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Business Wire*CareFlorida*

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HEADLINE: Foundation Health Corp. to acquire Florida

DATELINE: RANCHO CORDOVA, Calif.

## BODY:

June 28, 1994--Foundation Health Corp. (NYSE: FH) Tuesday announced that it has signed a definitive agreement to acquire CareFlorida Health Systems Inc., the parent company of Florida's third-largest Medicare Risk health maintenance organization (HMO).

Privately held CareFlorida is based in Miami and its HMO serves the South Florida counties of Dade, Broward, Palm Beach and Okeechobee. The compounded annual growth rate of CareFlorida's commercial and Medicare HMO enrollment was 28 percent and 31 percent, respectively, between 1989 and 1993. Revenues were \$154.1 million for the year ended Dec. 31, 1993, and \$44.2 million for the quarter ended March 31, 1994.

CareFlorida provides managed care services for approximately 146,000 individuals, including about 25,000 Medicare Risk members, 32,000 commercial HMO members and 89,000 individuals who are eligible to receive care through the statewide preferred provider organization (PPO).

The transaction will be a tax-free pooling of interests valued at approximately \$250 million. The combined companies will provide at-risk medical coverage for more than 690,000 commercial and government lives in four states and have current annualized revenues approaching \$1.7 billion.

"Florida is one of the fastest growing managed care markets in the U.S., and much of the business is still divided among many small plans," said Daniel D. Crowley, president and chief executive officer of Foundation Health Corp. "We believe CareFlorida provides a very attractive base from which a large, experienced managed care company like ours can rapidly increase its market share as the Florida HMO market consolidates. We will differentiate our products through consistent quality, service and cost effectiveness.

"In addition, through Foundation's existing Florida insurance license, we can immediately add new products to CareFlorida's portfolio, including point-of-service," said Crowley. "In the near future we plan to introduce products such as individual and family HMO coverage and managed care workers' compensation programs. Our Medicaid experience will also open new growth opportunities for CareFlorida, and the Miami-area operations will complement our pending HMO start-up in Orlando where we are applying for a license."

Crowley added, "This acquisition is part of our strategy to expand our commercial operations into markets throughout the south and southwest. We have



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filed for HMO licenses in Alabama, Oklahoma and Texas, received license approval in Louisiana, and recently entered into a definitive agreement to acquire an HMO in Colorado."

Lawrence D. Kries, who will remain as President of CareFlorida, said, "I'm very excited about the merger with Foundation. We will be able to offer an expanded array of service-oriented managed care products that will benefit new and existing customers, while creating growth opportunities for our providers and employees. We are very pleased to join forces with Foundation Health Corporation. We believe this strategic combination will allow us to accomplish more together and Florida and elsewhere more quickly than either company could accomplish separately. We already have many elements in common, including a strategy of working innovatively with physicians in a variety of relationships."

Crowley noted, "We acquired Century MediCorp, Inc. in a pooling transaction in 1992 and were able to deliver substantial post-acquisition growth and earnings through product expansion and cross-selling. We believe that despite near-term dilution of about 5 percent, the CareFlorida combination will build value for our shareholders and should be accretive to earnings within 12 to 18 months following the close of the transaction due to potential synergies, including cross-selling of our diverse products."

Under the terms of the proposed transaction, which has been approved by the boards of both companies and the majority shareholders of CareFlorida, CareFlorida's stock will be converted into approximately \$250 million in value of Foundation's common stock.

The transaction is subject to the approval of the shareholders of both companies, regulatory agencies, and to certain other closing conditions. Details of the proposed transaction will be contained in an offering document to be filed with the Securities and Exchange Commission and distributed to the shareholders of both companies in the near future.

Foundation Health Corp. is a fully integrated managed care organization with headquarters in Rancho Cordova. Through its subsidiaries the company offers group, individual, Medicare and Medicaid HMO plans; government sponsored managed care programs; and managed care products related to workers' compensation, behavioral health, dental, vision and prescription drugs. -0-

CareFlorida Summary Income Statement  
(in thousands)

	Quarter ended March 31, 1994            1993 (unaudited)		Year ended Dec. 31, 1993 (unaudited)
Revenues			
Premiums	\$43,874	\$36,445	\$ 153,499
Interest and other	859	628	2,665
Total revenues	44,733	37,073	156,164
Expenses			
Health care	34,694	28,774	121,288
SG&A	5,742	4,846	21,284



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Deprec/amortization	114	107	454
Total expenses	40,550	33,727	143,026
Pre-tax income	4,183	3,346	13,138
Provision for taxes	1,549	1,330	5,009
Net income	\$ 2,634	\$ 2,016	\$ 8,129

Management fees will be discontinued following the merger; therefore management fees of \$655,000, \$538,000 and \$2,442,000 for the quarters ended March 31, 1994 and 1993 and the year ended Dec. 31, 1993, net of applicable taxes, have been excluded from the numbers presented above.

Care Florida Summary Consolidated Balance Sheet  
(in thousands)

	March 31, 1994 (unaudited)	Dec. 31, 1993 (audited)
Current assets	\$50,921	\$48,362
Property and other assets, net	3,652	2,275
Goodwill and intangibles, net	803	814
Total assets	\$55,376	\$51,451
Current liabilities	\$41,660	\$39,959
Other liabilities	97	114
Total liabilities	41,757	40,073
Stockholders' equity	13,619	11,378
Total liabilities and stockholders' equity	\$55,376	\$51,451

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