

**Dynamic Financial Projections  
For  
Health Care Company**

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# Financial Projections

For

XYZ HMO

Projection Period: Jan-2005 - Dec-2009

Dynamic Graphs

Scenario **Grand Total-Small Group PDR**

<sup>(1)</sup> Market Segment(s) Aggregated

1. Large Group
2. Small Group
3. Med Supp A
4. Med Supp B

<sup>(1)</sup> Market Segments have been shaded if corresponding Members were not Aggregated

Financial Projections for: **XYZ HMO**  
(Dynamic Scenario)  
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Scenario: **Grand Total-Small Group PDR**

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## Summary Valuation Exhibit for Dynamic Scenario (\$000's)

Company Name: XYZ HMO

Scenario: **Grand Total-Small Group PDR**

**Projection Period    Jan-2005                      To                      Dec-2009**

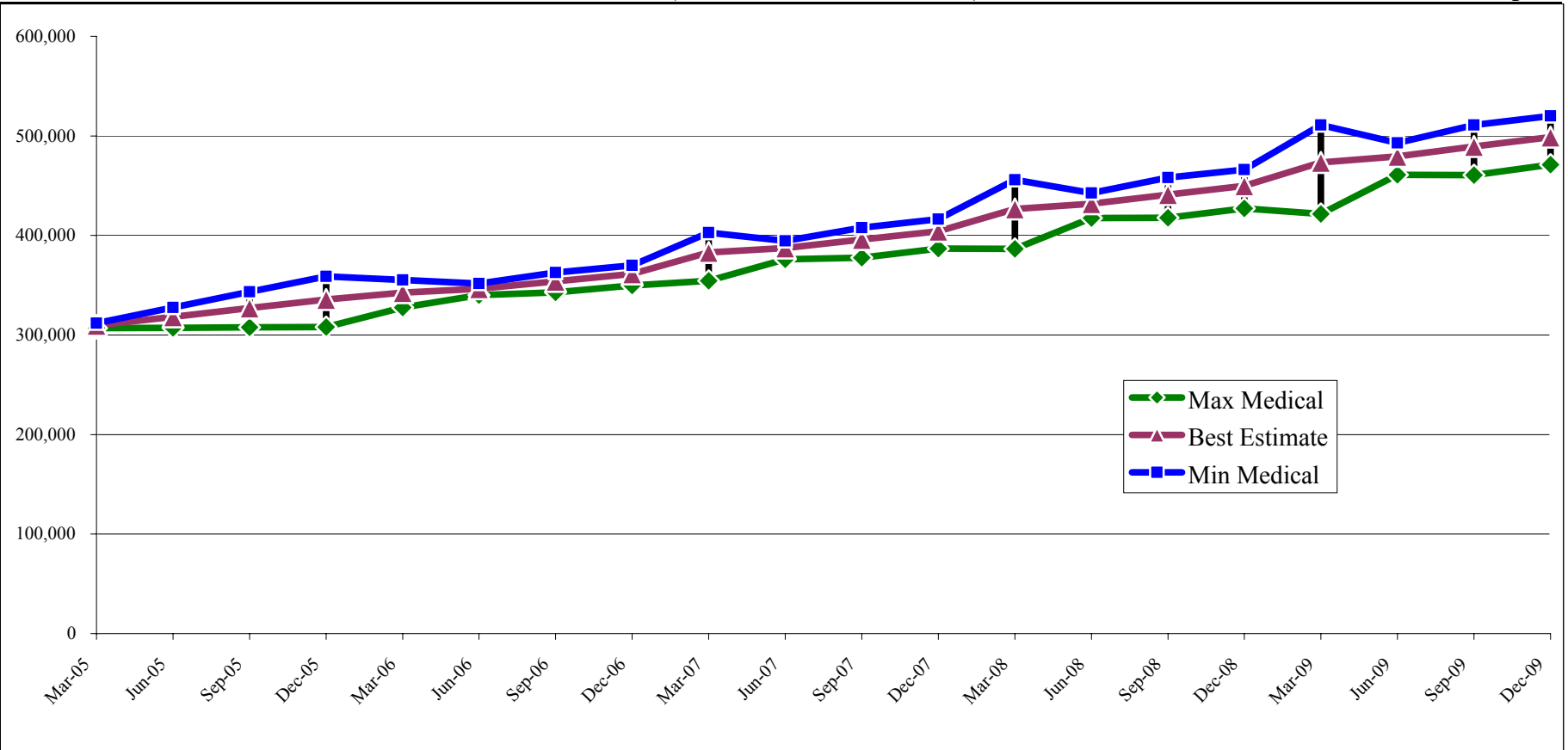
Present Values as of: Jan-2005

Hurdle Rate: 8.0%

	<u>Net Income</u>	<u>Cost of Capital</u>	<u>Divestiture Value <sup>(1)</sup></u>	<u>Enterprise Value <sup>(2)</sup></u>
Minimum Medical Costs	106,140	(15,713)	114,175	204,603
Best Estimate Medical Costs	84,281	(19,787)	85,297	149,791
Pessimistic Medical Costs	74,239	(24,671)	70,833	120,402

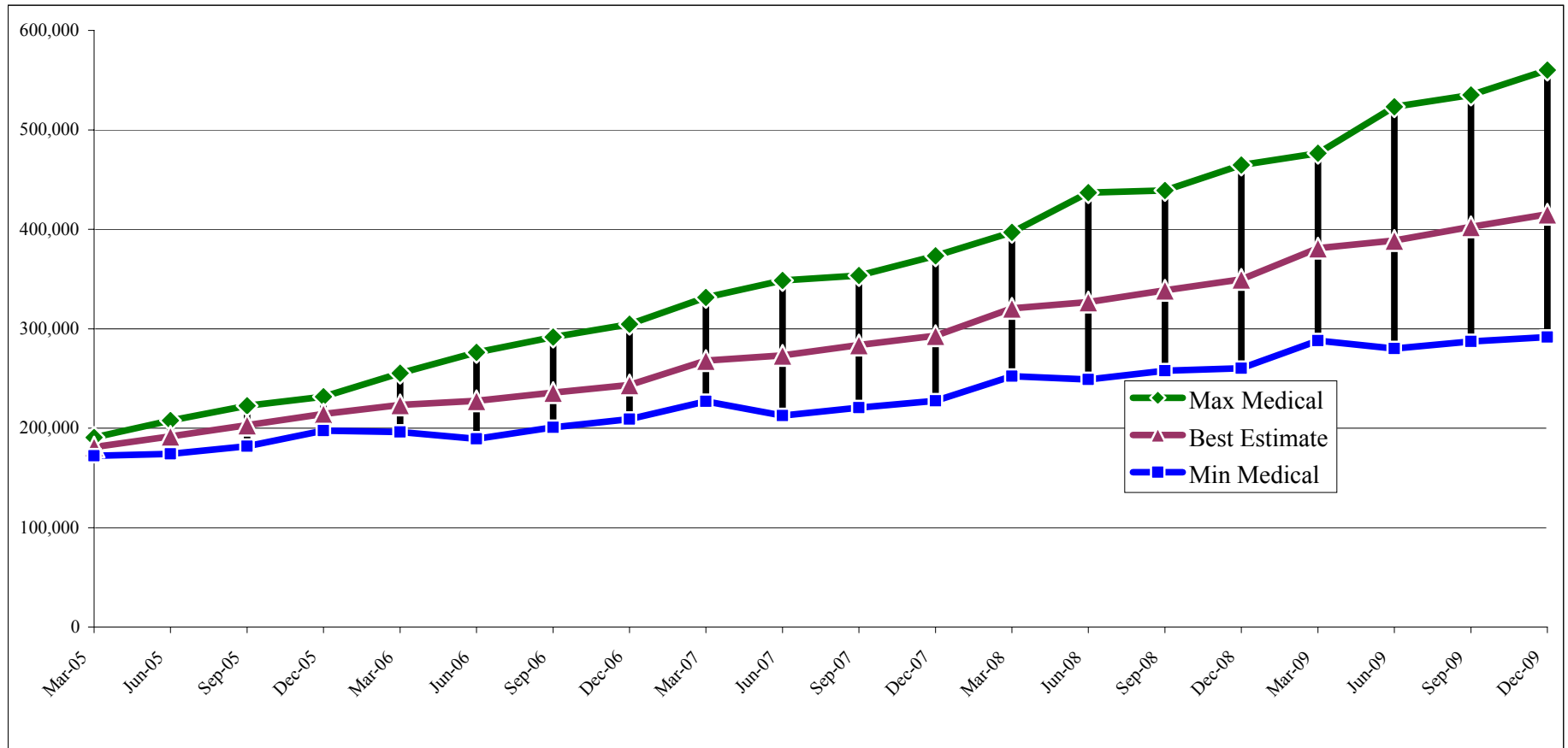
<sup>(1)</sup> Divestiture Value = 5.0 x (12 mos Net Income less 12 mos Cost of Capital)

