



# NEWS

**FOR IMMEDIATE RELEASE**

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## *MAMSI Announces Third Quarter Earnings*

**Rockville, Md.** -- Mid Atlantic Medical Services, Inc. (MAMSI) (MME-NYSE), one of the mid-Atlantic region's largest health services companies, announced third quarter earnings today. The Company reported diluted earnings per share of \$1.10 for the third quarter of 2003 compared to \$0.54 in the third quarter of 2002.

"Quarter over quarter, we have produced strong, reliable earnings growth," remarked Mark D. Groban, M.D., Chairman of the Board. "As we move forward with the definitive agreement to merge with UnitedHealthcare, we remain focused on delivering outstanding customer service and working collaboratively with our physician partners to continue to bring access to quality health care in the mid-Atlantic region."

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

<b>Selected Income Statement Information</b>				
(In thousands except share amounts, unaudited)				
	<b>3 Q 03</b>	<b>3 Q 02</b>	<b>YTD 2003</b>	<b>YTD 2002</b>
Revenue	\$670,021	\$595,467	\$2,007,543	\$1,720,893
Expenses	\$599,548	\$561,830	\$1,825,682	\$1,632,318
Income Before Taxes	\$70,473	\$33,637	\$181,681	\$88,575
Net Income	\$46,154	\$22,523	\$119,391	\$59,799
Basic Earnings per Common Share	\$1.16	\$0.57	\$3.05	\$1.53
Weighted Average Shares Outstanding	39,670,327	39,318,030	39,154,160	39,201,813
Diluted Earnings per Common Share	\$1.10	\$0.54	\$2.88	\$1.43
Weighted Average Shares Outstanding	41,829,519	41,648,826	41,409,063	41,826,407

For the three months ended September 30, 2003, net income increased \$23,631,000 or 104.9 percent over the three months ended September 30, 2002. The third quarter of 2003 diluted earnings per share increased \$0.56 or 103.7 percent over the third quarter of 2002, from \$0.54 in 2002 to \$1.10 in 2003.

Third quarter 2003 health premiums totaled \$652,588,000, an increase of \$74,688,000 or 12.9 percent over the third quarter of 2002. Health premiums for the third quarter of 2003 were up 11.7 percent on a per member per month basis over the third quarter of 2002 and totaled \$218.58. Medical and dental expenses incurred in the third quarter of 2003 totaled \$524,794,000, an increase of \$32,392,000 or 6.6 percent over the third quarter of

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2002. Medical and dental expenses incurred in the third quarter of 2003 were up 5.5 percent on a per member per month basis over the third quarter of 2002 and totaled \$175.77. The medical care ratio for the third quarter of 2003 was 80.4 percent, a 480 basis point improvement over the medical care ratio for the third quarter of 2002. Administrative expenses totaled \$68,743,000 in the third quarter of 2003 and were 10.3 percent of revenue. This compares with 10.5 percent of revenue for the third quarter of 2002.

For the nine months ended September 30, 2003, net income increased \$59,592,000 or 99.7 percent over the nine months ended September 30, 2002, and diluted earnings per share increased \$1.45 or 101.4 percent. On a per member per month basis, health premiums were up 12.5 percent for the nine months ended September 30, 2003 over the same period in 2002. For the nine months ended September 30, 2003, on a per member per month basis, medical and dental expenses were up 7.9 percent over the same period in 2002. The medical care ratio for the nine months ended September 30, 2003, was 81.9 percent, compared with the medical care ratio of 85.5 percent for the same period in 2002, a 360 basis point improvement. Administrative expenses were 10.3 percent of revenue for the first nine months of 2003 compared with 10.7 percent of revenue for the first nine months of 2002.

Membership in all of MAMSI's subsidiaries was 1,978,800 covered lives as of September 30, 2003. Membership by product is as follows:

<b>Product</b>	<b>9/30/03</b>	<b>12/31/02</b>	<b>Increase/ (Decrease)</b>	<b>Percentage Change</b>
Commercial*	997,200	999,900	(2,700)	(.3)%
ASO	9,500	8,600	900	10.5%
Subtotal	1,006,700	1,008,500	(1,800)	(.2)%
PPO	972,100	968,400	3,700	.4%
Total	1,978,800	1,976,900	1,900	.1%

\* Includes indemnity members.

