San Diego. Blue Shield will file a final report with the Department one year from the date of the three-month report filing, which will include a summary of the actions it took and the outcomes.

Undertaking 13

Blue Shield and Care 1st will each file with the Department executed copies of the Affiliated Company Services Agreement filed as part of Notices of Material Modification Nos. 20150295 and 20150302 within five calendar days of the effective date.

Undertaking 14

Blue Shield, Care 1st, and Cumulus agree to cooperate fully, in compliance with the Act and regulations to the reasonable satisfaction of the Department, with any and all requests for information from the Department and its contractors, including but not limited to requests for information generated by the Department's Help Center, Office of Plan Licensing, Office of Financial Review and Office of Enforcement. This includes, but is not limited to, compliance with requests for health plan information and financial information.

Undertaking 15

Blue Shield agrees that controlling health care costs is of the utmost importance. This means that Blue Shield will make every effort to keep premium rate increases to a minimum. For any Blue Shield premium rate increase deemed unreasonable or unjustified by the Department, Blue Shield agrees to meet and confer with the Department and make a good faith attempt to resolve any differences regarding the premium rate increase. This applies to all lines of business subject to rate review by the Department at the time the rate is filed.

Undertaking 16

For five years following the date of the Issuance of the Order of Approval, Blue Shield will annually file with the Department, by March 1, an actuarial memorandum, signed by Blue Shield's chief actuary, Chief Financial Officer, or similar authorized officer, certifying that no portion of the cost components of any premium rate charged for any Blue Shield product offered in California includes a charge related to the acquisition purchase price or to the charitable contributions in Undertaking 21(a) or 21(b). This applies to all business lines offered by Blue Shield.

Undertaking 17

Blue Shield agrees to correct and remediate deficiencies with respect to its provider directories as identified and described in the Department's Non-Routine Survey Final

Report, dated November 18, 2014 by entering into a Stipulated Settlement Agreement on Enforcement Matter Nos. 14-175, 15-141 and 15-142, within two weeks of the date of issuance of the Order of Approval. Correction and remediation of the deficiencies may be verified by the Department as appropriate, including the use of a non-routine, billable, follow-up survey under Health and Safety Code section 1382, and California Code of Regulations, title 28, section 1300.82, subsection (b).

Undertaking 18

- (a) Blue Shield agrees that within 6 months after the final resolution of the dispute it filed with the Franchise Tax Board (FTB), whether by final decision of the FTB, State Board of Equalization, court decision, settlement, or otherwise (a "Final Resolution"), and irrespective of the outcome, Blue Shield will relinquish its state franchise tax exemption.
- (b) Blue Shield agrees to refrain from making any statements to the Department that are, in the Department's reasonable judgment, misleading or inconsistent in any material respect with any statements made by Blue Shield to any state or federal agency, including, without limitation, any statements regarding the distribution of Blue Shield's assets upon dissolution.
- (c) In the event that Blue Shield receives any refund of state franchise taxes paid for tax years 2013 or 2014, or receives a Final Resolution that it does not owe all or any portion of state franchise tax accrued for tax years 2009 through 2012, Blue Shield agrees that it will add such refunded or unowed amounts to its earnings for the applicable years for purposes of recalculating its 2% Pledge give-back for such years, and will implement a give-back to consumers and the community in accordance with its 2% Pledge program.
- (d) Blue Shield agrees that, following its relinquishment of its state franchise tax exemption, it will inform the Department before seeking a new state franchise tax exemption at any point in the future.

Undertaking 19

Blue Shield agrees to maintain in good standing its membership in the Blue Cross and Blue Shield Association including, but not limited to, any financial requirements of that organization.

Undertaking 20

For a period of five years following the date of the issuance of the Order of Approval, Blue Shield agrees to attend the University of Best Practices learning collaborative in Sacramento, Los Angeles, and San Diego, and to deliver an annual presentation and written report to representatives of the Department, the University of Best Practices learning collaborative, and Blue Shield's contracted medical groups and IPAs regarding

improvements made in Blue Shield and its affiliates' quality measures during the past year, as well as targets for improvements during the upcoming year.

