

To: All HealthEase Providers
From: Charles Brewer, President & CEO
Date: May 22, 2009
Subject: HealthEase Contract Termination

Please let this letter serve as your formal notice that Health First Network has terminated their contract with HealthEase to provide Medicaid HMO services. This termination will take effect on August 31, 2009. It is important to note that this termination does not affect the Well Care Medicare product.

We have been negotiating with HealthEase on this product since late in 2008. Our contract was a downstream risk contract meaning we took some of the risk from HealthEase. We have explored several alternatives to the current arrangement but at this point have not reached an agreement. I will tell you that the contract with HealthEase is only a small part of the issue. In September of 2007 the overall premium for the Medicaid HMO members paid by the state of Florida to HealthEase in this area was \$198 per member per month (PMPM). In March of this year the state of Florida has cut this premium to a rate of \$170 PMPM. That means that in a period of 19 months the state has reduced \$7 million or 14% from the premium they pay for the approximately 21,000 members in the HMO here in Escambia and Santa Rosa counties.

Besides the fact that HFN has lost money on this product, it is disconcerting to have this occur to say the least. I feel HFN has done an exemplary job on managing the health of the HealthEase recipients. HFN has reduced emergency room usage. HFN has placed a number of patients into disease and case management thereby helping/educating them with their illnesses and keeping them healthy. HFN has instituted a high risk maternity program that reduced our NICU days drastically, helping these moms to full term or near full term births. In all likelihood these are the type of programs with local emphasis and management which will be lost.

Negotiations with all parties continue but we at HFN are not very hopeful of a positive solution. We wanted to give our physicians and other provides at least a 90 day notice of this action. We are engaged with the health plan concerning our/your responsibilities for continuity of care after August 31, 2009 for the patients you are currently seeing. We will share the results of those discussions at the appropriate time.

If you have any questions, please contact me at 850-434-8082.