



# **Impact Statement**

## **Appendix**

January 10, 2002

**A-I Company Background**

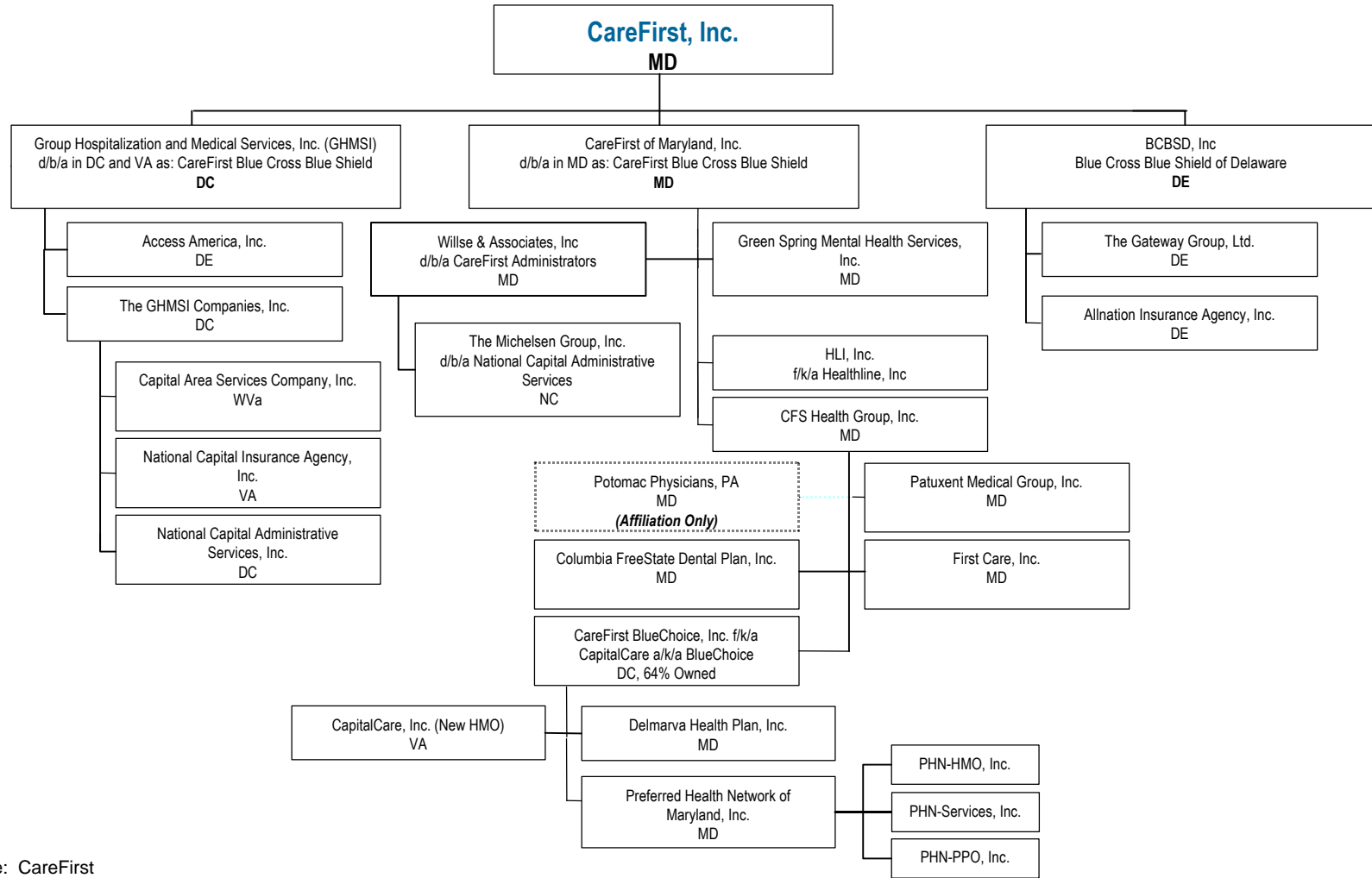
**A-II Financial Information**

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**A-V Data Sources, Assumptions and Methodologies**

# Chart of Subsidiaries (December 2001)



Source: CareFirst

# CareFirst's Product Descriptions

## CareFirst Group Products

(Offered to Fully Insured and Self-Insured Employer Groups)

Product	Product Description
<b>Traditional and Comprehensive Major Medical Indemnity</b>	<ul style="list-style-type: none"> <li>Traditional indemnity products offer first-dollar coverage with a wide range of benefit options. Comprehensive Major Medical Products provide payment for hospital, medical/surgical and professional services after deductible obligations are met.</li> </ul>
<b>Preferred Provider Organization (PPO)</b>	<ul style="list-style-type: none"> <li>The PPO offers comprehensive coverage for hospital, medical/surgical and professional services within a provider network. Members using out-of-network providers are subject to a deductible and coinsurance. This product is offered to small employers in accordance with Maryland's small group coverage regulations.</li> </ul>
<b>Health Maintenance Organization (HMO)</b>	<ul style="list-style-type: none"> <li>Currently offered under BlueChoice, BlueChoice Opt-Out, BlueChoice Opt-Out PLUS, Delmarva and Free State, CareFirst HMO's provide comprehensive major medical services from in-network providers. Members required to select a primary care physician to act as a gatekeeper.</li> </ul>
<b>Point of Service (POS)</b>	<ul style="list-style-type: none"> <li>Point of Service products require members to designate a primary care physician, Members are able to receive care without going through their designated primary care provider, but pay greater out-of-pocket expenses. Products offered for point of service plans use CareFirst HMO or PPO networks already in place for in-network services and provide a range of out-of-network benefits.               <ul style="list-style-type: none"> <li>Maryland Point of Service (MPOS) allows members to access any PPO provider as in-network for specialty care.</li> <li>Blue Plus, Choice Advantage and Premier Select integrate CareFirst's capitated HMO provider networks and use the CareFirst's participating providers for out-of-network benefits.</li> <li>Blue Choice Opt-out and Blue Choice Opt-Out PLUS members can seek care from any network provider. Blue Choice Opt-Out members who chose out of network care will be balance-billed above plan allowance while Blue Choice Opt-out PLUS members who seek out of network care are subject to a calendar year deductible and coinsurance.</li> </ul> </li> </ul>

Source: CareFirst internal product marketing materials, 2001

## CareFirst's Product Descriptions

### CareFirst Group Products, con't.

(Offered to Fully Insured and Self-Insured Employer Groups)

Product	Product Description
<b>Package Point of Enrollment</b>	<ul style="list-style-type: none"> <li>Point of Enrollment arrangements allow employers to offer multiple plans to their employees. Employees are locked into the plan they chose for one-year. Package point of Enrollment is limited to the CareFirst NCA product portfolio.</li> </ul>
<b>Group Over 65</b>	<ul style="list-style-type: none"> <li>CareFirst MD offers several group indemnity Medicare complementary programs designed to provide additional coverage for those who are eligible for Medicare as primary coverage. These programs are designed to provide coverage for some charges and services not covered by Medicare.               <ul style="list-style-type: none"> <li>Standard Group Over 65 Program allows employers to offer a low cost, basic, health program to retirees. Program features preventative services.</li> <li>Medicomp CareFirst benefits are combined with Medicare benefits to allow employers to offer the same level of coverage to Medicare employees as they would non-Medicare employees.</li> </ul> </li> </ul>

