
Top Dollar:

*CEO Compensation
in Medicare's
Private Insurance Plans*

A REPORT BY
Families USA

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**Top Dollar: CEO Compensation in Medicare's
Private Insurance Plans**

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INTRODUCTION

Congress is again considering legislation to add a prescription drug benefit to the Medicare program. This time, some of the proposals—including the approach advocated by the Administration—couple the addition of a drug benefit with provisions to “restructure” Medicare, giving private managed care plans a much greater role. Many of the proposals incorporate incentives designed to steer individuals into private plans. Those who seek to increase the role of private plans in the Medicare program often argue that these private plans are more cost-effective, can save money, and will deliver better quality care.

Given the concerns about the long-term financial outlook for the Medicare program, the public should expect that any proposed changes will make the best possible use of available public funds without compromising health care for the seniors and people with disabilities who depend on Medicare. Evidence so far suggests that increasing the role of private managed care plans in Medicare will not meet these expectations. One red flag is the executive compensation paid by these plans. Executives in private health plans receive lavish compensation packages that, in publicly traded plans, include enormous bonuses and stock incentives. The incentives that these pay packages create may be consistent with the company’s financial success, but they are not necessarily consistent with the goal of providing high-quality, reliable care for America’s seniors and others receiving Medicare. Furthermore, the handsome executive compensation offered by these private plans is many, many times greater than the compensation of those who run the Medicare program.

This report examines compensation in the year 2002 for the highest-paid executives of the 11 for-profit, publicly traded health insurance companies that currently serve (or are the parent companies of health plans that currently serve) Medicare beneficiaries through Medicare+Choice, a program that allows beneficiaries to enroll in, and receive care through, private plans.¹ The plans included

in this study are: Aetna Inc.; Anthem, Inc.; CIGNA Corporation; Coventry Health Care, Inc.; Health Net, Inc.; Humana Inc.; Oxford Health Plans, Inc.; PacifiCare Health Systems, Inc.; Sierra Health Services, Inc.; UnitedHealth Group Incorporated; and WellPoint Health Networks.

The companies examined all rank among the 25 largest managed care plans in the U.S., and each reported serving over 50,000 Medicare enrollees in 2002. These large insurers would likely be among the plans seeking to serve Medicare beneficiaries in any “restructuring” that would move beneficiaries to private plans. (See the Methodology section of this report for a discussion of plan selection criteria.)

Although many plans that currently participate in Medicare+Choice are not publicly traded—they include not-for-profit plans such as Blue Cross/Blue Shield affiliates and for-profit companies—this review of executive compensation focuses on publicly traded companies. Those companies must annually file financial data, including information on executive compensation, with the Securities and Exchange Commission (SEC). The format for presenting this information, the content, and the methodology for calculating financial information must comply with SEC rules. Companies that are not publicly traded, whether for profit or not-for-profit, may publish annual reports but they do not have to report the same information or meet SEC standards. Relying on SEC filings gives consistency to the financial data that is not present in the financial information for non-publicly traded plans participating in Medicare. (The Methodology section of this report provides additional information on how compensation was calculated.)

With respect to corporate executives’ compensation, in 2002, the SEC required companies to report information pertaining to the chief executive officer (CEO), regardless of level of compensation, plus the four most highly compensated executive officers. In some instances, such as where there has been turnover among those executives, the SEC filings include information on more than five executives. The SEC filings include two categories of ex-

executive remuneration: (1) total annual compensation exclusive of unexercised stock options and (2) the value of pending, unexercised stock options. Those two types of remuneration include the following:

- *Total compensation in 2002 exclusive of unexercised stock options.* This includes salaries; bonuses; other compensation (such as retirement plans, automobiles and travel allowances, relocation expenses, value of life insurance); restricted stock awards; long-term-incentive payouts (LTIP); and exercised stock options (options that the executive cashed in during 2002).
- *The reported value of unexercised stock options.* This includes stock options awarded in 2002 or earlier that have not yet been exercised. The value of these stock options is self-reported by each company based on one of two SEC-approved methodologies, which are described more fully in the Methodology section of this report. The value reported by the companies is designed to indicate the potential value of stock options awarded in 2002 and the current market value of the unexercised options awarded in prior years.

