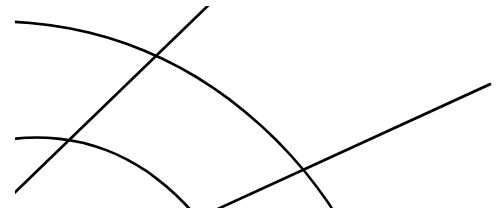


Plan Management Navigator



Analytics For Health Plan Administration

June 2004

2004 EDITIONS OF SEER SOON AVAILABLE

The first volumes of this year's *SEER* reports available to the general public are expected to be completed within one week. Other universes and volumes will be available over the next several months.

The number of metrics, the breadth and quality of the universes, the accessibility of the information as well as the practice effect of the respondents raise the bar on the quality of these benchmarks.

We have five universes whose production dates are as described below. The dates refer to distribution of results to participants. We expect general editions, available for purchase, to be completed a week or so later. Volumes I and II refer to Financial Metrics and Operational Metrics, respectively. These volumes are available in hard copy and electronically.

VOLUME	PUBLICATION DATE
Blue Volume I	Late June
Blue Volume II	Late July
Public Volume I	Late June
Public Volume II	Late July
Larger Plans Volume I	Late June
Larger Plans Volume II	Late July
Provider-sponsored Volume I	Early August
Provider-sponsored Volume II	Early August
Medicaid-Oriented Plans Volume I	Early September
Medicaid-Oriented Plans Volume II	Early September

The Larger Plans edition is comprised of the three largest Blue Plans and the three largest Public Companies in our universe. *Please contact us for pricing information regarding these publications. Additional information is also available on our web site, www.sherlockco.com.*

SHERLOCK COMPANY'S BLUE CROSS BLUE SHIELD SYSTEM FINANCIAL ANALYSIS FOR 2003 NOW AVAILABLE

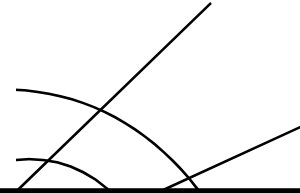
Sherlock Company recently completed its in-depth, system-wide analysis on the Blue Cross Blue Shield System for the year ended December 31, 2003. The analysis discusses the system as a whole, and reports on the results of individual Plans.

For the system as a whole, average premiums per member per month increased by 7.8%, the slowest rate in the past six years, while total membership was 88.8 million surpassing its previous peak in 1980. The health benefits ratio declined to 85.9% the lowest level on record with the administrative expense ratio decreasing to 10.9%, the lowest since 1993. This contributed to the highest operating margin ever reported for the system. Net income and capital also saw strong growth for the year. For membership by product, the Blue Cross Blue Shield system experienced an enrollment increase for its PPO and HMO products, while each of its other two products suffered membership declines.

Sherlock Company also summarizes the results for each of the 41 Blue licensees for 2002-2003. Information provided on the Plans includes values and trends for membership, revenue and earnings. Also, we calculate increases, and key operating ratios (such as the health benefit ratio, profit margins and administrative expense to premium ratio) on the Plans. In addition to the compilation, this information is statistically summarized to illustrate central tendencies for key performance indicators.

Finally, this succinct study includes a number of comparisons between Blues and other universes including public companies as a

Continued on Page 2



whole and those Blue Plans that are also public. Comparisons include market share, income, and valuation ratio comparisons.

In 2003, Sherlock Company found that the public Blue Plans grew faster than both non-Public Blues and commercial Publics, measured by revenue growth as well as membership growth. Public Blue Plans comprised 29.2% of all Blue Revenue and 33.9% of all Blue Membership in 2003. They comprised 37.3% of all public company membership (excluding Medicaid plans), and 28.7% of all public company revenues.

However, public Blues had more modest improvements in operating margins than other Blues or other public companies. Public Blues have higher margins than Blues or other public companies. Accordingly, public Blues had a somewhat smaller share of net and operating income in 2003 versus 2002.

Valuation indicators were generally mixed for the public Blues compared to the non-Blue publicly traded plans with higher average Price to Trailing Twelve Months Earnings and Price to 2004 Earnings Estimates for the Blues. Price to Operating Income, Price to Sales, and Price per Member for the non-Blue public plans were greater than those for Blues.

This analysis is based on a compilation of data from the individual plans and information recently published by the Blue Cross Blue Shield Association. Individual Plan information was either provided by the Plans themselves or was compiled from statutory filings of the reporting subsidiaries for each of the Plans. For the system as a whole, we found that the financials were reasonably similar to those reported by the Association, except for the Association's practice to report premium equivalents for products under which the Plans bear only partial risk for health care cost variances.

This analysis is provided free of charge to all subscribers to *PULSE*. Please contact us for subscription information, or visit our web site at www.sherlockco.com.

SHERLOCK COMPANY INTRODUCES NEW FINANCIAL DASHBOARD FOR HEALTH PLANS

In response to the request of several health plans, Sherlock Company has introduced a new dashboard for health plans to provide comparative summaries of the financial performance of participating firms. It is intended to supplement *SEER* reports with immediate ongoing comparisons, albeit of a more cursory quality than is found in *SEER*. Accordingly, it is intended to be easy to prepare.

Included in the dashboard are numerous financial analyses. They include:

- Common size income statements, and margin analysis.
- Revenue growth analysis, segmented by enrollment and pricing factors.
- Health care cost ratios and selected utilization metrics.
- Administrative expense ratios and selected administrative volume metrics.
- Mix of products offered.

Data is provided for both Blue Cross Blue Shield and Provider-sponsored health plans. Reports are expected to be available monthly, although we believe that many firms will elect to report only quarterly.

A trial version, comprised of April 2004 data, is available upon request. Please contact Doug Sherlock of Sherlock Company at (215) 628-2289 or sherlock@sherlockco.com for further information concerning pricing and participation.

