

# FINAL TRANSCRIPT

**Thomson StreetEvents<sup>SM</sup>**

## **AGP - AMERIGROUP Announces the Retirement of Jeffrey L. McWaters as CEO**

Event Date/Time: Jul. 09. 2007 / 9:00AM ET

Jul. 09. 2007 / 9:00AM, AGP - AMERIGROUP Announces the Retirement of Jeffrey L. McWaters as CEO

## CORPORATE PARTICIPANTS

**Julie Loftus Trudell**

*AMERIGROUP - SVP IR*

**Jeffrey McWaters**

*AMERIGROUP - Chairman & CEO*

**Jim Carlson**

*AMERIGROUP - President & COO*

**John Littel**

*AMERIGROUP - EVP Government Relations*

## CONFERENCE CALL PARTICIPANTS

**Greg Nersessian**

*Credit Suisse - Analyst*

**Matt Perry**

*Wachovia - Analyst*

**Brian Wright**

*Jefferies & Co. - Analyst*

## PRESENTATION

**Operator**

Welcome to AMERIGROUP Corporation's conference call. During the presentation, all participants will be in a listen-only mode. After management's presentation, you'll be invited to participate in a question-and-answer session. (OPERATOR INSTRUCTIONS) As a reminder, this conference is being recorded today, July 9, 2007.

I will now turn the conference call over to Julie Loftus Trudell, Senior Vice President, Investor Relations of AMERIGROUP.

---

**Julie Loftus Trudell** - *AMERIGROUP - SVP IR*

Good morning and thank you for joining AMERIGROUP's conference call. I am Julie Loftus Trudell, Senior Vice President Investor Relations, and with me this morning are AMERIGROUP's Chairman and CEO, Jeffrey McWaters; President and COO, Jim Carlson; Chief Financial Officer, Jim Truess; and Executive Vice President of Government Relations, John Littel.

Following our prepared remarks, we will be pleased to respond to your questions. The press release announcing this transition was distributed this morning. A replay of this call will be available from 11:00 AM Eastern time today through Monday, July 16. The numbers to access the replay are in the press release. The conference call will also be available through the investors page of the Company's website approximately two hours following the conclusion of this live broadcast for 30 days.

The press release and this conference call are intended to be disclosures through methods reasonably designed to provide broad, non-exclusionary distribution to the public in compliance with Regulation Fair Disclosure. The Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995 apply to this call, as some of the statements we will mention today are forward-looking.

We can give no assurance they will prove to be accurate because they are of a prospective nature. The actual results that we produce in the future could differ materially from those we discuss today. I encourage you to read our annual report on Form 10-K for the year ended December 31, 2006, that we filed with the Securities and Exchange Commission on March 1, 2007, and

Jul. 09. 2007 / 9:00AM, AGP - AMERIGROUP Announces the Retirement of Jeffrey L. McWaters as CEO

our quarterly report on Form 10-Q for the quarter ended March 31, 2007, filed with the SEC on May 3 for some of the various risk factors that could materially affect our results.

At this point, I would like to turn the call over to Jeffrey McWaters, our Chairman and CEO. Jeff.

---

**Jeffrey McWaters** - AMERIGROUP - Chairman & CEO

Thank you, Julie, and good morning. As most of you know by this morning's release, I have decided to retire at the end of August as CEO of AMERIGROUP after 13 years of service. I will continue to serve as Chairman of the AMERIGROUP Board of Directors. With AMERIGROUP on solid footing financially, operationally, and with tremendous growth prospects, led by one of the most experienced management teams in our industry, I have decided this is the right time for me to transition this responsibility to Jim.

I believe that each of us wants to have a job in which we are energized to come to work every day and a career in which we can make a difference in the lives of others. I have been blessed to have had both of those opportunities at AMERIGROUP. I am grateful for all that our team of mission-driven associates and investors has been able to accomplish over the past 13 years.

Nevertheless, the issue that we set out to address at the state level in 1994 -- access, quality, and cost containment -- remain the central challenges facing our nation's overall healthcare system. The time is now for those of us in healthcare to take some lessons we've learned in Medicaid and apply them in a broader, more comprehensive way, ensuring access for all Americans.

It is very satisfying that the issue we took on 13 years ago are now becoming part of the national, political and policy dialogue. As a nation, we must address the healthcare in a way that meets our needs today and provides financial security for our children and grandchildren.

