



For Immediate Release
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**Department of Managed Care approves sale of Sharp Health Plan's
public health care programs to Molina Healthcare, Inc.**

\$5.5 million to be donated to community projects as a result of the transaction

(Sacramento) – The Department of Managed Health Care (DMHC) has approved a restructuring proposal by Sharp Health Plan, a non-profit health care service plan, to sell its contracts to offer Medi-Cal, Healthy Families Program and Access for Infants and Mothers (AIM) program health insurance products to Molina Healthcare of California, Inc., a for-profit plan, for an initial \$25 million. Currently, Sharp serves 71,000 people enrolled in its government programs in San Diego County. Molina currently participates in a variety of California government sponsored health programs throughout the state.

“With the approval of this sale, I am satisfied that critical health care services for San Diegans receiving public health care assistance will continue uninterrupted and also that the entire community will benefit from the new health initiatives to be developed by Sharp, under the terms required by the state,” said Cindy Ehnes, director of the Department of Managed Health Care.

The DMHC's action is the third and final state approval needed to complete the transaction. Previously, both the state Department of Health Services and the Major Risk Managed Insurance Board (MRMIB) gave approval. The terms of the DMHC approval are conditioned upon the completion of the transaction between Sharp and Molina no later than August 1, 2005. However, it is anticipated that the change in health plan providing services under these contracts will occur as early as June.

Under state law, if a non-profit health plan sells part of its assets to a for-profit plan,

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certain conditions must be met. These conditions include that: 1) no personal financial benefit from the sale be gained by any individual; 2) the sale is fundamentally consistent with and advances the public benefit and charitable purposes of the plan; 3) the plan receives all proceeds from the sale; 4) no officer or director of the plan has any financial interest constituting a conflict of interest in the sale; 5) the sale is conducted objectively and for fair market value; 6) that the sale does not adversely impact the plan's ability to fulfill its public benefit and charitable purposes.

In order to ensure benefit to the San Diego community, under the terms of the DMHC approval, Sharp has agreed to invest \$500,000 of the proceeds from the sale in the following:

- \$50,000 donated to the Council of Community Clinics of San Diego
- \$50,000 donated to the San Diego County Medical Society for health literacy projects
- Development and funding of a new, partially subsidized individual health care product, focusing on independently owned businesses and sole proprietorships
- An increase in Sharp's budget for community benefit programs by five percent each year over the next two years

In addition, Sharp has agreed to invest 20 percent of the sale, or \$5 million, to local community health projects. These include:

- Developing an obesity prevention, treatment and awareness program
- Improving the quality of care in the areas of childhood immunizations; diabetes, asthma, coronary disease and high blood pressure management; breast and cervical cancer screening; and pre-natal and post-natal care
- Subsidizing individual and small group insurance premiums and developing other initiatives aimed at insuring the uninsured
- Improving access to health care initiatives

Any other proceeds of the sale will be given to Sharp's affiliates in San Diego for exclusive use for charitable purposes.

In January, the DMHC held a public meeting to solicit community input and conducted an independent review of the transaction, in order to evaluate its effect on health plan enrollees and the community. Because Sharp Health has a long history of community service to the citizens of San Diego County, the DMHC wanted to make sure that these types of benefits would continue if Sharp were allowed to leave the public health insurance market.

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The California Department of Managed Health Care is the only stand-alone HMO watchdog agency in the nation, touching the lives of more than 21 million enrollees. The Department has assisted more than 633,000 Californians through its 24-hour Help Center to resolve their HMO problems, educates consumers on health care rights and responsibilities, and works closely with HMO plans to ensure a better, more solvent and stable managed health care system.

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