

# COMPETITOR ALERT

## PCA ACQUIRES FAMILY HEALTH PLAN OF FLORIDA

Physician Corporation of America has signed a letter of intent to purchase Family Health Systems, Inc. for \$45 million. The acquisition of the Miami Lakes-based HMO, which operates Family Health Plan of Florida, will increase PCA's membership in Florida to higher than that of Blue Cross/Blue Shield of Florida's Health Options, enabling PCA to become the second-largest HMO in the state. Health Options will then rank third at 217,000 members. Humana Medical Plan, which includes 490,000 members, boasts the largest HMO membership in Florida.

A study of secondary sources (see attached company data) indicates that PCA's Florida membership equals approximately 254,000, while that company's recent press release reports 290,000 Florida members. The attached financial and enrollment numbers discuss fiscal year 1992; thus, the discrepancy may be explained by rapid membership growth in the first half of 1993. This information shows that PCA's growth very likely cannot be attributed solely to acquisitions.

According to PR Newswire, E. Stanley Kardatzke, M.D., PCA's chairman and CEO, intends to accomplish three major strategic goals through the acquisition: 1) expand PCA's presence into all major population centers in Florida, 2) provide for the immediate entry into new markets including Tallahassee and Pensacola, and 3) position the company for anticipated health care reform by making PCA the second largest HMO in the state of Florida, based upon total membership.

The acquisition is expected to be complete in October, subject to shareholder and regulatory approval, with the purchase price financed through credit and existing cash from PCA's initial public offering in April, 1993. FHS and PCA's Florida operations will be consolidated under a new president, Dr. Neil Natkow, chief executive and a founder of FHS.

In 1991, PCA had a membership of only a few thousand, but through following an aggressive growth strategy concentrating on acquisitions over a two year period, it has grown rapidly. PCA has made three major acquisitions: Patient Care of America in 1990, Century Health Plan and Century Clinic in 1991, and Better Health Plan in 1992. The company's IPO netted \$30 million to finance its continued growth. PCA was ranked as the 38th-fastest sales growth company in America in Fortune magazine's annual list of the 100 fastest growing public companies.

PCA reported net income for the second quarter ended June 30, 1993 of \$9.4 million, or \$.53 per share compared to a loss of \$1.2 million, or an \$.08 per share loss, for the same period in 1992. The attached pages show 1991 and 1992 financial and enrollment data for PCA Health Plans, Century Medical Health Plan, and Family Health Plan.

More information on PCA's latest target acquisition will follow as it becomes available.

FLORIDA HOSPITAL ASSOCIATION MANAGEMENT CORPORATION

CENTURY MEDICAL HEALTH PLAN, INC.

Address: 6101 Blue Lagoon Drive, Suite 300  
Miami, FL 33126  
Phone: 305/267-0156

Plan Type: IPA  
License No.: 87047  
License Date: 12/5/86

Administrator: Peter Kilissanly

Service Area: Baker, Broward, Clay, Dade, Duval, Hillsborough, Nassau, Orange, Osceola, Palm Beach, Pasco, Pinellas, Seminole

	Fiscal Year		Percent Change
	1991	1992	
<b>FINANCIAL DATA:</b>			
Total Current Assets	\$7,562,129	\$62,342,506	724%
Total Assets	\$10,725,135	\$73,180,368	582%
Claims Payable	\$7,404,982	\$32,346,016	337%
Total Current Liabilities	\$10,148,517	\$66,636,169	557%
Total Liabilities	\$11,793,256	\$68,647,200	482%
Total Net Worth	(\$1,068,121)	\$4,533,168	524%
Premium Revenue	\$25,941,865	\$38,209,733	47%
Medicare Revenue	.	.	.
Medicaid Revenue	\$23,434,508	\$134,285,991	473%
Total Revenue	\$49,997,522	\$174,926,825	250%
Physician Services Expense	\$8,234,251	\$23,422,426	184%
Outside Referrals	.	.	.
Inpatient Expense	\$14,138,874	\$36,253,944	156%
Other Medical Expense	\$25,805,624	\$71,398,032	177%
Total Medical Expense	\$49,237,275	\$132,045,824	168%
Total Administrative Expense	\$11,677,356	\$33,398,550	186%
Total Expense	\$60,914,631	\$165,444,374	172%
Net Income	(\$7,050,633)	\$6,117,632	187%
<b>ENROLLMENT DATA:</b>			
Commercial Members/Beginning	73,942	50,514	(32%)
Commercial Members/End	50,514	45,943	(9%)
Commercial Cumulative Months	481,042	554,545	15%
Commercial Physician Encounters	.	.	.
Commercial Ambulatory Encounters	.	.	.
Commercial Patient Days	5,821	11,106	91%
Medicaid Members/Beginning	18,284	25,969	42%
Medicaid Members/End	25,969	149,809	477%
Medicaid Cumulative Months	194,149	1,129,045	482%
Medicaid Physician Encounters	.	.	.
Medicaid Ambulatory Encounters	.	.	.
Medicaid Patient Days	5,103	32,577	538%

FLORIDA HOSPITAL ASSOCIATION MANAGEMENT CORPORATION

FAMILY HEALTH PLAN, INC.

