



# NEWS

**FOR IMMEDIATE RELEASE**  
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## **MAMSI Announces Strong Third Quarter 2001 Earnings**

**Rockville, Md.** -- Mid Atlantic Medical Services, Inc. (MAMSI) (MME-NYSE), one of the mid-Atlantic region's largest managed care companies, today reported diluted earnings per share of \$0.36 for the third quarter of 2001.

“This was another quarter of strong, reliable earnings growth for MAMSI,” said Mark D. Groban, M.D., Chairman of the Board. “The key aspects of our business model – member access to an extensive practitioner network, disciplined pricing and dedication to excellent service – have enabled the Company to take advantage of current market opportunities and to continue to expand our presence in the mid-Atlantic region.”

The Selected Income Statement Information below summarizes the Company's third quarter performance.

<b>Selected Income Statement Information</b>				
<b>(In thousands except share amounts, unaudited)</b>				
	<b>3 Q 01</b>	<b>3 Q 00</b>	<b>YTD 2001</b>	<b>YTD 2000</b>
Revenue	\$459,667	\$371,428	\$1,334,803	\$1,099,880
Expenses	\$437,049	\$356,779	\$1,275,047	\$1,060,998
Income Before Taxes	\$22,618	\$14,649	\$59,756	\$38,882
Net Income	\$15,036	\$10,974	\$39,904	\$26,889
Basic Earnings per Common Share	\$0.38	\$0.29	\$1.03	\$0.71
Weighted Average Shares Outstanding	39,132,229	37,388,100	38,634,740	38,026,351
Diluted Earnings per Common Share	\$0.36	\$0.28	\$0.98	\$0.69
Weighted Average Shares Outstanding	41,492,386	38,993,651	40,555,741	38,858,211

For the three months ended September 30, 2001, net income increased \$4,062,000 or 37.0% over the three months ended September 30, 2000. The third quarter of 2001 diluted earnings per share increased \$0.08 or 28.6% over the third quarter 2000, from \$0.28 in 2000 to \$0.36 in 2001.

Third quarter commercial health premiums totaled \$443,092,000, an increase of \$90,002,000 or 25.5% over the third quarter of 2000. Commercial health premiums for the third quarter of 2001 were up 12.1% on a per member per month basis over the third quarter of 2000. Commercial medical and dental expenses incurred in the third quarter of 2001 totaled \$377,582,000, an increase of \$71,361,000 or 23.3% over the third quarter of 2000. Commercial medical and dental expenses increased 10.2% on a per member per month basis over the third quarter of 2000. The medical care ratio for the third quarter of 2001 was 85.2%, a 150 basis point improvement over the commercial medical care ratio for the third quarter of 2000. Administrative expenses totaled \$52,698,000 in the third quarter of 2001 and were 11.5% of revenue. This compares with 11.9% of revenue for the third quarter of 2000.

For the nine months ended September 30, 2001, net income increased \$13,015,000 or 48.4% over the nine months ended September 30, 2000 and diluted earnings per share increased \$0.29 or 42.0%. On a per member per month basis, commercial health premiums were up 12.0% for the nine months ended September 30, 2001 over the same period in 2000. For the nine months ended September 30, 2001, on a per member per month basis, commercial medical expenses were up 10.3% over the same period in 2000. The commercial medical care ratio for the nine months ended September 30, 2001 was 85.7% compared with the commercial medical care ratio of 87.0% for the same period in 2000, a 130 basis point improvement. Administrative expenses were 11.7% of revenue for the first nine months of 2001 compared with 11.8% of revenue for the comparable period in 2000.

Commercial membership in MAMSI's subsidiaries continued to grow. As of September 30, 2001, membership in all MAMSI's subsidiaries was 1,809,800 covered lives. Membership by product is as follows:

Product	9/30/01	9/30/00	Increase/ (Decrease)	Percentage Change
HMO/Commercial*	849,800	758,300	91,500	12.1%
ASO	8,800	11,000	(2,200)	(20.0%)
Subtotal	858,600	769,300	89,300	11.6%
PPO	951,200	1,022,000	(70,800)	(6.9%)
Total	1,809,800	1,791,300	18,500	1.0%

\* Includes indemnity members

MAMSI also recently announced:

- In the third quarter of 2001, MAMSI repurchased 531,400 shares of the Company's common stock for a total of approximately \$10,979,000, at an average price of \$20.66 per share.
- The National Committee for Quality Assurance upgraded Optimum Choice, Inc.'s® (OCI) accreditation status to "Excellent." Now MAMSI's two largest HMOs, MD-Individual Practice Association, Inc. (M.D. IPA) and OCI, have both received "Excellent" Accreditation from NCQA for their HMO and POS products.
- For the second year in a row, M.D. IPA was the highest-rated health plan in the Federal Employee Health Benefit Program for Maryland and the District of Columbia, including customer service and overall plan satisfaction (see *2000 and 2001 Guide to Federal Employee Health Benefits Plan*).

"We are well positioned to respond to new market opportunities," said Thomas P. Barbera, President and CEO. "By strengthening our key operations, we are bringing value to our members and physicians -- value which has been increasingly recognized in the market."

