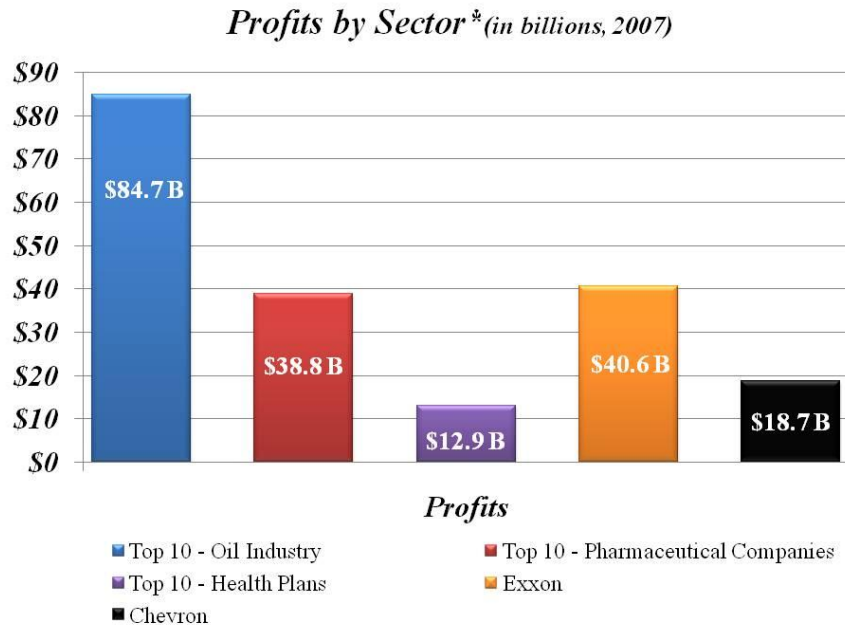


1) Health Plans' Profits

- a. According to a PricewaterhouseCoopers' study, in 2007 health plans had an average profit margin of 3%.ⁱ
- b. This chart below represents the 2007 profits for the top 10 companies in the oil, pharmaceutical and health plan sectors as well as Exxon and Chevron.ⁱⁱ



^{*} Source: Fortune 500 Rankings, 2008, www.fortune.com

- c. Health care sector profits by industry.ⁱⁱⁱ

Total Margin⁽¹⁾	2006	2005
Biotechnology ⁽¹⁾	12.8%	25.7%
Hospitals ⁽²⁾	6.0%	5.3%
Managed Care ⁽¹⁾	5.3%	5.9%
Medical Technology ⁽¹⁾	13.2%	17.2%
Pharmaceuticals ⁽¹⁾	24.7%	16.4%

Notes:

(1) Margins based on reported net income as % of reported revenues, as laid out in SEC filings.

Managed Care includes: AET, AGP, CI, CNC, CVH, HNT, HUM, MOH, UNH, WLP

Pharmaceuticals includes: BMY, LLY, MRK, PFE, SGP, WYE

Medical Technology includes: ABT, BAX, BDX, BSX, JNJ, MDT, STJ, SYK, ZMH

Biotechnology includes: AMGN, CELG, DNA, GENZ, GILD

(2) Margins for "hospitals" sector from American Hospital Association [Trendwatch Chartbook 2008](#).

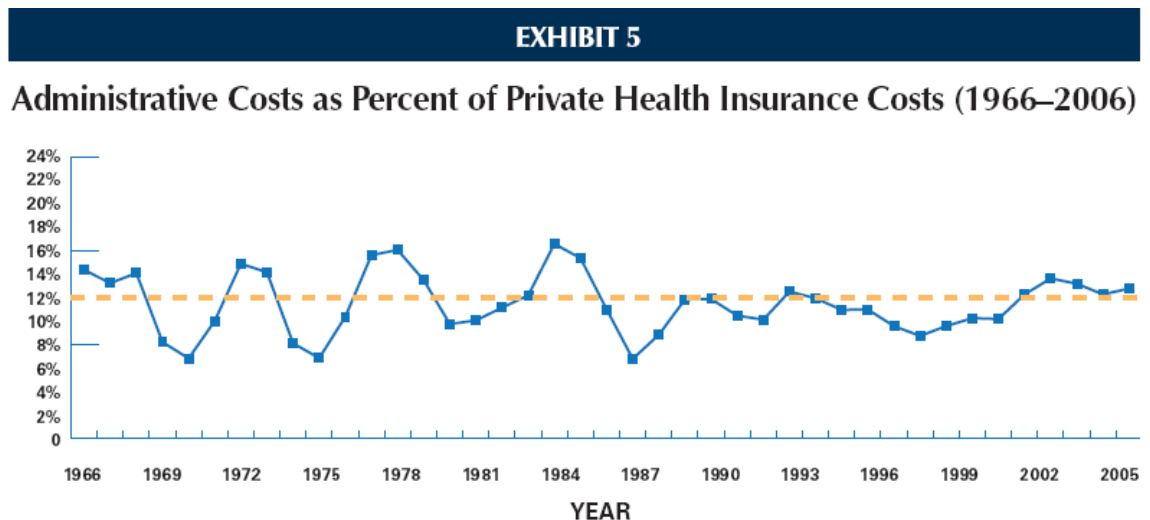
2) Causes of Rising Health Insurance Premiums