<sup>(2)</sup> Total Present Values for Op Entities (Net Income plus Cost of Capital plus Divestiture Value)



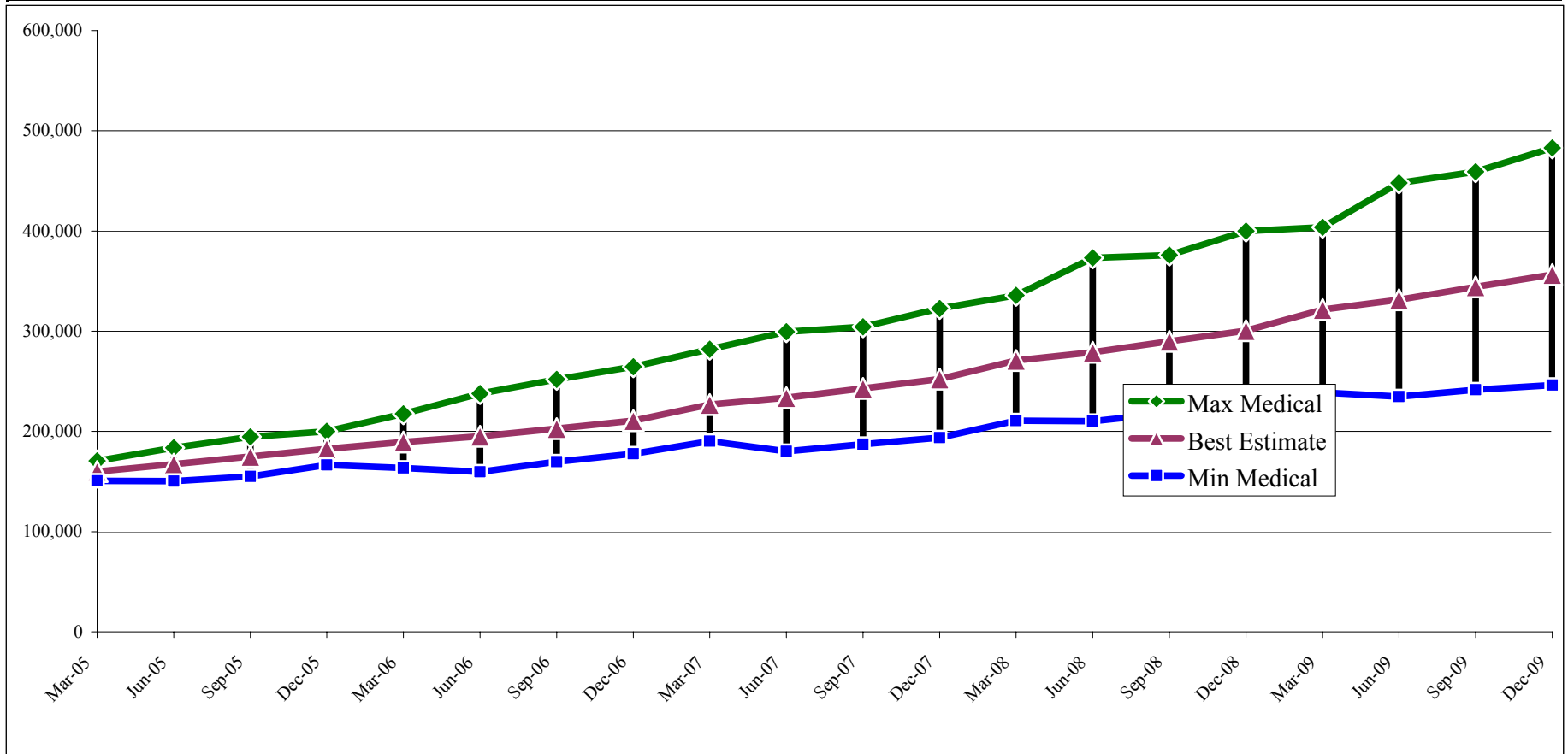
Members	Mar-05	Jun-05	Sep-05	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07	Jun-07	Sep-07	Dec-07
Max Medical	306,814	307,219	307,624	308,029	327,708	339,961	342,903	349,888	354,368	376,093	377,715	386,780
Best Estimate	309,584	318,298	327,011	335,725	342,663	346,341	353,925	361,457	382,922	387,335	395,950	404,221
Min Medical	311,907	327,590	343,273	358,956	355,236	351,606	362,681	370,033	402,732	394,638	407,961	416,435

Members	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09
Max Medical	386,496	417,476	417,882	427,325	421,594	461,023	460,610	471,106
Best Estimate	426,626	431,753	440,996	449,780	473,346	479,335	489,370	498,846
Min Medical	456,027	442,555	458,082	466,092	510,968	492,873	511,090	520,070



