

DRAFT AS OF 9/28/04
BCBSWI 9+3 FORECAST
EOM MEMBERSHIP
UNITY HEALTH PLAN

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Individual	914	868	869	846	831	816	827	832
Small Group	17,653	17,445	17,613	17,790	17,709	18,335	18,280	18,296
Total ISG	18,567	18,313	18,482	18,636	18,540	19,151	19,107	19,128
Key Accounts	19,631	19,305	17,918	17,774	17,692	17,766	17,874	17,871
Major Accounts	7,045	6,950	6,915	6,763	6,766	6,761	6,118	5,216
Special Accounts	68	69	826	826	817	815	805	805
Education Accounts	2,660	2,670	2,668	2,584	2,588	2,583	2,578	2,563
Public Accounts	3,237	3,162	3,162	766	762	766	752	755
State of Wisconsin	25,552	25,328	25,467	27,826	27,875	27,953	28,225	28,296
Total Large Group	56,213	57,484	56,956	56,529	56,490	56,666	56,352	55,526
Grand Total	76,780	75,797	75,438	75,165	75,030	75,817	75,459	74,654

2004 9+3 Forecast

Unity Health Plan (owned by WellPoint)
 Summary of Estimated Purchase Cost of Unity by UW Health (dba UHC/CHS, UWHC, UWMF)

	12/31/2004		12/31/2004	
	GAAP Calculations	Statutory Calculations	Contributions to UHC for Purchase of Unity	UWHC UWMF
Projected Net Worth at December 31, 2004	\$35,737,858	\$33,113,318	\$19,867,991	\$13,245,327
Pay Wellpoint for Outstanding Debt and Preferred Stock Required Goodwill Payment	4,500,000	4,500,000	3,240,000	1,260,000
Pay Minority Shareholders of Unity Joint Venture (net of UHC interests)	500,000	500,000	300,000	200,000
	3,676,609	3,676,609	\$2,205,965	\$1,470,644
Total UW Health Purchase price(Note A)	\$44,414,467	\$41,789,927	\$ 25,613,956	\$ 16,175,971
Reduce excess surplus in Unity by paying dividends to UHC and then to UWHC and UWMF for difference between actual net worth as of 12/31/04 and net worth at 250% of risk based capital requirements	(17,260,000)	(17,260,000)	(10,356,000)	(\$6,904,000)
Net UHC Capital Contribution Required	\$27,154,467	\$24,529,927	\$ 15,257,956	\$ 9,271,971

Note A: The purchase price is in part to be determined on the basis of Unity net worth at 12/31/04 as that term is defined in the Unity Joint Venture Agreements.. The most recent estimate of the total purchase price \$41,789,927. The estimated purchase price of \$45.1 million referred to question # 31 was based on earlier projections that have recently been updated.

Projected Statutory net Worth at 12/31/04	\$33,113,318
Projected Risk Based Capital at 250% at 12-31-04 (A)	15,853,318
Expected Dividend to UHC in 2005 subject to OCI approval.	<u><u>\$17,260,000</u></u>

