



March 8, 2010

Dear Physicians Health Plan of Mid-Michigan Producer,

Sparrow Health System and Blue Care Network today announced that we have ended our agreement that would have enabled Blue Care Network to acquire the membership of Lansing-based Physicians Health Plan of Mid-Michigan.

Originally, both parties anticipated that this transaction would receive necessary regulatory clearance by the end of 2009. However, both organizations concluded late last week that the transaction would not get clearance without considerable additional delays. As a result, Blue Care Network and Sparrow decided that the substantial cost and extended time period it would take to gain clearance of the acquisition are not in the best interests of either organization.

Sparrow and PHP are disappointed because we believe that this transaction would have been beneficial to the region. In light of the current regulatory climate, however, it has become obvious that we should focus our efforts on serving PHP employer clients, health plan members and our region.

We want to reassure you that PHP remains financially strong and has a solid capital position. Since the transaction was announced, PHP has maintained business-as-usual operations:

- PHP's customer-focused strategy has allowed us to continue to provide high-quality, cost-effective care that people have come to expect from our award-winning health plan.
- Group business continued to be renewed and new business sold.
- The Medicaid contract was renewed last fall. Claims turnaround time and customer call center response time have remained consistent.
- Recently, PHP has provided most of its commercial business a Quality of Service Assurance wherein PHP has committed to certain performance standards. This program is just one example of the type of innovation that PHP will be working on in the weeks ahead.

This business-as-usual mindset will continue and PHP will work hard to "reintroduce" itself in the coming weeks to the public. We are already working on a full business plan to execute a strategic reintroduction of the PHP brand into the marketplace. We believe this is a unique opportunity to strengthen a brand for which that the community already feels a passionate loyalty.

As you undoubtedly know from your interactions with your clients, PHP customers are passionate about their loyalty to our brand.

If you have any questions please do not hesitate to contact your PHP Sales Representative.

Thank you,



Scott Wilkerson
President and CEO
PHP Mid-Michigan



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