Undertaking 21

Following the date of the issuance of the Order of Approval, Blue Shield agrees to make charitable contributions as follows:

- (a) For five years following the close of this transaction, annual contributions of \$2 million to support locally-based consumer assistance programs on the list attached hereto, or as approved by the Department.
- (b) Contributions of \$50 million to strengthen the health care delivery system, in particular the Medi-Cal delivery system, through programs that are intended to improve infrastructure at the plan and provider level, including, but not limited to the following:
 1. Provider Database Project. By December 15, 2015, Blue Shield agrees to propose an approach for development of a statewide centralized provider directory database for the purpose of creating a single portal for consumers to access information, for providers to access and update their data, and for health plans to meet their legal obligations regarding provider directories and invite all California health plans, including Medi-Cal managed care plans, to participate.
 2. Encounter Data Project. By December 15, 2016, Blue Shield agrees to propose an approach for the industry to standardize encounter data submissions and invite all California health plans to participate. While the project will initially focus on Medi-Cal plans and providers, Blue Shield agrees to participate in a project to standardize encounter data submissions across all lines of business.

In making a commitment to these programs, Blue Shield recognizes that expertise will be necessary to achieve the goals of the identified programs. Blue Shield agrees to develop and work closely with an Advisory Committee that will make recommendations and provide expertise and guidance for project development and implementation.

Within 60 days of the date of the issuance of the Order of Approval, Blue Shield will meet and consult with the CA Health and Human Services Agency and the Department regarding the structure and composition of an Advisory Committee consisting of individuals with subject matter expertise, including technology experts. The members of the Advisory Committee shall be designated by Blue Shield in consultation with the Department.

The Advisory Committee will make recommendations to Blue Shield regarding

the funds and programs and will provide expertise and guidance to Blue Shield for the projects' development and implementation. In the event that one or both programs become unfeasible, the Advisory Committee will recommend alternative programs designed to promote the same goals of improving or enhancing the Medi-Cal program. However, Blue Shield must obtain prior approval from the Department prior to the implementation of any recommendation that would divert funds from one of these projects to another purpose.

None of the costs of the Advisory Committee will be paid from the principal or interest from the charitable contribution.

Within 6 months after the closing of the transaction, the Advisory Committee will be established and, promptly thereafter, Blue Shield shall begin formulating a plan for carrying out the Advisory Committee's responsibilities and developing appropriate guidelines, policies and procedures, subject to approval by the Department.

Blue Shield may contract with the Blue Shield Foundation to facilitate the Advisory Committee and administer the programs described in section (b) above.

- (c) For ten years following the close of this transaction, Blue Shield agrees to make annual contributions of not less than \$14 million per year to the Blue Shield Foundation (or another charitable organization approved by the Department dedicated to charitable purposes, whose mission includes but is not limited to expanding access to care for uninsured persons, including undocumented individuals). Blue Shield agrees to file an annual report with the Department on the total amount of such contributions and the organizations to which they were made. If in any year such contributions would result in Blue Shield incurring a net loss for the year (based on Blue Shield's December statutorily required quarterly financial reporting form filed with the Department, prepared in accordance with US GAAP, consistently applied), then such contributions for that year may be reduced by the minimum amount necessary to avoid such an occurrence.
- (d) For ten years following the close of this transaction, Blue Shield will also continue to follow its customary practices regarding funding decisions for the Blue Shield Foundation, taking into account the commitments in section c) above. Customarily, decisions regarding funding are made annually by the Blue Shield Board of Directors in the Board's discretion, based on Board-approved funding guidelines that take into account management recommendations, Blue Shield's rolling three-year average net income, and Blue Shield's current financial performance.

Undertaking 22

Blue Shield agrees, as represented in its filing dated January 30, 2015, Filing No. 20150295, that as a result of the proposed transaction, no compensation of any kind to any Blue Shield executive or manager, including compensation through a consulting agreement or bonuses, will be paid, hastened or increased. Blue Shield further agrees, that as a result of the transaction, and consistent with its Bylaws, no distribution or payment of compensation will be made to its directors or officers. Blue Shield will agree to cooperate fully to the satisfaction of the Department with any requests for information relating to this undertaking.

Undertaking 23

Care 1st agrees that, other than what has been represented in its filing dated January 30, 2015, Filing No. 20150302, as amended, as a result of the proposed transaction, no compensation of any kind to any Care 1st executive or manager, including compensation paid through a consulting agreement or bonuses, will be paid, hastened or increased. Care 1st further agrees that as a result of the transaction, no distribution or payment of compensation will be made to its directors or officers, other than what has been represented in its filing dated January 30, 2015, Filing No. 20150302, as amended. Care 1st will agree to cooperate fully to the satisfaction of the Department with any requests for information relating to this undertaking.

Undertaking 24

In addition to the undertakings executed above, Blue Shield and Care 1st reassert and reaffirm each and every undertaking in existence prior to the execution of this document, and agree to abide by and conform to each and every prohibition and condition.

