



NEWS

FOR IMMEDIATE RELEASE
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MAMSI Announces Strong Fourth Quarter and Year End Earnings

Rockville, Md. -- Mid Atlantic Medical Services, Inc. (MAMSI) (NYSE: MME), one of the Mid-Atlantic region's largest health services companies, today announced earnings for the fourth quarter and fiscal year ended December 31, 2002. Diluted earnings per share for the year 2002 totaled \$2.34, an increase of 66.0 percent over 2001 earnings of \$1.41 per share. Diluted earnings per share for the fourth quarter of 2002 totaled \$.91, an increase of 111.6 percent over fourth quarter 2001 earnings of \$.43 per share.

In the fourth quarter of 2002, the Company changed certain estimates to more properly reflect its liability for claims incurred but not reported (IBNR) as of December 31, 2002. By the fourth quarter of 2002, it was apparent that MAMSI was receiving claims for services rendered to its members more quickly than previously assumed in its IBNR calculations. Adjusting for this quicker receipt of claims reduced medical claims payable and medical expenses by \$24,000,000 and increased annual net income and diluted earnings per share by \$12,789,000 and \$.31, respectively.

"MAMSI continues to deliver strong, consistent growth," said Mark D. Groban, M.D., MAMSI's Chairman of the Board. "By delivering a quality product, with outstanding customer service and disciplined pricing, we expect to continue to produce solid results in 2003."

The Selected Income Statement Information below summarizes the Company's fourth quarter and fiscal year 2002 performance.

Selected Income Statement Information				
(In thousands except share amounts, unaudited)				
	4 Q 02	4 Q 01	YTD 2002	YTD 2001
Revenue	\$607,136	\$472,932	\$2,328,029	\$1,807,735
Expenses	548,393	448,346	2,180,711	1,723,393
Income Before Taxes	58,743	24,586	147,318	84,342
Net Income	\$37,614	\$17,291	\$97,413	\$57,195
Basic Earnings per Common Share	\$.96	\$.45	\$2.49	\$1.48
Weighted Average Shares Outstanding	39,082,547	38,784,381	39,171,996	38,672,147
Diluted Earnings per Common Share	\$.91	\$.43	\$2.34	\$1.41
Weighted Average Shares Outstanding	41,148,816	40,341,121	41,657,009	40,502,086

For the three months ended December 31, 2002, net income increased \$20,323,000 or 117.5 percent over the three months ended December 31, 2001. The fourth quarter of 2002 diluted earnings per share increased \$.48 or 111.6 percent over the fourth quarter of 2001, from \$.43 in 2001 to \$.91 in 2002.

Fourth quarter 2002 health premiums totaled \$589,075,000, an increase of \$131,101,000 or 28.6 percent over the fourth quarter of 2001. Health premiums for the fourth quarter of 2002 were up 9.6 percent on a per member per month basis over the fourth quarter of 2001. Medical and dental expenses incurred in the fourth quarter of 2002 totaled \$474,900,000, an increase of \$87,362,000 or 22.5 percent over the fourth quarter of 2001. Medical and dental expenses increased 4.4 percent on a per member per month basis over the fourth quarter of 2001. The medical care ratio for the fourth quarter of 2002 was 80.6 percent, a 400 basis point improvement over the medical care ratio for the fourth quarter of 2001. Administrative expenses totaled \$66,852,000 in the fourth quarter of 2002 and were 11.0 percent of revenue. This compares with 11.5 percent of revenue for the fourth quarter of 2001.

For the year ended December 31, 2002, net income increased \$40,218,000 or 70.3 percent over the year ended December 31, 2001 and diluted earnings per share increased \$.93 or 66.0 percent. On a per member per month basis, health premiums were up 11.1 percent for the year ended December 31, 2002 over the same period in 2001. For the year ended December 31, 2002, on a per member per month basis, medical and dental expenses were up 9.5 percent over the same period in 2001. The medical care ratio for the year ended December 31, 2002 was 84.2 percent compared with the medical care ratio of 85.4 percent for the same period in 2001, a 120 basis point improvement. Administrative expenses were 10.8 percent of revenue for 2002 compared with 11.7 percent of revenue for 2001.