Address: 7975 Miami Lakes Drive, Suite 300  
 Miami Lakes, FL 33016  
 Phone: 305/364-8100

Plan Type: IPA  
 License No.: 87057  
 License Date: 9/30/88

Administrator: Christopher Adams

Service Area: Broward, Dade, Jefferson, Leon, Palm Beach

	Fiscal Year		Percent Change
	1991	1992	
<b>FINANCIAL DATA:</b>			
Total Current Assets	\$8,823,755	\$13,118,412	49%
Total Assets	\$11,932,851	\$14,955,033	25%
Claims Payable	\$4,767,113	\$6,373,903	34%
Total Current Liabilities	\$8,380,417	\$11,399,716	36%
Total Liabilities	\$8,380,417	\$11,399,716	36%
Total Net Worth	\$3,552,434	\$3,555,317	0%
Premium Revenue	\$16,613,680	\$29,881,545	80%
Medicare Revenue	*	\$83,675	*
Medicaid Revenue	\$25,741,523	\$24,878,067	(3%)
Total Revenue	\$43,079,134	\$55,412,687	29%
Physician Services Expense	\$10,379,572	\$12,505,892	20%
Outside Referrals	\$681,521	\$1,288,174	*
Inpatient Expense	\$13,063,533	\$16,616,843	27%
Other Medical Expense	\$4,202,006	\$7,762,507	85%
Total Medical Expense	\$29,201,767	\$39,621,636	36%
Total Administrative Expense	\$10,796,690	\$13,574,699	26%
Total Expense	\$39,998,457	\$53,196,335	33%
Net Income	\$1,921,419	\$1,382,339	(28%)
<b>ENROLLMENT DATA:</b>			
Commercial Members/Beginning	9,900	22,233	125%
Commercial Members/End	22,233	29,039	31%
Commercial Cumulative Months	197,668	322,648	63%
Commercial Physician Encounters	52,068	69,286	33%
Commercial Ambulatory Encounters	68,192	95,665	40%
Commercial Patient Days	5,192	9,291	79%
Medicare Members/Beginning	*	*	*
Medicare Members/End	*	69	*
Medicare Cumulative Months	*	157	*
Medicare Physician Encounters	*	109	*
Medicare Ambulatory Encounters	*	118	*
Medicare Patient Days	*	109	*
Medicaid Members/Beginning	19,907	16,419	(18%)
Medicaid Members/End	16,419	15,977	(3%)
Medicaid Cumulative Months	221,135	187,875	(15%)
Medicaid Physician Encounters	39,453	33,314	(16%)
Medicaid Ambulatory Encounters	49,527	47,306	(4%)
Medicaid Patient Days	12,664	10,046	(21%)

PCA HEALTH PLANS OF FLORIDA, INC.

Address: 6101 Blue Lagoon Drive, Suite 300  
 Miami, FL 33126  
 Phone: 305/267-6633

Plan Type: IPA  
 License No.: 87051  
 License Date: 8/25/87

Administrator: Peter Kilissanly

Service Area: Broward, Dade, Palm Beach

Formerly: Patient Care of America, Inc.

	Fiscal Year		Percent
	1991	1992	Change
<b>FINANCIAL DATA:</b>			
Total Current Assets	\$8,142,150	\$13,610,722	67%
Total Assets	\$8,771,880	\$14,234,172	62%
Claims Payable	\$1,181,692	\$5,440,591	360%
Total Current Liabilities	\$2,541,880	\$10,506,903	313%
Total Liabilities	\$2,541,880	\$10,506,903	313%
Total Net Worth	\$6,230,000	\$3,727,269	(40%)
Premium Revenue	\$2,912,010	\$9,494,952	226%
Medicare Revenue	\$370,977	\$11,719,254	3059%
Medicaid Revenue	.	.	.
Total Revenue	\$3,494,550	\$21,450,676	514%
Physician Services Expense	\$1,211,160	\$6,663,713	450%
Outside Referrals	.	.	.
Inpatient Expense	\$922,013	\$6,300,492	583%
Other Medical Expense	\$68,383	\$416,805	510%
Total Medical Expense	\$2,809,143	\$17,365,806	518%
Total Administrative Expense	\$5,229,811	\$9,183,881	76%
Total Expense	\$8,038,954	\$26,549,687	230%
Net Income	(\$2,817,530)	(\$3,161,387)	(12%)
<b>ENROLLMENT DATA:</b>			
Commercial Members/Beginning	1,175	3,754	219%
Commercial Members/End	3,754	8,252	120%
Commercial Cumulative Months	24,022	80,832	236%
Commercial Physician Encounters	10,320	43,354	320%
Commercial Ambulatory Encounters	11,575	49,793	330%
Commercial Patient Days	651	2,539	290%
Medicare Members/Beginning	.	480	.
Medicare Members/End	480	5,302	.
Medicare Cumulative Months	868	28,433	.
Medicare Physician Encounters	46	32,652	.
Medicare Ambulatory Encounters	70	40,760	.
Medicare Patient Days	50	4,087	.

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