

NEVER FORGETTING WHY WE'RE HERE.

2010 ANNUAL REPORT



WHAT, EXACTLY,
SHOULD THE
RESPONSIBILITY
OF A HEALTH INSURANCE
COMPANY **BE?**

THERE WAS A TIME, NOT SO LONG AGO, WHEN A PERFECTLY SUFFICIENT ANSWER MIGHT HAVE BEEN: TO INSURE RISK AND PAY CLAIMS.

But in these days of a strained and overburdened health care system, where issues of access and affordability are daily realities, we at The Lifetime Healthcare Companies believe our responsibility should be more than this. We must, wherever possible, prevent claims in the first place.

Taking on this extra level of responsibility makes perfect economic sense, of course. What better way to ensure the health of our business going forward? But in truth, it means a great deal more than that. It is also an opportunity to improve the lives of people in our communities in very real ways.

Behind every claim not made there is a senior who did not fall, a heart attack that did not happen, a person spared a hospital readmission, a drug interaction prevented, someone who never developed diabetes, a life not devastated by a stroke.

What's more, for every doctor who can be helped to work more effectively, for every business that can promote employee health, for every community that has the option to visit an urgent care center instead of an emergency room, for every bit of shared information that can make the system more efficient—more families can continue to enjoy the protection of affordable health insurance.

This responsibility, and all it entails, is our daily business. It defines who we are and what we do. And it drives every one of our subsidiaries. In fact, all we have to do is think of the providers, the businesspeople, and the members who count on us for affordable, dignified access to health care every day.

And when we do, we know why we're here.

THE LIFETIME HEALTHCARE COMPANIES

EXCELLUS BLUECROSS BLUESHIELD

Provides quality health care coverage for members across 31 Upstate New York counties, helps employers control expenses, and works with providers to improve care and encourage best practices.

UNIVERA HEALTHCARE

Covers members across the eight counties of Western New York with a wide array of plans and services, including a comprehensive network of physicians, hospitals, and all major pharmacy chains.

MEDAMERICA

Offers long term care insurance nationally, including Simplicity, the highest-rated long term care insurance product on the market,* to individuals and multi-life groups of all sizes, including Fortune 500 companies and several state employers.

*SellingLTC.com

LIFETIME HEALTH MEDICAL GROUP

Delivers primary care, specialty care, radiology, pharmacy services, laboratory, and urgent care services in the Rochester and Buffalo areas.

LIFETIME CARE HOME HEALTH AND HOSPICE

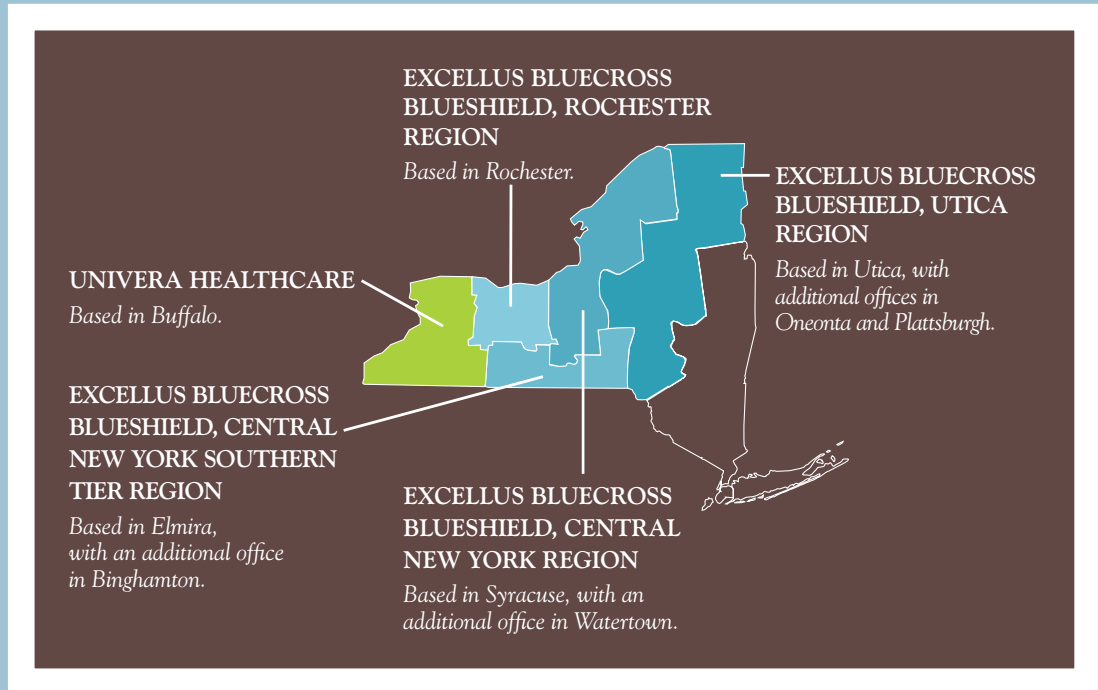
Delivers compassionate, personalized care and education to adults and children who are ill, injured, dying, or grieving.

