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Elder Health and Health Partners of Philadelphia Enter Agreement for Elder Health to Acquire Health Partners' Medicare Plan

Sale of "Senior Partners" to Elder Health Pending Approvals

(BALTIMORE, MD, and PHILADELPHIA, PA – Jan. 2, 2007) — Elder Health Inc. and Health Partners of Philadelphia Inc. announced today they have entered into an agreement under which Elder Health would acquire Health Partners' Senior Partners Medicare line of business in Philadelphia and surrounding counties.

Under the agreement, Elder Health Pennsylvania Inc., a subsidiary of Elder Health Inc., would acquire approximately 21,000 Senior Partners Medicare members, making Elder Health the second largest Medicare Advantage Plan in one of the largest Medicare markets in the country. Health Partners would retain ownership of its Medicaid plan, which serves more than 135,000 Medicaid members in Southeastern Pennsylvania.

The transaction is subject to regulatory approval and typical conditions for closing. The acquisition would increase Elder Health's total Medicare Advantage membership to more than 45,000, including 35,000 in the Philadelphia market. Elder Health also serves more than 25,000 individuals through its prescription drug plans.

“With Elder Health's exclusive focus on Medicare products, acquiring the Senior Partners members is a logical addition to our health plan, which solidifies our position in the Philadelphia market,” said Jeff Folick, Elder Health Chief Executive Officer. “We are looking forward to serving these members and further strengthening our relationships with the health systems that serve them.”

As part of the proposed transaction, Elder Health will enter into multi-year hospital and physician contracts with Temple University Health System, University of Pennsylvania Health System, and Jefferson Health System's Albert Einstein Medical Center and Frankford Hospitals.

(More)

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“The long-term commitment of these hospitals and physicians to participate in the Elder Health network will ensure a smooth and sustainable transition of our Senior Partners Medicare members once the transaction is approved,” said William S. George, Interim President and Chief Executive Officer of Health Partners. “We are pleased that our members will continue to be served by a local Medicare Advantage Plan, which shares Health Partners’ dedication to improving the health of seniors living in Philadelphia and surrounding neighborhoods.”

There will be no change in services for Senior Partners members. Under federal regulations, Medicare plans cannot change their approved benefits for 2007. The Senior Partners plan will continue to be available to current and potential Medicare beneficiaries throughout 2007.

Health Partners and Elder Health are working collaboratively to make the transition as smooth as possible for all stakeholders, including members, providers and employees. While the sale is pending, Health Partners will continue to provide comprehensive coverage to its Medicare members.

About Elder Health

Founded in 1996, Elder Health is a senior-focused company committed to being a national leader in simplifying access to healthcare and improving service, outcomes and healthcare quality for seniors. Through its Medicare Advantage and prescription drug programs, Elder Health currently serves more than 52,000 individuals in Delaware, Maryland, Pennsylvania, Texas and the District of Columbia. Effective January 1, 2007, Elder Health will also offer prescription drug plans in New York, New Jersey, Pennsylvania, West Virginia, Ohio, Michigan, Illinois, Florida and California. More information may be obtained at www.elderhealth.com.

About Health Partners

Founded in 1985 as a not-for-profit health plan serving the Philadelphia area’s Medical Assistance population, Health Partners is acknowledged as a national model for Medicaid and Medicare managed care. Health Partners is a unique collaboration of seven health systems including Albert Einstein Medical Center, Episcopal Hospital, Frankford Hospital, Hahnemann University Hospital, Hospital of the University of Pennsylvania, St. Christopher’s Hospital for Children and Temple University Hospital. Health Partners expanded its scope in 1996 with the introduction of its Medicare plan, Senior Partners. Currently, Health Partners serves more than 155,000 Medicaid and Medicare members in Southeastern Pennsylvania. For more information, visit www.healthpart.com.

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