To place the salaries of highly paid executives in leading publicly traded health plans serving Medicare beneficiaries in perspective, their compensation was compared with the compensation of the lead government officials responsible for the operation of the Medicare program, the nation's largest insurance program.² These are the Secretary of Health and Human Services and the Administrator of the Centers for Medicare and Medicaid Services, who is the individual responsible for oversight of Medicare. The information was obtained through the Office of Personnel Management.

KEY FINDINGS

Annual Compensation of Health Plan Executives

- **Annual Compensation, Exclusive of Unexercised Stock Options**
 - The average compensation of the highest-paid executive in each of the 11 companies was approximately \$15.1 million in 2002. (See Table 1.)
 - The highest-paid of these executives was Norman Payson, former Chairman and CEO of Oxford Health Plans. In 2002, his compensation, exclusive of unexercised stock options, was \$76,010,825, which included over \$70 million for the value of shares acquired on exercise.
 - The 11 companies paid their most highly compensated executives a total of over \$166 million in 2002, exclusive of unexercised stock options.

Table 1

Highest Compensation Package in Each Company, Exclusive of Unexercised Stock Options

Company	Name	Title	Compensation
Aetna	John Rowe, M.D.	Chairman & CEO	\$ 8,927,005
Anthem	Larry C. Glasscock	President & CEO	\$ 6,857,839
CIGNA	H. Edward Hanway	Chairman & CEO	\$ 5,976,890
Coventry	Allen F. Wise	President & CEO	\$ 21,664,330
Health Net	B. Curtis Westen	Senior VP, General Counsel & Secretary	\$ 6,150,970
Humana	Michael B. McCallister	President & CEO	\$ 1,648,972
Oxford Health Plans	Norman C. Payson	Former Chairman & CEO	\$ 76,010,825
PacifiCare	Howard G. Phanstiel	President & CEO	\$ 3,005,781
Sierra Health	Anthony M. Marlon, M.D.	Chairman, CEO & President	\$ 4,745,988
UnitedHealth	R. Channing Wheeler	CEO, Uniprise	\$ 9,588,699
WellPoint	Leonard D. Schaeffer	Chairman & CEO	\$ 21,765,532
Total compensation for these 11 executives:			\$ 166,342,831
Average compensation for these executives:			\$ 15,122,076

■ Value of Unexercised Stock Options for the Executive with the Largest Value of Unexercised Stock Options in Each of the 11 Companies

- The executive with the largest value of unexercised stock options in each of the 11 companies had stock options worth, on average, \$67.7 million in 2002, with a median value of over \$14 million. (See Table 2.)
- For the executive with the largest unexercised stock options, the Chairman and CEO of UnitedHealth Group, the total reported value of those options was nearly \$530 million.

Table 2

Largest Value of Unexercised Stock Options, by Company

Company	Name	Title	Compensation
Aetna	John Rowe, M.D.	Chairman & CEO	\$ 24,078,480
Anthem	Larry C. Glasscock	President & CEO	\$ 9,038,474
CIGNA	H. Edward Hanway	Chairman & CEO	\$ 6,399,907
Coventry	Allen F. Wise	President & CEO	\$ 10,099,038
Health Net	Jay M. Gellert	President & CEO	\$ 23,477,657
Humana	Michael B. McCallister	President & CEO	\$ 2,707,157
Oxford Health Plans	Norman C. Payson	Former Chairman & CEO	\$ 25,589,375
PacificCare	Howard G. Phanstiel	President & CEO	\$ 14,031,740
Sierra Health	Anthony M. Marlon, M.D.	Chairman, CEO & President	\$ 6,280,785
UnitedHealth	William W. McGuire, M.D.	Chairman & CEO	\$ 529,986,971
WellPoint	Leonard D. Schaeffer	Chairman & CEO	\$ 93,087,561
Total compensation for these 11 executives:			\$ 744,777,145
Average compensation for these executives:			\$ 67,707,013

■ 20 Highest-Paid Executives in 2002, Exclusive of Unexercised Stock Options

- 2002 compensation, exclusive of unexercised stock options, for the 20 highest-paid executives in the 11 companies ranged from a low of over \$4 million to a high of over \$76 million. (See Table 3.)
- The 20 highest-paid executives in the 11 companies received an average compensation package, exclusive of unexercised stock options, of over \$11.8 million. The median value was over \$6.6 million in 2002.