Source: CareFirst internal product marketing materials, 2001

## CareFirst's Product Descriptions

### CareFirst Individual\* Products

Product	Product Description
<b>Indemnity Personal Comp</b>	<ul style="list-style-type: none"> <li>Offered in Maryland, Personal Comp is a comprehensive major medical plan for individuals and families. Coverage includes preventative care, fixed co-pays, limited drug benefit, a choice of coinsurance and deductible levels and a \$1 million policy maximum. Optional dental and/or vision discount benefits can be added. Pre-existing conditions have a nine-month waiting period.</li> </ul>
<b>Indemnity Comprehensive Major Medical</b>	<ul style="list-style-type: none"> <li>Available in Maryland, D.C. and Virginia, Indemnity Comprehensive Major Medical and two deductible options, 80/20% coinsurance and \$1 million policy maximum.</li> </ul>
<b>BluePreferred PPO</b>	<ul style="list-style-type: none"> <li>Offered in Maryland, D.C. and Virginia, members use a preferred provider to receive lower co-insurance and out-of-pocket deductibles. The plan offers a selection of deductible and coinsurance levels allowing individuals to tailor benefits to suit health needs and budget. Pre-existing conditions are subject to a 10-month waiting period.</li> </ul>
<b>MD PPO Open Enrollment</b>	<ul style="list-style-type: none"> <li>Modeled after the standard Maryland Small Group Comprehensive Health Benefit Plan, the PPO open enrollment plan has a deductible and two different coinsurance levels for in-network or out-of-network care received. Benefits are available for hospitalization, medical and surgical services, mental health, substance abuse and prescription drugs. There is no waiting period for pre-existing conditions. Plan is available for enrollment twice a year.</li> </ul>
<b>DC and VA PPO Open Enrollment</b>	<ul style="list-style-type: none"> <li>Using the PPO network, the D.C. and Virginia PPO open enrollment product is available on a guaranteed issue basis. After meeting deductibles, benefits are available for hospitalization, medical and surgical services, mental health, substance abuse and drug benefits. Pre-existing conditions are subject to a waiting period.</li> </ul>

*\*Unless stated otherwise, individual coverage is for members under the age of 65*

Source: CareFirst internal product marketing materials, 2001

## CareFirst's Product Portfolio

### CareFirst Individual Products, con't.

Product	Product Description
<b>Indemnity, PPO &amp; HMO Group Conversion</b>	<ul style="list-style-type: none"> <li>The Group Conversion products provide comprehensive major medical coverage with preventative care to select individuals under 65 leaving group coverage. After meeting a deductible, the CareFirst MD Indemnity plan covers major medical treatment with preventative care on a 75/25% coinsurance plan. The PPO conversion plan is offered in Maryland, D.C. and Virginia. Members are subject to varying deductibles and receive a greater benefit if seeking care from an in-network PPO provider. The HMO group conversion plans provide coverage with varying co-payments for members seeking care from in-network HMO providers.</li> </ul>
<b>Health Maintenance Organization</b>	<ul style="list-style-type: none"> <li>CareFirst BlueChoice, available in MD and D.C., offers a regional network with three co-payment options. Members must select a gatekeeper, and seek care from an in-network provider. Delmarva Health Plan offers HMO coverage in Delaware only, and will be existing the individual market in 2002. For all plans, Dental benefits are available through an add-on rider with Free State. Applicants who meet HIPAA eligibility criteria can purchase HMO products without medical underwriting.</li> </ul>
<b>Catastrophic Health Expense Plan</b>	<ul style="list-style-type: none"> <li>The Catastrophic Health Expense Plan offers supplemental coverage that provides \$1M in extra benefits to any base medical insurance plan for less than \$40/year for individuals.</li> </ul>
<b>Final Expense Whole Life Insurance Coverage</b>	<ul style="list-style-type: none"> <li>Whole Life insurance coverage is offered through CareFirst Insurance Agency to individual direct subscribers enrolled through CareFirst Maryland.</li> </ul>
<b>Long Term Care Coverage</b>	<ul style="list-style-type: none"> <li>Available to all CareFirst clients to meet long-term care needs. Underwritten by GE Financial.</li> </ul>
<b>Indemnity Individual Medicare Supplemental</b>	<ul style="list-style-type: none"> <li>Offered to individuals, primarily over the age of 65, to supplement Medicare benefits. All plans are guaranteed issue and are age-rated.</li> </ul>

Source: CareFirst internal product marketing materials, 2001

# CareFirst's Product Portfolio

## CareFirst Ancillary Products

Product	Product Description
<b>Pharmacy</b>	<ul style="list-style-type: none"> <li>Prescription drug benefits are offered through a managed care pharmacy card program. For all non-federal employee business, CareFirst uses Advance Paradigm as their Pharmacy Benefit Manager.</li> </ul>
<b>Dental</b>	<ul style="list-style-type: none"> <li>CareFirst offers many dental plans including: traditional dental plan, preferred dental plan, HMO dental plans, and voluntary dental plan. CareFirst's dental plans have differing benefits and payment types to suit differing needs.</li> </ul>
<b>Vision</b>	<ul style="list-style-type: none"> <li>CareFirst offers both indemnity and HMO based vision plans at varying benefit levels.</li> </ul>
<b>Flexible Benefits</b>	<ul style="list-style-type: none"> <li>Sold through CareFirst Insurance Agency, flexible benefit plans have up to three components: premium conversion, flexible spending accounts, and a menu of health and non-health options. An outside vendor performs all flexible spending account administrative functions, including claims payment.</li> </ul>
<b>Basic and Voluntary Life and Disability</b>	<ul style="list-style-type: none"> <li>CareFirst Insurance Agency offers group term life, accidental death and dismemberment, short term disability and long term disability insurance are offered to all accounts, regardless of size, enrolled with CareFirst.</li> </ul>
<b>BlueCard</b>	<ul style="list-style-type: none"> <li>The BlueCard Program allows BCBS traditional and PPO members to receive the same benefits as their home plan while traveling or living outside of their home plan area.</li> </ul>