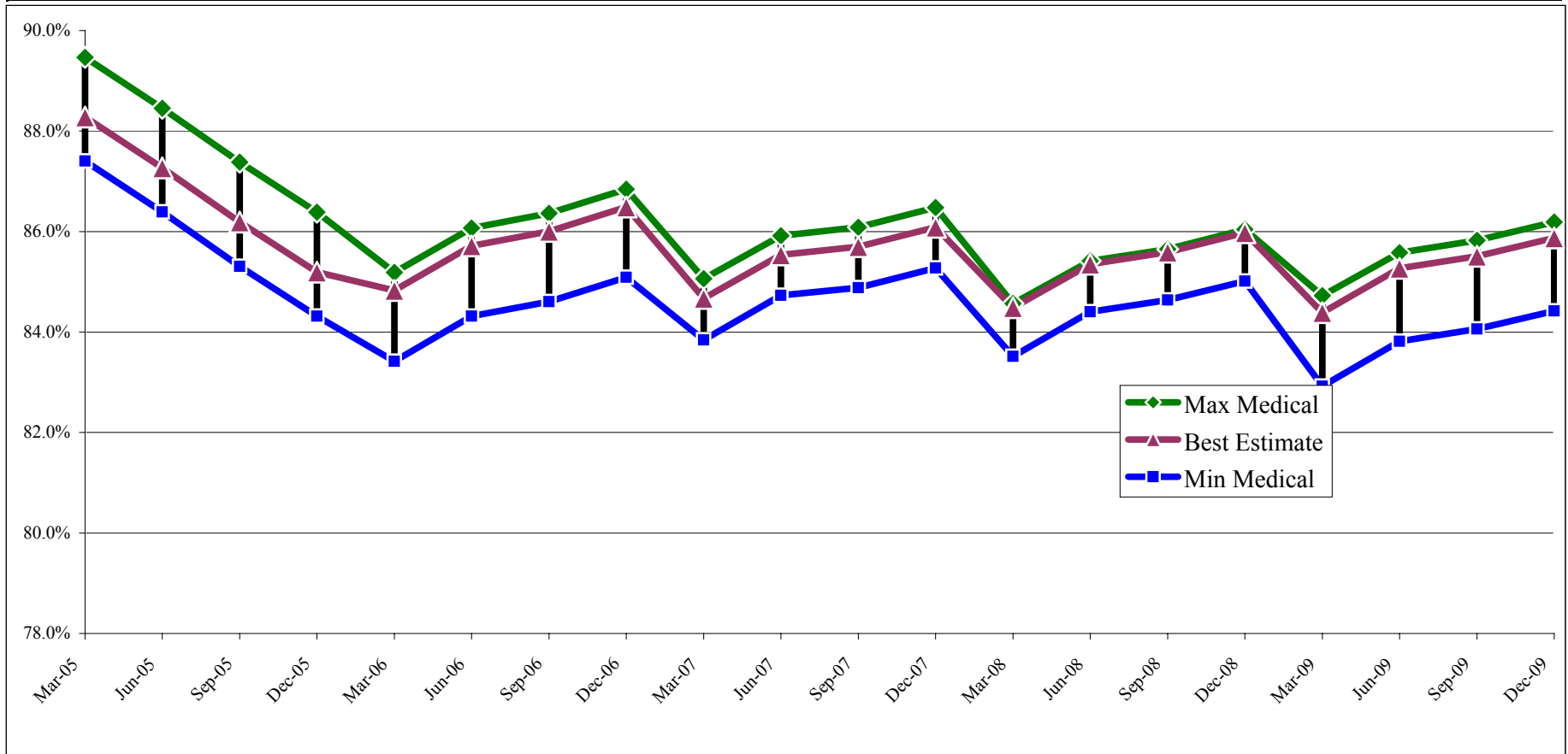
Premiums	Mar-05	Jun-05	Sep-05	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07	Jun-07	Sep-07	Dec-07
Max Medical	190,545	207,567	222,599	231,619	255,233	276,159	291,628	304,523	331,433	348,521	353,631	373,267
Best Estimate	181,075	191,862	202,960	214,371	223,414	227,596	235,764	243,583	267,951	273,295	283,516	293,049
Min Medical	172,251	174,141	181,799	197,477	196,029	189,275	200,768	208,945	226,838	212,706	220,662	227,414

Premiums	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09
Max Medical	397,097	436,933	438,998	464,641	476,491	523,319	534,967	560,145
Best Estimate	320,521	326,903	338,625	349,560	381,020	388,796	402,463	415,225
Min Medical	252,334	249,051	257,875	260,125	287,937	280,005	287,258	291,608



Benefits Inc'd	Mar-05	Jun-05	Sep-05	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07	Jun-07	Sep-07	Dec-07
Max Medical	170,476	183,603	194,504	200,088	217,429	237,683	251,852	264,451	281,930	299,435	304,417	322,786
Best Estimate	159,853	167,436	174,930	182,631	189,518	195,090	202,771	210,670	226,868	233,768	242,966	252,275
Min Medical	150,552	150,445	155,083	166,502	163,527	159,592	169,859	177,788	190,189	180,222	187,305	193,921

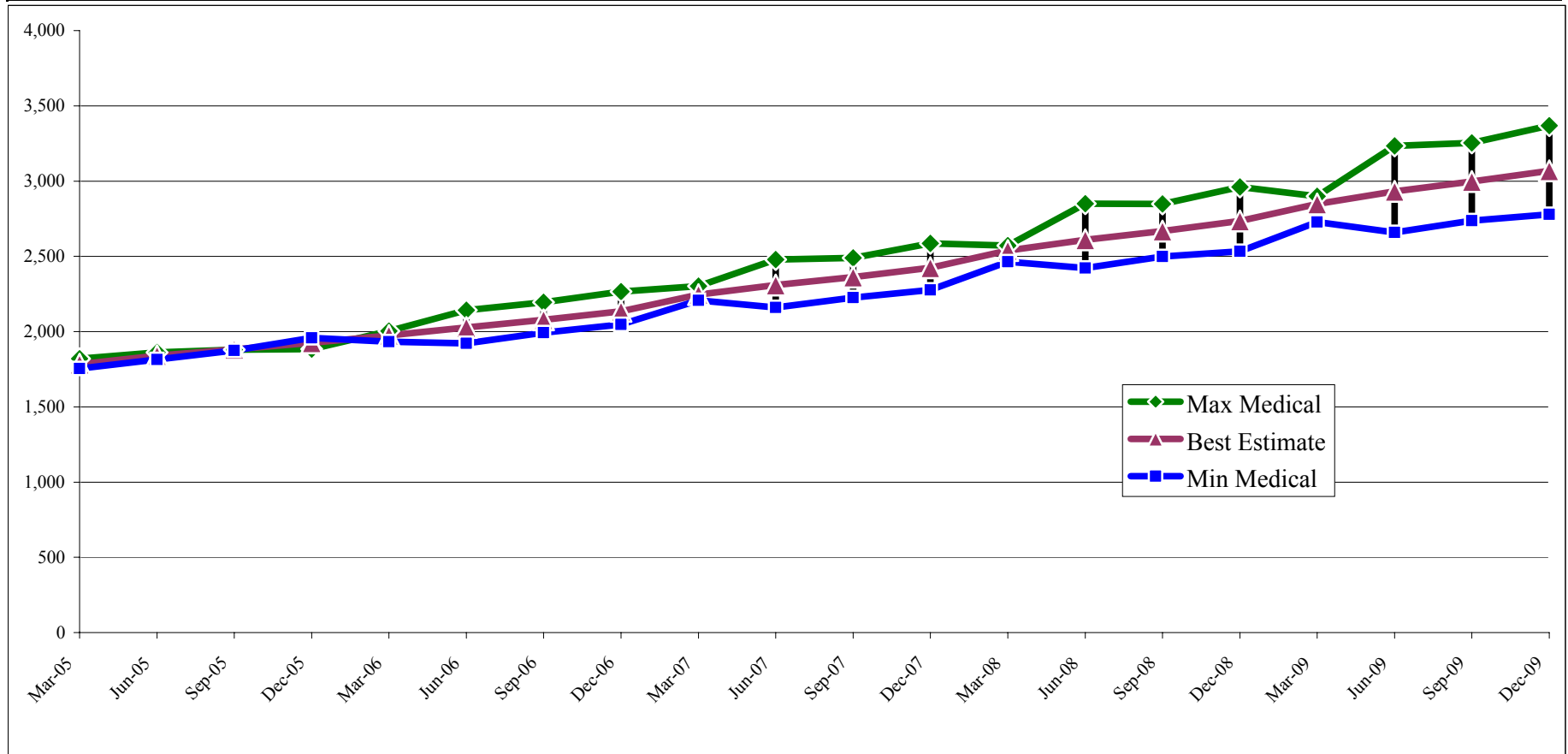
Benefits Inc'd	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09
Max Medical	335,808	373,200	376,008	399,790	403,708	447,856	459,144	482,770
Best Estimate	270,783	279,020	289,822	300,535	321,529	331,523	344,148	356,563
Min Medical	210,737	210,204	218,254	221,145	238,768	234,691	241,463	246,170



