



March 9, 2010

Dear Physicians Health Plan of Mid-Michigan Customer,

Sparrow Health System and Blue Care Network announced on Monday, March 8, that we have mutually ended our agreement that would have enabled Blue Care Network to acquire the membership of Physicians Health Plan of Mid-Michigan. A copy of the press release is attached for your review.

Originally, both parties anticipated that this transaction would receive 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, Sparrow and Blue Care Network decided that the substantial cost and extended time period it would take to gain clearance are not in the best interests of either organization. In light of the current regulatory climate, it has become obvious that we should focus our efforts on continuing the PHP strategy to provide nationally recognized, high-quality, cost-effective care to our region.

We want to reassure you that PHP remains financially strong and will continue operations into the foreseeable future. Since the transaction was announced, PHP has continued to focus on meeting the needs of our client employers and health plan members:

- Group business continues to be renewed and new business sold.
- Claims turnaround time and customer call center response are consistent and exceeding benchmarks.
- PHP continues a recent pledge to most of its commercial business to provide a Quality of Service Assurance wherein PHP commits to certain performance standards. This program is just one example of PHP's commitment to continued quality and exemplary service.

This business-as-usual mindset continues and PHP will work hard to meet the PHP brand promise that the community has come to know. We believe this is a unique opportunity to reconnect with customers as PHP moves forward with strategic plans to reintroduce the PHP brand to the region.

Thank you for the trust you have placed in PHP and for allowing us to serve you. 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

E. Craig Lesley
Vice President of Sales and Marketing
PHP Mid-Michigan