Source: CareFirst internal product marketing materials, 2001

## CareFirst has thirty-eight locations in four states

### CareFirst Corporate Locations

Description	City, State
Headquarters	• Owings Mills, MD
District Sales Offices	• Annapolis, MD; Cumberland, MD; Hagerstown, MD; Salisbury, MD
Medical Offices- MedStar	• Baltimore, MD
Medical Offices- Patuxent Medical Group	• Annapolis, MD; Columbia, MD (2- Two Knoll North Drive, I & II); Frederick, MD; Laurel, MD
Medical Offices- Potomac Physicians	• Baltimore, MD (2 -Inner Harbor & Security Boulevard); Bel Air, MD; Glen Burnie, MD; Severna Park, MD; Timonium, MD; White Marsh, MD
CareFirst Administrative Offices	<ul style="list-style-type: none"> <li>• Baltimore, MD; Easton, MD; Columbia, MD (2- Rivers Park I &amp; II; Cumberland, MD; Linthicum, MD; Timonium, MD</li> <li>• Washington, D.C. ( 2- Federal Employee Operations, 12<sup>th</sup> Street; D.C. Headquarters @ Portals Building)</li> <li>• Dover, DE; Newark, DE; Newport, DE; Wilmington, DE (4- Center Road, D.E. Headquarters @ West 14<sup>th</sup> Street, two locations on Foulk Road)</li> </ul>
CareFirst Administrators	• Baltimore, MD; Charlotte, NC
National Capital Administrative Services	• Fairfax, VA; Owings Mills, MD (2- Owings Mills Boulevard Buildings. 3 & 4)

Source: CareFirst

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## CareFirst Income Statement

(in Millions)

	Unaudited*	Audited		
	Sept, 2001	Year-End 2000	Year-End 1999	Year-End 1998
<b>Premium &amp; Premium Equivalents</b>	\$4,429,667	\$4,984,656	\$4,442,454	\$3,967,849
<b>Premium Only</b>	\$2,882,465	\$1,758,641	\$1,729,681	\$3,415,097
<b>Administrative Expenses</b>	\$396,442	\$464,125	\$460,207	\$392,219
<b>Affiliation/Year 2000 Costs</b>	-	\$12,100	\$12,058	\$28,815
<b>Operating Income</b>	\$36,179	\$34,480	\$32,623	\$15,734
<b>Investment &amp; Other Income</b>	\$53,115	\$71,608	\$58,785	\$68,522
<b>Pre-Tax Income from Operations</b>	\$89,294	\$106,088	\$91,408	\$84,256
<b>Provision for Income Taxes</b>	(\$17,997)	\$19,977	\$12,081	\$8,523
<b>Net Income from Continuing Operations</b>	\$71,297	\$86,111	\$79,327	\$75,733
<b>Net Income from Discontinued Operations</b>	\$1,358	(\$22,307)	(\$9,508)	-
<b>Net Income (Loss)</b>	<b>\$72,655</b>	<b>\$63,804</b>	<b>\$69,819</b>	<b>\$75,733</b>

\*Statements are audited annually after December, 31st. Audit of 2001 statement is expected to be complete by February, 2002.

Discontinued operations reflect results from discontinued segments (State of Maryland Medicaid Program, Federal Medicare Plus Choice Program, Delaware International Operations) presented in accordance with Generally Accepted Accounting Principles. Segments discontinued in 2000 were restated in accordance with GAAP for 2000 and 1999. Prior year results were not required to be restated by GAAP.

Source: CareFirst

## CareFirst Balance Sheet and Key Ratios

(Balance Sheet in Millions)

	Unaudited*	Audited		
	Sept, 2001	Year-End 2000	Year-End 1999	Year-End 1998
<b>Balance Sheet</b>				
<b>Total Reserves- GAAP</b>	\$768,884	\$691,783	\$598,219	\$472,834
<b>Total Reserves- STAT combined</b>	\$578,718	\$604,023	\$564,462	\$431,168
<b>Key Ratios</b>				
<b>Medical Loss</b>	90.23%	90.00%	89.91%	89.72%
<b>Administrative Expense</b>	8.95%	9.31%	10.36%	9.88%
<b>Net Income from Continuing Operations</b>	1.61%	1.73%	1.79%	1.91%
<b>Net Income</b>	1.64%	1.28%	1.57%	1.91%

\*Statements are audited annually after December, 31st. Audit of 2001 statement is expected to be complete by February, 2002.

\* GAAP Reserves reflect the equity of the company states in accordance with Generally Accepted Accounting Principles (GAAP). STAT reserves reflect the equity of the company in accordance with statutory legislation as required by regulations (STAT).

Source: CareFirst

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## **A-IV Impacts on Availability, Accessibility & Affordability**

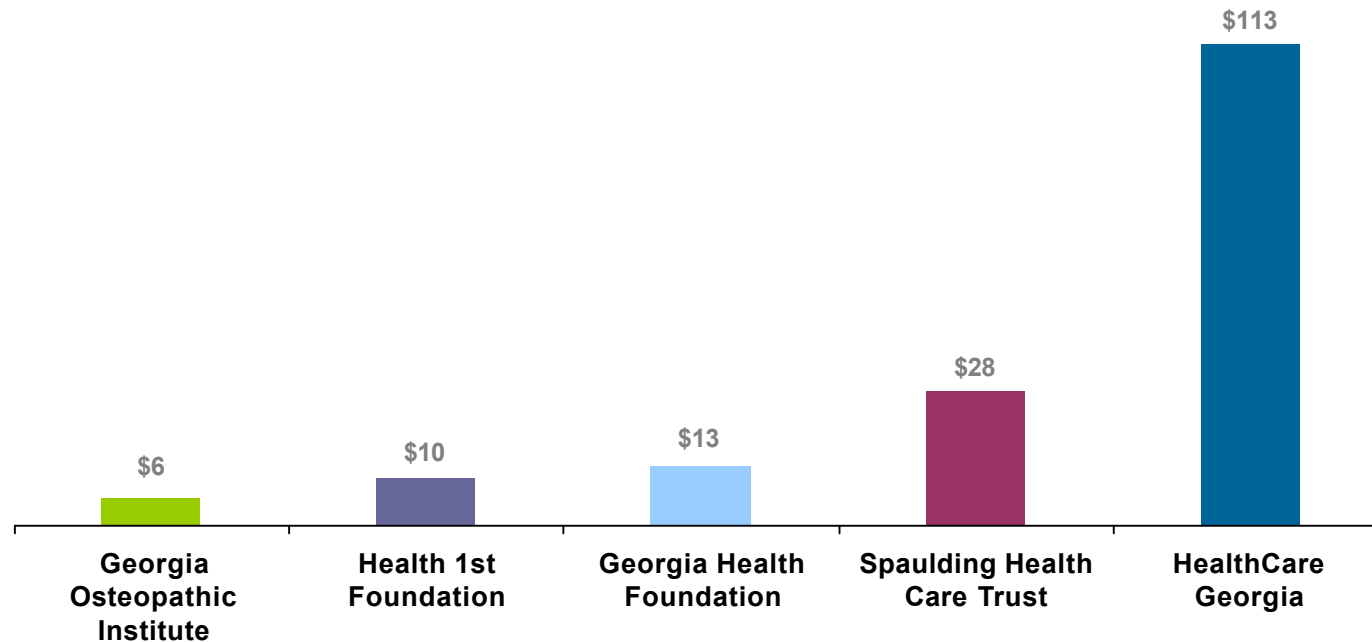
- A. Business Purpose and Foundations**
- B. Competition**
- C. Availability and Accessibility of Doctors and Hospitals**
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**The HealthCare Georgia Foundation, created as a result of the conversion of BCBS GA to Cerulean, is the largest foundation in the state solely dedicated to health care <sup>A.9</sup>.**