MLR	Mar-05	Jun-05	Sep-05	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07	Jun-07	Sep-07	Dec-07
Max Medical	89.5%	88.5%	87.4%	86.4%	85.2%	86.1%	86.4%	86.8%	85.1%	85.9%	86.1%	86.5%
Best Estimate	88.3%	87.3%	86.2%	85.2%	84.8%	85.7%	86.0%	86.5%	84.7%	85.5%	85.7%	86.1%
Min Medical	87.4%	86.4%	85.3%	84.3%	83.4%	84.3%	84.6%	85.1%	83.8%	84.7%	84.9%	85.3%

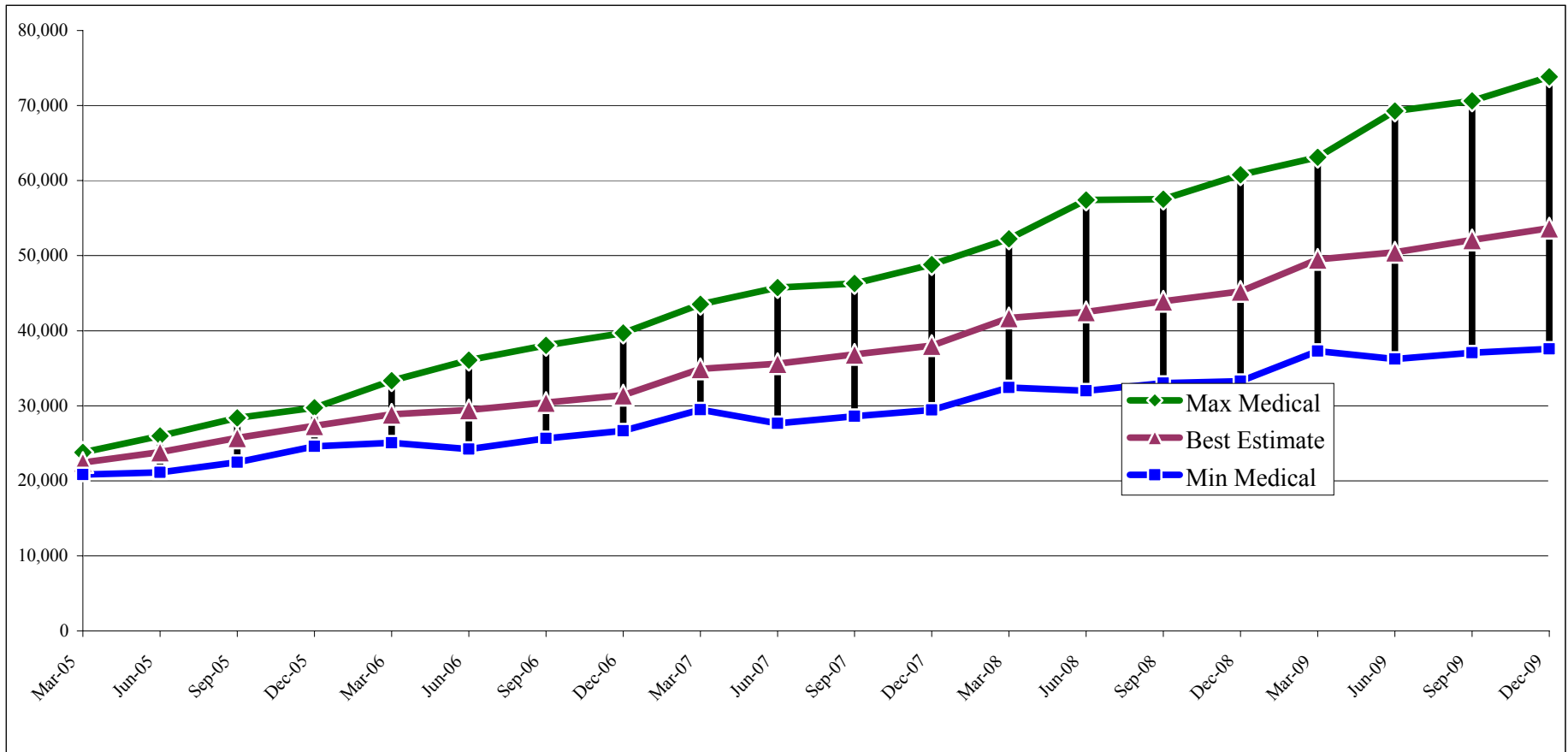
MLR	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09
Max Medical	84.6%	85.4%	85.7%	86.0%	84.7%	85.6%	85.8%	86.2%
Best Estimate	84.5%	85.4%	85.6%	86.0%	84.4%	85.3%	85.5%	85.9%
Min Medical	83.5%	84.4%	84.6%	85.0%	82.9%	83.8%	84.1%	84.4%





