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PacificSource Health Plans Announces Letter of Intent to Acquire Primary Health, Inc.

Eugene, Ore. – PacificSource Health Plans announced today its letter of intent to acquire Primary Health, Inc. of Boise, Idaho. Under the terms of the LOI, Primary Health will become a wholly owned subsidiary of PacificSource. Terms of the proposed acquisition are not yet finalized and are subject to change. The completion of the transaction is subject to a number of customary conditions including initial approval granted by the Idaho Department of Insurance, followed by approval of the Oregon Insurance Division, final due diligence and completion of the negotiation of definitive documentation. PacificSource intends to fund the stock acquisition with cash and expects to complete the transaction in the third quarter of 2009.

“I’m pleased that Oregon-based PacificSource sees the growth potential in Idaho,” says Idaho Insurance Director Bill Deal. “PacificSource has offered health insurance products in our state for almost two years and the proposed transaction demonstrates the company’s commitment to expanding its presence in Idaho. The Idaho Department of Insurance is currently working with both organizations to help ensure that the transaction goes smoothly and transparently, resulting in a seamless transition for current Primary Health and PacificSource customers.”

Founded in 1993 in Boise, Primary Health has evolved from a physician practice company into an integrated healthcare delivery system. Primary Health, Inc. is a holding company for three subsidiaries: Primary Health Network, a commercial health plan covering more than 17,200 Idahoans with fully-insured group and individual health plans; Riverside Benefit Administrators, a third-party administrator for self-funded employee benefit plans with 12,600 covered lives; and Idaho Physicians Network, a statewide provider network of more than 7,300 providers including 3,500 physicians. The PacificSource acquisition will encompass all of those entities.

PacificSource Health Plans is based in Eugene, Oregon, with regional offices in Portland, Bend, Medford, and Boise, Idaho. As an independent, not-for-profit company, PacificSource provides medical and dental benefits to 4,000 employers and covers 143,000 people. It maintains licensure as a health care service contractor in Oregon, Idaho, and Washington.

“This move will significantly strengthen PacificSource’s position in Idaho, and help us achieve our objective of becoming a major player throughout the Northwest,” said Ken Provencher, president and CEO of PacificSource Health Plans. “The acquisition fits well with our growth strategy, and will help us gain a stronger foothold within the Idaho market in a relatively short time. By combining the strengths of two independent regional health insurers, we

will be able to provide Idahoans with affordable, quality healthcare and personal service at the local level more efficiently and cost-effectively.”

Dave Self, Primary Health President and Chief Operating Officer, comments, “PacificSource’s desire to acquire Primary Health should be recognized as the ultimate compliment to Idahoans as PacificSource clearly recognizes the long-term growth potential of this state. PacificSource has been operating in the Idaho market for almost two years and has demonstrated their commitment to ensuring service and delivery of its products are locally managed in order to best meet the needs of the communities in which they serve.”

About PacificSource Health Plans

PacificSource Health Plans is an independent, not-for-profit health insurer serving the Pacific Northwest. Founded in 1933, PacificSource is based in Eugene, Oregon, with local offices in Portland, Bend, Medford, and Boise, Idaho. The company provides medical and dental benefits to more than 4,000 employers and covers more than 143,000 people. It also provides self-funded employee benefit plans, flexible spending accounts, HRAs, and COBRA administration services through its subsidiaries, Manley Services and Select Benefit Administrators. Together, PacificSource and its subsidiaries employ approximately 325 people. For more information, visit PacificSource.com or call (800) 624-6052.

About Primary Health, Inc.

The Primary Health, Inc. family of companies, dedicated to helping Idahoans get smart about leading healthier and more active lives, includes Primary Health Plan, Riverside Benefit Administrators, and the Idaho Physicians Network. For more information about Primary Health, Inc. or SmartHealth please visit our Web site at www.primaryhealth.com or call (208) 333-1500.