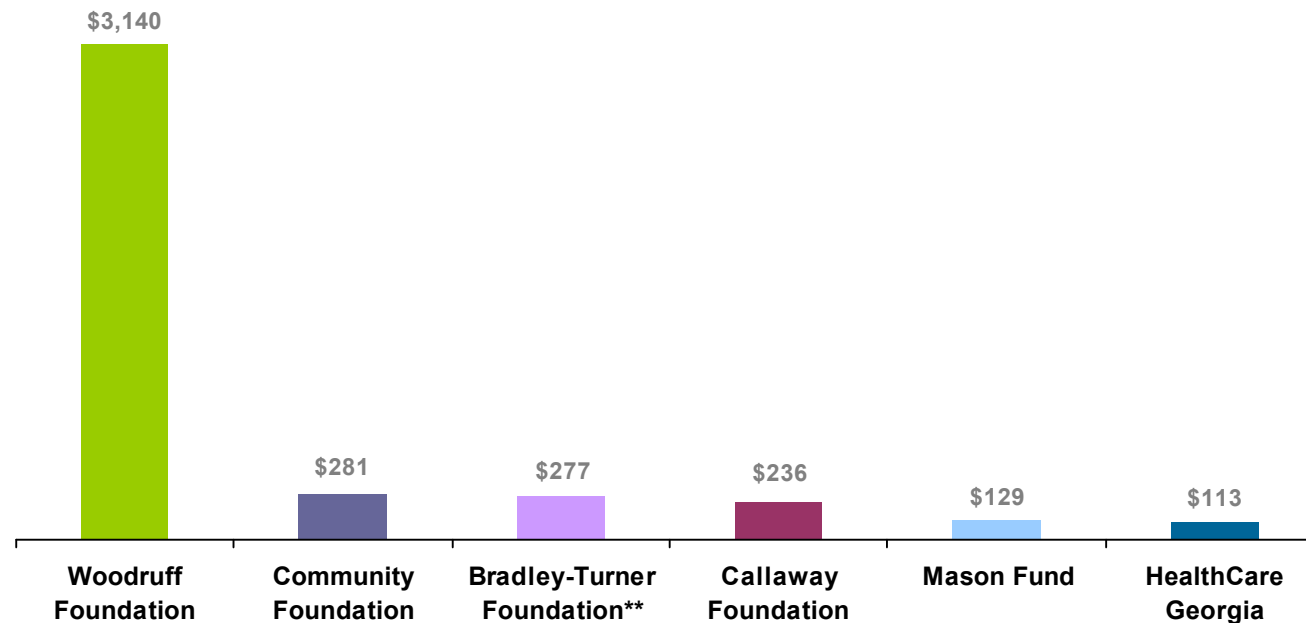
## **Foundations Created by Health Care Conversions in Georgia** (2000 Assets, \$ in Millions)



Source: Grantmakers in Health, *A Profile of New Health Foundations*, March 2001, The Foundation Center, Foundation Directory Online

Overall, the HealthCare Georgia foundation is the 6<sup>th</sup> largest foundation in the state when ranked against foundations that have health care as a part of their overall mission <sup>A.8</sup>.

### Largest Foundations That List Health Care as a Part of Their Mission\* (2000 Assets, \$ in Millions)



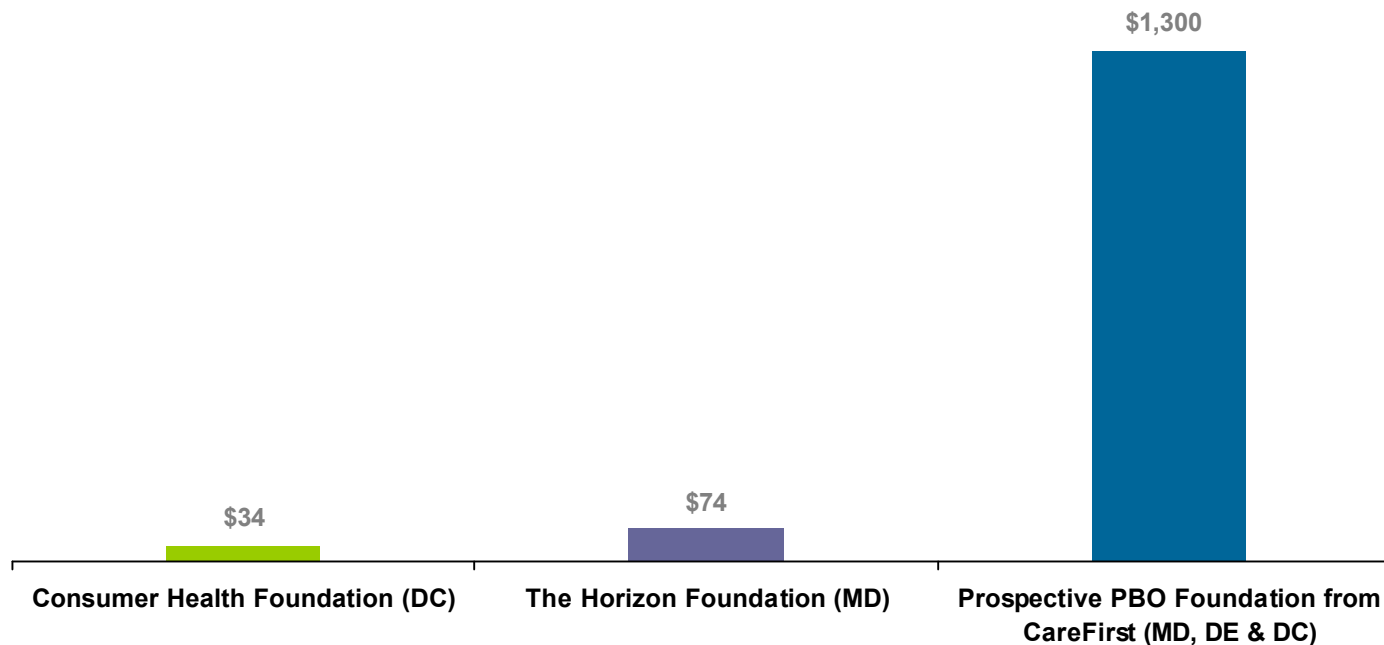
\* Foundations were ranked in comparison to other foundations based in the state that have health care giving as a part of their purpose and activities and/or fields of interest.

\*\*Assets listed are from 12/31/99.