EBS-RMSCO

Provides employee benefits administration and risk management services, including benefits consulting and administrative support, across the United States.

SUPPORT SERVICES ALLIANCE (SSA)

Enables small business owners to leverage group purchasing and get the advantages of one-source access to a variety of employee benefits programs.





CEO AND CHAIRMAN'S MESSAGE

During the Great Depression of the 1930s, Upstate New York communities were among the first in the nation to establish a local mechanism to protect the health of local citizens. In 1935, Blue Cross of Rochester became one of the first 10 health plans in the country. With the creation of a Syracuse-based Blue Cross plan in 1936 and Blue Cross of Utica in 1937, the roots of our current community-based health plan were firmly established. In 2001, we added health coverage in Western New York through Univera Healthcare.

Through our 75-year history, we have grown and evolved into what has become The Lifetime Healthcare Companies. In addition to our core business of health insurance, we also provide other health-related services such as home care, hospice, medical care, nursing, benefits consulting, and long term care insurance through a family of subsidiary companies.

The title of this year's annual report, "Never Forgetting Why We're Here," reflects our long-standing commitment to our community-focused mission. We exist to assure that as many people as possible have affordable, dignified access to needed, effective health care services, including long term care.

In some respects, the challenges facing today's health care system are similar to those of the 1930s. Our nation is again struggling to recover from a flagging economy and high unemployment. But today's health care is much different than the health care of the past. It is more sophisticated and expensive. New drugs and medical technologies continue to be introduced at an accelerated pace, while an aging baby-boom generation is driving an increased demand for those services. Medical advances have improved our quality of life and life expectancy, but they have come with a high price tag.

The increasing cost and use of medical services will be a major concern for years to come. That's why it's vital to address health care needs at the local level. For example, we're supporting regional health information organizations, local pay-for-performance programs, and regional primary care medical home initiatives. In addition:

- We've created products with financial incentives that encourage people to become healthier, and we provide the tools and resources people need to reach their personal health goals;
- We provide large employers with data regarding specific opportunities to improve the health of their employees and we offer workplace wellness programs to support their efforts to reduce their companies' health care expenses;
- We've created web-based resources to help providers, employers, brokers, and subscribers understand what the national health care reform act means for them, and what they need to do to comply with its requirements; and
- We've made substantial improvements in our operating systems to improve the efficiency, accuracy, and cost-effectiveness of the services we provide for our customers and for our health care partners.

Much has changed during the past 75 years, but one thing remains the same: The Lifetime Healthcare Companies' commitment to serving the health care needs of Upstate New York. We will never forget why we're here.



DAVID H. KLEIN
President and
Chief Executive Officer
(above)

RANDALL L. CLARK
Chairman
(top left)



WHEN IT COMES TO PUBLIC HEALTH WE WON'T SETTLE FOR STATUS QUO.

What does it take—really take—to get people off the couch and living healthier? No small question when you consider that major illnesses such as heart disease, diabetes, and cancer—those causing the greatest toll on people and on the health care system—can often be prevented.