Since September 30, 2002, 6,500 net new commercial members have joined MAMSI's health plans, a 0.7 percent increase in year-over-year membership. Membership growth by product line since September 30, 2002 is as follows:

<b>Product</b>	<b>9/30/03</b>	<b>9/30/02</b>	<b>Increase/ (Decrease)</b>	<b>Percentage Change</b>
Commercial*	997,200	990,700	6,500	.7%
ASO	9,500	8,600	900	10.5%
Subtotal	1,006,700	999,300	7,400	.7%
PPO	972,100	970,000	2,100	.2%
Total	1,978,800	1,969,300	9,500	.5%

\* Includes indemnity members.

“Our dedicated employees' long-standing attention to details and commitment to excellence continue to help us meet the needs of our members and employer groups and earn their loyalty,” said Thomas P. Barbera, President and CEO.

In other news, UnitedHealth Group and MAMSI announced on October 27, 2003 that the companies signed a definitive agreement under which UnitedHealthcare, a division of UnitedHealth Group, will merge with MAMSI.

The Company will host a conference call and Web cast on Thursday, November 6, 2003 at 11 a.m. Eastern Standard Time to discuss the third quarter results. To listen to the call, please dial 703-464-5614 (pass code 6431126) or to listen to the Web cast, log on to [www.mamsi.com](http://www.mamsi.com). A replay service is available until midnight November 13, 2003 by calling 703-925-2533 (pass code 6431126).

MAMSI's subsidiaries operate in Maryland, Virginia, North Carolina, Pennsylvania, West Virginia, Delaware and Washington, D.C. For more information, visit [www.mamsi.com](http://www.mamsi.com).

**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 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 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 ultimate accuracy of the Company's estimate of the liability for incurred but not reported claims, the potential for disputes under its 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 any forward-looking statement that may be made by or on behalf of the Company prior to its next required filing with the Securities and Exchange Commission.

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

	<b>Quarter Ended 9/30/2003</b>	<b>Quarter Ended 9/30/2002</b>	<b>Quarter Ended 6/30/2003</b>
Member Months	2,985,635	2,954,348	3,011,890
Member Months - ASO	28,656	25,850	28,805
Health Premium	\$ 652,588	\$ 577,900	\$ 654,457
PMPM	\$ 218.58	\$ 195.61	\$ 217.29
Fee and Other	5,849	5,210	5,992
Life and Short-Term Disability	2,215	2,297	2,434
Home Health Services	4,867	6,146	6,086
Investment	4,502	3,914	4,177
<b>Total Revenue</b>	<b>670,021</b>	<b>595,467</b>	<b>673,146</b>
Medical Expense	524,794	492,402	537,473
PMPM	\$ 175.77	\$ 166.67	\$ 178.45
Medical Care Ratio	80.4%	85.2%	82.1%
Life and Short-Term Disability	1,019	1,114	871
Home Health Costs	4,992	5,798	5,673
Administrative	68,743	62,516	69,787
Administrative Expense Ratio	10.3%	10.5%	10.4%
Income Before Tax	70,473	33,637	59,342
Tax Provision	24,319	11,114	20,260
Effective Tax Rate	34.5%	33.0%	34.1%
<b>Net Income</b>	<b>\$ 46,154</b>	<b>\$ 22,523</b>	<b>\$ 39,082</b>
Basic EPS	\$ 1.16	\$ 0.57	\$ 1.00
Weighted Average Shares	39,670	39,318	39,138
Diluted EPS	\$ 1.10	\$ 0.54	\$ 0.94
Weighted Average Shares	41,830	41,649	41,629
<b>Net Margin</b>	<b>6.9%</b>	<b>3.8%</b>	<b>5.8%</b>
Claims Payable at End of Period	\$ 340,255	\$ 321,900	\$ 352,051

