

March 4, 2013

Anna Tran  
Chief Executive Officer  
Care 1st Health Plan  
601 N. Potrero Grande Drive  
Monterey Park, CA 91755

**RE: ENFORCEMENT MATTER NUMBER 11-060**

**LETTER OF AGREEMENT**

Dear Ms. Tran:

The Office of Enforcement of the Department of Managed Health Care (the "Department") has completed its investigation of the above-referenced matter and has concluded that there is sufficient evidence to support the allegation that Care 1st Health Plan (the "Plan") has violated the Knox-Keene Health Care Service Plan Act of 1975, as amended ("Knox-Keene Act"). This investigation concerned the Plan's failure to file a material modification prior to outsourcing its claims processing functions overseas, and the Plan's representations made in its subsequent Notice of Material Modification filed with the Department in eFiling #20100850.

After investigation, the Department has determined that the Plan outsourced a significant portion of its claims processing functions outside to China, which constitutes a material modification of the Plan's operations. Prior to implementing this functionality, the Plan failed to file a notice of material modification to the Department and obtain the Department's approval, in violation of Health and Safety Code section 1352. This violation is subject to disciplinary action under both subdivisions (b)(1) and (b)(6) of Health and Safety Code section 1386.

The Department discovered this failure during a routine Financial Examination of the Plan. At the Department's direction, the Plan filed a Notice of Material Modification, but, in its filing to the Department, the Plan erroneously represented that the entity with which the Plan was contracting was JMS Pacific, Inc. After further investigation by the Department, it was determined that, in fact, the entity which the Plan was contracting with was a Chinese business which had no direct ties to JMS Pacific, Inc. The Plan's factually incorrect statement of fact constitutes a violation of Health and Safety Code sections 1386, subdivision (b)(7), and 1396.

The Plan asserts that any erroneous or factually incorrect statements or representations made were unintentional and the result of inaccurate and/or incomplete information obtained by the Plan from JMS Pacific, Inc.

The Plan has acknowledged its failure to comply with the Knox-Keene Act in this enforcement matter and has filed and implemented updated policies and procedures regarding material modifications through the Department's eFiling portal (Filing #20120632) to ensure that this occurrence will not be repeated. Based on the specific circumstances of this violation, the Department has determined that a fine in the amount of \$120,000 is warranted. The Plan stipulates to payment of the aforementioned penalty and understands that subsequent violations in this matter may subject the Plan to additional penalties. The Department agrees that payment of the penalty will settle all issues, accusations, and claims pertaining to this enforcement matter. This Letter of Agreement may not be used as an admission by the Plan in any other civil or criminal proceedings; however, it may be used by the Department in future administrative proceedings.

Sincerely,

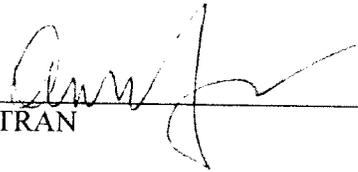


Anthony Manzanetti  
Deputy Director | Chief Counsel  
Office of Enforcement

CBL:slb

**Accepted by CARE 1ST HEALTH PLAN**

Dated: 3/11/2013



ANNA TRAN  
CEO  
Care 1st Health Plan