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July 14, 2008

Neil Gordon
Project on Government Oversight
666 Eleventh Street, NW
Suite 900
Washington, D.C. 20001

Re: Your letter dated June 2, 2008

Dear Mr. Gordon:

The purpose of this letter is to respond to your referenced letter regarding the Federal Contractor Misconduct Database maintained by the Project on Government Oversight ("POGO").

I would first point out that the 13 noted "instances of misconduct" are mischaracterized. The description of the "misconduct" is in almost all instances taken from the unproven allegations of complaints. Further, the mere settlement of lawsuits and regulatory actions does not mean that there was any "misconduct"; settlement often involves consideration of a variety of factors, including the cost of continued defense and press coverage, and does not mean a company has engaged in "misconduct." Further, even the loss of a lawsuit or regulatory action can result from different interpretations or changed interpretations of legal requirements. The characterization of these events as "misconduct" is, in our view, both inaccurate and inappropriate.

I would also point out that all of the events described relate to affiliates of Health Net Federal Services ("HNFS"), the federal contractor, and not to HNFS itself. POGO seems to be inconsistent in reviewing the actions of affiliates of contractors.

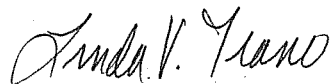
With respect to the actions described in your report, paragraphs 5 and 6 relate to lawsuits that were consolidated for purposes of trial, and therefore should more appropriately be treated as a single matter. Further, the judgments referred to in your letter have been appealed and nullification of the judgments has been sought as well, in part based on alleged misconduct on the part of the plaintiffs in connection with the lawsuits.

With respect to number 13, the matter involved a settlement in connection with allegations made by the Department of Managed Health Care, not findings by them, that we failed to disclose the existence of a bonus program whereby a small portion of the annual bonus of two to three individuals in a given year whose duties related to rescission

activities, approximately \$300 per year, or less than one-half of one percent of their compensation, was based on performance measures that were derived from historical experience.

Thank you for the opportunity to comment on your letter. We hope to have more opportunity to discuss these issues in advance with you to help ensure accuracy and consistency in your reporting.

Very truly yours,

A handwritten signature in cursive script that reads "Linda V. Tiano".

Linda V. Tiano
Sr. Vice President,
General Counsel & Secretary

cc: Charles Rose