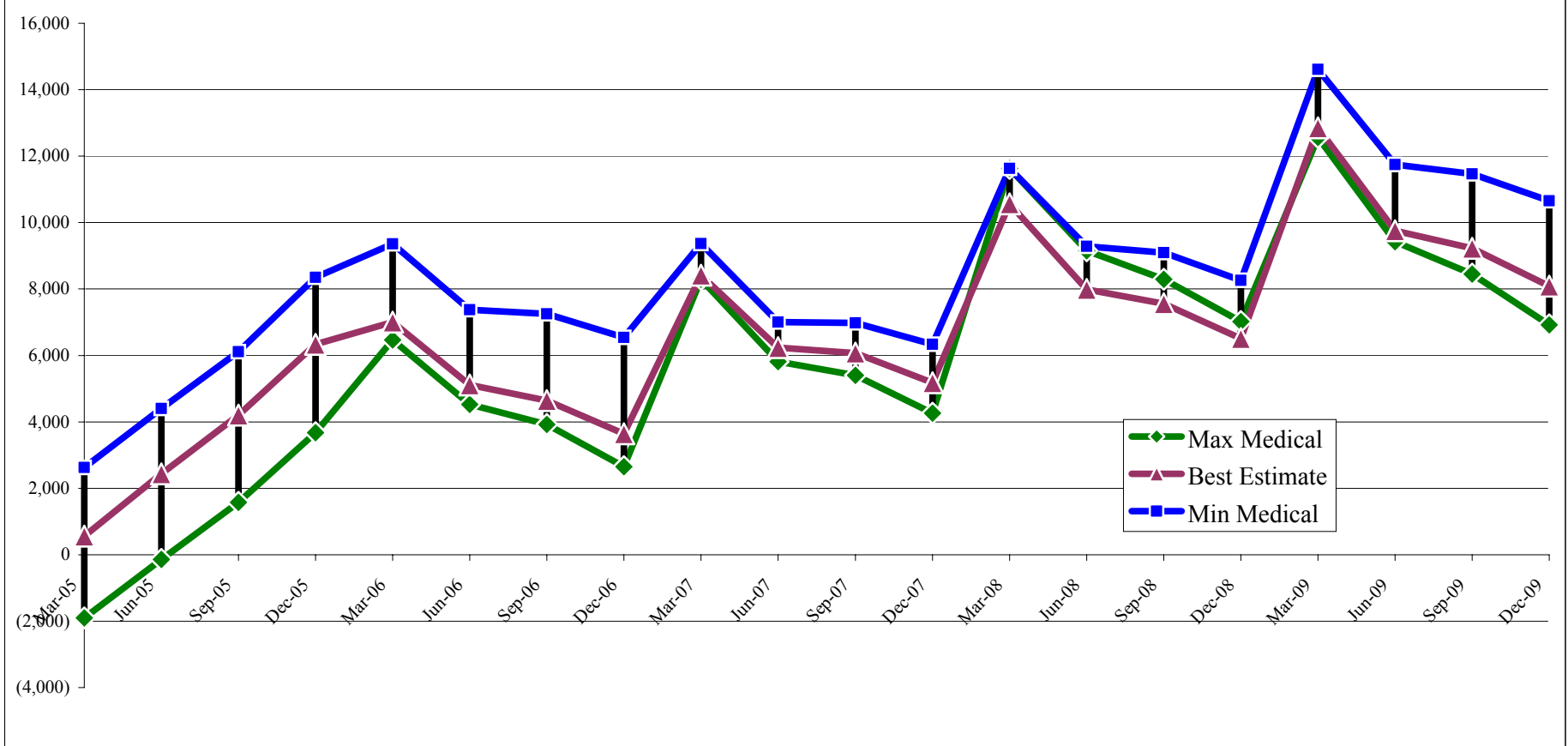
Other Income	Mar-05	Jun-05	Sep-05	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07	Jun-07	Sep-07	Dec-07
Max Medical	1,819	1,862	1,880	1,883	2,003	2,143	2,194	2,266	2,302	2,478	2,489	2,586
Best Estimate	1,784	1,840	1,881	1,925	1,975	2,028	2,078	2,134	2,246	2,309	2,362	2,424
Min Medical	1,755	1,814	1,875	1,959	1,933	1,922	1,993	2,048	2,207	2,160	2,226	2,277

Other Income	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09
Max Medical	2,572	2,849	2,848	2,961	2,898	3,234	3,254	3,369
Best Estimate	2,538	2,609	2,669	2,735	2,849	2,932	2,997	3,068
Min Medical	2,464	2,423	2,499	2,534	2,728	2,658	2,737	2,778



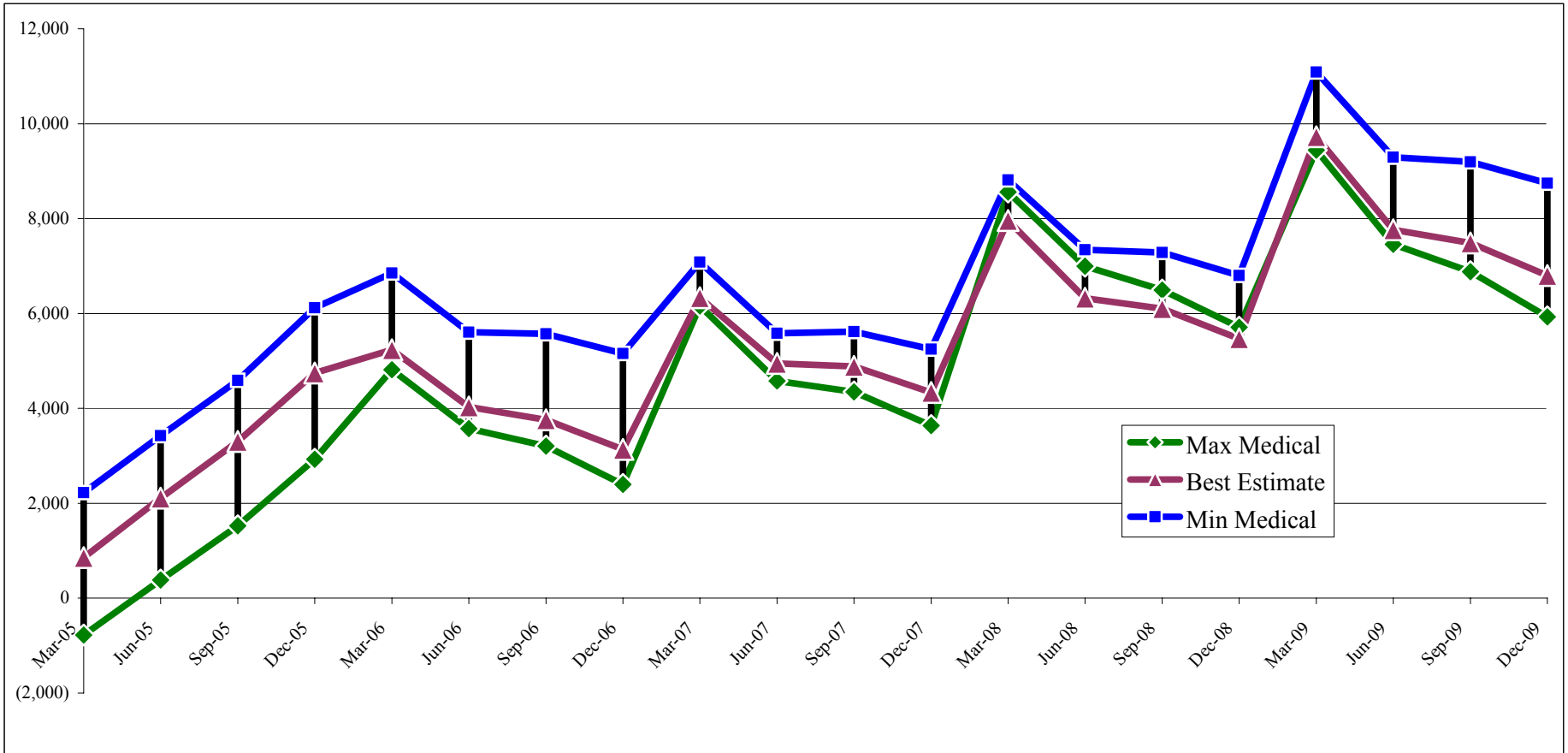
<u>SG&amp;A</u>	<u>Mar-05</u>	<u>Jun-05</u>	<u>Sep-05</u>	<u>Dec-05</u>	<u>Mar-06</u>	<u>Jun-06</u>	<u>Sep-06</u>	<u>Dec-06</u>	<u>Mar-07</u>	<u>Jun-07</u>	<u>Sep-07</u>	<u>Dec-07</u>
Max Medical	23,787	25,967	28,396	29,741	33,340	36,091	38,050	39,686	43,516	45,749	46,305	48,802
Best Estimate	22,442	23,830	25,708	27,331	28,871	29,426	30,431	31,403	34,913	35,601	36,841	38,022
Min Medical	20,831	21,106	22,481	24,586	25,077	24,225	25,653	26,666	29,489	27,644	28,607	29,439