Commercial membership in MAMSI's subsidiaries continues to grow. As of December 31, 2002, membership in all of MAMSI's subsidiaries was 1,976,900 covered lives. Membership by product is as follows:

Product	12/31/02	12/31/01	Increase/ (Decrease)	Percentage Change
HMO/Commercial*	999,900	865,100	134,800	15.6%
ASO	8,600	8,900	(300)	(3.4)%
Subtotal	1,008,500	874,000	134,500	15.4%
PPO	968,400	958,400	10,000	1.0%
Total	1,976,900	1,832,400	144,500	7.9%

* Includes indemnity members.

Membership in all of MAMSI's subsidiaries through January 2003 is as follows:

Product	01/31/03	12/31/02	Increase/ (Decrease)	Percentage Change
HMO/Commercial*	1,023,800	999,900	23,900	2.4%
ASO	8,600	8,600	-	-
Subtotal	1,032,400	1,008,500	23,900	2.4%
PPO	972,600	968,400	4,200	.4%
Total	2,005,000	1,976,900	28,100	1.4%

* Includes indemnity members.

“Our diverse product offerings backed by disciplined pricing and outstanding service added value to employers in the mid-Atlantic region and made 2002 another successful year,” said Thomas P. Barbera, President and CEO. “We remain confident in our ability to meet our goals in 2003 by continuing to pursue strategic, profitable growth in the mid-Atlantic region.”

The Company will host a conference call and Web cast on Thursday, February 13, 2003 at 11:30 a.m. Eastern Standard Time to discuss fourth quarter results. To listen to the call, please dial 703-925-2403 (pass code 6404593) or log on to www.mamsi.com and click on the Investor Relations button. A replay service is available until midnight February 20, 2003 by calling 703-925-2533 (pass code 6404593).

MAMSI is a regional holding company whose subsidiaries include: 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); a coordination of benefits company, Alliance Recovery Services, LLC (ARS); and home care companies such as HomeCall, Inc., FirstCall, Inc., and HomeCall Pharmaceutical Services, Inc. For more information about the Company, visit its Web site, www.mamsi.com.

Note 1: Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: All forward-looking information contained in this release is based on management's current knowledge of factors, all of which have inherent risks and uncertainties, that affect 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 effect of a weak economy on the Company; the effect on the Company due to the acts of terrorism and the threat of future attacks; 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 have the potential for increased costs, and/or increased regulation of rates which might have the potential to decrease revenue; the inability to predict and control medical expenses due to increased utilization by the Company's membership, increased practitioner and pharmaceutical costs, federal or state mandates that increase benefits or limit the Company's oversight ability, the potential for existing disputes under risk-sharing arrangements, and the Company's ability to maintain and renew these arrangements; and the possibility that the Company is not able to negotiate new or renewal contracts with appropriate physicians, other health care practitioners, hospitals and facilities.

The list of significant risk factors is not intended to be exhaustive. There may be other risk factors that would preclude the Company from realizing the predictions made in the forward-looking statements. While the Company may periodically update this discussion of risk factors, the Company does not undertake to update and forward-looking statement that may be made by or on behalf of the Company prior to its next filing with the Securities and Exchange Commission.

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

	Quarter Ended 12/31/02	Quarter Ended 12/31/01	Quarter Ended 9/30/02
Member Months	2,983,300	2,542,185	2,954,348
Member Months - ASO	25,814	26,726	25,850
Health Premium	\$ 589,075	\$ 457,974	\$ 577,900
PMPM	\$ 197.46	\$ 180.15	\$ 195.61
Fee and Other	5,916	5,323	5,210
Life and Short-Term Disability	2,386	2,088	2,297
Home Health Services	5,595	4,122	6,146
Investment	4,164	3,425	3,914
Total Revenue	607,136	472,932	595,467
Medical Expense	474,900	387,538	492,402
PMPM	\$ 159.19	\$ 152.44	\$ 166.67
Medical Care Ratio	80.6%	84.6%	85.2%
Life and Short-Term Disability	1,036	1,065	1,114
Home Health Costs	5,605	5,177	5,798
Administrative	66,852	54,566	62,516
Administrative Expense Ratio	11.0%	11.5%	10.5%
Income Before Tax	58,743	24,586	33,637
Tax Provision	21,129	7,295	11,114
Effective Tax Rate	36.0%	29.7%	33.0%
Net Income	\$ 37,614	\$ 17,291	\$ 22,523
Basic EPS	\$ 0.96	\$ 0.45	\$ 0.57
Weighted Average Shares	39,083	38,784	39,318
Diluted EPS	\$ 0.91	\$ 0.43	\$ 0.54
Weighted Average Shares	41,149	40,341	41,649
Net Margin	6.2%	3.7%	3.8%
Medical Claims Payable at End of Period	\$ 297,304	\$ 212,010	\$ 321,900

