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INSURANCE COMMISSIONER GIVES UPDATE ON CAREFIRST CONVERSION PROCESS

BALTIMORE, MD (January 15, 2002) – Public hearings on the CareFirst BlueCross BlueShield conversion to a for-profit entity and acquisition by WellPoint Health Networks, Inc., will begin this spring, Maryland Insurance Commissioner Steven B. Larsen has announced.

Commissioner Larsen will hold four regional forums for public comment in February. Titled Opportunities for Public Comment, they will be held from 5 to 9 p.m. each evening in Hagerstown in Western Maryland, Rockville in Central Maryland, BelAir in Northeastern Maryland, and Wye Mills on the Eastern Shore. These events will be the chance for citizens around the State to testify on the proposed conversion. Citizens will sign-up to speak and have the “opportunity” to address the Commissioner and a CareFirst representative directly with their comments which will be an official part of the conversion record and transcribed by a court reporter.

In addition, a three-day formal hearing will be held in the Baltimore area in March. At this hearing, CareFirst and WellPoint representatives will present their case in support of the conversion and will answer questions from the Insurance Commissioner. All or part of the third day of that hearing will be an Opportunity for Public Comment for citizens of Central Maryland.

The Commissioner has retained Patrick Cantilo of Cantilo and Bennett, LLP, of Austin, Texas, to be a consultant to the Maryland Insurance Administration. Mr. Cantilo has extensive experience assisting several other states with their Blue Cross conversions. He will assist in drafting the RFPs for the experts, negotiating their engagement letters, and coordinating and managing the experts.

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CAREFIRST CONVERSION PROCESS ADD ONE

RFPs will go out within the next month to retain experts in the areas of: Due Diligence analysis, Fairness analysis, Valuation, Comparative Impact analysis, and Foundation analysis.

The Due Diligence analysis is to determine whether CareFirst exercised due diligence in deciding to engage in the acquisition and whether all conflicts of interests were identified and disclosed. The Fairness analysis looks the terms and conditions of the proposed acquisition as to whether it is equitable to enrollees, insureds, and certificate holders. The Valuation determines whether the fair value of public assets of CareFirst will be distributed to the State. The Comparative Impact analysis determines whether the acquisition has the likelihood of creating a significant adverse effect on the availability or accessibility of health care services in the affected community and what the effect of conversions in other states had on their respective communities. Lastly, the Foundation Analysis looks at the performance of charitable foundations established in those states in which a Blue Cross Blue Shield plan has converted and public assets were placed in a foundation.

Commissioner Larsen has met with Maryland Attorney General Joseph Curran and District of Columbia Insurance Commissioner Lawrence Mirel concerning the conversion. The Attorney General has a common law duty to be sure the public's assets are protected.

A second round of hearings will be held after the experts retained by the Insurance Commissioner have completed their analysis. These hearings will be held in the Fall, 2002.

Commenting on the conversion process, Commissioner Larsen said "This will be an exhaustive analysis with full input from the public and all affected parties."

Complete details of the locations, dates and times of the first round of hearings and Opportunities for Public Comment will be announced by next week.