Arrangement with Arkansas
Blue Cross and Blue Shield

In a key strategic move that would result in an increasing array of products and services to offer your clients, Blue Cross and Blue Shield of Florida (BCBSF) and Arkansas Blue Cross and Blue Shield (ABCBS) are pleased to announce a proposed arrangement to combine the two companies’ respective life and specialty product subsidiaries.

Under the proposed arrangement, the two parent companies would create, and have equal ownership in, a holding company that would oversee life and specialty products currently managed through the two plans. The combination calls for BCBSF to consolidate its life insurance products in USable Life, a subsidiary of ABCBS located in Little Rock, Arkansas. In turn, specialty products such as dental, long-term care, workers’ compensation, and pre-tax currently marketed by ABCBS would be consolidated to either Florida Combined Life or a new subsidiary based in Jacksonville. This alliance does not include or impact any health products.

Through a strategic evaluation process, we considered the strongest capabilities and business synergies from our customers’ perspective and aligned our businesses accordingly. With our complementary products and capabilities, we believe we will be able to offer an even greater array of choices to our customers.

Our sales partners should continue to sell our products and operate under a “business as usual” approach. It is expected that over time, this affiliation of life and specialty products will lead to additional competitive and value-added product offerings. There will be no immediate change to our compensation or incentive programs.

If you receive inquiries from our customers, please reassure them they will continue to receive the same level of service they have experienced in the past. From our customers’ perspective, the transition will be seamless and “business as usual.”

We will continue to communicate new information as it becomes available, and we appreciate your support for this exciting new alliance.

Please contact your Blue Cross and Blue Shield of Florida representative if you have any questions.
BlueOptions Update

BlueOptions Q&A

Are members transitioning to BlueOptions given deductible credit?
Members transitioning to BlueOptions are given credit for the satisfaction or partial satisfaction of any Calendar Year Deductible and Coinsurance Calendar Year Maximums met under a prior group, blanket, or franchise insurance policy maintained by the Group if the Group Master Policy replaces such a policy. This provision only applies if the prior group, blanket, or franchise insurance policy coverage purchased by the group was in effect immediately preceding the effective date of the group. This provision only applies to the initial calendar year of coverage under the Group Master Policy.

If immediately before the effective date of the group, a BlueOptions member is covered under a BCBSF group policy with that group, amounts applied to the Calendar Year Deductible benefit maximums and lifetime maximums under the prior BCBSF policy will be applied to Calendar Year Benefit Maximums and Lifetime Maximums under their plan.

Examples of how a deductible credit is applied:

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<tr>
<th>If . . .</th>
<th>Then . . .</th>
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<tr>
<td>An individual and covered dependents are transitioning to BlueOptions from another health carrier's group policy.</td>
<td>BCBSF will give credit for Calendar Year Deductible met during the current calendar year. Note: Some carriers may only provide BCBSF with the amounts met during the 90 day period immediately preceding the groups new effective date with BlueOptions. Only the amounts provided by the prior carrier will be credited.</td>
</tr>
<tr>
<td>An individual and covered dependents are transitioning to BlueOptions from another BCBSF non-HMO group policy.</td>
<td>BCBSF will give credit for Calendar Year Deductible met during the current calendar year.</td>
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Does the 4th quarter carry-over deductible apply to BlueOptions groups?
The existing BlueOptions plans do not have a 4th quarter carry-over deductible provision.

County Expansion
BlueOptions will also be available in Putnam County for large and small groups with an August 1, 2004 or later effective date. Rates can be requested beginning July 9, 2004.

Physician Services in NetworkBlue Hospitals
All covered physician services rendered in NetworkBlue hospitals will be reimbursed at the in-network benefit level under BlueOptions. BlueOptions members are also protected from balance billing when a physician who renders services is participating in either NetworkBlue or the Traditional Network. These two benefits of the BlueOptions product combine to provide broad coverage and protection for our members.

BCBSF continues to expand its contracts with Hospital-Based Physicians at NetworkBlue hospitals and approximately 19 additional Hospital-Based Physician Group Practices have recently been added to NetworkBlue. We have also initiated an effort to identify, target, and contract with other physicians that frequently treat our members in a hospital location (e.g. an on-call cardiologist occasionally treating patients in the Emergency Room).

Our dedicated BlueOptions Customer Service area is also available to assist members who may be balanced billed by a non-NetworkBlue, non-Traditional Network physician who renders services in a NetworkBlue hospital.
Dental Insurance from Florida Combined Life

For consumers, dental insurance is second only to health insurance as their most desired benefit.

Through BCBSF’s subsidiary, Florida Combined Life Insurance Company, Inc. (FCL), you have an array of dental plans to offer your clients, including BlueDental Care, our prepaid group and individual programs; BlueDental Choice, a family of PPO plans; and BlueDental Freedom, a traditional indemnity plan.

BlueDental Care is a prepaid dental program that allows members to choose a general dentist from a select network and receive full benefits. Our prepaid plans emphasize prevention, with low copayments for most services. There are no claims forms, no pre-existing condition limitations and no benefit maximums. We offer three group plans and a low-cost individual program for your clients without access to group dental coverage.