We began planning for this transition the day Jim joined AMERIGROUP. As you know, Jim has been at the helm of our company's operations for some time now. We wanted this to be a natural evolution for our company, and it is just that. Therefore, I believe that a brief post-announcement transition is the best approach. I met Jim many years ago we were competitors at commercial health plans in Florida. I saw then that Jim possessed a deep knowledge of the business, the needs of its customers, and the value of competition. But in the past four years, I've witnessed firsthand his sense of mission and the wide range of leadership skills and passion he possesses.

The last four years have been the most successful growth period in our company's history and during this time, Jim and I have worked side-by-side running AMERIGROUP. Jim is a pro and he is well-known by our customers and by Wall Street. Jim and I will work together over the next two months meeting with many of you to ensure that the transition for our investors is also smooth. We have a tremendous management team and you know several of them -- Jim Truess, our CFO; Dick Zoretic, Health Plan Operations; Nancy Grden, Product Development; John Littel, Government Relations; Julie Trudell, IR, among others, and they are enthusiastic about this transition. I know this team will work together successfully in the future for our members and our shareholders.

We are early in our opportunity. AMERIGROUP is still a young company, and the potential to make its greatest impact on our nation's healthcare system lies ahead. Our Board and I are confident that the tested leadership, strong reputation for integrity, and the commitment to our mission that Jim and this team brings will fuel even greater growth and success in the years ahead.

On a personal note, I have loved the opportunity to work with you on Wall Street. It is a noble profession. I thank my family and my God for allowing me this great blessing.

Now let me turn over this call to my respected friend and AMERIGROUP's newest Board member, Jim Carlson. Jim.

Jul. 09. 2007 / 9:00AM, AGP - AMERIGROUP Announces the Retirement of Jeffrey L. McWaters as CEO

**Jim Carlson** - AMERIGROUP - President & COO

Well thank you, Jeff, and good morning. I think many on the call know that without you, our industry would look far different today. It has been an honor to be part of this team and an even greater honor to be entrusted with this additional responsibility.

When Jeff sat down in 1994 to develop a business plan for what would become AMERIGROUP, he genuinely believed he could do something unique. He set out to build a company that would help states improve healthcare for the Medicaid population by providing access to quality health services, and at the same time providing efficiencies for taxpayers.

There were a lot of skeptics then, but the industry that has developed since then serves more than half of all Medicaid recipients in more than half of all the states, and manages billions of dollars and expenditures. Under Jeff's leadership, AMERIGROUP grew from an idea to a successful Fortune 700 company with approximately 1.5 million members as of April 1 in nine states and the District of Columbia, approaching \$4 billion in annualized revenue and 4000 associates.

However you measure success, whether in the savings AMERIGROUP has achieved for taxpayers or, as we prefer, in the tremendous improvement in health outcomes for members, this industry and especially AMERIGROUP has consistently delivered on its promise. What is ahead of us is at least as exciting. AMERIGROUP entered 2007 with a significant new market already secured, additional growth opportunities in the pipeline, and exceptionally strong interest among state governments in addressing the needs of the uninsured.

We believe we are particularly well-positioned to capitalize on these opportunities and to create improved access to care for our members and value for our government's partners and shareholders. I am honored to have been asked to succeed Jeff as AMERIGROUP's next Chief Executive. I am convinced that our opportunities ahead are significant. We have a superbly talented and motivated organization. I believe that the Company's greatest contributions and successes lay ahead of us. I look forward to working with the board, our executive team, and Jeff on this transition.

So with that, we would like to turn the call over to a question-and-answer period. Julie?

**Julie Loftus Trudell** - AMERIGROUP - SVP IR

Before we take questions, I want to remind you that our quarterly earnings call is scheduled for July 26. In today's release, we reiterated our 2007 earnings guidance, which is consistent with that which we reported in the first quarter of 2007. In light of this upcoming call, we will only be able to answer questions this morning related to the transition.

Operator?

## QUESTIONS AND ANSWERS

**Operator**

(OPERATOR INSTRUCTIONS) Your first question will come from the line of Greg Nersessian with Credit Suisse.

**Greg Nersessian** - Credit Suisse - Analyst

Good morning and congratulations, Jeff. I just had a couple of quick questions. The first was just it seems to me that there is a lot still sort of up in the air with the Company with the Georgia rollout still pretty early in its maturity. You've got the Illinois qui

Jul. 09. 2007 / 9:00AM, AGP - AMERIGROUP Announces the Retirement of Jeffrey L. McWaters as CEO

tam issue still not resolved and D.C. out to bid. I guess, Jeff, in your opinion what were sort of the factors that led you to believe that this is the right time to start this transition?