<u>SG&amp;A</u>	<u>Mar-08</u>	<u>Jun-08</u>	<u>Sep-08</u>	<u>Dec-08</u>	<u>Mar-09</u>	<u>Jun-09</u>	<u>Sep-09</u>	<u>Dec-09</u>
Max Medical	52,229	57,428	57,543	60,793	63,121	69,271	70,630	73,827
Best Estimate	41,710	42,508	43,912	45,248	49,485	50,453	52,090	53,648
Min Medical	32,434	31,987	33,028	33,256	37,282	36,224	37,065	37,560



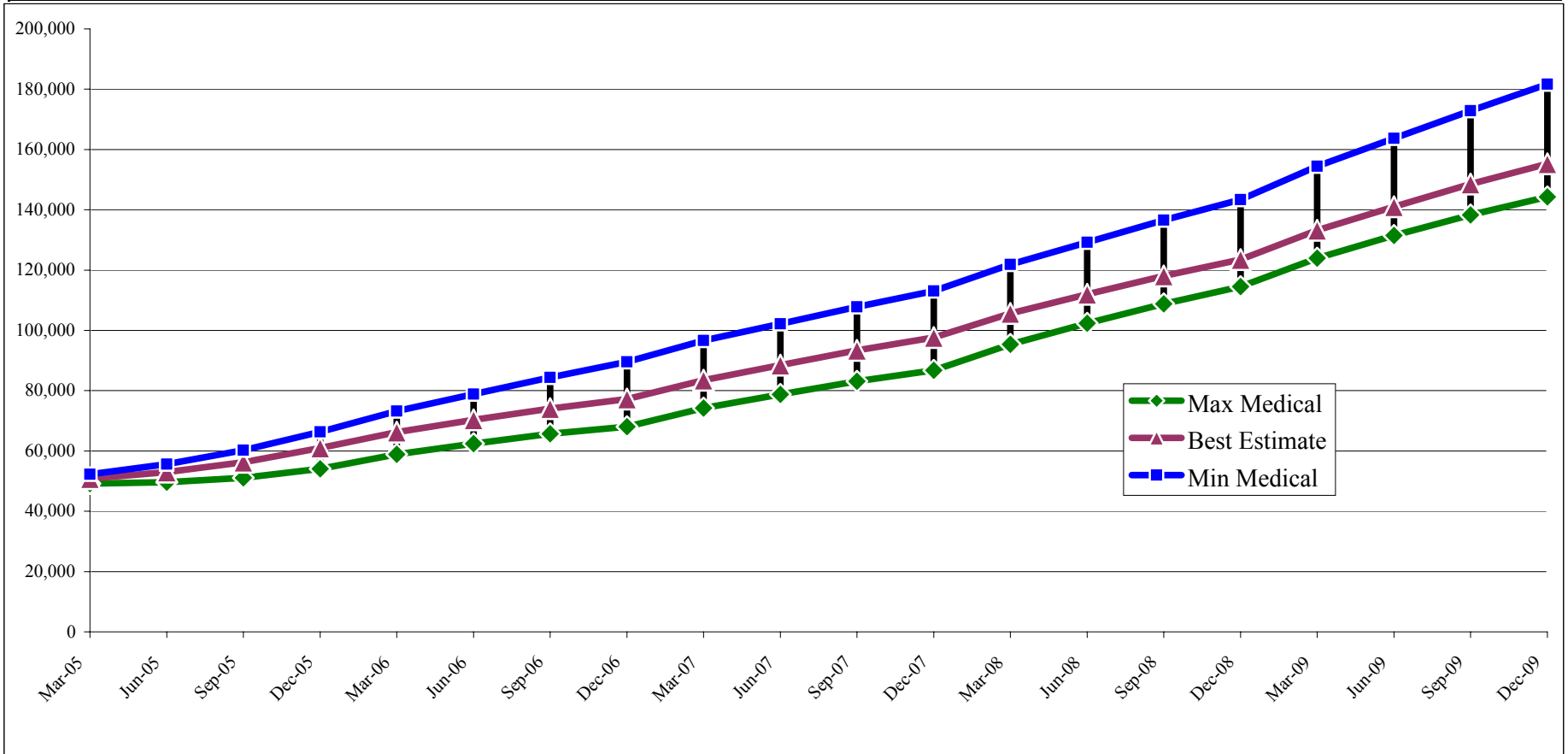
PreTax Op	Mar-05	Jun-05	Sep-05	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07	Jun-07	Sep-07	Dec-07
Max Medical	(1,899)	(141)	1,579	3,673	6,467	4,528	3,920	2,652	8,289	5,815	5,399	4,265
Best Estimate	564	2,436	4,205	6,334	7,001	5,109	4,639	3,644	8,416	6,235	6,072	5,175
Min Medical	2,623	4,404	6,110	8,348	9,358	7,380	7,249	6,538	9,367	7,000	6,975	6,332

PreTax Op	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09
Max Medical	11,632	9,154	8,296	7,018	12,561	9,426	8,448	6,917
Best Estimate	10,566	7,984	7,560	6,511	12,854	9,752	9,223	8,083
Min Medical	11,627	9,284	9,091	8,258	14,616	11,749	11,468	10,656