The answer won't surprise anyone who ever clipped a coupon or turned down a thermostat. Research confirms that money is a

powerful incentive for encouraging healthy behavior changes.

This finding was the inspiration behind HealthyRewards® and ActiveRewards®, our online programs that let members earn up to \$1,000 per family for doing healthy things.* That's a lot of money and a lot of motivation—and it's working. Participation has grown each year since its launch, and in 2010 nearly 55,000 individuals enrolled. This means many more people in our



communities are thinking about their health, adopting new behaviors, getting the preventive care they need and monitoring their progress.

Financial incentives are just one way we're encouraging better health. We also offer Step Up and Take Steps, free fitness and nutrition programs; Quit for Life[®], a smoking cessation program; Healthwise[®] Knowledgebase, 6,000-plus online health topics

available to all in the community; and disease management programs that help members better manage chronic health conditions.

At The Lifetime Healthcare Companies, we'll do whatever it takes to provide the personal incentives, financial and otherwise, that encourage people to be healthier. And we won't stop trying until we get there.

*Earning up to \$500 individually, or a combined \$1,000, cash back applies to a subscriber and an eligible adult member.

A black leather wallet is shown open, lying on a dark wood-grain surface. The wallet is overflowing with a large stack of US dollar bills, including a prominent \$100 bill. Several documents and receipts are also visible, some with green and blue markings. The lighting is dramatic, highlighting the texture of the leather and the edges of the money.

**WE WORK
DILIGENTLY
TO CONTROL COSTS**

BUT WILL NEVER SACRIFICE QUALITY OF CARE.

Based on a recent apples-to-apples benefit comparison, the insurance premiums of Excellus BlueCross BlueShield were found to be 42 percent less than the national average.* Yet at the same time, our area has consistently been recognized by sources statewide and nationally for the quality of its health care.

The truth is, our cost-efficiencies haven't been achieved in spite of quality—but *because* of it.

Consider the Rochester Medical Home Care Initiative. Launched in 2009, this three-year pilot covers the cost of hiring integrated care managers to work directly with 21 primary care physicians. The idea is to reduce gaps in care, help patients manage chronic illness, and provide outreach to reduce emergency room (ER) utilization and hospital readmissions. Plus, doctors are freed to spend more time practicing medicine. For these reasons, we believe this pilot has the potential to change the way primary care is delivered in the future.

Another great example is SafeRx, a voluntary program that FLRx (our pharmacy benefits management division) offers to members taking multiple medications. A clinical pharmacist goes through each member's prescriptions line by line, recommending less expensive generic alternatives, checking for interactions and side effects, even taking the person off unnecessary drugs altogether. With average savings of \$250 per year, SafeRx can mean the difference between a person affording their medications—or not.

Then there is our range of initiatives called Partnering to Achieve Quality, all aimed at helping physicians make improvements in preventive health and chronic disease care. The most notable of these efforts is the Performance Improvement Coaching Program, which helps doctors make systemic, office-based quality improvements.

Keeping care affordable, and improving the quality of that care—that's fulfilling two key, and inseparable, responsibilities at once.

*Milliman Group Survey, 2010.



BETTER DATA.

WE'RE DETERMINED
TO PROVIDE IT.



If you can't measure it, as they say, you can't manage it. And the need for data-driven management is nowhere greater than in health care, which for most businesses is the second largest expense after salaries.

Fortunately, our Client Consulting Group is now leading the industry in providing big-picture, real-time, actionable spending data to our mid- to large-size employer groups. In fact, 2010 was the blowout year for providing a level of data reporting that could only be imagined a few years before.

The main tool, Information Connection, is a web portal packed with reports and features, including a dashboard that displays eight top metrics. These allow employers to easily track utilization trends and compare them to benchmarks, identify chronic medical conditions within their population and take a look at the cause and effect behind high-cost claimants.

Working with our personal information consultants, employers can then create health management programs that target the employee segment, or revise their benefit design to incent healthier behavior. And begin to bring costs under control.