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

	Year Ended	Year Ended
	12/31/02	12/31/01
Member Months	11,686,861	10,003,421*
Member Months - ASO	103,667	107,769
Health Premium	\$ 2,259,600	\$ 1,740,938
PMPM	\$ 193.35	\$ 174.03
Fee and Other	22,416	21,244
Life and Short-Term Disability	9,085	8,066
Home Health Services	21,961	22,715
Investment	14,967	14,772
Total Revenue	2,328,029	1,807,735
Medical Expense	1,903,067	1,487,230
PMPM	\$ 162.84	\$ 148.67
Medical Care Ratio	84.2%	85.4%
Life and Short-Term Disability	3,901	3,589
Home Health Costs	22,140	21,950
Administrative	251,603	210,624
Administrative Expense Ratio	10.8%	11.7%
Income Before Tax	147,318	84,342
Tax Provision	49,905	27,147
Effective Tax Rate	33.9%	32.2%
Net Income	\$ 97,413	\$ 57,195
Basic EPS	\$ 2.49	\$ 1.48
Weighted Average Shares	39,172	38,672
Diluted EPS	\$ 2.34	\$ 1.41
Weighted Average Shares	41,657	40,502
Net Margin	4.2%	3.2%
Medical Claims Payable at End of Period	\$ 297,304	\$ 212,010

*Member months for the year ended December 31, 2001, as adjusted

**The major components of Medical Claims Payable at
December 31, 2002, 2001 and 2000 are as follows (in thousands):
Unaudited**

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Reserve for incurred but not reported claims	\$ 247,983	\$ 206,526	\$ 165,806
Claims received, not yet paid and other items	49,321	33,598	27,776
Amortized value of pharmacy cost guarantee (receivable) related to year 2000	-	(28,114)	(14,897)
Total Medical Claims Payable*	<u>\$ 297,304</u>	<u>\$ 212,010</u>	<u>\$ 178,685</u>

*Includes Life and Short-term Disability balances.

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Reconciliation of Medical Claims Payable
(in thousands)
Unaudited

Balance as of December 31, 2001*	\$ 210,700
Components of Medical Expense	
Estimated Cost Incurred	1,934,361
Estimated Redundancy	(31,294)
	<u>1,903,067</u>
Payments for Medical Expense	<u>(1,818,046)</u>
Balance as of December 31, 2002*	<u><u>\$ 295,721</u></u>
Prior year redundancy as a percentage of medical expense	1.64%
Balance as of December 31, 2000*	\$ 177,435
Components of Medical Expense	
Estimated Cost Incurred	1,494,931
Estimated Redundancy	(7,701)
	<u>1,487,230</u>
Payments for Medical Expense	<u>(1,453,965)</u>
Balance as of December 31, 2001*	<u><u>\$ 210,700</u></u>
Prior year redundancy as a percentage of medical expense	0.52%
Balance as of December 31, 1999*	\$ 153,237
Components of Medical Expense	
Estimated Cost Incurred	1,218,865
Estimated Deficiency	4,407
	<u>1,223,272</u>
Payments for Medical Expense	<u>(1,199,074)</u>
Balance as of December 31, 2000*	<u><u>\$ 177,435</u></u>
Prior year deficiency as a percentage of medical expense	-0.36%

*Excludes Life and Short-term Disability balances.

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