- a. According to a study by RAND Health for the California HealthCare Foundation “...medical costs explain nearly 89 percent of [health plan] revenue increases.”^{iv}
- b. According to Kaiser Health News, “the major causes of health care’s escalating costs are the rising prices and the increased use of medical services, including hospital stays, prescription drugs, new technologies and doctor visits.”^v
- c. According to CMS data, over 40 years, the real costs of private health insurance have grown at an annual rate of 5.2 percent. Benefits, as measured by the cost of health care services to members, have grown at real rate of 5.3 percent over the same time period. Administrative costs have grown more slowly, at a real rate of about 4.9 percent since 1966.^{vi} (see chart)

EXHIBIT 4	
Growth in Real Health Insurance Costs Per Capita (1966–2006)	
Real Health Insurance Per Capita Cost	5.2%
• Real Benefit Costs Per Capita	5.3%
• Real Administrative Per Capita	4.9%

Source: PricewaterhouseCoopers' calculations of the CMS, National Health Expenditure Accounts, 2008

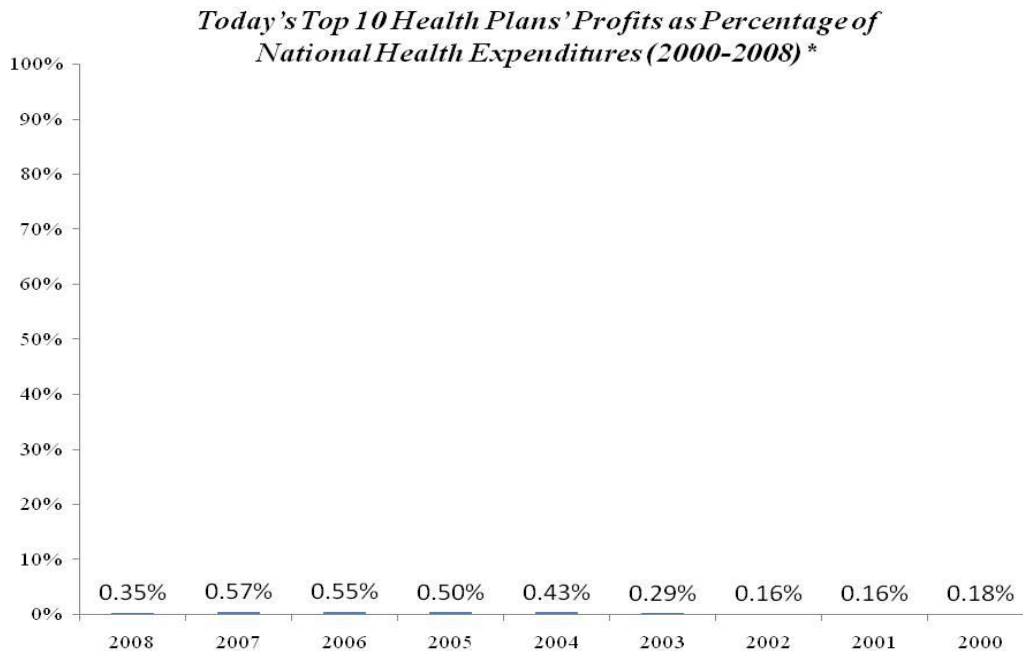
- d. Administrative costs as a percent of private health care costs^{vii}



Source: National Health Expenditure Historical and Projections 1965-2016 at the website: http://www.cms.hhs.gov/NationalHealthExpendData/03_NationalHealthAccountsProjected.asp

3) Health Plans' Profits As a Share of Total Health Care Spending

- a. According to Kaiser Health News, "With the nation's health care spending estimated at \$2.5 trillion this year, even the *elimination* of insurers' profits and executive compensation would lower health care spending by just 0.5 percent."^{viii}
- b. According to Dan Neil, a columnist for the Los Angeles Times, "Executive compensation at insurance companies is at best peripheral to escalating healthcare costs."^{ix}
- c. The chart below shows today's top 10 health plans' profits as a percentage of national health expenditures. It has ranged from a low in 2000 of .18% to a high of .57% in 2007.
 - i. From 2000 to 2008, the profits of today's top 10 health plans averaged roughly 1.38 days of national health expenditures.



• Source: NHE Data; SEC 10-K Filings; Fortune 500 List

• NOTE: Health Plans include: Amerigroup, AETNA, Universal, United, WellPoint, Humana, HealthNet, Cigna, Centene and Coventry

ⁱ PricewaterhouseCoopers', "The Factors Fueling Rising Health Care Costs 2008", p.7.

ⁱⁱ Compiled from data from Fortune magazine's "Fortune 500 Annual Rankings", <http://money.cnn.com/magazines/fortune/fortune500/2009/performers/industries/fastgrowers/>

ⁱⁱⁱ Compiled from publicly available data from the Securities and Exchange Commission (SEC) and American Hospital Trendwatch Chartbook 2008.

^{iv} California HealthCare Foundation, "How Much Is Too Much? An Analysis of Health Plan Profits and Administrative Costs in California", p.2-3.

^v Kaiser Health News, "Ad Audit: 'What If?'"', June 19, 2009, <http://www.kaiserhealthnews.org/AdAudit/061909HCAN.aspx?referrer=search>.

^{vi} PricewaterhouseCoopers', p.7.

^{vii} PricewaterhouseCoopers', p.8.

^{viii} Kaiser Health News, June 19, 2009.

^{ix} Los Angeles Times, An above-the-fold debate that must be fought below the belt, August 4, 2009.