What kind of results will this new system deliver? Consider what one large employer experienced shortly after implementation. Data indicated that there were 466 women past the age of 40 who hadn't had a mammogram within the last 12 months. The company created a targeted mailing as a reminder to these employees. Within a few months, 63 stepped up and got mammograms. One woman who received the mailing was diagnosed with breast cancer and began immediate treatment.

Yes, data reporting clearly has the potential to control costs. But more than this, to even save lives.



BEING THERE FOR CUSTOMERS EVERY WAY WE CAN.

Our customer satisfaction advocates have their work cut out for them. All day long, they talk to members, providers and brokers who are unclear about benefits, or puzzled by a claim status, or confused about health care reform, or any one of dozens of other issues.

Yet despite all this complexity, we're determined to prove to each person that we value their business, care about them as individuals—and, of course, want to help solve their problem. So in 2010 we implemented changes to make our customer service better and more efficient than ever.

We replaced our code-driven service screens with ones featuring pull-down menus. After all, the faster we can navigate our systems to support a caller's issue, the better for everyone.

In addition, we extended the Information Technology (IT) Voice of Our Customer initiative. This program provides each of the nearly 400 people in IT direct exposure to the needs or issues of our customers through listening experiences such as live member calls or in-house provider sessions. This candid contact has netted scores of ideas, including the formation of a SWAT team to improve system response time and heightened focus on improving the customer experience.

Thanks to these efforts, member and provider satisfaction increased significantly in 2010. In addition, first call resolution—solving the caller issue correctly and completely the first time—was up, which is crucial for a lasting improvement in wait times. Continued focus should ensure that these positive trends continue.

A dimly lit room with a window, a fan, and a chair. The room is dark, with light coming from a window on the right. A large black fan is in the foreground. A chair is visible on the left. The text is overlaid on the left side of the image.

DOING WHAT IT TAKES TO

KEEP SENIORS ON THEIR FEET.

Each year, nearly 15,000 older Upstate New York adults are hospitalized due to fall-related injuries. In addition to the toll in human suffering and loss of independence, annual health care costs average \$370 million. And this problem is expected to grow even larger as the baby-boom generation continues to age.

Yet many, if not most, of these injuries are avoidable. Which is why Excellus BlueCross BlueShield is piloting Get In Step, a multifaceted fall prevention program. It includes a home evaluation to remove walking hazards, a medication review to adjust levels of drugs that may contribute to falling, preventive hearing and eye exams, and an exercise program that can greatly improve muscle strength and balance.



Since a good predictor of future falls is a previous one, Get In Step targets older adults who have visited the hospital or emergency room as the result of a fall. To reach even more seniors, Lifetime Care Home Health and Hospice screens all of the patients that are admitted to home care services as well as people identified as high risk by Excellus BCBS. Those members are then referred to

Get In Step. Because Lifetime screens more than 17,000 patients annually, this adds significantly to the level of protection being extended to the community.

Truth is, of all the ways we're working to fulfill our responsibilities, none makes us prouder than going further to help seniors in need.



HEALTH CARE REFORM.
**WE WILL NOT
LEAVE STAKEHOLDERS
IN THE DARK.**

On March 23, 2010, when President Obama signed the Patient Protection and Affordable Care Act into law, at about 300,000 words its sheer size and scope brought a lot of questions to our stakeholders—businesses, brokers, providers and members alike.

At The Lifetime Healthcare Companies it is our responsibility to review the provisions and to understand the impact to our business. But from the beginning, we also made the commitment to become a leading source of information and guidance on health care reform on behalf of our stakeholders.

We began with a series of cross-functional meetings, pulling in experts throughout our companies to decipher the provisions, sort through the implications, pull out salient points, and create strategies and timelines. Since April 2010, we have sent out 20 e-newsletters to brokers and providers and letters to more than 25,000 employer groups. We have followed up with educational sessions, fact sheets, fax blasts, and the launch of excellusbcbcs.com/healthreform and univerahealthcare.com/healthreform.

These websites are the centerpiece of our efforts and contain sections devoted to the specific needs of businesses, providers and members. We take each provision, interpret it for each group and create custom updates, reminders and checklists. A recent analysis of other health plan websites found that ours are by far the most in-depth. Indeed, brokers and salespeople have dubbed them the go-to information resource on health care reform. By year-end, the sites recorded 11,327 unique visitors.