(A) See Unity worksheet

**UNITY HEALTH PLANS
RISK BASED CAPITAL ANALYSIS**

	Twelve Months Ended 2003-12 Actual	Twelve Months Ended 2004-01 Actual	Twelve Months Ended 2004-09 Estimated	Comments on Significant Changes
H0 ASSET RISK- AFFILIATES W/RBC				
1) OFF BALANCE SHEET ITEMS	0	)	0	
2) DIRECTLY OWNED INSURER SUBJECT TO RBC	0	)	0	
3) INDIRECTLY OWNED INSURER SUBJECT TO RBC	0	)	0	
4) DIRECTLY OWNED MCO SUBJECT TO RBC	0	)	0	
5) INDIRECTLY OWNED MCO SUBJECT TO RBC	0	)	0	
6) DIRECTLY OWNED ALIEN INSURERS	0	)	0	
7) INDIRECTLY OWNED ALIEN INSURERS	0	)	0	
8) TOTAL H0	<u>0</u>	<u>)</u>	<u>0</u>	
H1-ASSET RISK - OTHER				
9) INVESTMENT SUBSIDIARY	0	)	0	
10) HOLDING COMPANY EXCESS OF SUBS	0	)	0	
11) INVESTMENT IN PARENT	0	)	0	
12) OTHER AFFILIATES	0	)	0	
13) MARKET VALUE EXCESS AFFILIATE COMMON STOCK	0	)	0	
14) FIXED INCOME ASSETS	155,258	126,893	82,648	Investment portfolio decrease.
15) REPLICATION & MANDATORILY CONVERTIBLE SECURITIES	0	)	0	
16) UNAFFILIATED PREFERRED STOCK	0	)	0	
17) UNAFFILIATED COMMON STOCK	390,778	)	0	Stock was held as of 12/31/2003 and none was held as of 09/30/2004.
18) PROPERTY & EQUIPMENT	234,964	222,833	222,835	
19) ASSET CONCENTRATION	37,770	37,542	37,542	
20) TOTAL H1	<u>818,770</u>	<u>387,273</u>	<u>343,025</u>	
H2-UNDERWRITING RISK				
21) NET UNDERWRITING RISK	13,880,225	12,391,286	12,391,286	Mostly related to the decrease in pharmacy claims paid during 2004 related to the State insuring the benefit elsewhere. This causes our Managed Care Discount factor to improve.
22) RATE GUARANTY - 15-36 MONTHS	0	)	0	
23) RATE GUARANTY - OVER 36 MONTHS	0	)	0	
24) ASSESSMENT RISK (NON-GTY FUND)	0	)	0	
25) STOP LOSS	0	)	0	
26) DISABILITY INCOME	0	)	0	
27) LONG-TERM CARE	0	)	0	
28) LIMITED BENEFIT PLANS	0	)	0	
29) PREMIUM STABILIZATION RESERVE	0	)	0	
30) TOTAL H2	<u>13,880,225</u>	<u>12,391,286</u>	<u>12,391,286</u>	
H3 - CREDIT RISK				
31) TOTAL REINSURANCE RBC	855	)	0	
32) INTERMEDIARIES CREDIT RISK RBC	2,670,521	2,709,703	2,709,706	
33) TOTAL OTHER RECEIVABLES RBC	128,350	50,344	50,344	
34) TOTAL H3	<u>2,799,726</u>	<u>2,760,051</u>	<u>2,760,050</u>	
H4- BUSINESS RISK				
35) ADMINISTRATIVE EXPENSES BASE RBC	768,155	903,603	903,600	
36) NON-UNDERWRITING AND LIMITED RISK BUSINESS RBC	1,154	)	0	
37) PREMIUMS SUBJECT TO GUARANTY FUND ASSESSMENT	0	)	0	
38) EXCESSIVE GROWTH RISK RBC	0	)	0	
39) TOTAL H4	<u>769,309</u>	<u>903,603</u>	<u>903,600</u>	
UNADJUSTED TOTAL	18,268,030	16,442,213	16,397,981	
COVARIANCE ADJUSTMENT	(4,063,726)	(3,709,241)	(3,666,268)	
40) RBC AFTER COVARIANCE (INPUT)	14,204,304	12,732,969	12,731,693	
Percentage Factor	50%	50%	50%	
41) ACL RBC (B)	<u>7,102,152</u>	<u>6,366,484</u>	<u>6,365,847</u>	
TOTAL ADJUSTED CAPITAL (A)	25,506,969	30,853,311	15,853,318	
COMPANY ACTION LEVEL - 200% OF ACL	14,204,304	12,732,969	12,731,693	
REGULATORY ACTION LEVEL - 150% OF ACL	10,653,228	9,549,726	9,548,770	
AUTHORIZED CONTROL LEVEL - 100% OF ACL	7,102,152	6,366,484	6,365,847	
MANDATORY CONTROL LEVEL - 70% OF ACL	4,971,506	4,456,533	4,456,093	
RISK BASED CAPITAL RATIO (A/B)	359.1%	484.6%	249.0%	