- For the 20 most highly compensated executives in the 11 companies, 2002 compensation, exclusive of unexercised stock options, totaled over \$237 million.

Table 3

**The 20 Highest-Paid Executives' 2002 Annual Compensation,
Exclusive of Unexercised Stock Options**

Name	Title	Company	Compensation
Norman C. Payson, M.D.	Former Chairman and CEO	Oxford Health Plans	\$ 76,010,825
Leonard D. Schaeffer	Chairman & CEO	WellPoint	\$ 21,765,532
Allen F. Wise	President & CEO	Coventry	\$ 21,664,330
D. Mark Weinberg	Executive VP & Chief Development Officer	WellPoint	\$ 14,046,201
R. Channing Wheeler	CEO, Uniprise	UnitedHealth	\$ 9,588,699
William W. McGuire, M.D.	Chairman & CEO	UnitedHealth	\$ 9,457,403
John W. Rowe, M.D.	Chairman & CEO	Aetna	\$ 8,927,005
Thomas P. McDonough	Executive VP & COO	Coventry	\$ 7,505,810
Dale B. Wolf	Executive VP, CFO & Treasurer	Coventry	\$ 7,451,391
Larry C. Glasscock	President & CEO	Anthem	\$ 6,857,839
Joan E. Herman	Executive VP, Senior Specialty & Sate-Sponsored Program	WellPoint	\$ 6,460,301
B. Curtis Westen	Senior VP, General Counsel & Secretary	Health Net	\$ 6,150,970
Ronald A. Williams	President	Aetna	\$ 6,113,491
H. Edward Hanway	Chairman & CEO	CIGNA	\$ 5,976,890
David J. Lubben	General Counsel	UnitedHealth	\$ 5,698,793
James G. Stewart	Former Executive VP & CFO	CIGNA	\$ 5,191,809
Robert J. Sheehy	CEO, UnitedHealth Care	UnitedHealth	\$ 5,064,152
Anthony M. Marlon, M.D.	Chairman, CEO & President	Sierra Health	\$ 4,745,988
Charles G. Berg	President and CEO	Oxford Health Plans	\$ 4,739,173
Donald M. Levinson	Executive VP, Human Resources & Services	CIGNA	\$ 4,491,315
Total Compensation for 20 top executives:			\$ 237,907,917
Average Compensation for these executives:			\$ 11,895,396

■ The 20 Highest-Paid Executives with the Largest Value of Unexercised Stock Options

- Among the most highly compensated executives in the 11 companies, the 20 executives with the largest unexercised stock option packages held stock options valued at over \$1.1 billion in 2002. (See Table 4.)
- The average value of unexercised stock options held by these executives was more than \$57.6 million, with a median value of over \$20 million.

Table 4

The 20 Executives with the Largest Value of Unexercised Stock Options in 2002

Name	Title	Company	Compensation
William W. McGuire, M.D.	Chairman & CEO	UnitedHealth	\$ 529,986,971
Stephen J. Helmsley	President & COO	UnitedHealth	\$ 221,458,436
Leonard D. Schaeffer	Chairman & CEO	WellPoint	\$ 93,087,561
Robert J. Sheehy	CEO, UnitedHealth Care	UnitedHealth	\$ 39,152,576
R. Channing Wheeler	CEO, Uniprise	UnitedHealth	\$ 34,012,480
David J. Lubben	General Counsel	UnitedHealth	\$ 29,131,986
David C. Colby	Executive VP & CFO	WellPoint	\$ 26,369,941
Norman C. Payson, M.D.	Former Chairman and CEO	Oxford Health Plans	\$ 25,589,375
John W. Rowe, M.D.	Chairman & CEO	Aetna	\$ 24,078,480
Jay M. Gellert	President & CEO	Health Net	\$ 23,477,657
Thomas C. Geiser	Executive VP, General Counsel and Secretary	WellPoint	\$ 17,074,545
Marvin P. Rich	Executive VP, Finance & Health Plan Operations	Health Net	\$ 14,585,577
Howard G. Phanstiel	President & CEO	PacifiCare	\$ 14,031,740
D. Mark Weinberg	Executive VP & Chief Development Officer	WellPoint	\$ 10,689,518
Allen F. Wise	President & CEO	Coventry	\$ 10,099,038
Joan E. Herman	Executive VP, Senior Specialty & Sate-Sponsored Program	WellPoint	\$ 9,292,358
Larry C. Glasscock	President & CEO	Anthem	\$ 9,038,474
Ronald A. Williams	President	Aetna	\$ 7,845,000
Charles G. Berg	President and CEO	Oxford Health Plans	\$ 7,758,078
Joseph S. Konowiecki	Executive VP, General Counsel & Secretary	PacifiCare	\$ 7,104,900
Total value of stock options for 20 top executives:			\$ 1,153,864,691
Average value of stock options for these executives:			\$ 57,639,235

