



TOTAL HEALTH CARE, INC.
"A Non-Profit Corporation"

3011 W. GRAND BOULEVARD, SUITE 1600, DETROIT, MICHIGAN 48202-3000, (313) 871-2000

June 2, 2004

Ms. Judith A. Weaver, CFE, Deputy Commissioner
Office of Financial and Insurance Services
Supervisory Affairs & Insurance Monitoring Division
611 West Ottawa, 3rd Floor
Lansing MI 48933

Dear Ms. Weaver:

This is Total Health Care, Inc.'s (THC) proposal to purchase certain assets of The Wellness Plan (TWP), a nonprofit Michigan Corporation. In general terms, TWP is selling and THC is buying the rights to serve the Medicaid membership currently assigned to TWP in Genesee, Macomb, and Oakland counties through its contract with the Michigan Department of Community Health.

THC is a licensed HMO, established in 1974, and currently under contract with the State of Michigan Medicaid program. THC has over 25 years of experience serving Medicaid beneficiaries. Management and staff of THC have experience with a transaction of this type. In 1993, THC acquired Life Choice Quality Health Plan. The transition plan successfully moved 28,000 Medicaid beneficiaries to THC with no disruption whatsoever. Ninety nine percent of the membership retained their PCP, no complaints or grievances were recorded by MDCH or OFIS. We are committed to a seamless integration of the TWP membership into the operation of THC. All issues related to continuity of care will be handled with special attention to meet the needs of the membership.

THC will pay a total amount equal to \$217 per member acquired. The proposed transaction price is estimated to be \$5.5 million. The anticipated membership is 12,200 in Genesee, 4,800 in Macomb, and 8,500 in Oakland. An amount equal to one-half of the sum of the purchase price is due and payable at closing. The remaining amount is to be paid on or before October 29, 2004. The final payment will be adjusted based on the actual number of members assigned to THC from the TWP membership on October 1, 2004.

Attached are two prospective Risk Based Capital calculations. The first RBC calculation is a rolling 12-month projection through September 30, 2004. This projection was done to demonstrate our ability to carryout this transaction and remain compliant with RBC requirements. The second RBC calculation is a projection for calendar year 2004, projects capital to be over 400% RBC at December 31, 2004. In addition, we have attached a revenue and expense projection for 2004 through 2008 with a list of assumptions used. A transfer of funds, from a newly formed holding company of Total Health Care, will fund the transaction. Comerica Bank has agreed to make a loan to the holding company. A copy of the funding agreement is attached. THC will have no debt as a result of this transaction.

The transaction will fit within the capacity limits of THC as shown in the recently submitted ITB response. A synopsis of provider capabilities by county is described below.

In Genesee County, Total Health Care has a primary care capacity of over 100,000 members and currently serves approximately 3,500 lives. We have an excellent working relationship with the provider community as demonstrated by the attached letters of support and commitment by Hurley Medical Center and its PHO. Over 87% of the current TWP Medicaid membership in Genesee County is assigned to primary care physicians that currently participate with THC. Our letter of support from the Hurley PHO will allow us to contract with its complete PCP network resulting in a 98% match of membership with their current PCP.

Total Health Care currently serves over 7,000 Medicaid lives in Macomb County. Our primary care capacity of 96,000 members will dramatically improve the options available to the TWP membership. The anchor of our entire provider network is St. John Health System. St. John is a highly desirable provider in the county and currently serves over 23,000 THC lives in the tri-county area. Fifty-five percent of the current TWP Medicaid membership in being served in

Macomb County is assigned to PCPs that currently participate with THC. Our relationship with the St. John PHO, as demonstrated by the attached letter of support, will allow us to contract with additional physicians and increase the match to 76%. We will offer contracts to all TWP primary care providers in an effort to further improve the match and minimize the disruption associated with this transaction.

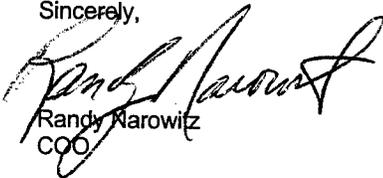
In Oakland County, Total Health Care has a primary care capacity of 188,000 members and currently serves approximately 6,000 lives. Our relationship with Providence Hospital and its PHO, Providence Partners in Mission, makes us very attractive to new membership. Over 15% of the current TWP Medicaid membership in Oakland County is assigned to primary care physicians that currently participate with THC. We will offer contracts to all current TWP primary care providers not currently participating with THC in an effort to improve the match and minimize the disruption associated with this transaction.

With the acceptance of this proposal THC stands ready to contract with the current TWP staff model sites. The data provided does not allow us to directly compute the percentage of Oakland and Macomb membership served by the staff model sites, however, the inclusion of these sites will greatly improve the match in both counties.

This proposal has no contingencies regarding the completion of the transaction except for the approval of THC's Board of Directors. The purchase price is firm. It will be \$217 per member assign to THC from TWP on October 1, 2004 with no adjustments. THC is interested in acquiring the lives in any or all of the three counties discussed above. If a presentation of this proposal is desired or you have any questions please do not hesitate to call me at 313-871-7878 or Lyle Algate at 313 871-7802.

When the parties sign this proposal, it will be binding on them both as described in this Agreement. Both parties agree to proceed with dispatch and in good faith to prepare a final agreement and to move toward closing as soon as possible.

Sincerely,



Randy Narowitz
COO

The Wellness Plan, Inc.

By: _____
Rehabilitator

Dated: _____