Source: Grantmakers in Health, *A Profile of New Health Foundations*, March 2001, The Foundation Center, Foundation Directory Online

**If the proposed transaction is approved, the foundations created would be the largest (in aggregate) in MD, DE, and Washington, D.C. solely dedicated to health care... A.10**

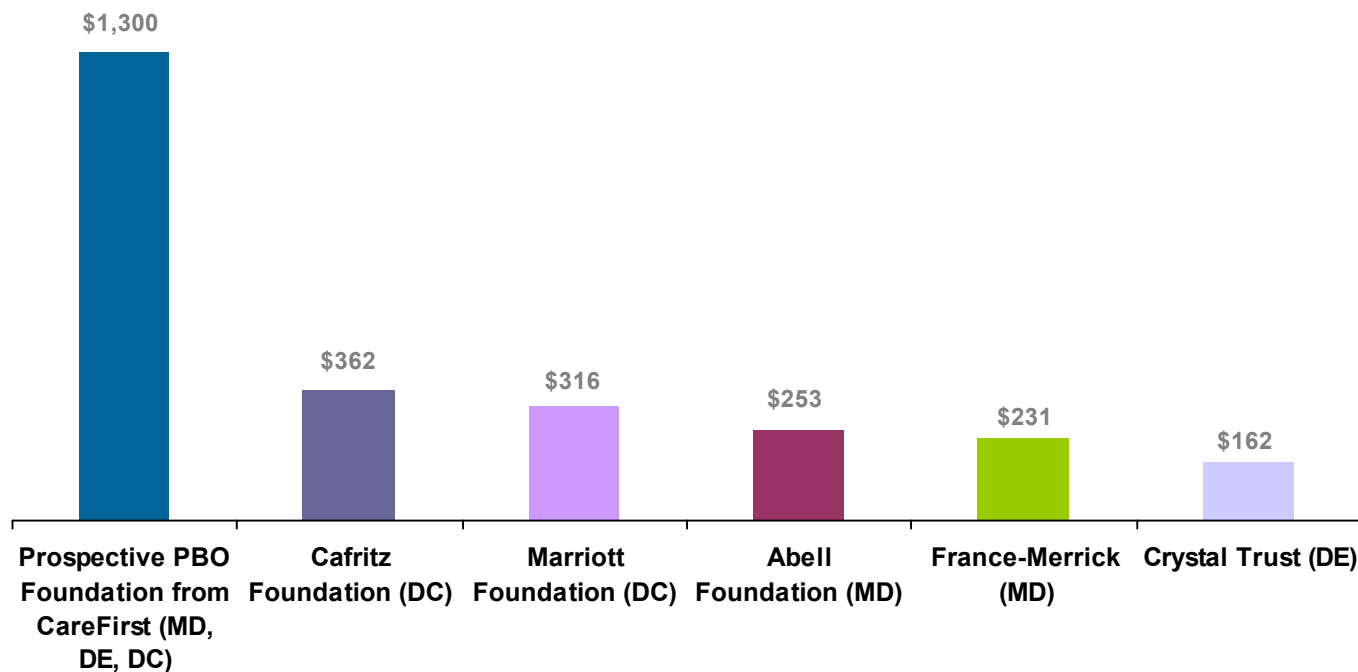
### **Foundations Created by Health Care Conversions in MD, DE & DC** (2000 Assets, \$ in Millions)



Source: Grantmakers in Health, *A Profile of New Health Foundations*, March 2001

## ... and largest foundations that have health as a part of their mission <sup>A.9</sup>.

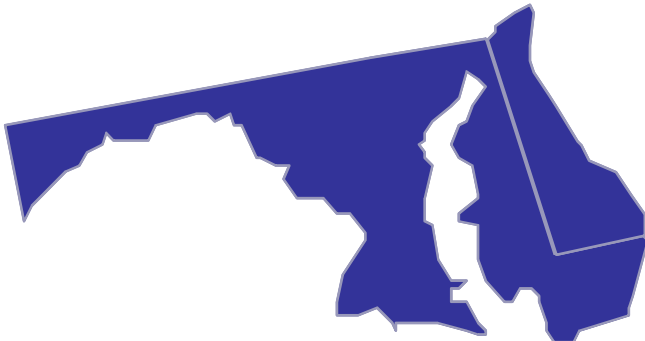
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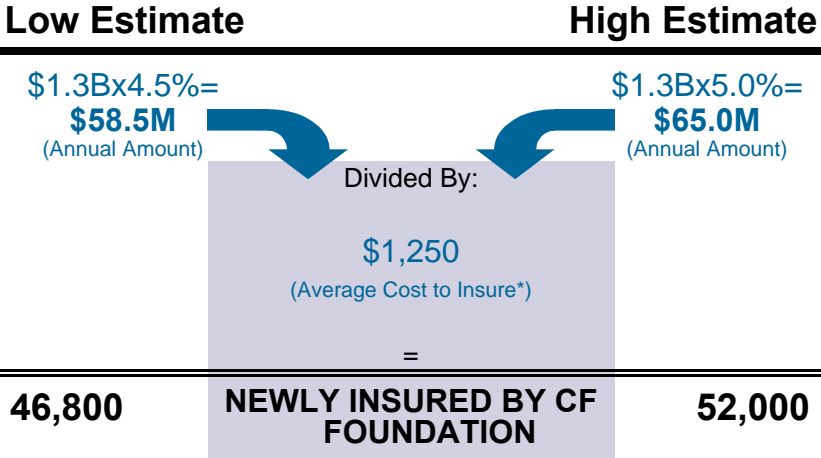
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Source: Grantmakers in Health, *A Profile of New Health Foundations*, March 2001, The Foundation Center, Foundation Directory Online

# If the \$1.3B foundation proceeds were dedicated to expanding Medicaid, the foundations could insure approximately 50,000 people indefinitely <sup>A.12</sup>.



State	Population	% Uninsured	Uninsured Population
Maryland	5,296,486	9.9%	524,352
Delaware	783,600	10.6%	87,763
Washington, D.C.	572,059	14.5%	82,949
<b>TOTAL:</b>	<b>6,652,145</b>	<b>10.4%</b>	<b>690,362</b>