■ Company-by-Company Comparison of Annual Remuneration for Top Executives

- In 2002, the average compensation, exclusive of unexercised stock options, paid by each company to its CEO and most highly compensated executives ranged from a high of \$17.5 million for executives at Oxford Health Plans to a low of slightly over \$1 million for executives at Humana. (See Table 5.)
- In total, the compensation that these 11 health insurance companies gave to their most highly paid executives in 2002 exceeded \$311 million, not including the value of unexercised stock options.
- The average value of unexercised stock options held by the most highly compensated executives in each company ranged from a high of nearly \$171 million for executives at UnitedHealth Group to a low of just under \$1 million for executives at Humana. (See Table 6.)

Table 5

Average Compensation, Exclusive of Unexercised Stock Options, for Highest-Paid Executives

Company	Compensation
Oxford Health Plans	\$ 17,530,678
WellPoint	\$ 9,182,700
Coventry	\$ 8,633,991
UnitedHealth	\$ 6,821,806
Aetna	\$ 4,874,363
Anthem	\$ 3,129,777
CIGNA	\$ 3,124,435
Sierra Health	\$ 2,587,101
Health Net	\$ 2,326,623
PacifiCare	\$ 1,718,450
Humana	\$ 1,031,717

Table 6

Average Value of Unexercised Stock Options for Highest-Paid Executives

Company	Compensation
UnitedHealth	\$ 170,748,490
WellPoint	\$ 31,302,785
Health Net	\$ 9,730,067
Aetna	\$ 9,428,549
Oxford Health Plans	\$ 7,728,685
PacifiCare	\$ 6,554,865
Coventry	\$ 5,849,849
Anthem	\$ 3,434,620
Sierra Health	\$ 2,713,851
CIGNA	\$ 2,400,922
Humana	\$ 990,108

■ Compensation for Leading Executives, the Medicare Program

- The Secretary of the Department of Health and Human Services and the Administrator of the Centers for Medicare and Medicaid Services, the agency that oversees the Medicare program, had 2002 annual salaries of \$166,700 and \$130,000, respectively.
- The leading individuals responsible for Medicare did not receive any stock options or long-term-incentive payouts. The average salary for these two positions was \$148,350 in 2002.

DISCUSSION

The companies profiled in this report are among the leading companies providing health insurance and managed care services in the U.S.³ Each also serves a large number of Medicare beneficiaries.⁴ They would likely be among the companies competing to provide services through Medicare in any “restructuring” that increases private health plans’ role in the program.

The huge compensation packages and large stock options awarded to the leading executives in these companies ensure that those running the day-to-day operations focus on profitability and stock price.⁵ This may bode well for company performance, but the emphasis on profitability may not always be consistent with providing savings for the Medicare program or the highest-quality care or most dependable service to those who rely on Medicare. The incentives driving the operation of private plans are one of many factors undercutting the argument that an increased role for private plans in Medicare would improve care and reduce program costs. In fact, there is much evidence that private health plans may do the opposite.

Spending and Spending Increases

Many of those who champion moving Medicare toward private health plans claim that those plans will increase program efficiency and lower costs. Experience refutes these claims.