For providers, health care reform communications also takes on a more direct form through our provider relations staff, including face-to-face meetings and seminars on pertinent topics. What's more, our senior leadership team communicates directly with key physician leaders on health care reform.

But then, easing the transition to health care reform is a promise we are determined to keep in every way we can.

EXCELLUS BLUECROSS BLUESHIELD

CONNECTING MEMBERS TO INFORMATION IN WAYS NEVER DONE BEFORE.

Kim Parker is HR manager at The Raymond Corporation, an electric lift truck manufacturer in Greene, NY. Says Kim, "The biggest opportunity I see for our employees is to get them engaged in wellness. And a cash incentive doesn't hurt. With HealthyRewards®, a family can earn up to \$1,000 cash back." Excellus BCBS is pleased to partner with businesspeople like Kim to help employees be healthier.



Excellus BlueCross BlueShield provides quality health care coverage products, ranging from the popular and family-friendly benefits of *HealthyBlue*® and the ease and affordability of *SimplyBlue*™.

In 2010, we added a range of self-service features to our website (excellusbcbs.com) that give members an unprecedented overview of their benefits status. Members can now quickly see which services are covered, check claims, view out-of-pocket totals, and much more.

And to be sure that this information is easy to understand, the website upgrades were tested with our own employees before being rolled out to members.

In addition to online communications, members with *HealthyBlue*® and *SimplyBlue*™ now receive detailed health summaries through the mail every month.

All of these improvements will allow us to operate more efficiently by reducing the need for customer service calls. But more than this, they will empower members to make better health decisions. And because of solid membership growth in 2010, we have a lot more members to empower.

UNIVERA HEALTHCARE

FINDING WAYS TO ACHIEVE EXTRAORDINARY HEALTH RESULTS.



Joe Boos works at Modern Corporation where he attended a health screening. "When I first got my testing, my cholesterol was high, my sugar was high, my blood pressure was high," says Joe. He then enrolled in a work-sponsored nutrition program and lost 35 pounds. "I chose to take the course because at this point in my life I finally made the decision that I need to do something."

Univera Healthcare covers members across the eight counties of Western New York with a wide array of plans like family-friendly *ActiveUnivera*® with cash back incentives and the affordable and flexible *SimplyUnivera*™.

One of our clients is Modern Corporation, an innovative recycling and disposal services company in Lewiston, NY. They wanted to nip rising health care costs in the bud and knew that typical workplace health fairs are often attended by only the healthiest employees. So they worked with us and added financial incentives into their health plan to encourage participation.

Sure enough, nearly everyone attended. Modern discovered that a segment of their workforce had high cholesterol and high blood pressure, and several people were diagnosed with diabetes.

Next, a registered dietitian was hired to work one-on-one with employees. After just 16 weeks, 85 percent of the participants had lowered their cholesterol and blood pressure with lifestyle changes alone, no prescriptions necessary.

These are the kinds of wins that Univera Healthcare works hard to achieve on behalf of our clients and members. Which could be one reason why our membership grew 26 percent in 2010.

MEDAMERICA

DOING MORE TO MEET THE NEED FOR LONG TERM CARE INSURANCE.

Peter S. Gelbwaks is Chairman of Gelbwaks Executive Marketing Corp., which sells long term care insurance. "MedAmerica is one of the few companies that really understands how people think," says Peter. "When someone is disabled and needs help, they need the least amount of headaches. MedAmerica lets them have the cash to use as they choose." MedAmerica, not surprisingly, saw sales grow 20 percent in 2010.



MedAmerica offers market-leading long term care insurance products to a large variety of companies and individuals nationally.

Long term care helps people meet health or personal needs during a chronic illness or disability. Without it, people tend to spend down their assets and rely on Medicaid, which greatly restricts the quality of care they can receive. Often, they end up depending on family, and this becomes a burden for all.

