

Magellan Makes a Strategic Investment in AlphaCare of New York

AVON, Conn.--(BUSINESS WIRE)-- [Magellan Health Services Inc.](#) (NASDAQ: [MGLN](#)) today announced that it has entered into a definitive agreement to make a strategic investment in AlphaCare of New York; a newly-licensed Medicaid Managed Long Term Care HMO and Medicare Plan focused on serving the unique needs of New York's long-term care and dual eligible populations. Upon completion of the transaction Magellan will own 65 percent of the company.

AlphaCare of New York was established in 2012, and has acquired the requisite licensure and contracts in New York State, including an HMO license as well as a managed long term care contract with the state. It operates a Managed Long-Term Care Plan in Bronx, Kings, New York, Queens and Westchester Counties and Medicare Plans in Bronx, Kings, New York and Queens Counties. It began enrolling members in August. In addition, AlphaCare applied to participate in the New York State Department of Health's Fully Integrated Duals Advantage (FIDA) Demonstration Program in Bronx, Kings, New York and Queens Counties and was selected to participate in all four counties. AlphaCare's participation in the FIDA program is subject to completion of a readiness review, the receipt of adequate rates and entry into a contract for the FIDA program. The anticipated time period for the FIDA demonstration is April 2014 through December 2017.

"AlphaCare presents us with a great opportunity to enter the New York market and leverage our combined expertise with the AlphaCare team to create an entirely new integrated care offering to help the state provide quality health care at affordable costs," said Scott R. Markovich, president of Magellan Complete Care (MCC). "AlphaCare will be able to participate in the New York FIDA program in the greater New York City metropolitan area. AlphaCare's initial focus will be individuals in this region who are eligible for Managed Long Term Care as well as other Medicare products. I am confident that we can positively impact the lives of the residents we serve."

"We are pleased to be joining forces with Magellan and combining our expertise and experience to fulfill our vision of enabling members to lead healthy and self-directed lives by providing high quality and cost effective health care," said Shana Carrico, AlphaCare of New York chief executive officer. "As demand for long-term care rises, services that keep people in their homes and well-cared for are more important than ever. We have a state-of-the-art care management model and a strong technology platform that allows the care management team to focus on the member's care. With additional expertise and capital from Magellan, we will be able to expand our offering and attract new members."

Magellan currently holds a 7 percent equity interest in AlphaCare through a previous equity investment of \$2 million in preferred membership units of AlphaCare's current holding company, AlphaCare Holdings LLC. In addition, Magellan previously loaned \$6 million to AlphaCare Holdings, LLC. Magellan's total investment in AlphaCare after funding is completed will be approximately \$25.5 million, including its original \$8 million investment. Magellan will also have an option to purchase the remaining portion of the AlphaCare stock at a price determined by an agreed upon formula beginning on January 1, 2017. The current shareholder of AlphaCare also will have the right to sell its interest in AlphaCare to Magellan or to AlphaCare beginning on January 1, 2017 at the same agreed upon formula, and will have the additional right, subject to certain operating conditions, to sell 50% of its interest in AlphaCare to Magellan or AlphaCare prior to January 1, 2017 at a price determined by a different agreed upon formula. Closing of the transaction is subject to regulatory approval.

The current leadership of AlphaCare of New York will continue to lead it, with direction from a board of directors that will include representatives of Magellan.

About AlphaCare of New York: Headquartered in Brooklyn, NY, AlphaCare of New York was established in 2012 and began enrolling members in August 2013. Utilizing its state-of-the-art care management model aimed at enhancing the life of chronically ill New Yorkers, the company is ensuring accessible and affordable health coverage. AlphaCare currently serves residents in Bronx, Kings, New York, Queens and Westchester Counties.

About Magellan Health Services: Headquartered in Avon, Conn., Magellan Health Services Inc. is a leading specialty health care management organization with expertise in managing behavioral health, radiology, and pharmacy benefits programs, as well as integrated health care programs for special populations. Magellan delivers innovative solutions to improve quality outcomes and optimize the cost of care for those we serve. As of June 30, 2013, Magellan's customers include health plans, employers and government agencies, serving approximately 34.0 million members in our behavioral health business, 17.4 million members in our radiology benefits management segment, and approximately 9 million members in our medical pharmacy management product. In addition, the pharmacy solutions segment served 40 health plans and employers, 25 states and the District of Columbia, and several pharmaceutical manufacturers. For more information, visit www.MagellanHealth.com.

Photos/Multimedia Gallery Available: <http://www.businesswire.com/multimedia/home/20130813005982/en/>

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