



1700 Peach Street, Suite 244
Erie, PA 16501
814/878-1700
FAX 814/452-4358

August 4, 2000

Mr. Marc P. Volavko
Executive Director
Pennsylvania Health Care Cost Containment Council
225 Market Street
Suite 400
Harrisburg, PA 17101

Dear Mr. Volavko:

My purpose in writing this letter is to ensure that readers of the 1999 Managed Care Performance Report understand that all finding, outcomes and reported results that relate to Alliance Health Network do not represent the New Alliance.

On December 31, 1999, Alliance Health network, a Pennsylvania licensed HMO, jointly owned and operated by Hamot and Saint Vincent Medical Centers officially ceased doing business as an HMO. On December 31, 1999 Alliance Health Network was purchased Mr. Joseph Prischak, a local Erie businessman and on January 1, 2000, under new ownership, a new Board of Directors and new management, the "New" Alliance Health Network, Inc. was formed and licensed to do business as an HMO in Erie, Pennsylvania and five surrounding counties that include Crawford, Warren, Venango, Forest and Mercer.

As we discussed in our telephone conversation, the data reported in the 1999 Managed Care Performance Report is information that documents the performance of the previous Alliance Health Network management, and is therefore not reflective of the New Alliance. While Quality Improvement, Quality Programs and processes were a part of the old Alliance they should not be construed as being reflective of the New Alliance's quality efforts, initiatives and resulting outcomes. The New Alliance Health Network, Inc. since January 1, 2000 has developed and implemented new Quality Improvement initiatives that demonstrate an even higher level of quality, performance, and markedly improved services to our providers, members, and employers.

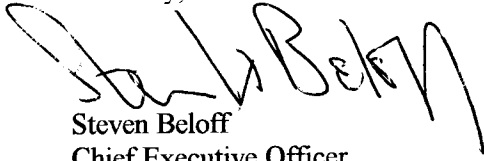
It is imperative that readers of this letter clearly understand that the New Alliance Health Plan is driven by Quality. We believe the only way to maintain consistently high standards of health care and service to our members is through the ongoing monitoring of our performance and education of employees and providers in methods of continuous improvement.

At the New Alliance our quality focus includes participation in the NCQA survey process, collection of HEDIS data, and collaboration with the State of Pennsylvania in its quality targets for health plans. In addition, we incorporate internal quality control audits and utilize process improvement teams to address both clinical and service issues. Ten teams are currently working on improvement initiatives. Data consultants and internal analysts design studies and analyze results with a focus toward reduction of barriers, robust intervention and meaningful improvement.

Alliance Health Network, Inc.
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The New Alliance believes in sharing data with agencies such as the Pennsylvania Health Care Cost Containment Council to join in the effort of providing high quality, affordable health care. We look forward to participating in the Managed Care Performance Report for 2000 and other PHC4 programs. If you have additional questions, please feel free to contact me at 814-878-1700.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven Beloff". The signature is stylized and cursive, with the first name "Steven" and last name "Beloff" clearly visible.

Steven Beloff
Chief Executive Officer