What can be done to make long term care insurance more accessible? In 2010, MedAmerica developed a new product—FlexCare. It's designed with a range of options that allow clients to hit a price point they can afford today. For example, there are nine inflation riders to choose from.

FlexCare is taking its place alongside our flagship product, Simplicity. In fact, the two are designed to work in tandem, so there can be a solution for everyone seeking the protection of long term care insurance.

LIFETIME HEALTH MEDICAL GROUP

GOING ABOVE AND BEYOND TO COORDINATE CARE.



Jacqueline Schweinsburg, who grew up speaking French, is seen here with her Lifetime Health Medical Group physician. Says daughter Aline Rink, "Dr. Martha David is one of the best doctors my mother ever had. The kind receptionist Donna can speak French! Even Sheila who took my mother's blood has a big red heart." We appreciate Aline's words. And believe that when a team is committed to patient-centric care, it shows.

Lifetime Health Medical Group provides primary care for nearly 80,000 patients in the Buffalo and Rochester regions. The group also provides specialty, pharmacy, and urgent care services to our communities.

In 2010, all of Lifetime Health's practices were recognized by NCQA as Level 1 Patient-Centered Medical Homes. In this model, the primary care office acts as the "home base" to coordinate all of the care that a patient is receiving—whether it's from specialists, pharmacists, therapists, or the primary care office itself.

This means that our physician-led teams work with patients to close gaps in care and target key care opportunities that help prevent illness and control costs.

Also in 2010, Urgent Care by Lifetime Health continued to thrive, with 3,000 more visits than the year before. Our newest location opened in Hamburg in June. These facilities help reduce inappropriate emergency room visits and their higher costs.

LIFETIME CARE HOME HEALTH AND HOSPICE ON THE FRONT LINES TO KEEP PEOPLE OUT OF THE HOSPITAL.

Ellen Clarkson, LMSW, is a Care Transitions CoachSM. She meets with patients in the hospital who are about to be discharged, then follows up in their homes and on the phone. Ellen says, "My goal is to educate people and empower them to be more active in their medical care so they can keep themselves from ever needing to go back to the hospital."



Lifetime Care Home Health and Hospice is devoted to providing peace of mind through compassionate and personalized care with a wide array of home care services.

So, when the Finger Lakes Health Systems Agency made reducing rehospitalization rates one of its primary goals, Excellus BlueCross BlueShield jumped right in, and enlisted the aid of Lifetime Care Home Health and Hospice to put the plan into action.

To date, Lifetime Care has trained and fielded six Care Transitions CoachesSM. Through personal visits and follow-

ups, they teach at-risk patients how to use medications, to be alert for signs that their condition is worsening, to keep a personal health record, and to schedule follow-ups with their doctor.

This program has great potential to keep many people from re-entering the hospital and to lower medical costs. It's another way we're working to make health care and support services available to all individuals and families who need healing at any stage of life or level of wellness.

EBS-RMSCO

GOING ALL OUT TO DELIVER SUPERIOR POPULATION HEALTH MANAGEMENT.



Katie Bianham, RN, follows up with employees when we detect gaps in care. In one case, she sent nine reminders to a member to get a colonoscopy. He and a few other coworkers that Katie had also reminded finally decided to have the procedure and throw a "healthy colon" party after. There was plenty of reason to celebrate—"Doctors had found polyps in three out of four of them."

EBS-RMSCO provides employee benefits administration and risk management solutions to employee benefit programs across the United States. In 2010, we added the UFCW Local One Health Care Fund and Tops Markets as clients.

One important service we offer is Steps to Success, a leading-edge population health management program. Through health risk assessments, on-site biometric testing, and 24/7 access to assistance, employees are encouraged to make healthy lifestyle changes.

We also employ advanced data mining techniques that provide aggregate employee health information to our clients. One is Verisk Health, an analytical tool that combs through claims history and alerts employers to gaps in care so they can take appropriate action.

In addition to these kinds of services, EBS-RMSCO provides personal lines, property, and casualty insurance. Our sister company, the Walker Group, is a large wholesaler of these products, specializing in solutions for special and unique risks.

