

**Excerpts of News Conference Statement
by Commissioner Steven B. Larsen
CareFirst BlueCross BlueShield Conversion Announcement
November 21, 2001**

Following the announcement by WellPoint Health Networks, Inc. to acquire CareFirst BlueCross BlueShield, Maryland Insurance Commissioner Steven B. Larsen held a telephone news conference with reporters from local and national publications. He made the following statement on his plans for the conversion process.

At the point CareFirst BlueCross BlueShield files the appropriate application with the Maryland Insurance Administration (MIA) to convert from non-profit to for-profit status, it is my intention that the review process be thorough, timely and transparent. It is my responsibility to determine whether the proposed conversion is in the public interest. To do so, a number of areas have to be evaluated.

Thoroughness

Maryland has a specific statute, State Government Article 6.5-101, which outlines the steps to be taken when a non-profit health services plan makes application to become a for-profit company. That statute gives me, as adjudicating official, the authority to retain outside experts to assist in the evaluation of the request. Using the State's procurement process, I intend to send out four RFPs (requests for proposals) to obtain expert assistance.

1. An expert to do a process evaluation, i.e., a review of the pre-transaction activities of CareFirst to determine the due diligence the company engaged in. This expert will help determine whether it is in the best interest of the citizens of Maryland to have CareFirst convert to for-profit status.
2. An expert to conduct a transactional analysis of the CareFirst proposal - how it will be financed, the corporate structure which will be in place following the conversion, etc.
3. An expert to assist in the valuation of CareFirst to determine whether the price offered is the fair value of the company.
4. An expert to assist in a post-transactional analysis to determine what the impact of a conversion and acquisition will have on the citizens of Maryland. The point of this evaluation will be to assure the availability and affordability of healthy insurance in the market.

Timeliness

CareFirst has said it will file a conversion application with the MIA within 30 days. According to the Statute, I have 10 days after the filing to announce when and where there will be a public hearing on the filing. That announcement will be made in the media and through advertisements in major newspapers across the state. It is my intention to hold the hearing within two weeks of that announcement.

At that first hearing, CareFirst and WellPoint Health Networks will publicly describe their intentions in more detail and I'll decide what additional materials are needed from them. It will also be an opportunity for interested parties, whether individuals or special interest groups, to make oral presentations about the proposal. Written testimony will also be accepted during this time.

Following the hearing, the "expert" RFPs will be sent out. They will include any concerns raised at the hearing.

It is my intention to complete the conversion process within 12 months.

I believe my colleague regulators in the District of Columbia and Delaware will be working under a similar timeframe. We will work together to get input from all stakeholders in this matter. In Maryland that includes providers, hospitals, CareFirst members, elected officials, the Department of Health and Mental Hygiene and the Department of Business and Economic Development. The Maryland Statute does not specifically assign a role to the Attorney General, but inasmuch as Attorney General Curran has a Common Law role to protect public assets, I will ask his input as well.

D.C. Commissioner Larry Mirel and I are committed to coordinating activities to try to streamline the process. That coordination could include joint hearings and the joint retention of experts. I will discuss options with both Commissioner Mirel and Delaware Commissioner Donna Lee Williams.

Transparency

I would like to make this transaction as transparent as possible. Maryland law creates a presumption that the entire conversion application is confidential. However, the Commissioner can release any or all information following notice to the applicant. It is my intention to make public everything in the CareFirst application and ask that they waive confidentiality in the name of public openness. CareFirst does have the right to ask for a hearing on the confidentiality matter.

The Maryland Insurance Administration will post all documents concerning the conversion application on its website, www.mdinsurance.state.md.us."

In answer to reporter's questions, Commissioner Larsen added:

- For now, nothing should change for CareFirst members as a direct result of a conversion application.
- It is the MIA's responsibility to scrutinize rate filings. CareFirst will continue to have to provide justification for any rate increases.

- Knowing there may be groups who have concerns about a CareFirst conversion, it is my intention to set up a process for a complete public record on this matter. I will wait to hear from the four experts before making any judgment on the issue.
- I have been in touch with Commissioners in other states who have gone through this process. Others on my staff have had similar conversations. We will continue those talks to get more detailed information as the process progresses.
- Maryland law says any charitable assets generated from a CareFirst conversion are to go into a special fund whose distribution is determined by the General Assembly. The MIA has no role in that process.
- There will have to be discussions between Maryland, the District of Columbia and Delaware to determine how charitable assets are divided. A formula was developed in 1998 when Blue Cross and Blue Shield of Maryland merged with Blue Cross and Blue Shield of the National Capital Area. However, that formula did not include Blue Cross and Blue Shield of Delaware which became part of CareFirst in 2000. Any allocation would have to be agreed upon by the Commissioners of those three jurisdictions and possibly Virginia where CareFirst also does business. In addition, the charter of the former Blue Cross and Blue Shield of the National Capital Area is held by Congress, so Congress will have to approve the conversion.
- By Maryland statute, the MIA is authorized to hire consultants/experts to complete a conversion action. CareFirst incurs those expenses.
- A conversion will have to be agreed upon by the Commissioners of all affected jurisdictions or the deal will not be approved. I am confident we will do everything we can to act collaboratively, protecting the rights of all of our citizens.