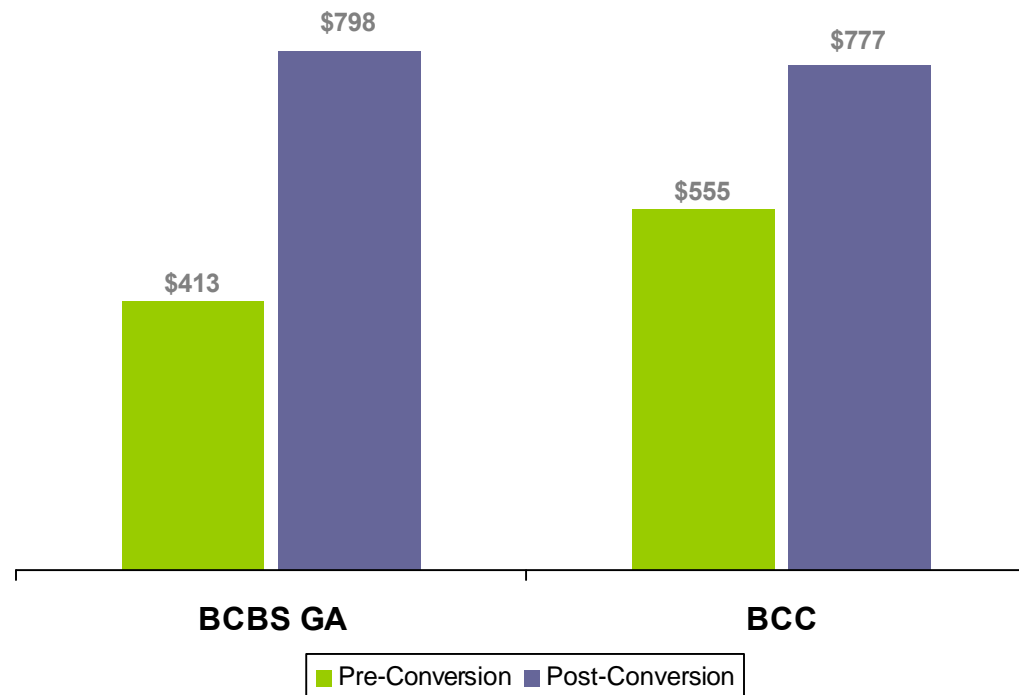


\*According to KPMG report to the MD Health Care Foundation, the average annual amount to insure federally- qualified Medicaid recipients in Maryland is \$2,500. Federal funds subsidize 50% of this cost. Analysis assumes that at least 52,000 people in the three jurisdictions would qualify for federally-funded Medicaid.

Source: U.S. Census Bureau; KPMG Report to the Maryland Health Care Foundation, *Meeting Unmet Health Care Needs in Maryland: Priority Issues and Investments Maryland HealthCare Foundation Report*, November 2001.

**For both BCC and BCBS GA, corporate charitable contributions increased after their respective conversions and funding of foundations <sup>A.13</sup>.**


### **Average Charitable Contributions Pre- vs. Post Conversion** (\$ in Thousands)




*For both plans, pre-conversion data is the average annual amount of charitable giving from 1993-1995 and post-conversion data is the average amount of charitable giving from 1996-2000.*

Source: WellPoint

## A-IV Impacts on Availability, Accessibility & Affordability

- A. Business Purpose and Foundations
-  B. **Competition- *No Additional Slides***
- C. Availability and Accessibility of Doctors and Hospitals
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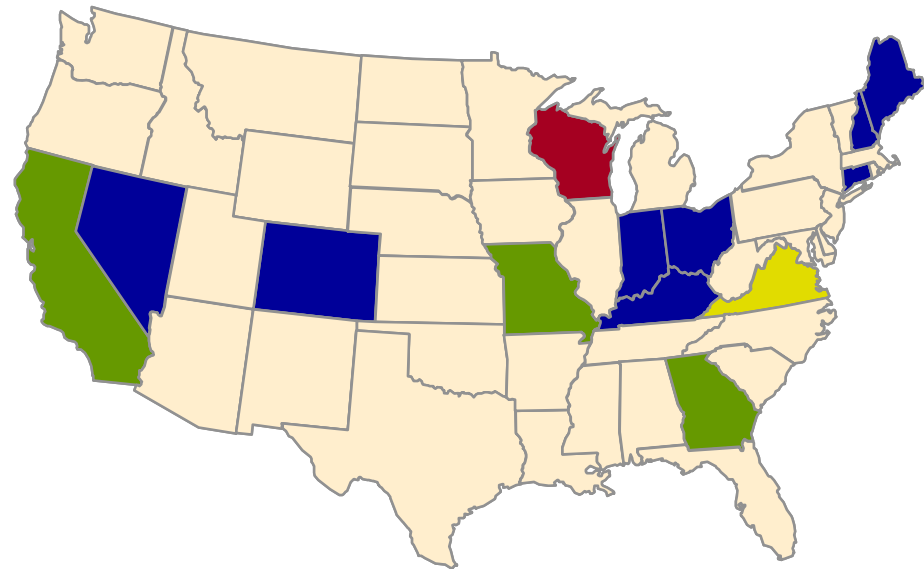
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The physician-to-population ratio grew at approximately the same rate as the national average for 70% of states where the local Blue Cross Blue Shield health plan converted to a for-profit <sup>C.3</sup>.

### Physician-to-Population Ratios in States with Converted Blue Health Plan\*

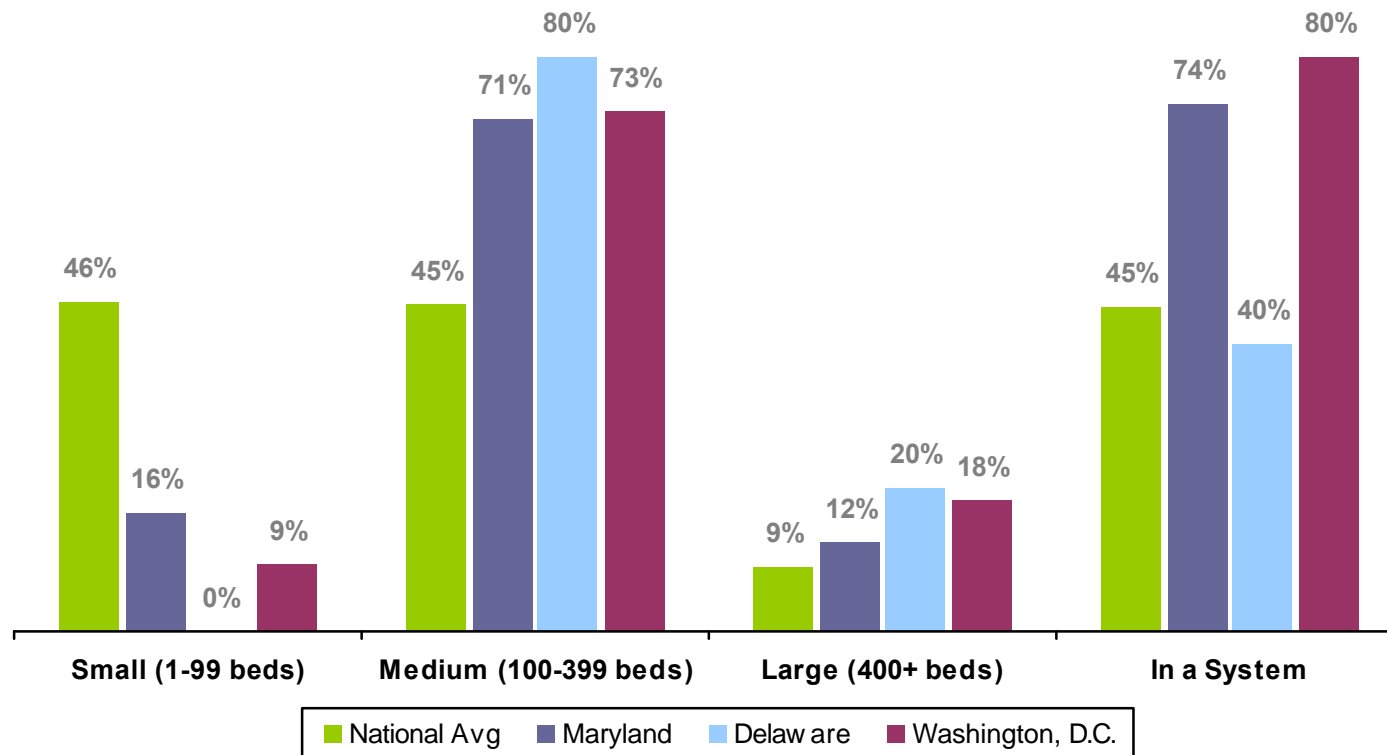
	1994	2000	CAGR
<b>National</b>	<b>252</b>	<b>288</b>	<b>2.3%</b>
<b>■ Anthem</b>			
• Colorado	246	263	1.2%
• Connecticut	360	385	1.1%
• Indiana	189	218	2.5%
• Kentucky	199	230	2.5%
• Maine	228	277	3.3%
• Nevada	168	196	2.6%
• New Hampshire	240	275	2.3%
• Ohio	233	262	2.0%
<b>■ Cobalt</b>			
• Wisconsin	226	257	2.1%
<b>■ Trigon</b>			
• Virginia	240	272	2.1%
<b>■ WellPoint</b>			
• California	270	281	0.7%
• Georgia	199	225	2.1%
• Missouri	227	246	1.4%