Our BlueDental Choice PPO products include a traditional PPO that offers in and out-of-network benefits based on negotiated fee schedules; the “Plus” plan that offers in-network benefits based on negotiated fee schedules and out-of-network benefits based on a selection of usual customary reasonable percentiles; and a lower cost PPO Copay Plan with in-network copayments and out-of-network benefits based on coinsurance percentile. We also offer a variety of community-rated PPO plans for 10-50 groups that are easy to quote - no waiting for a proposal. Our traditional PPO and Plus plans offer a network of over 3,200 dentists, among the largest in Florida and the Copay Plan offers a network of over 1,300 dentists.

The BlueDental Freedom product is designed to give members complete flexibility in choosing a dentist. There are never any network restrictions – members go to the dentist of their choice. We pay a coinsurance portion based on the actual charge or the maximum allowable fee, whichever is less.

For more information on FCL dental plans, please contact your sales representative.

Service Enhancements for our Sales Partners

Agents and brokers have played a significant role in our company’s success. As we evolve, we know our channel partners will continue to be an important part of our strength and stability. In order to improve our relationships with you, we are implementing many new products, services and capabilities. Among those is a comprehensive channel service model (CSM) to help serve you better.

Under this model, you will be able to access service when you need it, and by whatever method you choose – phone, Web or regular mail. The primary goal is to resolve your issues on your first contact with BCBSF.

Currently, the responsibility of servicing our channel partners is spread across multiple areas. As we move forward, a team leader will be accountable for ensuring that you receive personal attention and that team members resolve issues more quickly, accurately and efficiently. Consolidating your service into one centralized area will make us quicker, more responsive and more effective.

There are three types of channel advocates:

• Tier 1 representatives handle regular service questions
• Specialists respond to specific questions that require expertise (i.e. commissions, products); and
• Preferred representatives develop personal relationships with designated partners.

During the next few years, we will be implementing many changes that will make it easier for you to do business with us. We are pleased to begin introducing to you new products, services and capabilities, and we look forward to continuing to strengthen our relationship with you.

BCBSF Annual Report

The 2003 Blue Cross and Blue Shield of Florida Annual Report is available. If you would like a copy, please call 904-905-6122 and follow the automated instructions. The report also is posted on our website at www.bcbsfl.com. Click on Our Company & Your Health, then select Our Company and finally select Annual Report.
Provider Relations’ Service Strategy Enhancement

Last month we described one of BCBSF’s efforts to reduce claim errors and denials for your clients – a unique and innovative service approach for our participating physicians and providers. We expanded our field force to include nearly 100 Physician/Provider Relations Specialists (PRS). PRS will provide on-site training to provider staff on our business processes and use of electronic capabilities, as well as share information about new products, benefit changes, billing and coding updates, and more.

As part of the Provider Relations’ Service Strategy, we’re establishing Provider Focus Groups in five Florida cities. The groups, which will meet quarterly, give our staff the opportunity to obtain feedback from providers. Representatives will include office managers or practice administrators and a designee from ten of the larger or politically active provider sites. Each focus group will meet with 20 provider representatives.

Address Change for Submission of Access Authorization Forms

BCBSF has formed a unit to streamline requests for loading Access Authorization forms. Under HIPAA, an Access Authorization form is required when a member wants to allow family members, friends or others to make customer service inquiries on his/her behalf.

The Access Authorization form can be found at www.bcbsfl.com under Member, Privacy Practices (HIPAA), Authorization to Release “Protected Health Information” Form.

The new address to submit completed Access Authorization forms is:

Blue Cross and Blue Shield of Florida
Access Authorization Unit
Post Office Box 025314
Miami, Florida 33102-5314

The fax number 904-301-1797 for immediate member, agent, or marketing requests, remains in force.

Testimonial from MasTec
by Joe Torraco

Joe Torraco is director of compensation and benefits for MasTec, a national telecommunications company based in Florida.

We had been using a combination of five small HMOs and a national plan through a national carrier to provide health coverage to about 4,000 employees and family members.

We decided to go national. So we set out to determine if our current national carrier was the answer, or whether another major carrier could provide a better platform and better discounts for our nearly $17 million in annual claim costs.

As we looked at Blue Cross and Blue Shield of Florida, we wondered if they could, using the individual Blue Cross plans across the country, provide a national plan that would give us better discounts and effective claims administration.

Our findings? The other national carriers were comparable to what we had, but Blue Cross came out on top. The discounts applied to our expected claims would produce savings of $1 million dollars over our current carrier, even after you factor in somewhat higher administrative fees.

We had a good relationship with our current carrier, but we made the move to Blue Cross – and we’re glad we did. The transition went smoothly. The sales, implementation and account management teams were eager and couldn’t do enough for us. In addition, we’re looking forward to implementing the disease management and wellness programs we’ve been reluctant to try with prior carriers because of cost and no guaranteed results.