MAMSI is one of the mid-Atlantic region's largest health services companies with subsidiaries covering over 1.8 million lives in Maryland, Washington, D.C., Delaware, North Carolina, Pennsylvania and West Virginia. For more information about MAMSI, visit [www.mamsi.com](http://www.mamsi.com).

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**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 marketplace; the possibility that the Company is not able to increase its market share at the anticipated premium rate; the possibility of increased litigation, legislation or regulation that might increase regulatory oversight which, in turn, would have the potential for increased costs; the possibility of increased medical expenses due to increased utilization, inflation or legislative mandates; and the possibility that the Company is not able to negotiate new or renewal contracts with appropriate physicians and health care practitioners. 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. (OCCD); 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., and HomeCall Pharmaceutical Services, Inc.

<b>Mid Atlantic Medical Services, Inc.</b>			
<b>In 000's Except PMPM and Per Share</b>			
<b>Unaudited</b>			
	<b>Quarter Ended</b>	<b>Quarter Ended</b>	<b>Quarter Ended</b>
	<b>9/30/01</b>	<b>9/30/00</b>	<b>6/30/01</b>
Member Months	2,534,613	2,264,435	2,482,855
Member Months - ASO	26,710	29,036	27,117
Health Premium	\$ 443,092	\$ 353,090	\$ 433,125
PMPM	\$ 174.82	\$ 155.93	\$ 174.45
Fee and Other	5,055	5,409	5,247
Life and Short-Term Disability	1,999	2,040	2,007
Home Health Services	5,622	7,455	6,200
Investment	3,899	3,434	3,896
<b>Total Revenue</b>	<b>459,667</b>	<b>371,428</b>	<b>450,475</b>
Medical Expense	377,582	306,221	374,299
PMPM	\$ 148.97	\$ 135.23	\$ 150.75
Medical Care Ratio	85.2%	86.7%	86.4%
Life and Short-Term Disability	846	552	652
Home Health Costs	5,923	5,828	5,473
Administrative	52,698	44,178	52,232
Administrative Expense Ratio	11.5%	11.9%	11.6%
Income Before Tax	22,618	14,649	17,819
Tax Provision	7,582	3,675	5,833
Effective Tax Rate	33.5%	25.1%	32.7%
<b>Net Income</b>	<b>\$ 15,036</b>	<b>\$ 10,974</b>	<b>\$ 11,986</b>
Basic EPS	\$ 0.38	\$ 0.29	\$ 0.31
Weighted Average Shares	39,132	37,388	38,511
Diluted EPS	\$ 0.36	\$ 0.28	\$ 0.30
Weighted Average Shares	41,492	38,994	39,984
<b>Net Margin</b>	<b>3.3%</b>	<b>3.0%</b>	<b>2.7%</b>
Medical Claims Payable at End of Period	\$ 204,185	\$ 172,596	\$ 192,795
<b>Additional Information</b>			
Medicaid Program:			
Premium	\$ -	\$ -	\$ -
PMPM		\$ -	
Medical Expense	-	-	-
PMPM		\$ -	
Medical Care Ratio			

<b>Mid Atlantic Medical Services, Inc.</b>		
<b>In 000's Except PMPM and Per Share</b>		
<b>Unaudited</b>		
	<b>Nine Months Ended</b>	<b>Nine Months Ended</b>
	<b>9/30/01</b>	<b>9/30/00</b>
Member Months	7,469,916	6,827,120
Member Months - ASO	81,043	88,243
Health Premium	\$ 1,282,964	\$ 1,049,261
PMPM	\$ 171.75	\$ 153.69
Fee and Other	15,921	15,935
Life and Short-Term Disability	5,978	5,990
Home Health Services	18,593	19,120
Investment	11,347	9,574
<b>Total Revenue</b>	<b>1,334,803</b>	<b>1,099,880</b>
Medical Expense	1,099,692	913,053
PMPM	\$ 147.22	\$ 133.74
Medical Care Ratio	85.7%	87.0%
Life and Short-Term Disability	2,524	2,332
Home Health Costs	16,773	15,821
Administrative	156,058	129,792
Administrative Expense Ratio	11.7%	11.8%
Income Before Tax	59,756	38,882
Tax Provision	19,852	11,993
Effective Tax Rate	33.2%	30.8%
<b>Net Income</b>	<b>\$ 39,904</b>	<b>\$ 26,889</b>
Basic EPS	\$ 1.03	\$ 0.71
Weighted Average Shares	38,635	38,026
Diluted EPS	\$ 0.98	\$ 0.69
Weighted Average Shares	40,556	38,858
<b>Net Margin</b>	<b>3.0%</b>	<b>2.4%</b>
Medical Claims Payable at End of Period	\$ 204,185	\$ 172,596
<b>Additional Information</b>		
Medicaid Program:		
Premium	\$ -	\$ 9,937
PMPM		\$ 191.62
Medical Expense	-	8,993
PMPM		\$ 173.41
Medical Care Ratio		90.5%