\*BCBS health plans in thirteen states converted to for-profit status prior to 2000 and are now operating as Anthem, Cobalt, Trigon, RightCHOICE, and WellPoint. Although Anthem has announced its intent to acquire BCBS of Kansas; this state was excluded from our analysis because BCBS of Kansas has not yet completed its conversion.  
Source: American Medical Association, *Physician Characteristics and Distribution in the U.S.*, 1996 & 2002 editions


**Overall, the percentage of medium and large hospitals in CareFirst jurisdictions and the percentage of hospitals that operate within a multi-hospital system are higher than the national average <sup>C.8</sup>.**

### Distribution of Hospitals by Size within CareFirst Jurisdictions (2000)




Source: American Hospital Association, *Hospital Statistics*, 2002 edition

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# When compared against local competitors, CareFirst’s level of service is generally equal or superior across key metrics <sup>E.1</sup>.

## CareFirst Ranked Against Local Competitors\* (Member Service “Touchpoints” Only)


Member Touchpoints	CareFirst of MD	GHMSI	BCBS of DE
Enrollment Process	=	↓	↑
Proactive Member Contacts	↑	=	=
Access to Providers	↑	↑	↑
Claims Handling	↑	=	↑
Customer Service (question or problem resolution)	↑	=	=

-  Better than the median rating of all BCBS plans
-  Equal to the median rating of all BCBS plans
-  Below the median rating of all BCBS plans

\*Competitors scores are weighted based on local market share

Source: BCBSA Quarterly Survey, 12 months through Second Quarter, 2001

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## Recent Analyst Commentary on WellPoint

- WellPoint has demonstrated that membership growth can be obtained by offering products that are differentiated in the marketplace, a relative rarity among managed care competitors...We believe the company is one of a handful of thought leaders in the sector and is capable of solid earnings growth through both the positive and negative phases of the underwriting cycle, and the recessionary and expansionary phase of the macro economy's growth cycle.  
*Eric Veiel, Deutsche Banc Alex. Brown, October 2001*
- They have a very seasoned, very disciplined executive team. In terms of innovation, they are certainly up in the front ranks. They don't sit back. They were one of the first out there to provide Internet capabilities to consumers.  
*Peter Kongstvedt, MD, Cap Gemini Ernst & Young, September 2001*
- They are very forward looking. Leonard Schaeffer is the single most respected executive in the industry...Their product line is the most extraordinary in the business.  
*Joe France, Credit Suisse First Boston, September 2001*
- WellPoint has developed a full-scale offering of products, ranging from tightly managed HMO plans to traditional indemnity offerings. The company has invested in infrastructure, technology systems, and administrative support to develop product lines aimed at generating future membership growth in all of those products.  
*James Lane, Salomon Smith Barney, August 2001*
- The story from WellPoint certainly showed meaningful stability in pricing, costs, and trends, with a continued upward bias to results...WellPoint, with superior cost trend data, has been able to better forecast medical trends. And more important, the company has been able to identify those providers that give the best care and produce the most effective results. WellPoint is in a better position to determine which facility is 'best,' for example, at liver transplants. Theoretically, the company can then channel more volume to those specific providers.  
*Lawrence Marsh, Lehman Brothers, June 2001*

Source: Deutsche Banc Alex. Brown, *WellPoint Health Networks, Inc.: Rock Solid, Market Wise*, October 2001; AMNews, *WellPoint is Savvy But...Doctors Are Wary*, September 3, 2001; Salomon Smith Barney, *WellPoint Health Networks: 'Well Positioned' for Macroeconomic Challenges*, August 9, 2001; Lehman Brothers, *WellPoint Health Networks*, June 22, 2001

**Building off of WellPoint's product platform, BCBS of GA plans to launch several new products next year targeted at providing flexible benefit levels at a range of price points.**

## **Overview of Expected New Products by BCBS of GA**

### **New Product Characteristics\***

- High to modest benefits
- Low to high copays
- Low or no deductible to high deductibles
- High employer contribution to minimum or no employer contribution
- 1<sup>st</sup> dollar hospital coverage to catastrophic coverage only
- High premiums to more modest premiums
- Target premiums 15-20% below current lowest price Blue Cross Blue Shield of Georgia commercial products

\*Draft of characteristics, products to be finalized in 2002

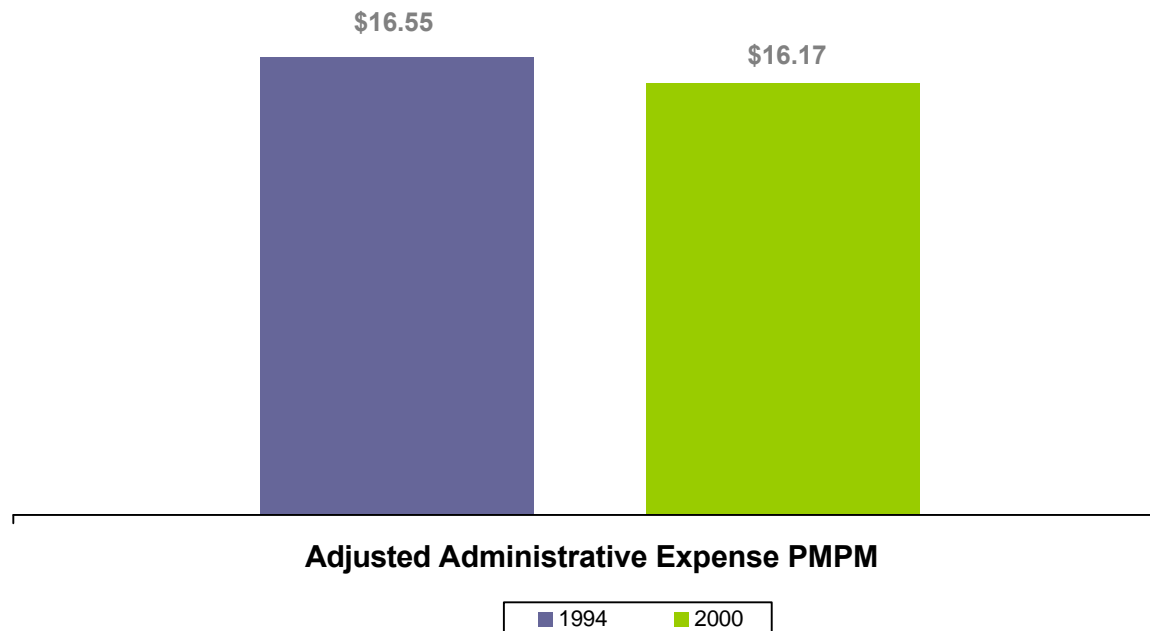
Source: BCBS GA

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Since its conversion, Blue Cross of California's per member expense has decreased suggesting that economies of scale may have been realized <sup>G.7</sup>.