Undertaking 25

The Undertakings set forth herein shall be enforceable to the fullest extent of the authority and power of the Director under the provisions of the Act. Care 1st, Blue Shield, and Cumulus acknowledge that the Act's enforcement remedies are not exclusive, and may be sought and employed in any combination deemed advisable by the Director to enforce these Undertakings.

The Undertakings set forth herein shall be subject to the following terms and conditions:

- (a) **Binding Effect.** The Undertakings set forth herein shall be binding on Care 1st, Blue Shield, Cumulus, and their respective successors and permitted assigns. If Care 1st, Blue Shield, or Cumulus fail to fulfill their obligations to the Department as provided under the Undertakings set forth herein, Care 1st, Blue Shield, and Cumulus stipulate and agree that the Department shall have the authority to enforce the provisions of these Undertakings in an administrative proceeding through the Office of Administrative Hearings and/or a California court of competent jurisdiction.

- (b) **Venue.** The proper venue for any dispute arising from the Undertakings set forth herein shall be Sacramento, California.
- (c) **Governing Law.** The Undertakings set forth herein and their validity, enforcement, and interpretation, shall for all purposes be governed by and construed in accordance with the laws of the State of California.
- (d) **Invalidity.** In the event any Undertakings or any portion of any Undertaking set forth herein shall be declared invalid or unenforceable for any reason by a court of competent jurisdiction, such Undertaking or any portion of any Undertaking, to the extent declared invalid or unenforceable, shall not affect the validity or enforceability of any other Undertakings, and such other Undertakings shall remain in full force and effect and shall be enforceable to the maximum extent permitted by applicable law.
- (e) **Duration.** The Undertakings set forth herein shall become effective upon the date of the issuance of the Order of Approval, and except as to those provisions of the Undertakings that contain separate termination provisions, shall remain in full force and effect until terminated by way of an Order issued by the Department expressly terminating each Undertaking.
- (f) **Third-Party Rights.** Nothing in the Undertakings set forth herein is intended to provide any person other than Care 1st, Blue Shield, Cumulus, the Department, and their respective successors and permitted assigns, with any legal or equitable right or remedy with respect to any provision of any Undertaking set forth herein.
- (g) **Amendment.** The Undertakings set forth herein may be amended only by written agreement signed by Care 1st, Blue Shield, and Cumulus, upon prior written approval or consent by the Department.
- (h) **Assignment.** No Undertaking set forth herein may be assigned by Care 1st, Blue Shield, or Cumulus, in whole or in part, without the prior written consent of the Department.
- (i) **Specific Performance.** In the event of any breach of these Undertakings, Care 1st, Blue Shield, and Cumulus acknowledge that the State of California would be irreparably harmed and could not be made whole by monetary damages. It is accordingly agreed that Care 1st, Blue Shield, and Cumulus shall waive the defense in any action for specific performance that a remedy at law would be adequate, and the Department should be entitled to seek an injunction or injunctions to prevent breaches of the provisions of these Undertakings and to seek to specifically enforce the terms and provisions stated herein. The Department's right to seek an injunction does not supersede the remedies available to the Director.

Care 1st Health Plan


Signature: _____

Date: _____

Print Name: _____

Print Title: _____

Cumulus Holding Company Inc.

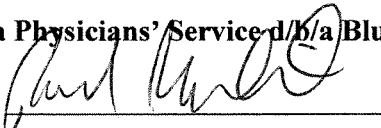
Signature: 

Date: October 1, 2015

Print Name: PAUL MARKOVICH

Print Title: PRESIDENT

California Physicians' Service d/b/a Blue Shield of California

Signature: 

Date: October 1, 2015

Print Name: PAUL MARKOVICH

Print Title: PRESIDENT AND CEO

Care 1st Health Plan

Signature: Anna Ivan

Date: 10/1/2015

Print Name: Anna Ivan

Print Title: CEO

Cumulus Holding Company Inc.

Signature: _____

Date: _____

Print Name: _____

Print Title: _____

California Physicians' Service d/b/a Blue Shield of California

Signature: _____

Date: _____

Print Name: _____

Print Title: _____

Supplement to Undertaking 21a

Consumer Assistance Programs

Blue Shield agrees to make annual contributions described in Undertaking 21(a) to one or more of the following entities or such other entities approved by the Department:

1. Health Consumer Alliance
2. Health Consumer Center, Bay Area Legal Aid
3. Legal Services of Northern California
4. Central California Legal Services
5. Legal Aid Society of San Diego
6. Greater Bakersfield Legal Aid
7. Neighborhood Legal Services
8. Legal Aid Society of Orange County
9. Legal Aid Society of San Mateo
10. California Rural Legal Assistance
11. National Health Law Program
12. Western Center on Law & Poverty