The percent of spending that an organization allocates to administration is often used as an indicator of the organization’s efficiency. On that measure, tra-

ditional Medicare has done a much better job than private health care plans. Medicare's administrative expenditures as a percent of benefit payments are extremely low: From 1979 through 2000, administrative spending in Medicare ranged from a high of 3 percent to a low of 1.1 percent. Administrative spending was only 1.4 percent in 2000.⁶ In contrast, administrative spending in all private health plans averages 9.5 percent.⁷ Executive compensation—packages that are 37 times the pay of those who manage the Medicare program—are part of the high administrative spending in private plans.⁸

In addition to lower administrative costs, Medicare has also consistently done as well as, or better than, private insurers in holding down spending per enrollee. Over a 30-year period, from 1970 to 2000, Medicare's per-enrollee spending grew at an average of 9.6 percent, whereas private insurers' spending for comparable health care services rose at an average annual rate of 11.1 percent.⁹

That spending has grown faster in private plans is, in part, a reflection of the fact that these plans typically pay physicians and other health care providers more than Medicare pays for comparable services. A recent study showed that private insurers paid 14 percent higher rates than Medicare for hospital care and 25 percent higher rates for physicians.¹⁰ Although one study found a few areas in the country where private plans were able to negotiate lower rates than Medicare, the author concluded that there was no indication that private plans have the potential for lower costs than Medicare in most areas.¹¹

Not only has Medicare done better than private plans in holding down spending and negotiating provider payment rates, traditional Medicare has proven to be more cost-effective than the private plans in Medicare+Choice. A General Accounting Office study found that, in 1998, Medicare paid private plans \$5.2 billion more than it would have cost to provide care to those same enrollees in traditional Medicare.¹² Medicare+Choice plans continue to account for a greater percentage of Medicare spending than would be expected, given the number of people these plans cover. In 2002, only 11 percent of Medicare beneficiaries were enrolled in Medicare+Choice, yet the program accounted for 15 percent of Medicare spending.¹³

Quality of Care

Confronted with evidence that private plans will not generate savings for Medicare, proponents of “restructuring” have turned to claims that private plans will increase the quality of health care for those in Medicare. This is questionable.

In theory, managed care plans should have the medical data to coordinate care. Better coordinated care should improve quality. However, a study of Medicare managed care plans found that, in most cases, plans lacked the types of clinical management that could result in better health care.¹⁴

Comparisons of health outcomes between Medicare beneficiaries in the fee-for-service system and those enrolled in managed care plans underscore the fact that managed care plans are not necessarily *managing* care. Both low-income and chronically ill people, who could most benefit from true care management, have better health outcomes in traditional Medicare than in managed care plans.¹⁵

Availability and Reliability

It is difficult to argue that quality will be high when health care is routinely disrupted or not available. Disruptions in care or lack of options have been exactly what millions of Medicare beneficiaries have experienced with the private managed care plans in Medicare+Choice.

- Private managed care plans are not a real option for the 9.3 million Medicare beneficiaries who live in rural counties. Eighty percent have no choice of a private plan—they live in counties where there is no managed care plan participating in Medicare. For the few with the option of enrolling in a private managed care plan, most have no choice of plans. Only 15 percent of Medicare beneficiaries who live in rural areas have more than one plan available.¹⁶
- Private plans have pulled out of Medicare in large numbers, disrupting care for millions. Between 1998 and 2003, the number of plans in Medicare+Choice dropped by more than half.¹⁷ When a health plan leaves the Medicare program, the Medicare beneficiaries who were enrolled in that plan often have to find new internists, specialists, and other health care practitioners. Over 2 million people formerly enrolled in Medicare+Choice plans have been affected by health plan pull-outs.¹⁸

