

News Release

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Blue Cross and Blue Shield of Florida Exceeds Goals for Principal Health Care of Florida Acquisition

Jacksonville, FL — One year after acquiring Principal Health Care of Florida (PHCF), Blue Cross and Blue Shield of Florida (BCBSF) has exceeded its acquisition goals related to new members, customer service and sales.

“Our primary goal was to make the transition as seamless and smooth as possible for our members,” said Robert I. Lufrano, M.D., Health Options Inc. president and chief operating officer. “To do that, our teams improved service to members, reduced medical costs and established relationships with new insurance agencies and health care providers to assure that service, care and coverage were not interrupted.”

BCBSF’s wholly-owned subsidiary, Health Options Inc., acquired Principal Health Care of Florida on December 31, 1998 from former parent company Coventry Health Care Inc. for \$95 million in cash and began managing the business on January 1, 1999. As part of the purchase agreement, BCBSF changed the official name of Principal Health Care of Florida to Health Options Connect. The name change has no impact on employees, members, agents or providers. To ease the transition and minimize disruption to members, BCBSF used both the Principal Health Care of Florida and Health Options Connect names this past year.

(more)

BCBSF Acquisition Success

Add One

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Groups were transitioned to BCBSF products starting in April 1999 on each group's anniversary date; the majority of groups renewed on January 1, 2000. "The percentage of members who chose BCBSF for their health care coverage exceeded our expectations," Lufrano said. "To date, approximately 85 percent of the membership chose our company, and the number will continue to grow as the final groups renew this year."

"Employers and members chose BCBSF because of our broad access to quality providers, variety of product choices and our ability to provide health care solutions to Floridians," Lufrano said. "This acquisition has significantly increased our presence in Florida, reaffirmed our commitment to the Florida market and allows us to continue adding value for our more than 2.3 million members."

Additional membership growth has been realized through new sales relationships created as a result of the acquisition. These new relationships have generated over 15,000 new members for BCBSF who are not related to Health Options Connect, Lufrano said. Through the transition, BCBSF has also been successful in improving claims processing and customer service levels for the Health Options Connect members.

BCBSF and Health Options Inc. are independent licensees of the Blue Cross and Blue Shield Association, an association of independent Blue Cross and Blue Shield companies. A financially strong, tax-paying mutual company, BCBSF is subject to the same regulation by the Department of Insurance as other health care organizations operating in Florida. Standard and Poor's affirmed its "A+" claims-paying ability and credit ratings of BCBSF and A.M. Best Company affirmed its "A" rating. The ratings are based on BCBSF's strong market position, good earnings profile and excellent capitalization. More information on BCBSF can be found on its web site at www.bcbsfl.com.