

Blue Care Network and Sparrow Health System end agreement for BCN to acquire Physicians Health Plan of Mid-Michigan

LANSING, March 5, 2010--Blue Care Network and Sparrow Health System today announced that they have ended their 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 litigation. As a result, Blue Care Network and Sparrow decided that the substantial cost and extended time period it could take to gain clearance of the acquisition are not in the best interests of either organization.

"Unless we could obtain federal clearance in a relatively short timeframe, which we have been told is not possible, a prolonged period of uncertainty would be extremely difficult for client employers, health plan members and employees at both organizations," said Kevin Klobucar, BCN president and CEO. "It was not a desire of either organization to continue to focus our time and resources to litigate this matter."

"We are disappointed because we believe that this transaction had merit,," said PHP Mid-Michigan's President and CEO Scott Wilkerson. "In light of the current regulatory climate, however, it has become obvious that we should move on and continue focusing on the best ways to serve PHP's members and our region."

"Despite this outcome," Wilkerson said, "we are pleased that PHP has operated on a business-as-usual mindset throughout this lengthy regulatory process. 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."

Both organizations have argued strongly to State and Federal regulatory agencies as to the benefits of the acquisition, which included:

- Spreading administrative costs across a larger membership base for Blue Care Network, helping to keep health care costs more affordable and;
- Allowing Sparrow a greater ability to focus its human and capital resources on providing quality health care services to the region.

Blue Care Network is a nonprofit HMO owned by Blue Cross Blue Shield of Michigan, but it a separate company with separate products, governance, provider networks and leadership. The PHP acquisition would have been by BCN, not BCBSM.

Blue Care Network is a nonprofit corporation and an independent licensee of the Blue Cross and Blue Shield Association.

Sparrow is mid-Michigan's premier health care organization, committed to providing quality, compassionate care to every person, every time.

Physicians Health Plan of Mid-Michigan, a not-for-profit HMO owned by Sparrow, has an award-winning record of service excellence to customers and has consistently been ranked among the top 50 health plans in the nation by U.S. News and World Report.