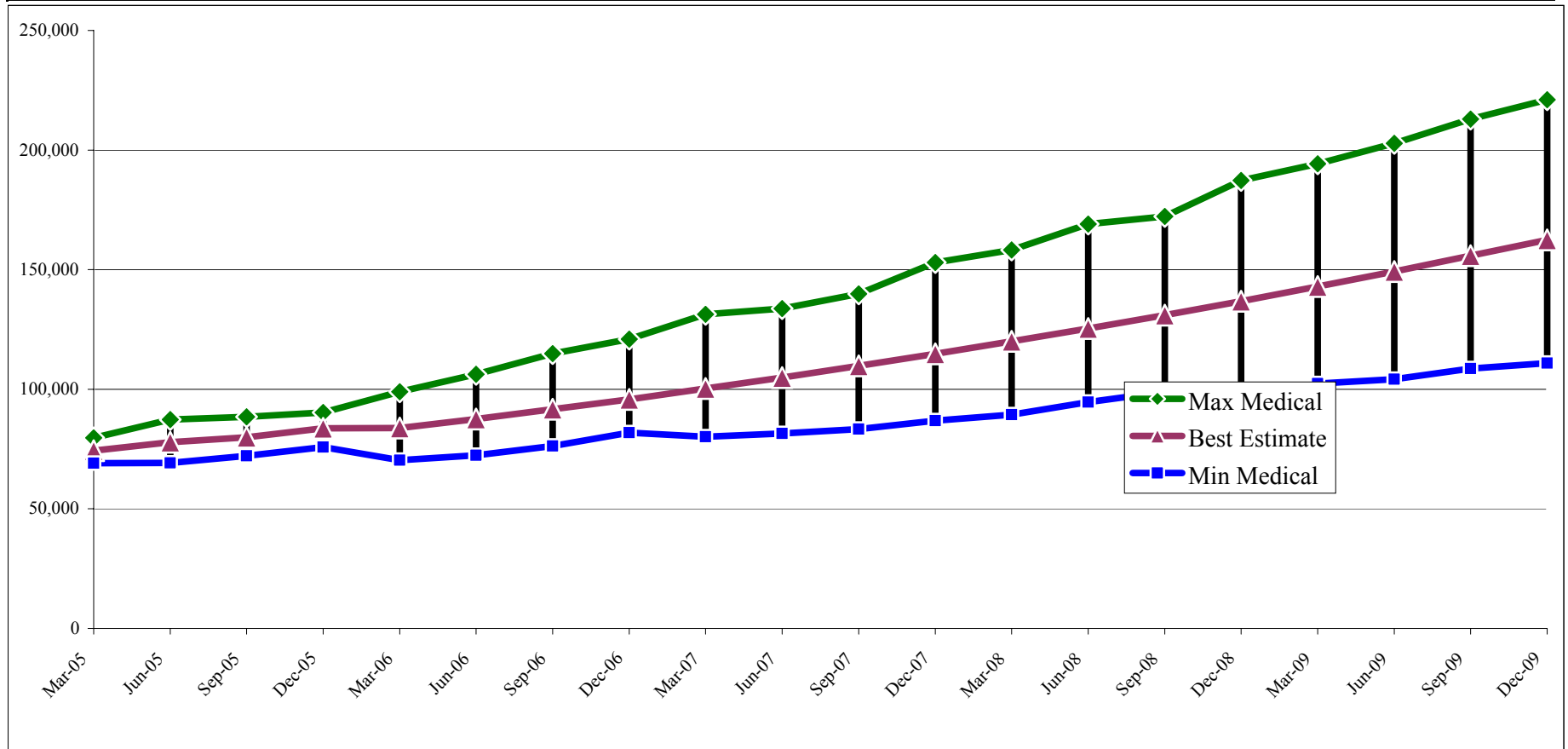
Net Income	Mar-05	Jun-05	Sep-05	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07	Jun-07	Sep-07	Dec-07
Max Medical	(778)	382	1,527	2,931	4,816	3,575	3,207	2,396	6,160	4,578	4,346	3,636
Best Estimate	857	2,108	3,302	4,747	5,238	4,032	3,760	3,136	6,333	4,947	4,886	4,339
Min Medical	2,224	3,427	4,592	6,122	6,854	5,607	5,574	5,156	7,085	5,581	5,619	5,247

Net Income	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09
Max Medical	8,559	6,999	6,497	5,712	9,444	7,457	6,880	5,931
Best Estimate	7,959	6,322	6,102	5,465	9,727	7,762	7,486	6,802
Min Medical	8,813	7,342	7,285	6,802	11,089	9,292	9,196	8,746



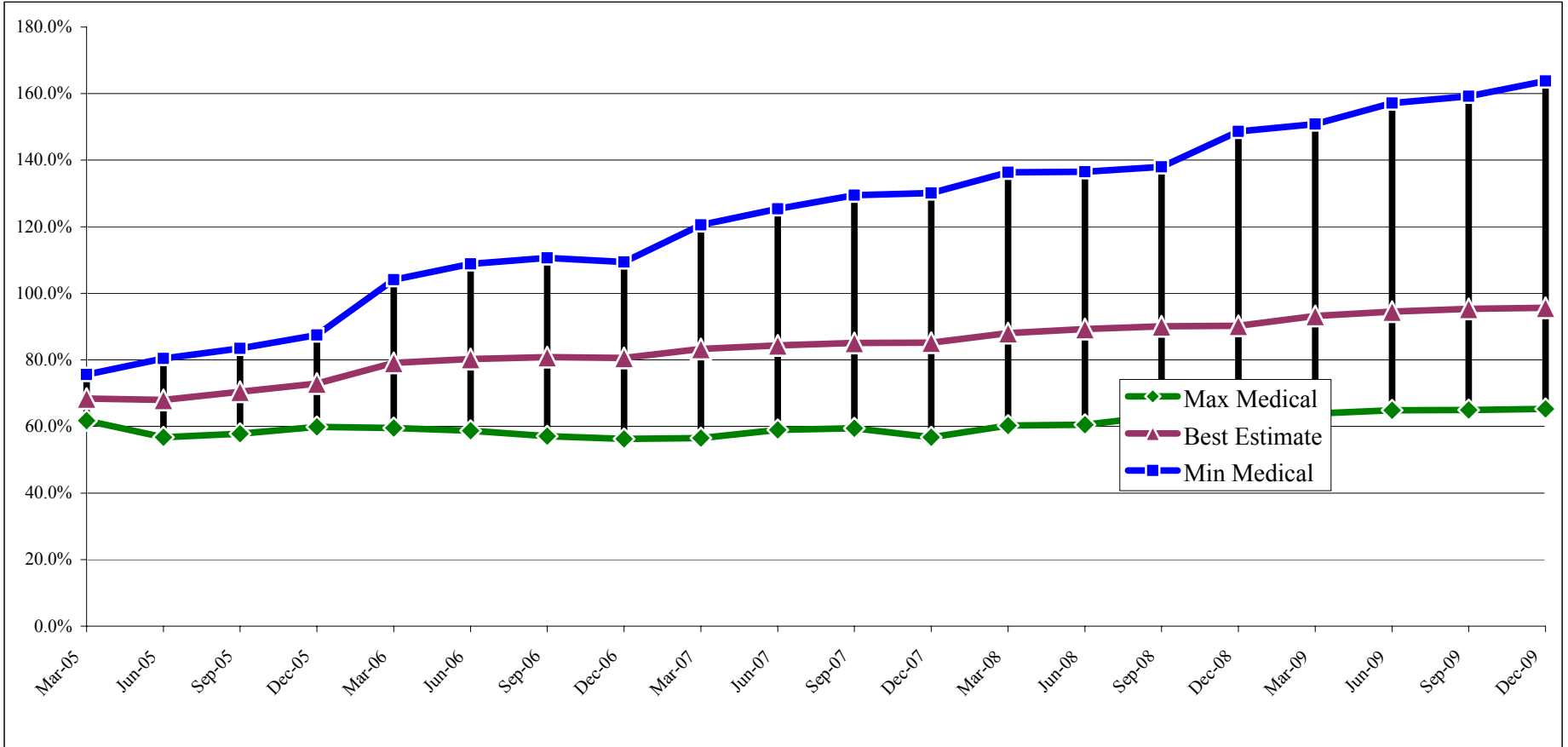
Surplus	Mar-05	Jun-05	Sep-05	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07	Jun-07	Sep-07	Dec-07
Max Medical	49,222	49,604	51,131	54,061	58,877	62,452	65,659	68,055	74,215	78,794	83,140	86,776
Best Estimate	50,857	52,965	56,266	61,013	66,251	70,283	74,043	77,178	83,511	88,458	93,344	97,683
Min Medical	52,224	55,651	60,243	66,365	73,220	78,826	84,400	89,557	96,641	102,223	107,842	113,089

Surplus	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09
Max Medical	95,335	102,335	108,832	114,544	123,988	131,446	138,325	144,256
Best Estimate	105,642	111,963	118,065	123,530	133,257	141,019	148,506	155,308
Min Medical	121,902	129,243	136,528	143,331	154,420	163,712	172,908	181,654