SUPPORT SERVICES ALLIANCE (SSA)
**GETTING THE WORD OUT
LOUD AND CLEAR
ABOUT HEALTH AND WELLNESS.**

As a graphic artist at SSA, Michelle Alford plays a key role in creating communications that we send to members to encourage better health. Says Michelle, "We're committed to helping our members and love to promote better choices. When you're healthier you feel better and more productive, which is better for you and your company." Michelle practices what she preaches, working out regularly and maintaining a healthy diet.



Support Services Alliance (SSA) is a membership company devoted to the needs of small businesses across Upstate New York. We offer a wide variety of services, including payroll, HSAs, HRAs, flexible spending accounts and COBRA. What's more, we go above and beyond by taking an active role in the health of our members.

To this end, we publish *Focus*, a magazine mailed bimonthly to all 6,300 of our member companies, and *Extensions on Better*

Living, sent quarterly to 7,800 employees with insurance. We also produce a range of wellness brochures that members can request through our website. All of these publications are packed with healthy tips, recipes, and more.

In 2010, SSA became a Master General Agent for Excellus BlueCross BlueShield. All producers/brokers with less than 100 contracts now work through us, and we're excited about this major addition to our business.

SELECTED FINANCIAL INFORMATION

EXCELLUS HEALTH PLAN, INC.
STATEMENTS OF ADMITTED ASSETS, LIABILITIES, AND
RESERVE AND UNASSIGNED FUNDS—STATUTORY BASIS

(amounts in thousands)
As of December 31, 2010 and 2009

	2010	2009
ADMITTED ASSETS:		
Cash and cash equivalents	\$ 88,028	\$ (6,215)
Investments	1,675,810	1,598,832
Accounts receivable:		
Premiums	161,493	175,930
Health care	345,707	331,912
Due from parent, subsidiaries, and affiliates	4,984	3,074
Interest	7,805	7,751
Other	1,218	1,222
Total accounts receivable	521,207	519,889
Real estate and equipment—net	43,340	45,604
Deferred tax assets	52,458	42,316
Total admitted assets	\$ 2,380,843	\$ 2,200,426
LIABILITIES, RESERVE AND UNASSIGNED FUNDS:		
Claims payable	\$ 566,205	\$ 545,401
Unearned premiums and policy reserves	159,109	128,651
Accounts payable and other liabilities	320,312	292,285
Due to parent and affiliates	221	537
Pension and postretirement benefits obligations	239,825	262,999
Debt	5,500	5,500
Total liabilities	1,291,172	1,235,373
RESERVE AND UNASSIGNED FUNDS:		
Statutory reserve	646,803	611,017
Unassigned funds	442,868	354,036
Total reserve and unassigned funds	1,089,671	965,053
Total liabilities, reserve and unassigned funds	\$ 2,380,843	\$ 2,200,426

EXCELLUS HEALTH PLAN, INC.
STATEMENTS OF INCOME—STATUTORY BASIS

(amounts in thousands)
For the years ended December 31, 2010 and 2009

	2010	2009
Premiums earned	\$ 5,172,151	\$ 4,892,916
Claims expense	4,560,649	4,331,394
Premiums earned over claims expense	611,502	561,522
Operating expenses	578,531	568,103
Underwriting gain (loss)	32,971	(6,581)
Interest expense	571	546
Investment income:		
Interest and dividends earned—net of investment expenses	38,938	44,359
Realized gain on investments—net	30,261	31,027
Total investment income	69,199	75,386
Other expense	(33,064)	(8)
Income before income taxes	68,535	68,251
Income taxes	24,084	21,685
Net income	\$ 44,451	\$ 46,566

THE LIFETIME HEALTHCARE COMPANIES

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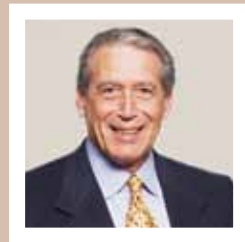
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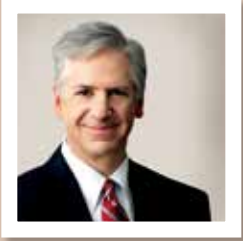
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