



NEWS

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MAMSI Announces Strong Second Quarter

Rockville, Md. -- Mid Atlantic Medical Services, Inc. (MAMSI) (MME-NYSE), one of the mid-Atlantic region's largest health services companies, today reported diluted earnings per share of \$0.30 for the second quarter of 2001 compared to \$0.19 in the second quarter of 2000. The increase in earnings is principally attributable to the significant increase in commercial membership in the first half of 2001 and increases in premium rates.

"We had another solid quarter," remarked Mark D. Groban, M.D., Chairman of the Board. "Our diverse product line, robust network, commitment to providing outstanding customer service and continued focus on disciplined pricing have enabled us to increase our presence in the region."

The Selected Income Statement Information below summarizes the Company's second quarter performance:

Selected Income Statement Information				
(In thousands except share amounts, unaudited)				
	2 Q 01	2 Q 00	YTD 2001	YTD 2000
Revenue	\$450,475	\$368,339	\$875,136	\$728,452
Expenses	\$432,656	\$357,169	\$837,998	\$704,219
Income Before Taxes	\$17,819	\$11,170	\$37,138	\$24,233
Net Income	\$11,986	\$7,313	\$24,868	\$15,915
Basic Earnings per Common Share	\$0.31	\$0.19	\$0.65	\$0.42
Weighted Average Shares Outstanding	38,511,079	37,706,287	38,385,990	38,345,477
Diluted Earnings per Common Share	\$0.30	\$0.19	\$0.62	\$0.41
Weighted Average Shares Outstanding	39,983,603	38,442,688	40,087,419	38,790,491

For the three months ended June 30, 2001, net income increased \$4,673,000 or 63.9% over the three months ended June 30, 2000. The second quarter of 2001 diluted earnings per share increased \$0.11 or 57.9% over the second quarter of 2000, from \$0.19 in 2000 to \$0.30 in 2001.

Second quarter commercial health premiums totaled \$433,125,000, an increase of \$83,753,000 or 24.0% over the second quarter of 2000. Commercial health premiums for the second quarter of 2001 were up 13.0% on a per member per month basis over the second quarter of 2000. Commercial medical and dental expenses incurred in the second quarter of 2001 totaled \$374,299,000, an increase of \$68,485,000 or 22.4% over the second quarter of 2000. Commercial medical and dental expenses increased 11.5% on a per member per month basis over the second quarter of 2000. The medical care ratio for the second quarter of 2001 was 86.4%, a 110 basis point improvement over the commercial medical care ratio for the second quarter of 2000. Administrative

expenses totaled \$52,232,000 in the second quarter of 2001 and were 11.6% of revenue. This compares with 11.7% of revenue for the second quarter of 2000.

For the six months ended June 30, 2001, net income increased \$8,953,000 or 56.3% over the six months ended June 30, 2000 and diluted earnings per share increased \$0.21 or 51.2%. On a per member per month basis, commercial health premiums were up 11.9% for the six months ended June 30, 2001 over the same period in 2000. For the six months ended June 30, 2001, on a per member per month basis, commercial medical and dental expenses were up 10.4% over the same period in 2000. The medical care ratio for the six months ended June 30, 2001, was 86.0% compared with the commercial medical care ratio of 87.1% for the same period in 2000, a 110 basis point improvement. Administrative expenses were 11.8% of revenue for the first six months of 2001 and 2000.

The Company's membership continues to grow. The HMO/Commercial membership has increased by 69,600 members to 832,300 as of June 30, 2001, a 9.1% increase since December 31, 2000. Membership in all of MAMSI's subsidiaries was 1,793,500 covered lives. Membership by product is as follows:

Product	6/30/01	12/31/00	Increase/ (Decrease)	Percentage Change
HMO/Commercial*	832,300	762,700	69,600	9.1%
ASO	9,000	9,300	(300)	(3.2)%
Subtotal	841,300	772,000	69,300	9.0%
PPO	952,200	1,019,300	(67,100)	(6.6)%
Total	1,793,500	1,791,300	2,200	0.1%

* Includes indemnity members.

Other highlights from the second quarter of 2001 include:

- Stock repurchase program – In the second quarter of 2001, MAMSI purchased 634,300 shares for a total of \$10,578,000 for an average price of \$16.68 per share.
- Strategic partnerships – The Company signed an agreement with American Medical Laboratories, Inc., Laboratory Corporation of America® and Shore Health Laboratories to provide commercial laboratory services to its members.
- Network expansion – The Company signed an agreement with Managed Health Resources, Inc. (MHR), a wholly owned subsidiary of the Carolinas HealthCare System (CHS). The addition of CHS increases the number of physicians, health care practitioners and facilities available to MAMSI health plan members throughout North Carolina.

“Our new strategic partnerships and the expansion of our network in North Carolina demonstrate our commitment to the key elements of our business strategy,” said Thomas P. Barbera, President and CEO. “We continue to deliver outstanding customer service while maintaining a comprehensive network of physicians and reliable earnings growth.”

MAMSI's subsidiaries operate in Maryland, Virginia, North Carolina, Pennsylvania, West Virginia, Delaware and Washington, D.C. For more information, visit www.mamsi.com.