Unity Health Plans

Selected Historical Financial Data - Income Statement - Actual and Common Size

	Actual		% Common Size		PMPM	
	Dec-01	Dec-02	Dec-01	Dec-02	Dec-01	Dec-02
Revenues						
Dane	\$96,903	\$115,849	54.7	55.8	\$ 196.93	\$ 219.50
Non-Dane	73,009	81,164	41.2	39.1	\$ 200.48	\$ 225.32
Unity	2,929	5,273	1.7	2.5	\$ 191.10	\$ 221.50
Ceded POS	(3,903)	(4,457)	(2.2)	(2.1)	\$ (4.48)	\$ (4.89)
Self-insured	8,365	9,671	4.7	4.7	\$ 9.60	\$ 10.61
Total revenue	\$177,303	\$207,500	100.0	100.0	\$ 203.43	\$ 227.57
Implied growth rate		17.0%				
Claims expense						
Dane	\$85,047	\$100,286	48.0	48.3	\$ 172.84	\$ 190.01
Non-Dane	63,379	72,166	35.7	34.8	\$ 174.03	\$ 200.34
Unity	2,864	5,069	1.6	2.4	\$ 186.87	\$ 212.92
Other	(1,080)	794	(0.6)	0.4	\$ (1.24)	\$ 0.87
Ceded POS	(3,491)	(3,961)	(2.0)	(1.9)	\$ (4.01)	\$ (4.34)
Self-insured	8,018	9,323	4.5	4.5	\$ 9.20	\$ 10.23
Total claims expense	\$154,738	\$183,677	87.3	88.5	\$ 177.54	\$ 201.44
Gross margin						
Dane	\$11,855	\$15,563	6.7	7.5	\$ 24.09	\$ 29.49
Non-Dane	9,630	8,998	5.4	4.3	\$ 26.44	\$ 24.98
Unity	65	204	0.0	0.1	\$ 4.24	\$ 8.58
Other	1,080	(794)	0.6	(0.4)	\$ 1.24	\$ (0.87)
Ceded POS	(412)	(496)	(0.2)	(0.2)	\$ (0.47)	\$ (0.54)
Self-insured	347	348	0.2	0.2	\$ 0.40	\$ 0.38
Total gross margin	\$22,565	\$23,822	12.7	11.5	\$ 25.89	\$ 26.13
Administrative expense						
Compensation	6,861	8,046	3.9	3.9	\$ 7.87	\$ 8.82
Allocated purchased services	2,337	2,737	1.3	1.3	\$ 2.68	\$ 3.00
Commissions	1,946	2,404	1.1	1.2	\$ 2.23	\$ 2.64
General office	964	1,023	0.5	0.5	\$ 1.11	\$ 1.12
HIRSP	482	785	0.3	0.4	\$ 0.55	\$ 0.86
Other purchased services	657	196	0.4	0.1	\$ 0.75	\$ 0.21
Advertising	535	984	0.3	0.5	\$ 0.61	\$ 1.08
Equipment	405	667	0.2	0.3	\$ 0.46	\$ 0.73
Service payment expense	125	200	0.1	0.1	\$ 0.14	\$ 0.22
All other	635	694	0.4	0.3	\$ 0.73	\$ 0.76
Total administrative expense	14,946	17,735	8.4	8.5	\$ 17.15	\$ 19.45
Underwriting profit	7,618	6,087	4.3	2.9	\$ 8.74	\$ 6.68
Net investment income	1,950	1,692	1.1	0.8	\$ 2.24	\$ 1.86
EBITDA	9,568	7,780	5.4	3.7	\$ 10.98	\$ 8.53
Depreciation	685	573	0.4	0.3	\$ 0.79	\$ 0.63
Other expense / (revenue)	(49)	(77)	(0.0)	(0.0)	\$ (0.06)	\$ (0.08)
EBIT	8,933	7,283	5.0	3.5	\$ 10.25	\$ 7.99

	Dec-03
Revenues	\$149,868
Claims expense	\$129,678
Gross margin	\$20,190
Administrative expense	\$31,998
Underwriting profit	12,726
EBITDA	15,082
EBIT	14,129