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

	<b>Nine Months Ended 9/30/2003</b>	<b>Nine Months Ended 9/30/2002</b>
Member Months	9,044,571	8,703,561
Member Months - ASO	86,602	77,853
Health Premium	\$ 1,953,546	\$ 1,670,525
PMPM	\$ 215.99	\$ 191.94
Fee and Other	17,714	16,500
Life and Short-Term Disability	6,989	6,699
Home Health Services	16,608	16,366
Investment	12,686	10,803
<b>Total Revenue</b>	<b>2,007,543</b>	<b>1,720,893</b>
Medical Expense	1,600,703	1,428,167
PMPM	\$ 176.98	\$ 164.09
Medical Care Ratio	81.9%	85.5%
Life and Short-Term Disability	3,021	2,865
Home Health Costs	16,319	16,535
Administrative	205,819	184,751
Administrative Expense Ratio	10.3%	10.7%
Income Before Tax	181,681	88,575
Tax Provision	62,290	28,776
Effective Tax Rate	34.3%	32.5%
<b>Net Income</b>	<b>\$ 119,391</b>	<b>\$ 59,799</b>
Basic EPS	\$ 3.05	\$ 1.53
Weighted Average Shares	39,154	39,202
Diluted EPS	\$ 2.88	\$ 1.43
Weighted Average Shares	41,409	41,826
<b>Net Margin</b>	<b>5.9%</b>	<b>3.5%</b>
Claims Payable at End of Period	\$ 340,255	\$ 321,900

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**Components of Claims Payable  
at September 30 are as Follows (in thousands):  
Unaudited**

	<b>September 30, 2003</b>	<b>September 30, 2002</b>
Reserve for incurred but not reported claims	\$ 267,586	\$ 270,337
Claims received, not yet paid and other items	72,669	51,563
Total claims payable	<u>\$ 340,255</u>	<u>\$ 321,900</u>

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**Components of the Change in Claims Payable  
for each Year to Date Dates of Service ("DOS")  
(in thousands except for percentages)  
Unaudited**

<b>For the Nine Months Ended September 30, 2003:</b>	<b>Medical</b>	<b>Life &amp; STD</b>	<b>Total</b>	<b>2003 DOS</b>	<b>2002 &amp; Prior DOS</b>
Beginning of the year	\$ 295,721	\$ 1,583	\$ 297,304	\$ -	\$ 297,304
Components of medical expense:					
Estimated cost incurred	1,660,641	3,021	1,663,662	1,663,662	-
Estimated redundancy	(59,938)	-	(59,938)	-	(59,938)
	<u>1,600,703</u>	<u>3,021</u>	<u>1,603,724</u>	<u>1,663,662</u>	<u>(59,938)</u>
Payments for medical expense	<u>(1,557,535)</u>	<u>(3,238)</u>	<u>(1,560,773)</u>	<u>(1,327,957)</u>	<u>(232,816)</u>
End of the period	<u>\$ 338,889</u>	<u>\$ 1,366</u>	<u>\$ 340,255</u>	<u>\$ 335,705</u>	<u>\$ 4,550</u>

Prior period redundancy as a percentage  
of current period medical expense                      3.74%

<b>For the Nine Months Ended September 30, 2002:</b>	<b>Medical</b>	<b>Life &amp; STD</b>	<b>Total</b>	<b>2002 DOS</b>	<b>2001 &amp; Prior DOS</b>
Beginning of the year	\$ 238,814	\$ 1,310	\$ 240,124	\$ -	\$ 240,124
Components of medical expense:					
Estimated cost incurred	1,461,303	2,865	1,464,168	1,464,168	-
Estimated redundancy	(33,136)	-	(33,136)	-	(33,136)
	<u>1,428,167</u>	<u>2,865</u>	<u>1,431,032</u>	<u>1,464,168</u>	<u>(33,136)</u>
Payments for medical expense	<u>(1,346,421)</u>	<u>(2,835)</u>	<u>(1,349,256)</u>	<u>(1,149,825)</u>	<u>(199,431)</u>
End of the period	<u>\$ 320,560</u>	<u>\$ 1,340</u>	<u>\$ 321,900</u>	<u>\$ 314,343</u>	<u>\$ 7,557</u>

Prior period redundancy as a percentage  
of current period medical expense                      2.32%