

For Distribution to Brokers/Wholesalers/Administrators/DBEs Only

June 10, 2008

Physician Associates Provider Group Termination Effective July 1, 2008

MARKET: All

Physician Associates, a multi-specialty physician group with offices primarily in Montgomery County Maryland, will terminate as a participating provider from all CareFirst BlueCross BlueShield (CareFirst) and CareFirst BlueChoice, Inc. (CareFirst BlueChoice) networks effective July 1, 2008. Physician Associates includes 16 primary care providers (PCPs) and 9 specialists.

While we prefer that Physician Associates continue to participate in our provider networks, they have demanded reimbursement levels which are unreasonable and not in the best interest of our employer accounts and members. We are confident in the fairness of our proposed offer to this group, which is comparable to that which is paid to other Baltimore and DC area primary care groups of this size.

Despite continued negotiations and CareFirst's multiple attempts to reconcile, Physician Associates has reached a consensus to terminate our relationship. While CareFirst and CareFirst BlueChoice deeply regret this unfortunate situation, please be assured that we will strive to minimize any inconvenience this may have on our customers.

Attached for your reference is a letter being mailed on June 12th to account administrators with subscribers who have received care from one or more doctors at Physician Associates within the past 2 years.

On Friday, June 13th letters will be mailed to all subscribers who have received care from one or more doctors at Physician Associates within the past 2 years. Members who have an out-of-network option with their health plan may continue to see Physician Associates providers, but they will need to pay their out-of-network coinsurance and they may be balance billed. Affected members who have a BlueChoice plan will need to select a new PCP.

Physician access in all specialties for this geographic area remains strong and competitive without Physician Associates. There are currently 127 PCPs in Internal Medicine and 47 PCPs in Family Practice within a 3 mile radius of Physician Associates locations.

Members should visit www.carefirst.com or call Member Services at the number on their identification card if they need assistance with locating an alternative primary care physician.

Should the situation change, CareFirst and CareFirst BlueChoice are prepared to continue our relationship with Physician Associates on terms that are compatible with the needs of our members for high quality, efficient, and affordable health care services.

If you have any questions, please contact your Broker Sales Representative.



Shekar Subramaniam
Associate Vice President, Broker Sales



June 12, 2008

Name
Company
Address
City, State and Zip

Dear Account Administrator:

CareFirst BlueCross BlueShield and CareFirst BlueChoice, Inc. (collectively, CareFirst) are committed to providing you with the most up-to-date information regarding your medical plan. The purpose of this letter is to address issues regarding the conduct of a local physicians group and to notify you of their termination from our provider networks.

Physician Associates, a multi-specialty physician group with offices in Chevy Chase and Rockville, Maryland, has made the decision to terminate as a participating provider from all CareFirst BlueCross BlueShield and CareFirst BlueChoice networks - effective July 1, 2008.

While we prefer that Physician Associates continue to participate in our provider networks, they have recently demanded reimbursement levels which CareFirst has determined to be unreasonable and not in the best interest of our employer accounts and members. We are confident in the fairness of the reimbursement rates that we proposed to this group, which are comparable to those paid to other Baltimore and DC area primary care groups of this size.

Those employees who have received, or who are currently receiving care from Physician Associates may have recently received a letter from this group that contained claims which CareFirst contends to be unfounded. Within this letter, Physician Associates accused CareFirst of failing to pay them appropriate reimbursement. Please be advised that we contend that we have fully abided by the terms of our contract with Physician Associates.

While CareFirst has remained willing to negotiate, Physician Associates has reached a consensus to terminate our long-standing relationship. CareFirst deeply regrets this unfortunate situation, but please be assured that we will strive to minimize any inconvenience this may have on your employees.

- Please turn over for additional information -

Please be aware of the following information:

- Physician Associates includes 16 PCPs and 9 specialists.
- They will become a non-participating provider effective July 1, 2008.
- Please note that this change does not affect Physician Associates' participation in the Medicare provider network.
- Letters regarding this termination will be mailed to all members who have received care from one or more doctors at Physician Associates within the past 2 years.
- For those members who are enrolled in a CareFirst BlueChoice HMO or CareFirst BlueChoice HMO Open Access plan and choose to continue to receive care from Physician Associates on or after July 1, 2008, their medical services will not be covered. Those members who have a PCP at Physician Associates will need to select a new PCP.
- Members who have an out-of-network option with their health plan may continue to see Physician Associates providers. However, they will be required to pay any related out-of-pocket costs and may also be balance billed by the provider. These details are clearly stated in our letter to all affected members.
- There are currently 127 physicians practicing in Internal Medicine and another 47 in Family Practice within a 3 mile radius of Physician Associates locations.
- Members should visit www.carefirst.com or call Member Services at the number on their identification card if they need assistance with locating an alternative primary care physician.

Should this situation change, we are prepared to continue our relationship with Physician Associates on terms that are compatible with the needs of our clients and members for high quality, efficient, and affordable health care services. If your employees experience any difficulties, we will be happy to assist them in making alternate arrangements to ensure that they receive minimal disruption. If you have any questions about this change, please do not hesitate to contact your account representative.

Sincerely,



Michael J. Felber
Sr. Vice President, Sales