---

**Jeffrey McWaters** - AMERIGROUP - Chairman & CEO

Well, that is a good question. You know, we just have a very solid team in place. You really can't take a snapshot in our company's history and not see a lot of moving parts, especially a large company like this today. I will stay very actively involved in the Tyson litigation and will continue to focus on that, even with Jim and the team here. That is one thing I will be involved with.

But I feel very confident in our operations and our team, and so you kind of have to make a call at some point, and this is a great time I think to do it.

---

**Greg Nersessian** - Credit Suisse - Analyst

Okay. Then, Jim, I guess in terms of filling out your management team, do you have any thoughts on who might replace you in the role as President or Chief Operating Officer in terms of potentially bringing in somebody externally or internally, or what are your thoughts on that front?

---

**Jim Carlson** - AMERIGROUP - President & COO

Well, Greg, we're not planning on making any other changes immediately. I think that one of the things we're very fortunate to have is a lot of seasoned people here have been with one another for quite a long time, and more than half of the senior team already reports directly to me. I am probably in every significant conversation with the rest of them anyhow. So for getting started here, I'm going to have a pretty flat organization of about eight people reporting directly to me, and if we need to make some adjustments later, I think those decisions will be revealed to us.

But as Jeff mentioned, the team of people that we work with here, Dick Zoretic, Julie, Jim, Stan Baldwin, our General Counsel, John Littel, that team I think is extraordinarily talented and deep, and we don't see any significant holes that have to be filled at the moment.

---

**Greg Nersessian** - Credit Suisse - Analyst

Okay, great. Then one last question; in terms of your larger states, perhaps maybe Florida and New York, are there any plans on the states' behalf to put those contracts out to bid at any point in the future? Could you just talk a little bit, Jim, about the relationships that you've been able to build in those states and how confident you feel were those to go out to bid?

---

**John Littel** - AMERIGROUP - EVP Government Relations

Greg, this is John Littel. I don't want you to think that there is a bid coming up in those states outside of the CHIP reprocurement, which will now take place in 2008. Neither of those states -- in Florida -- is a reprocurement state. Those are contract states. So other than what we previously announced, there are no upcoming procurements.

---

**Jim Carlson** - AMERIGROUP - President & COO

The portion of the question dealing with our confidence and relationships, we feel very good about our relationships with the states, and as we enter new markets, it is very common for the states to do blind reference checking with markets in which we

Jul. 09. 2007 / 9:00AM, AGP - AMERIGROUP Announces the Retirement of Jeffrey L. McWaters as CEO

are already doing business. And we're very gratified to hear the kind words that come from our state partners when we're trying to enter new markets, so we feel pretty good about all of that.

---

**Jeffrey McWaters** - AMERIGROUP - Chairman & CEO

Jim has built great relationships with the states. And even beyond that, though, we have these exceedingly strong CEOs and regional executives in these markets that are constantly dealing with our state partners. So we really feel good about our relationships. But thanks, Greg, and look forward to seeing you in the future.

---

**Greg Nersessian** - Credit Suisse - Analyst

Okay, take care. Thank you.

---

**Operator**

Matt Perry, Wachovia.

---

**Matt Perry** - Wachovia - Analyst

I was just wondering if you could maybe give us -- I don't know if you can go into any kind of specifics on the timeline, but when was the transition first discussed at the board level? Does it go all the way back to '03, or was there something that kind of spurred maybe a quickening of the pace of the transition here recently?

---

**Jeffrey McWaters** - AMERIGROUP - Chairman & CEO

It probably went back to '02 when we were recruiting for a president and chief operating officer. We knew that it would make a lot of sense to have that person possess the skills to someday replace me, but it is also good corporate governance, especially for a public company, to have the old kind of red bus theory in place so that if anything happened to the CEO, there is a strong team as well as a strong succession plan.

So our company has been committed to succession planning and I think done a really good job over the years, particularly at the local market level. This is just a continued example of that. So it has been a long process and one that has been very carefully thought through by our Board of Directors. We have a very strong Board of Directors. The process regarding this and their governance roles and responsibilities as always have been taken very, very seriously. And they considered the outside field of players and expertise in making this decision and moving forward with Jim, as well as his great experience.

---

**Matt Perry** - Wachovia - Analyst

I think you know it's in our nature to maybe think about why the timing might have come so close to the second quarter. Why not just wait until second-quarter earnings are announced and then maybe announce it at that time?

---

**Jeffrey McWaters** - AMERIGROUP - Chairman & CEO

Yes. Well, I think a couple, three reasons. None of them are all that concrete, but look, there is no intrigue here. We have our strategic planning processes. We'll have the top 50 officers in the Company here later today for the next two days. In addition to that, we have other external events and meetings and internal meetings, as well as an investor day, I think, what Julie, is it the second or third week?