Note 1: Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: All forward-looking information or statements contained in this release, including expectations regarding future or continued performance, are based on management's current knowledge of factors, all with inherent risks and uncertainties, affecting MAMSI's business. MAMSI's actual results may differ materially if these assumptions prove invalid. Significant risk factors, while not all-inclusive, are: the possibility of increasing price competition in the Company's service area; the possibility that the Company is not able to increase its market share at the anticipated premium rates; the possibility of increased litigation, legislation or regulation (such as the numerous class action lawsuits that have been filed against managed care companies and the pending initiatives to increase health care regulation) that might increase regulatory oversight which, in turn, would have the potential

for increased costs; the potential for increased medical expenses due to increased utilization by the Company's membership, increased practitioner and pharmaceutical costs and federal or state mandates that increase benefits or limit the Company's oversight ability; and the possibility that the Company is not able to negotiate new or renewal contracts with appropriate physicians, health care practitioners, hospitals and facilities. Investors should review other risks and uncertainties contained in Company documents filed with the Securities and Exchange Commission.

Note 2: MAMSI is a regional holding company for health care organizations that provides comprehensive health insurance products and services including: three health maintenance organizations, MD-Individual Practice Association, Inc. (M.D. IPA), Optimum Choice, Inc.® (OCI) and Optimum Choice of the Carolinas, Inc. (OCCI); a preferred provider organization, Alliance PPO, LLC; a life and health insurance company, MAMSI Life and Health Insurance Company (MLH); and home care companies such as HomeCall, Inc., FirstCall, Inc., HomeCall Hospice Services, Inc. and HomeCall Pharmaceutical Services, Inc.

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Mid Atlantic Medical Services, Inc.
In 000's Except PMPM and Per Share
Unaudited

	Quarter Ended 6/30/01	Quarter Ended 6/30/00	Quarter Ended 3/31/01
Member Months	2,482,855	2,275,074	2,452,448
Member Months - ASO	27,117	28,943	27,216
Health Premium	\$ 433,125	\$ 351,809	\$ 406,747
PMPM	\$ 174.45	\$ 154.64	\$ 165.85
Fee and Other	5,247	5,308	5,619
Life and Short-Term Disability	2,007	1,983	1,972
Home Health Services	6,200	6,026	6,771
Investment	3,896	3,213	3,552
Total Revenue	450,475	368,339	424,661
Medical Expense	374,299	308,147	347,811
PMPM	\$ 150.75	\$ 135.44	\$ 141.82
Medical Care Ratio	86.4%	87.6%	85.5%
Life and Short-Term Disability	652	957	1,026
Home Health Costs	5,473	5,006	5,377
Administrative	52,232	43,059	51,128
Administrative Expense Ratio	11.6%	11.7%	12.0%
Income Before Tax	17,819	11,170	19,319
Tax Provision	5,833	3,857	6,437
Effective Tax Rate	32.7%	34.5%	33.3%
Net Income	\$ 11,986	\$ 7,313	\$ 12,882
Basic EPS	\$ 0.31	\$ 0.19	\$ 0.34
Weighted Average Shares	38,511	37,706	38,261
Diluted EPS	\$ 0.30	\$ 0.19	\$ 0.32
Weighted Average Shares	39,984	38,443	40,191
Net Margin	2.7%	2.0%	3.0%
Medical Claims Payable at End of Period	\$ 192,795	\$ 167,062	\$ 188,819
Additional Information			
Medicaid Program:			
Premium	\$ -	\$ 2,437	\$ -
PMPM		\$ 190.05	
Medical Expense	-	2,333	-
PMPM		\$ 181.91	
Medical Care Ratio		95.7%	

Mid Atlantic Medical Services, Inc.
In 000's Except PMPM and Per Share
Unaudited

	Six Months Ended 6/30/01	Six Months Ended 6/30/00
Member Months	4,935,303	4,562,685
Member Months - ASO	54,333	59,207
Health Premium	\$ 839,872	\$ 696,171
PMPM	\$ 170.18	\$ 152.58
Fee and Other	10,866	10,526
Life and Short-Term Disability	3,979	3,950
Home Health Services	12,971	11,665
Investment	7,448	6,140
Total Revenue	875,136	728,452
Medical Expense	722,110	606,832
PMPM	\$ 146.32	\$ 133.00
Medical Care Ratio	86.0%	87.2%
Life and Short-Term Disability	1,678	1,780
Home Health Costs	10,850	9,993
Administrative	103,360	85,614
Administrative Expense Ratio	11.8%	11.8%
Income Before Tax	37,138	24,233
Tax Provision	12,270	8,318
Effective Tax Rate	33.0%	34.3%
Net Income	\$ 24,868	\$ 15,915
Basic EPS	\$ 0.65	\$ 0.42
Weighted Average Shares	38,386	38,345
Diluted EPS	\$ 0.62	\$ 0.41
Weighted Average Shares	40,087	38,790
Net Margin	2.8%	2.2%
Medical Claims Payable at End of Period	\$ 192,795	\$ 167,062
Additional Information		
Medicaid Program:		
Premium	\$ -	\$ 9,937
PMPM		\$ 191.62
Medical Expense	-	8,993
PMPM		\$ 173.41
Medical Care Ratio		90.5%