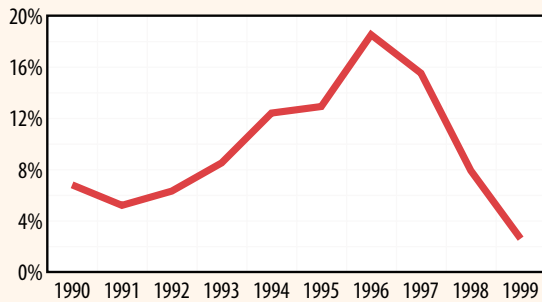


MANAGED CARE OUTLOOK

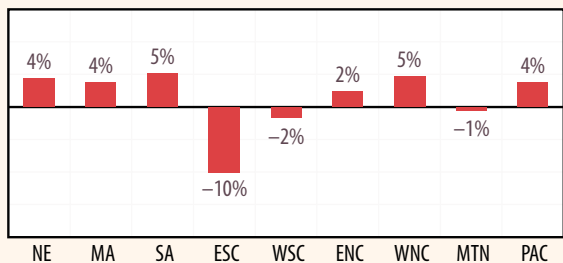
HMO growth rate near flat

By mid-1999, the HMO-enrollment growth rate had hit its lowest level of the decade — 2.6 percent from July 1, 1998 to June 30, 1999. A closer analysis may be even more troubling for HMOs: From Jan. 1 to June 30, 1999, total enrollment actually dropped for the first time, by 0.6 percent. After peaking at 81.5 million members by the end of 1998, HMOs lost more than half a million enrollees during the first six months of 1999 — a time when many plans raised premiums to cover operating losses. The figures suggest an industry that has moved well beyond the growth phase into consolidation, and that is struggling to define itself as it matures.

HMO enrollment growth rates, 1990-99
12-month periods ending June 30

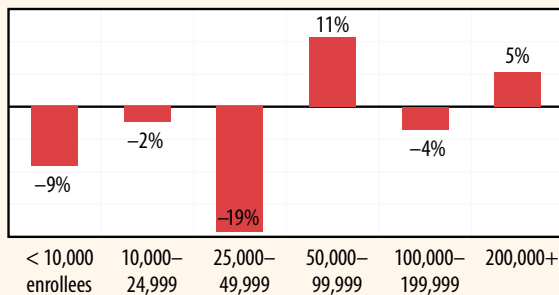


HMOs remain popular on the coasts
Enrollment growth or loss by region

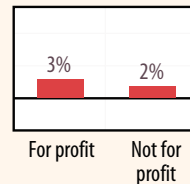


- NE Northeast States
- MA Mid-Atlantic
- SA South Atlantic
- ESC East South Central
- WSC West South Central
- ENC East North Central
- WNC West North Central
- MTN Mountain
- PAC Pacific

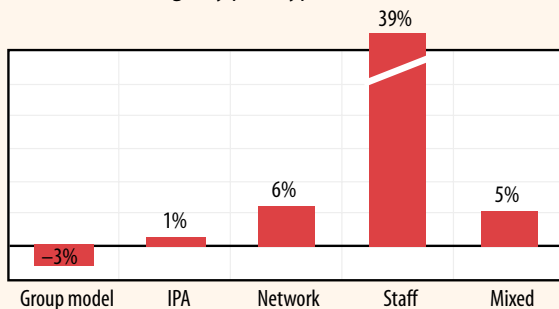
1998-99: The big get bigger
Enrollment growth or loss by plan size



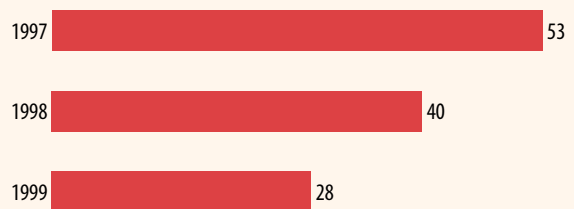
Not-for-profit plans lose ground
Enrollment growth by tax status



Plans become less distinct
Enrollment change, by plan type



The number of new plans levels off
Plans established in the 12 months prior to June 1 of years denoted



SOURCE: HMO INDUSTRY REPORT 10.1, INTERSTUDY PUBLICATIONS, BLOOMINGTON, MINN., 2000