Unity Health Plans

Summary of Discounted Net Cash Flow Analysis

	Actual		Projected					% Common Size							
	Dec-01	Dec-02	Dec-03	Dec-04	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09	Dec-04	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09
Average members	72,632	75,983	80,400	76,414	76,414	76,414	76,414	76,414	76,414	60.6	60.4	60.2	59.9	59.7	59.5
Revenues															
Dane	\$96,903	\$115,949	\$149,868	\$136,727	\$147,665	\$159,479	\$172,237	\$186,016	\$200,897	39.4	39.6	39.8	40.1	40.3	40.5
Non-Dane (3)	73,009	81,164	81,607	88,894	96,894	105,615	115,120	125,481	136,774	0.0	0.0	0.0	0.0	0.0	0.0
Unity	2,929	5,273	5,773	0	0	0	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0
Ceded POS	(3,903)	(4,457)	(3,305)	0	0	0	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0
Self-insured	8,365	9,671	5,465	0	0	0	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0
Total revenue	177,303	207,500	239,408	225,621	244,560	265,094	287,357	311,497	337,672	100.0	100.0	100.0	100.0	100.0	100.0
Implied growth rate		17.0%	15.4%	8.7%	8.4%	8.4%	8.4%	8.4%	8.4%						
Operating Expenses															
Total medical expenses	154,738	183,677	207,410	196,681	218,636	236,994	256,897	278,478	301,878	87.2	89.4	89.4	89.4	89.4	89.4
Administrative expenses	15,631	18,308	20,259	22,989	23,879	24,812	25,792	26,822	27,903	10.2	9.8	9.4	9.0	8.6	8.3
Total operating expenses	170,369	201,985	227,669	219,670	242,515	261,806	282,690	305,300	329,782	97.4	98.2	98.8	98.4	98.0	97.7
Underwriting profit	6,934	5,514	11,739	5,951	2,045	3,288	4,667	6,197	7,890	2.6	0.8	1.2	1.6	2.0	2.3
Net investment income	1,950	1,692	2,357	2,031	2,201	2,386	2,586	2,803	3,039	0.9	0.9	0.9	0.9	0.9	0.9
EBITDA (excluding depreciation)	9,568	7,780	15,082	10,468	6,806	8,311	9,970	11,799	13,811	4.6	2.8	3.1	3.5	3.8	4.1
Depreciation	685	573	986	2,486	2,561	2,638	2,717	2,798	2,882	1.1	1.0	1.0	0.9	0.9	0.9
Other expense / (revenue)	(49)	(77)	(33)	0	0	0	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	\$8,933	\$7,283	\$14,129	\$7,982	\$4,246	\$5,673	\$7,254	\$9,001	\$10,929	3.5	1.7	2.1	2.5	2.9	3.2
Pretax income	\$8,933	\$7,283	\$14,129	\$7,982	\$4,246	\$5,673	\$7,254	\$9,001	\$10,929	3.5	1.7	2.1	2.5	2.9	3.2

Unity Health Plans

Key DCF Assumptions - Revenue

	Actual		Projected							
	Dec-01	Dec-02	Dec-03	Dec-04	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09	
(\$000's)										
Revenue										
Member months underwritten										
Dane (1)	492,072	527,785	616,550	587,516	587,516	587,516	587,516	587,516	587,516	587,516
Projected growth		7.3%	16.8%	-3.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Non-Dane (1)(3)	364,179	390,211	323,841	319,458	319,458	319,458	319,458	319,458	319,458	319,458
Projected growth		-1.1%	-10.1%	-8.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Unity	15,328	23,805	24,412	0	0	0	0	0	0	0
Projected growth		55.3%	2.5%	-100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total member months	871,579	911,801	964,803	916,974	916,974	916,974	916,974	916,974	916,974	916,974
Projected growth		4.6%	5.6%	-5.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Premium PMPM										
Dane (2)	\$196.93	\$219.50	\$243.08	\$228.83	\$247.13	\$266.90	\$288.25	\$311.32	\$336.22	\$362.22
Projected growth		11.5%	10.7%	-5.9%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Non-Dane (3)	\$200.48	\$225.32	\$252.32	\$278.27	\$303.31	\$330.61	\$360.36	\$392.79	\$428.15	\$468.15
Projected growth		12.4%	11.8%	10.4%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Unity	\$191.10	\$221.50	\$236.48	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Projected growth		15.9%	6.8%	-100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Ceded POS	(\$4.48)	(\$4.89)	(\$3.43)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Projected growth		9.2%	-29.9%	-100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Self-insured	\$8.60	\$10.61	\$5.66	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Projected growth		10.5%	-46.6%	-100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total revenue	\$86,903	\$115,849	\$148,888	\$138,727	\$147,665	\$158,479	\$172,237	\$186,016	\$200,897	\$220,897
Dane	73,009	81,164	81,607	88,894	96,894	105,615	115,120	125,481	136,774	148,774
Non-Dane (3)	2,929	5,273	0	0	0	0	0	0	0	0
Unity	(3,903)	(4,457)	(3,305)	0	0	0	0	0	0	0
Ceded POS	-8,365	9,671	5,465	0	0	0	0	0	0	0
Self-insured	\$177,303	\$207,500	\$238,408	\$225,621	\$244,560	\$265,084	\$287,357	\$311,487	\$337,672	\$368,225
Total revenue	\$ 203.43	\$ 227.57	\$ 248.14	\$ 246.05	\$ 266.70	\$ 289.10	\$ 313.38	\$ 339.70	\$ 368.25	\$ 399.70
Implied growth rate		11.9%	9.0%	-0.8%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%
PMPM										
PMPM growth										
Membership months										
Dane (% of total)	56.5%	57.9%	63.9%	65.2%	65.2%	65.2%	65.2%	65.2%	65.2%	65.2%
Non-Dane (% of total) (3)	41.8%	39.5%	33.6%	34.8%	34.8%	34.8%	34.8%	34.8%	34.8%	34.8%
Unity (% of total)	1.8%	2.6%	2.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Revenue										
Dane (% of total)	54.7%	55.8%	62.6%	60.6%	60.4%	60.2%	59.9%	59.7%	59.5%	59.5%
Non-Dane (% of total) (3)	41.2%	39.1%	34.1%	39.4%	39.6%	39.8%	40.1%	40.3%	40.5%	40.5%
Unity (% of total)	1.7%	2.5%	2.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Ceded POS (% of total)	-2.2%	-2.1%	-1.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Self-insured (% of total)	4.7%	4.7%	2.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Notes:

- (1) 2004 Dane membership decline reflects actual decline in January 2004. Non-Dane membership decline in January 2004 and anticipated decline through the remainder of the year due to the loss of Dean Medical Group from their provider network.
- (2) Dane 2004 PMPM premium decline due to loss of pharmacy program, which the State took from the HMOs in 2004. Commercial premiums rose 13% in 2004.
- (3) Non-Dane includes Unity in 2004 - 2009.

Unity Health Plans

Key DCF Assumptions - Medical Expense

	Actual					Projected				
	Dec-01	Dec-02	Dec-03	Dec-04	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09	
Expenses										
Medical expense per member per month										
Dane (1)	\$172.84	\$190.01	\$210.33	\$199.56	\$220.94	\$238.61	\$257.70	\$278.32	\$300.58	
Projected growth		9.9%	10.7%	-5.1%	10.7%	8.0%	8.0%	8.0%	8.0%	
Non-Dane (2)	\$174.03	\$200.34	\$218.24	\$242.42	\$271.16	\$295.56	\$322.16	\$351.16	\$382.76	
Projected growth		15.1%	8.9%	11.1%	11.9%	9.0%	9.0%	9.0%	9.0%	
Unity	\$186.87	\$212.92	\$195.88	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Projected growth		13.9%	-8.0%	-100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Ceded POS (total member months)	(\$4.01)	(\$4.34)	(\$2.96)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Projected growth		8.4%	-32.0%	-100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Self-insured (total member months)	\$9.20	\$10.23	\$5.46	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Projected growth		11.1%	-46.6%	-100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Medical expense										
Dane	\$85,047	\$100,286	\$129,678	\$119,240	\$132,013	\$142,574	\$153,980	\$166,298	\$179,602	
Non-Dane (2)	63,379	72,166	70,674	77,441	86,624	94,420	102,917	112,180	122,276	
Unity	2,864	5,069	4,782	-	-	-	-	-	-	
Other	(1,080)	794	(137)	-	-	-	-	-	-	
Ceded POS	(3,491)	(3,961)	(2,852)	-	-	-	-	-	-	
Self-insured	8,018	9,323	5,265	-	-	-	-	-	-	
Total medical expense	\$154,738	\$183,677	\$207,410	\$196,681	\$218,636	\$236,994	\$256,897	\$278,478	\$301,876	
Projected growth		18.7%	12.9%	-5.2%	11.2%	8.4%	8.4%	8.4%	8.4%	
PMPM	\$177.54	\$201.44	\$214.98	\$214.49	\$238.43	\$258.45	\$280.16	\$303.69	\$329.21	
PMPM growth		13.5%	6.7%	-0.2%	11.2%	8.4%	8.4%	8.4%	8.4%	
Medical loss ratio										
Dane	87.8%	86.6%	86.5%	87.2%	89.4%	89.4%	89.4%	89.4%	89.4%	
Non-Dane (2)	86.8%	88.9%	86.6%	87.1%	89.4%	89.4%	89.4%	89.4%	89.4%	
Unity	97.8%	96.1%	82.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Total medical loss ratio	87.3%	88.5%	86.6%	87.2%	89.4%	89.4%	89.4%	89.4%	89.4%	

