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Nation's HMO Profits Increase 10.7% in 2004
Consolidation Continues With More Enrollees in Fewer Companies

JUPITER, Fla., August 8, 2005 – Profits for the nation's HMOs¹ increased 10.7 percent² in 2004, earning an aggregate income of \$11.4 billion compared with \$10.3 billion in 2003. The 2004 results follow a dramatic increase of more than 80 percent in 2003, according to Weiss Ratings, Inc., the nation's leading independent provider of ratings and analyses of financial services companies, mutual funds, and stocks. Weiss studied 515 managed care organizations.

HMOs reporting the largest year-over-year increase in earnings were:

Company	Headquarters	Weiss Risk Rating ³	Net Income (\$Mil)			
			2004	2003	\$ Change	% Change
Highmark, Inc.	Camp Hill, Pa.	B-	213.6	(13.2)	226.7	1,720.6
Blue Cross of California	Thousand Oaks, Calif.	A	658.2	459.3	198.9	43.3
Regence Blue Cross Blue Shield of Oregon	Portland, Ore.	B-	39.8	(68.5)	108.3	158.1
Humana Medical Plan Inc.	Miramar, Fla.	B	164.9	61.6	103.3	167.8
Capital Advantage Insurance Co	Harrisburg, Pa.	C	28.1	(74.1)	102.2	137.9

Weiss Risk Rating: A=Excellent, B=Good, C=Fair, D=Weak, E=Very Weak, F=Failed, U=Unrated

“Earnings growth has leveled off now that premium increases have peaked and insurers are more financially stable,” said Melissa Gannon, vice president of Weiss Ratings, Inc. “While consumers will continue to see price increases they should not be as dramatic as the past two years.”

¹ Analysis based on insurers that filed a NAIC Health Statement or a California Health Care Service Plan statement. Other insurers offer health insurance but are not included in this analysis. Please refer to Weiss Ratings' Life & Health releases for additional health insurance studies and/or companies at www.WeissRatings.com.

² As a result of regulatory change, the nearly \$500 million increase posted by Kaiser Foundation Health Plan represents 44% of the industry's annual earnings increase. Excluding Kaiser, HMOs' profits increased only 5.2 percent. For this reason, Kaiser has been excluded from the above table.

³ Weiss Risk Rating formerly named Weiss Safety Rating.

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Consolidation Trend Continues

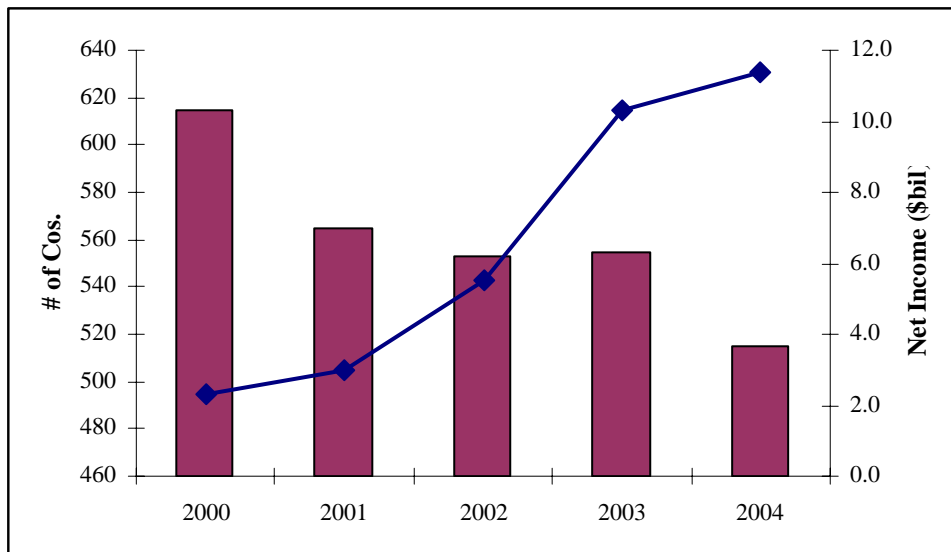
As the industry continues to consolidate, Weiss noted an increase in enrollment concentration among the largest insurers. Due to industry consolidation, consumers are increasingly enrolled in larger insurers; insurers with membership exceeding 500,000 have captured 59 percent of the market compared to 46 percent five years ago.

Currently, only one quarter, 24 percent, of consumers are enrolled in health plans that cover fewer than 250,000 members compared to 35 percent in 2000.

From a group perspective⁴, there are 26 groups that cover more than one million enrollees each for a total of 75.9 million enrollees, or 67.5 percent, of total national enrollment.

“Insurer consolidation is being driven by a move away from the traditional managed care techniques, that limited usage, to a more consumer-driven and physician-monitored model,” said Gannon. “As such, insurers are increasingly looking to offer national provider networks and to create cost efficiencies in disease management programs and the development of large information technology projects.”

Five-Year Trend in Profits



⁴ A group is one company with multiple operating entities. For example, Aetna’s 21 rated affiliates filing the NAIC Health or California Health statement would be considered one group.

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Notable Upgrades and Downgrades

Of the 459 HMOs reviewed by Weiss based on year-end 2004 data, 147 companies were upgraded, while 13 were downgraded. Notable upgrades include:

- Amerigroup Texas Inc (Virginia Beach, Texas) from C to B-
- Empire Healthchoice HMO Inc (New York, N.Y.) from B to A-
- Cape Health Plan Inc (Southfield, Mich.) from D to C-

The Weiss Risk Ratings are based on an analysis of a company's risk-adjusted capital, five-year historical profitability, quality of investments, liquidity, and stability. The latter category combines a series of factors including asset growth, premium growth, strength of affiliate companies and risk diversification.

Weiss Ratings, Inc. reviews more than 8,000 stocks daily, including all those traded on the New York Stock Exchange, the American Stock Exchange, and Nasdaq. Weiss also issues investment ratings on more than 12,000 mutual funds, covering equity, fixed-income, and closed-end funds, and provides financial risk ratings on more than 15,000 financial institutions, including banks and insurance companies. It is the only major rating agency that receives no direct or indirect compensation from the companies it rates. Ratings and analyses are available through www.weissratings.com or by calling 800-289-9222.

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Note to editors: The Weiss Risk Ratings were formerly named the Weiss Safety Ratings. [National and state listings of strongest and weakest HMOs](#) are available.