

CONSOLIDATED STATEMENTS OF CASH FLOWS

WELLCHOICE, INC. AND SUBSIDIARIES

Year ended December 31	2002	2001	2000
	<i>(in thousands)</i>		
Cash flows from operating activities			
Net income	\$ 376,559	\$ 130,978	\$ 190,380
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	34,502	26,741	14,189
Net realized (gain) loss on sales of investments	(2,604)	12,403	(22,035)
Provision (credit) for doubtful accounts	1,284	(1,702)	6,534
Accretion of discount, net	(2,733)	(5,005)	(2,797)
Equity in earnings of other long-term equity investments	229	571	6,378
Deferred income tax benefit	(151,372)	(34,828)	(86,902)
Insurance recovery gain	—	8,943	—
Other	(5,763)	(8,428)	(73)
Changes in assets and liabilities:			
Billed and accrued premiums receivable	43,372	42,328	(58,117)
Other customer receivable	(24,956)	2,787	(1,221)
Notes receivable	(1,610)	(3,102)	1,061
Advances to hospitals	1,757	3,920	12,058
Accrued investment income	(383)	3,523	(1,722)
Insurance proceeds receivable	13,716	(13,716)	—
Miscellaneous receivables	(8,212)	10,390	(12,401)
Other assets	(6,207)	(5,976)	(23,897)
Unpaid claims and claims adjustment expenses	(74,205)	(38,289)	81,469
Unearned premium income	7,321	14,441	3,573
Managed cash overdrafts	(4,332)	8,686	28,496
Accounts payable and accrued expenses	(9,608)	34,350	4,655
Advance deposits	(73,494)	24,427	20,706
Group and other contract liabilities	16,315	(8,971)	(51,454)
Postretirement benefits other than pensions	5,530	1,888	696
Other liabilities	47,584	7,938	6,399
Net cash provided by operating activities	182,690	214,297	115,975
Cash flows from investing activities			
Purchases of property, equipment and information systems	(33,691)	(33,822)	(44,410)
Proceeds from sale of property, equipment and information systems	1,349	—	—
Purchases of available for sale investments	(1,757,657)	(818,465)	(520,362)
Proceeds from sales and maturities of available for sale investments	1,660,541	722,951	426,827
Net cash used in investing activities	(129,458)	(129,336)	(137,945)
Cash flows from financing activities			
Decrease in capital lease obligations	(2,379)	(1,933)	(1,469)
Net proceeds from common stock issued in the initial public offering	27,990	—	—
Net cash provided by (used in) financing activities	25,611	(1,933)	(1,469)
Net change in cash and cash equivalents	78,843	83,028	(23,439)
Cash and cash equivalents at beginning of period	408,588	325,560	348,999
Cash and cash equivalents at end of period	\$ 487,431	\$ 408,588	\$ 325,560
Supplemental disclosure:			
Income taxes paid	\$ 84,000	\$ 13,349	\$ 14,195

See notes to consolidated financial statements.