Selected calculations:

Claims

Dane (% of total)	55.0%	54.6%	62.5%	60.6%	60.4%	60.2%	59.9%	59.7%	59.5%
Non-Dane (% of total) (2)	41.0%	39.3%	34.1%	39.4%	39.6%	39.8%	40.1%	40.3%	40.5%
Unity (% of total)	1.9%	2.8%	2.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other (% of total)	-0.7%	0.4%	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Notes:

- (1) Dane 2004 PMPM medical expense decline due to loss of pharmacy program, which the State look from the HMOs in 2004.
- (2) Non-Dane includes Unity in 2004 - 2009.

Unity Health Plans

Key DCF Assumptions - Administrative Expense

(\$000's)	Actual		Projected						
	Dec-01	Dec-02	Dec-03	Dec-04	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09
Administrative									
Administrative expense per member per month									
Compensation	7.87	8.82	8.59	11.07	11.40	11.74	12.09	12.45	12.83
Projected growth		12.1%	-2.7%	28.9%	3.0%	3.0%	3.0%	3.0%	3.0%
Allocated purchased services	2.68	3.00	2.73	1.68	1.73	1.78	1.83	1.89	1.94
Projected growth		12.0%	-8.9%	-38.7%	3.0%	3.0%	3.0%	3.0%	3.0%
Commissions	2.23	2.64	2.45	2.43	2.63	2.85	3.09	3.35	3.63
% of PMPM premiums	1.1%	1.2%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
General office	1.11	1.12	1.07	1.15	1.19	1.22	1.26	1.30	1.34
Projected growth		1.4%	-4.7%	7.8%	3.0%	3.0%	3.0%	3.0%	3.0%
HIRSP	0.55	0.86	1.04	1.62	1.76	1.91	2.07	2.24	2.43
Projected growth	0.3%	0.4%	0.4%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Other purchased services	0.79	0.63	1.02	2.71	2.79	2.88	2.96	3.05	3.14
Projected growth		-20.0%	62.6%	165.3%	3.0%	3.0%	3.0%	3.0%	3.0%
Advertising	0.75	0.21	0.98	1.05	1.08	1.12	1.15	1.18	1.22
Projected growth		-71.5%	354.8%	7.8%	3.0%	3.0%	3.0%	3.0%	3.0%
Equipment	0.61	1.08	0.95	1.03	1.06	1.09	1.12	1.16	1.19
Projected growth		75.7%	-11.7%	7.8%	3.0%	3.0%	3.0%	3.0%	3.0%
Service payment expense	0.46	0.73	0.72	0.78	0.80	0.83	0.85	0.88	0.90
Projected growth		57.7%	-1.1%	7.8%	3.0%	3.0%	3.0%	3.0%	3.0%
Employee development	0.14	0.22	0.21	0.22	0.23	0.24	0.24	0.25	0.26
Projected growth		52.9%	-5.5%	7.8%	3.0%	3.0%	3.0%	3.0%	3.0%
Occupancy	0.30	0.32	0.23	0.25	0.26	0.27	0.28	0.28	0.29
Projected growth		7.0%	-27.0%	7.8%	3.0%	3.0%	3.0%	3.0%	3.0%
Corporate development	0.26	0.27	0.30	0.33	0.34	0.35	0.36	0.37	0.38
Projected growth		1.4%	14.9%	7.8%	3.0%	3.0%	3.0%	3.0%	3.0%
Software user fees	0.27	0.39	0.49	0.53	0.55	0.57	0.58	0.60	0.62
Projected growth		47.2%	26.8%	7.8%	3.0%	3.0%	3.0%	3.0%	3.0%
Other expenses	0.11	0.07	0.21	0.22	0.23	0.24	0.24	0.25	0.26
Projected growth		-33.2%	191.5%	7.8%	3.0%	3.0%	3.0%	3.0%	3.0%
Ceded POS	0.24	0.26	0.46	0.50	0.51	0.53	0.55	0.56	0.58
Projected growth		7.1%	80.3%	7.8%	3.0%	3.0%	3.0%	3.0%	3.0%
Ceded POS	(0.44)	(0.54)	(0.47)	(0.51)	(0.52)	(0.54)	(0.55)	(0.57)	(0.59)
Projected growth		22.4%	-13.7%	7.8%	3.0%	3.0%	3.0%	3.0%	3.0%

