

SUMMARY OF TESTIMONY OF LARRY C. GLASSCOCK

I will provide an overview of Anthem Blue Cross and Blue Shield, and address recent trends in the health benefits industry, our operating philosophy, the delivery of health care benefits to Anthem customers, and shareholder value.

History of Anthem Blue Cross and Blue Shield

Anthem Blue Cross and Blue Shield is the result of eight independent Blue Cross and Blue Shield Plans choosing to come together to form one, strong Blue Cross and Blue Shield Plan. We trace our commitment to the principles of the Blue Cross and Blue Shield system back nearly 60 years to our founding as Blue Cross of Indiana in 1944.

In the mid-1990s, our company realized that it could better serve its customers by joining with the Blue Plans in Kentucky and Ohio. Over the years, other Blue Plans in Colorado, Nevada, Connecticut, New Hampshire and Maine joined the Anthem family. Today we provide health insurance coverage to nearly 8 million Americans.

Trends in the Health Benefits Industry

The health benefits industry has experienced dramatic changes in the past several years. One of the most dramatic has been the significant consolidation within the industry, creating companies that are larger and better capitalized than in the past. Blue Cross and Blue Shield-licensed companies have been part of this consolidation trend.

Prior to the mid-1980s, there were more than 125 separate Blue Cross or Blue Shield companies serving only one state or a portion of a state. Many of these companies have merged or combined, reducing the number of independent Blue Cross and Blue Shield licensees to 44 as of today. Since we announced our proposed affiliation with Blue Cross and Blue Shield of Kansas, four more Blue Plans (Missouri, Maryland, District of Columbia and Delaware) have announced plans to consolidate with another company. We expect this trend to continue, with health benefits companies merging or affiliating with others to address growing capital needs and other competitive pressures.

Operating Philosophy

Anthem's operating philosophy is to "improve the health of the people we serve." Our company works to bring quality and efficiency to the delivery of care to our customers. In addition, we have four strategic objectives: to meet or exceed the performance characteristics of our best competitors, to achieve the necessary scale and market share to compete effectively, to achieve a competitive edge by creating product value and to be the "employer of choice" within our industry.

In pursuing these objectives, Anthem has achieved, among others, the following:

- Recognition as one of Fortune magazine's 10 most admired health care companies in America.
- Leadership role in the Coalition for Affordable Quality Healthcare.
- Recognition by Information Week magazine for excellent performance in the area of information technology.
- Recipient of five out of 16 Brand Excellence Awards presented by the Blue Cross and Blue Shield Association.
- Recipient of a top national honor from the National Health Care Congress and Wyeth-Ayerst for an HIV testing initiative among pregnant members.
- Accreditation at the highest level of Anthem health plans in Connecticut, New Hampshire and Maine from the National Committee on Quality Assurance, the nation's most respected managed care accrediting agency.

Delivery of Health Benefits

Anthem Blue Cross and Blue Shield believes very strongly that health care is a local activity. For such key processes as developing the network of physicians and hospitals, working with the medical community to improve quality medical and case management, and providing service to physicians and hospitals, decisions will be made in Kansas by Kansas medical directors and staff.

Product design, network composition, provider reimbursement rates, premium levels, application of medical policy, whether to participate in a line of business, and other decisions that affect the health care delivered to our customers are determined on a local level or in a collaborative effort with regional associates.

In addition, Anthem Blue Cross and Blue Shield will establish a local advisory board comprised of Kansas customers and residents. A proportionate number of Kansas residents will serve on a regional advisory board that will contribute to the oversight and development of Anthem's West region. Anthem Blue Cross and Blue Shield will also continue the hospital, medical and dental advisory committees of Blue Cross and Blue Shield of Kansas to preserve the ability of providers to communicate directly with the health plan management team.

Shareholder Value

A stock company's best approach to satisfying its stockholders is to first satisfy its customers. Shareholders want to invest in companies that are strong and growing. In the health insurance business, a company cannot succeed without consistently meeting the expectation of its customers. If we provide good service and good products at the right price, we will be successful with our customers and with our shareholders.