

OPERATING STRENGTHS

AND CORE COMPETENCIES

WellChoice is customer focused, with a belief that programs which improve the health of its members can also help control medical costs. These commitments when combined with cutting-edge technology constitute the Company's operating strengths and core competencies.

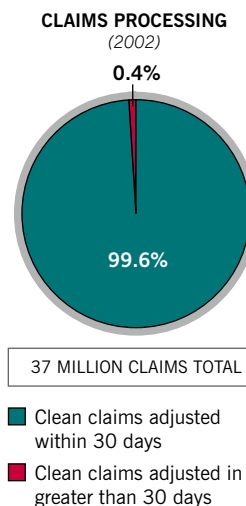
■ World Class Customer Service

Unfailing dedication to providing its customers world class customer service is integral to all of the Company's work efforts. Prompt, efficient, "hassle free" service describe the customer experience with WellChoice.

Key to achieving this is processing claims quickly and accurately. In 2002, WellChoice processed approximately 37 million claims, of which 97.9% of clean claims were auto-adjudicated with no human intervention. And, 99.6% of clean claims were adjudicated within 30 days. On average, customer service representatives answered telephone calls in 34.5 seconds. Ninety-five and one half percent of telephone and written inquiries were responded to within 7 days, and 97.7% of inquiries were processed accurately the first time.

At WellChoice, member satisfaction receives careful attention. Systematic improvements in service delivery had increased the percent of those satisfied with their service to 80% at the end of 2001. In an effort to move satisfaction to even higher levels, in 2002 the Company undertook a focused, intensive approach and by the end of 2002, 88% of members were satisfied or very satisfied with their service—an 8% increase over the previous year. Every day WellChoice selects scientific samples of members that call in and contacts them for their evaluation of the service they just received. These results receive careful statistical and operational review, and a team of senior executives supports the improvements that customers demand.

The New York State Department of Insurance (DOI), in its 2002 New York Consumer Guide to Health Insurers, ranked Empire's HMO #1 in the New York metropolitan area with the fewest upheld complaints and the fewest prompt pay complaints. Empire also ranked #1 in its service area for Overall Complaints, having the least amount of complaints in all categories. These DOI ranking are an important objective measure of health plan performance.





■ **Improve Quality—Help Manage Costs²**

WellChoice intends to be a leader in the use of medical information to help improve the health of its members and help control medical costs. In general, the Company experienced a \$2 return on every dollar invested in disease management programs, which in turn helped lower overall managed care medical costs.

Some of the specific disease management programs targeted to chronic conditions that are offered by WellChoice include: an asthma program to educate and motivate members with asthma to manage their disease and remain symptom-free; the Healthy Heart Program[®] focusing on members with congestive heart failure; a smoking cessa-

tion program; and the Chronic Kidney Disease program, a comprehensive program for members with end stage renal disease.

Its unique patient-centric model of disease management, Systematic Analysis Review and Assistance, or SARASM, improves care by analyzing lab, pharmacy, hospital and medical claims for members enrolled in this program. During 2002, SARA identified 58,100 care considerations for members with potential health problems, such as adverse drug interactions, overlooked tests and skipped preventative screenings.

WellChoice, in partnership with four key national accounts, launched an innovative pilot program last year designed to recognize and reward hospitals that achieve proven patient safety standards identified by The Leapfrog Group. Under the program, hospitals in its service area that use computerized physician order entry and staff their intensive care units with physicians board-certified or board-eligible in critical care medicine are eligible to receive a financial reward. In 2002, 29 hospitals received payments in recognition of their commitment to patient safety.

■ **On the cutting edge of technology²**

WellChoice also knows that success relies on the adoption and integration of technology, a core strength and competitive advantage. Historically, systems migrations and integrations have plagued the industry and created large cost overruns. Over the past several years WellChoice has successfully consolidated multiple claims systems into two platforms and is in the process of further consolidating these two remaining platforms into one. The Company's success in enhancing and consolidating its information systems provides it with a distinct competitive advantage. This advantage supports initiatives to improve customer service and will allow it to grow business organically, as well as through potential strategic acquisitions.

This systems migration also laid the foundation for the launch of the Company's member, provider, broker and employer e-business Web sites. Consumers will increasingly desire and demand ready access to comprehensive and secure medical and health related information that can be transmitted by the member to physicians and medical institutions, as well as allow them to more easily manage their health plan. By year-end 2002, over 208,000 members registered for Member Online Services, which offers over 60 features and functions and provides 24x7 access to their health insurance information. Members can use the Web site to view their enrollment profile, change their address or their Primary Care Physician, search for a provider, view Explanation of Benefits forms (including copies of any checks disbursed), check claim status and payments, and request replacement ID cards.

Provider Online Services enables doctors to seamlessly conduct business with the Company over the Internet. Doctors can confirm patient eligibility, obtain pre-certifications and review benefits. The provider site also utilizes a proprietary application, which enables claims to be processed real-time in the physician's office at the time services are rendered. Over 24,100 provider sites in our network had registered and conducted 1,158,382 transactions via the Internet by the end of 2002.

Registered brokers can use the Broker Online Services to create, review, prepare, compare and e-mail quotes, create and review proposals, and enroll a group on-line. The unique functionality offers quick, paper-free transactions, reducing the time it took to enroll a small group from an average of 25 days to only two or three days. In 2002, over 6,400 brokers registered and generated over 7,800 quotes during the course of the year.

Employer groups can also manage their health plans online through Employer Online Services, which offers more than 70 functions for fast, paper-free administrative transactions. Over 2,000 employer groups registered to use the site during the year. Employers can view group profiles and coverage details, create group rosters, and download and print medical and dental claim forms, drug formulary and notice of election forms. It also offers employee administration tools such as employee demographic data, including dependent information, Coordination of Benefits, current and past plan summary and the ability to request ID cards as well as print temporary ID cards.



²Currently, certain disease management programs and online services are available only to Empire Blue Cross and/or Blue Shield members.