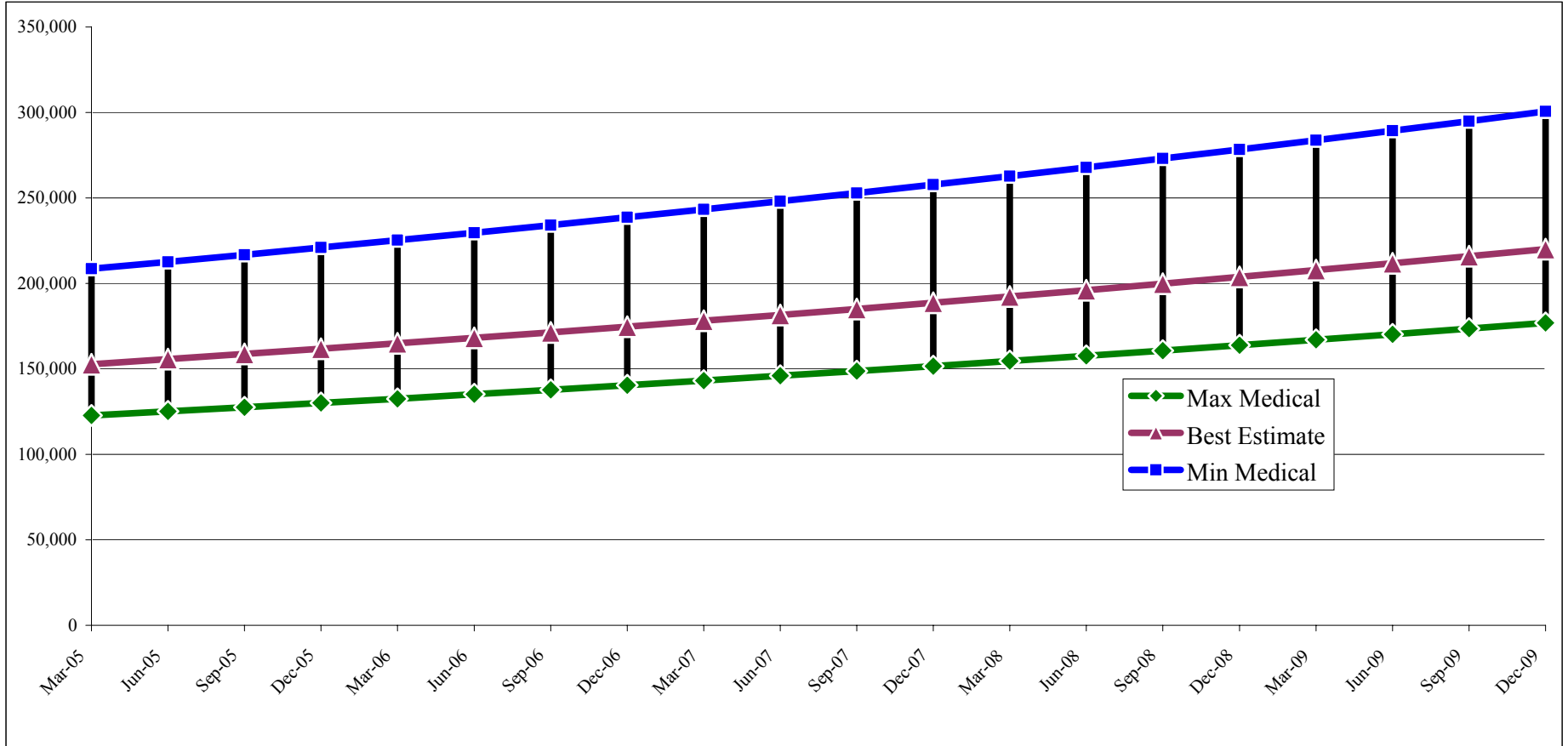
<u>RBC Target</u>	<u>Mar-05</u>	<u>Jun-05</u>	<u>Sep-05</u>	<u>Dec-05</u>	<u>Mar-06</u>	<u>Jun-06</u>	<u>Sep-06</u>	<u>Dec-06</u>	<u>Mar-07</u>	<u>Jun-07</u>	<u>Sep-07</u>	<u>Dec-07</u>
Max Medical	79,688	87,343	88,491	90,285	98,924	106,300	114,957	120,939	131,346	133,701	139,915	153,012
Best Estimate	74,350	77,909	79,891	83,666	83,753	87,573	91,603	95,789	100,272	104,881	109,726	114,743
Min Medical	69,099	69,185	72,169	75,850	70,347	72,406	76,290	81,857	80,147	81,513	83,313	86,889

<u>RBC Target</u>	<u>Mar-08</u>	<u>Jun-08</u>	<u>Sep-08</u>	<u>Dec-08</u>	<u>Mar-09</u>	<u>Jun-09</u>	<u>Sep-09</u>	<u>Dec-09</u>
Max Medical	158,271	169,020	172,214	187,260	194,230	202,761	212,954	221,085
Best Estimate	120,035	125,426	131,029	136,837	142,936	149,228	155,780	162,438
Min Medical	89,397	94,653	98,960	96,441	102,386	104,176	108,620	110,932



Surplus vs RBC	Mar-05	Jun-05	Sep-05	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07	Jun-07	Sep-07	Dec-07
Max Medical	61.8%	56.8%	57.8%	59.9%	59.5%	58.8%	57.1%	56.3%	56.5%	58.9%	59.4%	56.7%
Best Estimate	68.4%	68.0%	70.4%	72.9%	79.1%	80.3%	80.8%	80.6%	83.3%	84.3%	85.1%	85.1%
Min Medical	75.6%	80.4%	83.5%	87.5%	104.1%	108.9%	110.6%	109.4%	120.6%	125.4%	129.4%	130.2%

Surplus vs RBC	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09
Max Medical	60.2%	60.5%	63.2%	61.2%	63.8%	64.8%	65.0%	65.2%
Best Estimate	88.0%	89.3%	90.1%	90.3%	93.2%	94.5%	95.3%	95.6%
Min Medical	136.4%	136.5%	138.0%	148.6%	150.8%	157.1%	159.2%	163.8%



<u>Enterprise Value</u>	<u>Mar-05</u>	<u>Jun-05</u>	<u>Sep-05</u>	<u>Dec-05</u>	<u>Mar-06</u>	<u>Jun-06</u>	<u>Sep-06</u>	<u>Dec-06</u>	<u>Mar-07</u>	<u>Jun-07</u>	<u>Sep-07</u>	<u>Dec-07</u>
Max Medical	122,741	125,125	127,556	130,034	132,560	135,135	137,760	140,437	143,165	145,946	148,781	151,671
Best Estimate	152,701	155,667	158,691	161,774	164,917	168,121	171,387	174,716	178,110	181,570	185,097	188,693
Min Medical	208,578	212,630	216,760	220,971	225,264	229,640	234,101	238,649	243,285	248,011	252,829	257,741

<u>Enterprise Value</u>	<u>Mar-08</u>	<u>Jun-08</u>	<u>Sep-08</u>	<u>Dec-08</u>	<u>Mar-09</u>	<u>Jun-09</u>	<u>Sep-09</u>	<u>Dec-09</u>
Max Medical	154,618	157,622	160,684	163,805	166,987	170,231	173,538	176,910
Best Estimate	192,359	196,096	199,905	203,789	207,748	211,784	215,898	220,092
Min Medical	262,748	267,852	273,056	278,360	283,768	289,280	294,900	300,629