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

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# CareFirst Income Statement
(in Millions)

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

**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

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# CareFirst Balance Sheet and Key Ratios

(Balance Sheet in Millions)

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

C. [illegible]

D. [illegible]

E. [illegible]

F. [illegible]

G. Pricing

H. [illegible]

I. [illegible]

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