Unity Health Plans

Key DCF Assumptions - Administrative Expense

	Actual			Projected					
	Dec-01	Dec-02	Dec-03	Dec-04	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09
Total administrative expense									
Compensation (1)	6,861	8,046	8,285	10,147	10,452	10,765	11,088	11,421	11,763
Allocated purchased services (2)	2,337	2,737	2,638	1,537	1,583	1,631	1,680	1,730	1,782
Commissions (3)	1,946	2,404	2,363	2,227	2,414	2,617	2,836	3,075	3,333
General office	964	1,023	1,031	1,057	1,088	1,121	1,155	1,189	1,225
HIRSP (3)	482	785	1,005	1,488	1,612	1,748	1,895	2,054	2,226
Depreciation (4)	685	573	986	2,486	2,561	2,638	2,717	2,798	2,882
Other purchased services	657	196	942	965	994	1,024	1,054	1,086	1,119
Advertising	535	984	919	942	970	999	1,029	1,060	1,092
Equipment	405	667	698	715	737	759	781	805	829
Service payment expense	125	200	200	205	211	217	224	231	238
Employee development	262	293	226	232	239	246	254	261	269
Occupancy	228	242	294	301	310	320	329	339	349
Corporate development	231	356	477	489	504	519	534	551	567
Software user fees	92	65	199	204	210	216	223	230	236
Other expenses	209	234	447	458	472	486	501	516	531
Ceded POS	(388)	(496)	(453)	(464)	(478)	(493)	(507)	(523)	(538)
Total administrative expense	15,631	18,308	20,259	22,989	23,879	24,812	25,792	26,822	27,903
<i>Projected growth</i>		17.1%	10.7%	25.6%	3.0%	3.0%	3.0%	3.0%	3.0%
<i>PMPM</i>	\$17.93	\$20.08	\$21.00	\$25.07	\$26.04	\$27.06	\$28.13	\$29.25	\$30.43
<i>PMPM growth</i>		12.0%	4.6%	19.4%	3.9%	3.9%	3.9%	4.0%	4.0%
Underwriting profit (5)	6,934	5,514	11,739	5,951	2,045	3,288	4,667	6,197	7,890
<i>Underwriting profit margin (6)</i>	3.9%	2.7%	4.9%	2.6%	0.8%	1.2%	1.6%	2.0%	2.3%
<i>PMPM</i>	\$7.96	\$6.05	\$12.17	\$6.49	\$2.23	\$3.59	\$5.09	\$6.76	\$8.60
<i>PMPM growth</i>		-24.0%	101.2%	-46.7%	-65.6%	60.8%	42.0%	32.8%	27.3%
Selected calculations:									
<i>Administrative ratio</i>	8.8%	8.8%	8.5%	10.2%	9.8%	9.4%	9.0%	8.6%	8.3%
<i>Administrative expense PMPM</i>	\$17.93	\$20.08	\$21.00	\$25.07	\$26.04	\$27.06	\$28.13	\$29.25	\$30.43
<i>Administrative expense PMPM growth</i>		12.0%	4.6%	19.4%	3.9%	3.9%	3.9%	4.0%	4.0%

Notes:

- (1) 2004 compensation assumes 4% growth over 2003, \$642K in MCAS systems-related salaries which had previously been capitalized, and \$889K in CPN related salaries brought in-house. The MCAS and CPN adjustments will continue over the remainder of the projection period.
- (2) Allocated purchased services have been adjusted downward in 2004 to exclude allocated Cobalt corporate expenses that are not essential to Unity's operation, and retain expenses for salaries; legal fees; and auditing, actuarial, and other consulting services to the extent that Unity's level of such expenses were below that of other plans in the region on a PMPM basis.
- (3) Commissions and HIRSP are assumed to vary with changes in premium revenues.
- (4) Depreciation increases \$1,500K in 2004 to account for the MCAS system.
- (5) Total premium revenue minus total medical expense minus total administrative expense.
- (6) Underwriting profit divided by total premium revenue.