### BC of California – Administrative Expense PMPM (1994- 2000)



*\*Administrative expense was adjusted for inflation, real values were deflated by the percent change in the Consumer Price Index for All Items and within the West Urban Area*

Source: InterStudy, The National HMO Financial Database, 1994-2000; data pulled from state Department of Insurance filings; Bureau of Labor Statistics, Consumer Price Index new releases, 1994-2001

## A-IV Impacts on Availability, Accessibility & Affordability

- A. Business Purpose and Foundations
- B. Competition
- C. Availability and Accessibility of Doctors and Hospitals
- D. Medical Management Policies and Practices
- E. Operations
- F. Products
- G. Pricing
-  H. **Governance**
- I. Regulation

## WellPoint retained most local executives at Blue Cross Blue Shield of Georgia <sup>H.2.</sup>

### Overview of Management Changes at Cerulean BCBS of Georgia

#### CEO

**CEO Richard Shirk promoted & succeeded by Rebecca Kapustay.** Richard D. Shirk will work with WellPoint CEO Leonard Schaeffer on corporate merger activities. He is succeeded by Rebecca Kapustay, a 22-year Blue Cross of California veteran.

#### Board of Directors

**Role changed, still local.** Cerulean BCBS of Georgia is now overseen by WellPoint's Board of Directors. The Cerulean Board of Directors will act in an advisory role. The board is still composed solely of residents of GA. Warren Y. Jobe, a member of the Cerulean Board and SVP of the Atlanta based Southern Company, is also now a member of WellPoint's Board of Directors.

#### Senior Management Team

**One executive change.** 12 of the 13 senior executives who report directly to the CEO are incumbent BCBSGA managers. Only John Watts, SVP of Large Group is from WellPoint/UNICARE

#### Advisory Board

**New addition.** Medical, Hospitals, and Consumer advisory boards are new innovations brought to BCBSGA by WellPoint. Members of these boards are from local communities, hospitals, physician groups.

#### Headquarters

**No changes.** Corporate Headquarter remains in Atlanta and Service Center remains in Columbus, GA.

Source: Maryland Insurance Code §4-305, 2001; D.C. Insurance Code 31-3506 and 31-3509, 2001; DE Insurance Code § 1108; NAIC, Risk-Based Capital General Overview, 2001; BCBSA, Guidelines to Administer Membership Standards Applicable to Regular Members, June 2001;

## WellPoint Query Responses

Topic/Question	WellPoint's Intent
<p><b>Provider Supply-</b> <i>Does WellPoint plan to reduce the size of CareFirst's physician or hospital networks?</i></p>	<ul style="list-style-type: none"> <li>No. WellPoint's Mission statement is: "The WellPoint companies provide health security by offering a choice of quality branded health and related financial services designed to meet the changing expectations of individuals, families and their sponsors throughout a lifelong relationship." As part of offering customer choice, WellPoint has traditionally developed and maintained broad-based physician and hospital networks. WellPoint's experience in California and most recently in Georgia following our merger with Cerulean in March 2001 demonstrates WellPoint's commitment to offering consumers choice in the selection of health care professionals. It is possible that in the future, in order to meet consumer needs for affordable health care coverage, it will be necessary to offer multiple networks in certain locations and to have varying deductibles and coinsurance levels for providers, based on the provider charges. However, such decisions would be made based on the perceived needs and dynamics of the local marketplace.</li> </ul>
<p><b>Medical Management-</b> <i>Does WellPoint intend to modify medical management policies and processes in a way that would adversely impact availability, accessibility or affordability of health care services?</i></p>	<ul style="list-style-type: none"> <li>No. As stated in the response to the previous question, WellPoint's goal is to offer consumers choice. WellPoint believes that one of the keys to its past and future success is its ability to introduce products that improve accessibility and affordability, especially for individuals and small employer groups. We do not intend to modify medical management policies and processes in any way that would adversely impact availability, accessibility or affordability of health care services. Of course, WellPoint complies with applicable state laws and regulations regarding medical management. In addition, WellPoint believes that it can provide benefits to affected members through its medical management programs. Certain of WellPoint's disease management programs, such as its congestive heart failure, diabetes and asthma programs, have resulted in documented improvements in member health status and quality of life.</li> </ul>


Source: WellPoint

## WellPoint Query Responses (continued)

Topic/Question	WellPoint's Intent
<b>Operations-</b> <i>Does WellPoint intend to reduce service levels in CareFirst's jurisdictions?</i>	<ul style="list-style-type: none"><li>No. One of WellPoint's internally set goals is to use innovation and service to increase customer value. WellPoint believes that this is essential to its success because the company operates in a competitive environment in which its customers have many different options about where to purchase health care coverage. WellPoint has been able to successfully differentiate itself from its competitors by constantly striving to improve customer value through the use of innovation and service.</li></ul>
<b>Pricing-</b> <i>Does WellPoint plan to raise prices in CareFirst's jurisdictions?</i>	<ul style="list-style-type: none"><li>There will be no increase in premium rates as a result of this merger. Any increases or decreases in premium rates following the merger will be made in the same manner as those occurring prior to the merger- they will be made by local market managers after taking account of all relevant factors including increases in health care costs.</li></ul>
<b>Reserves-</b> <i>Does WellPoint plan to take reserves out of CareFirst's jurisdictions?</i>	<ul style="list-style-type: none"><li>Over time, the operating results of CareFirst's various operating subsidiaries may allow for the declaration of dividends to the parent company. However, this will be done in conformance with all applicable laws and regulations. In addition, CareFirst's primary operating subsidiaries will need to remain in compliance with the Blue Cross Blue Shield Association's capital standards, which are in many instances more stringent than state insurance company requirements.</li></ul>

Source: WellPoint

## A-IV Impacts on Availability, Accessibility & Affordability

- A. Business Purpose and Foundations
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- H. Governance
-  I. Regulation- *No Additional Slides*

**A-I Company Background**

**A-II Financial Information**

**A-III Health Care Industry Context**

**A-IV Impacts on Availability, Accessibility & Affordability**

**A-V Data Sources, Assumptions and Methodologies**