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Southfield, Michigan 48075  
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Fax: 248-569-9588  
Provider Services: 888-773-2647  
Member Services: 888-437-0606  
[www.hpmich.com](http://www.hpmich.com)

May 27, 2004

Linda A. Watters, Commissioner  
Rehabilitator of The Wellness Plan  
P.O. Box 30220  
Lansing, MI 48909

Dear Ms. Watters:

Health Plan of Michigan, Inc. (HPM) makes an offer of \$50.00 per member for Wellness Plan Medicaid members in the following counties: Genesee (12,229 members), Muskegon (11,526 members) and Oceana (283 members).

Based on the April 2004 membership provided with the due diligence CD Rom, the total purchase price offered by HPM is \$1,201,900. HPM will consider acquiring the Medicaid membership in any one of the counties listed above versus all three counties, at the rate of \$50.00 per member. The proposed purchase date is August 1, 2004.

HPM's offer is contingent upon the following conditions:

HPM will assume financial responsibility for each member acquired by HPM from Wellness Plan, as of the purchase date, except for members who remain inpatient. Wellness Plan members who are hospitalized as inpatients prior to or on the effective date of purchase, will continue to receive services from the Wellness Plan until they are discharged. Upon discharge, HPM will assume financial responsibility for the members. HPM will not be responsible for any obligations incurred for members who are hospitalized (inpatient) prior to or on the effective date of purchase.

HPM will not assume any obligations for health care or administrative costs for the membership acquired, for dates of service prior to the effective date of the purchase.

HPM will finalize (reduce) the total purchase price paid based on the acquired membership that remains with HPM three months after the purchase date.

HPM's purchase offer is contingent upon HPM being awarded a Medicaid contract effective October 1, 2004.

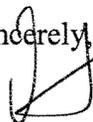
Linda A. Watters, Commissioner

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The remainder of the information requested in items 1 – 8 of your letter dated May 12, 2004 can be found on the attached pages. Please contact me at 248-557-3700, ext. 1001 if you have any questions regarding this purchase offer.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Cotton", with a long horizontal line extending from the end of the signature across the page.

David B. Cotton, M.D.

President/CEO



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Health Plan of Michigan, Inc. (HPM)

Attachment to letter to Linda A. Watters, Commissioner dated May 27, 2004

1. The financial (cash) resources are readily available to consummate the transaction.  
Per the 1<sup>st</sup> quarter 2004 financial statements and attachments submitted to OFIS, HPM has adequate cash resources and working capital in excess of \$6,700,000.
2. The potential buyers will continue to meet all financial requirements after the completion of the transaction.  
Per the year end 2003 and 1<sup>st</sup> quarter 2004 financial statements, RBC filing and attachments submitted to OFIS, HPM meets and exceeds all financial requirements.
3. The likelihood the potential buyers will receive a new Medicaid contract effective October 1, 2004.  
HPM submitted a response to the invitation to bid, and has demonstrated through past performance, completeness of response to the bid, and financial stability that it should be awarded a new Medicaid contract.
4. The potential buyers' provider networks are adequate to acquire more members.  
See attached Provider Listings for Genesee, Muskegon and Oceana counties.
5. To ensure continuity of care to TWP members, the extent to which the potential buyer's provider network overlaps with TWP provider network.  
See attached Provider Listings for Genesee, Muskegon and Oceana counties. Primary care physician's that are in both HPM and TWP networks are highlighted in yellow.
6. The likelihood the potential buyers will obtain the necessary regulatory approvals (i.e. OFIS and DCH) for the transfer of members.  
As stated above, HPM has adequately demonstrated network and financial capacity. Additionally, HPM currently has OFIS and DCH approval in Genesee, Muskegon and Oceana counties.
7. The extent of any contingencies regarding the completion of the transaction.  
Contingencies are listed on page 1 of HPM's letter to Commissioner Watters.
8. The extent the purchase price is subject to any potential adjustments in subsequent periods.  
As indicated on page 1 of HPM's letter to Commissioner Watters, HPM will finalize (reduce) the total purchase price paid based on the acquired membership that remains with the HPM three months after the purchase date.