Unity Health Plans

Key DCF Assumptions - Other Expense (Income)

	Actual		Projected						
	Dec-01	Dec-02	Dec-03	Dec-04	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09
(\$000's)									
Other									
Other expense / income per member per month									
Other revenue/(expense)	(0.06)	(0.08)	(0.03)	0.00	0.00	0.00	0.00	0.00	0.00
Projected growth		49.0%	-59.5%	-100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net investment income (1)	1,950	1,692	2,357	2,031	2,201	2,386	2,586	2,803	3,039
EBITDA (2)	9,568	7,780	15,082	10,468	6,806	8,311	9,970	11,799	13,811
EBITDA profit margin	5.4%	3.7%	6.3%	4.6%	2.8%	3.1%	3.5%	3.8%	4.1%
Depreciation	685	573	986	2,486	2,561	2,638	2,717	2,798	2,882
Other expense / (revenue)	(49)	(77)	(33)	-	-	-	-	-	-
EBIT (3)	8,933	7,283	14,129	7,982	4,246	5,673	7,254	9,001	10,929
EBIT profit margin	5.0%	3.5%	5.9%	3.5%	1.7%	2.1%	2.5%	2.9%	3.2%
Pretax income	\$8,933	\$7,283	\$14,129	\$7,982	\$4,246	\$5,673	\$7,254	\$9,001	\$10,929
Pretax income margin	5.0%	3.5%	5.9%	3.5%	1.7%	2.1%	2.5%	2.9%	3.2%

Notes:

- (1) Projected investment income excludes investment income earned on excess statutory capital and surplus.
- (2) EBITDA equals earnings before interest, taxes, depreciation, and amortization and is calculated as underwriting income plus net investment income plus depreciation.
- (3) EBIT equals earnings before interest and taxes.

Unity Health Plans
Selected Historical Financial Data - Balance Sheet

(\$000's)	Dec-03	Sep-04	Dec-04	Dec -05
Current Assets				
Cash & Short term Investments	\$5,680	\$ 5,300	\$ 8,191	\$ 8,252
Premium receivables	1,187	806	806	806
Investment income receivable	703	2,517	2,517	2,517
Due from affiliates	257	0	0	0
Due from other providers	1,906	955	955	955
Reinsurance receivable	171	0	0	0
Prepaid expenses	231	169	169	169
Other	14	12	12	12
Total current assets	10,149	9,759	9,759	9,759
Property and equipment	6,723	5,363	4,732	2,171
Deferred income taxes	1,963	0	0	0
Investments	43,615	45,381	45,381	33,121
Other assets	0	0	0	0
Total Assets	\$62,450	\$60,503	\$ 62,763	\$ 48,003
Current liabilities				
Accounts payable & accrued expenses	3,232	2,935	2,935	2,935
Accrued payroll expense	498	1,043	1,043	1,043
Capitation payable	389	219	219	219
Claims payable	16,458	13,079	13,079	13,079
Risk pool payable	3,331	2,451	2,451	2,451
Unearned premium	5,529	4,336	4,336	4,336
Income taxes payable	524	1,146	1,146	1,146
Due to affiliates	1,235	678	678	678
Service payment payable	200	94	94	94
Other	0	0	0	0
Total current liabilities	31,396	25,981	25,981	25,981
Long-term debt	0	0	0	0
Deferred taxes payable	682	1,044	1,044	1,044
Other	0	0	0	0
Total Liabilities	32,078	27,025	27,025	27,025
Shareholders' equity				
Common stock	1	1	1	1
Additional paid-in capital & retained earnings	30,586	33,544	35,804	21,044
Net unrealized gain (loss) on investment securities	(215)	(67)	(67)	(67)
Total shareholders' equity	30,372	33,478	35,738	20,978
Total liabilities and shareholders' equity	\$62,450	\$60,503	\$62,763	\$48,003

Notes: The projected balance sheet for 12/31/04 reflects changes due to projected net earnings for the three months ended December 31, 2004 of \$2,261,000 and depreciation expense of \$631,000

The projected balance sheet for 12/31/05 reflects changes due to projected net earnings of \$2,500,000 depreciation expense of \$2,561,000 and dividends of \$17,260,000. Capital expenditures for FY 2005 are still being reviewed as part of the FY 2005 budget process but have not been approved and , therefore, not included in the projected balance sheets at this time.

Other working capital changes are not expected to be material and accordingly other balance sheet accounts have not been adjusted

Risk based capital ratios at 12/31/04 are projected be 485% . Assuming dividend payments of \$17,260,000 to UHC are approved by OCI in Fiscal year 2005, the risk based capital ratio is estimated to be 290% at 12/31/05.