Jul. 09. 2007 / 9:00AM, AGP - AMERIGROUP Announces the Retirement of Jeffrey L. McWaters as CEO

**Julie Loftus Trudell** - AMERIGROUP - SVP IR

Third week of September.

**Jeffrey McWaters** - AMERIGROUP - Chairman & CEO

Third week of September. So in that Jim and I had been transitioning this process for some time now at a high level and working through for years this day, to drag it out beyond that made no sense. So it really gives Jim an opportunity to lead this strategic planning process, which is our update of our three-year plan, and to really take over the reins of the organization.

You know, I don't think this is an earnings event necessarily. We thought about that, and really it was around me making a decision and moving forward, and so it was more of a personal decision on my part.

**Matt Perry** - Wachovia - Analyst

Again, I don't want to read too much into anything, but can we -- I guess maybe can I get you to talk about how confident you are in choosing this time to leave? Can we read into that any feelings about what has happened in the last few months with the Company?

**Jeffrey McWaters** - AMERIGROUP - Chairman & CEO

Well, again, I think that as I have always said, and I think I have been out with investors a lot lately; Julie and I have at the various meetings and conferences, many of them, Jim Truess as well as Jim Carlson has been at as well. And we said, look, the future is bright for this business. We are in an environment, a political environment where the things are going to move in the direction -- and we're going to keep working for that -- of putting more access to care for larger numbers of Americans. So the global timing of where we are is perfect.

There is no better time because of the operational soundness of our company, the depth of our talent and our team, and so there is really no intrigue here. It's really a personal decision on my part and backed up by a capable organization.

**Matt Perry** - Wachovia - Analyst

Okay, great. Thanks, Jeff. That's all I had.

**Operator**

(OPERATOR INSTRUCTIONS) Brian Wright, Jefferies & Co.

**Brian Wright** - Jefferies & Co. - Analyst

Jeff, in the press release you mentioned that you expect to participate more extensively in the national debate on improving healthcare. Just if you can give us a little more insight into what that may mean.

Jul. 09. 2007 / 9:00AM, AGP - AMERIGROUP Announces the Retirement of Jeffrey L. McWaters as CEO

**Jeffrey McWaters** - AMERIGROUP - Chairman & CEO

Well, again, we continue to work with politicians, political leaders, the political process, the electoral process, etc., as well as think tanks and people who are actually out trying to design healthcare systems for the future. But I guess probably and even more specifically at the state level, where our CEOs and health plan management is very involved with state plans to expand CHIP coverage once the federal government moves forward to deal with the uninsured, etc.

So at a high level, my focus over the next several months will be working in the political context that we find ourselves in, as well as working on the Tyson litigation. So those are the things I'll spend most of my time doing.

---

**Brian Wright** - Jefferies & Co. - Analyst

So no major public policy kind of positions that you're looking to go into or anything like that?

---

**Jeffrey McWaters** - AMERIGROUP - Chairman & CEO

Oh, no, I don't really have any specific plans. I will remain active on the AMERIGROUP board at least through May, our annual meeting. I will continue with this political debate. I'll really support Jim and AMERIGROUP in anything they ask me to do, in anything I can do to help. I'll be there doing it. I'm still a shareholder as well, and just kind of figure out what else I can contribute to in the debate.

---

**Brian Wright** - Jefferies & Co. - Analyst

Okay, thank you.

---

**Operator**

I would now like to turn the call back over to Mr. McWaters for some closing remarks.

---

**Jeffrey McWaters** - AMERIGROUP - Chairman & CEO

Okay, no other questions, operator? No other folks in the queue there?

---

**Operator**

No, sir.

---

**Jeffrey McWaters** - AMERIGROUP - Chairman & CEO

All right, well, great. Listen, you know a quote that I thought about from time to time as we've started this company, I'd like to end it with you. I've thought about it often as we have built this great company. And the quote is -- I don't even know who to attribute it to, but it is "make no small plans for they have no power to move the hearts of men." That is, I think, about what we have been about here.

I appreciate working with all you guys. It has been great and we'll see you in the days ahead. Thank you very much.

Jul. 09. 2007 / 9:00AM, AGP - AMERIGROUP Announces the Retirement of Jeffrey L. McWaters as CEO

**Operator**

Ladies and gentlemen, this does conclude today's teleconference. You may all disconnect.

**DISCLAIMER**

Thomson Financial reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON FINANCIAL OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2007, Thomson Financial. All Rights Reserved.