- Not only have plans not been consistently available, but the services they offer Medicare beneficiaries have not been reliable either. Private managed care plans have continually increased the amount that patients have to pay for their care and, at the same time, have reduced benefits.¹⁹ The most dramatic benefit reductions have been in drug coverage. In 1999, most Medicare+Choice plans offered drug coverage to entice individuals to enroll—in fact, 84 percent of Medicare+Choice enrollees were in plans that offered a basic drug benefit.²⁰ Since then, many plans have restricted or completely eliminated drug coverage.²¹ Today, 60 percent of Medicare+Choice plans only cover generic drugs.²²
- Satisfaction with, and access to, care is also an indicator of quality—difficulty gaining access to health professionals is inconsistent with quality care. Looking at both the ability to obtain care and overall satisfaction, traditional Medicare again scores better than private plans. Those who receive care in traditional Medicare report that they are more satisfied with their care, and report fewer problems obtaining health care, than adults covered by private plans, such as those offered by employers or through the Federal Employees Health Benefits Program.²³

Private plans' history of pulling out of Medicare markets, cutting back on benefits, and shifting more costs to patients, along with their low ratings on patient satisfaction and access to care, are not a recipe for higher quality.

Eye on the Bottom Line

For private plans participating in Medicare+Choice, profitability—the adequacy of the government's payments—is the main factor considered when determining whether to remain in or pull out of the Medicare program.²⁴ Nearly all of the 11 plans covered in this report exited one or more Medicare markets in 2002. For example, citing inadequate Medicare payments, Aetna stopped providing managed care services to Medicare beneficiaries in several areas, affecting approximately 95,000 Medicare beneficiaries.²⁵

That profitability is a primary concern for private plans is not surprising. These plans are businesses; as demonstrated in this report, executive compensation is structured to ensure that profitability is a primary consideration. In any

“restructuring” that gives private plans a greater role, Medicare will need to pay these plans enough to make them profitable. Unless Medicare payments are high enough to make them profitable, plans will continue to be an unreliable source of care for seniors and people with disabilities.

In contrast, the only goal of traditional Medicare is to provide health care insurance for the nation’s seniors and people with disabilities. Although it is the nation’s largest insurance program, its executives are paid considerably less than similarly positioned individuals in private plans, yet the program reliably serves all markets.

CONCLUSION

Soon a debate will begin about “restructuring” Medicare in ways that weaken traditional Medicare and give a greater role to private health plans—companies that pay their executives lavish compensation packages and have profitability as their primary concern.

Private plans have not done as well as Medicare in controlling per enrollee spending. And experience with the Medicare+Choice program shows that, even when payments exceed the cost of serving the same enrollees in traditional Medicare, plans pull out of the program in large numbers. Plans fail to serve areas that are not profitable, such as rural counties. Plans that remain in the program have a pattern of cutting benefits or shifting costs to patients to increase profitability. Systems to truly manage care are not widely evident, and patients in private plans report greater difficulty accessing care than those in traditional Medicare. Lack of care management and access barriers may be key reasons Medicare beneficiaries with low incomes or chronic conditions—a large number of those in Medicare—have poorer health outcomes in private managed care plans.

Serving only selected areas, pulling out of unprofitable markets, shifting costs, reducing benefits, making access to care more difficult—these may all be strategies that improve company profitability. But they do not deliver better care. Turning Medicare over to private plans may mean more business for those companies, higher profits, and more lucrative stock packages for company executives, but it is a step that shortchanges 40 million seniors and people with disabilities who rely on Medicare.

ENDNOTES

¹ Medicare+Choice was established by the Balanced Budget Act of 1997 to give those in Medicare the option of enrolling in a variety of private health plans. Private plans contract with the Centers for Medicare and Medicaid Services (CMS) to participate in the program. The vast majority of plans participating are private managed care plans like health maintenance organizations (HMOs) or preferred provider organizations (PPOs), both of which use financial incentives to steer patients to physicians and other health care providers in the plan's network.

² Centers for Medicare and Medicaid Services' description of the Medicare program, available online at (<http://www.medicare.gov/Basics/Overview.asp>).

³ Each of the companies included in this report is listed as one of the top 25 national managed care firms, based on enrollment as of July 1, 2001. Jean Appleby, *Managed Health Care Executive*, November 2002, available online at (<http://www.managedhealthcareexecutive.com/mhe/data/articlestandard/mhe/462002/37925/article.pdf>).

⁴ Each company reported on its Medicare business in its 2002 Annual Report or other SEC filings. In 2002, each covered at least 50,000 Medicare beneficiaries.

⁵ In a few of the companies profiled in this report, top executives' unexercised stock options were valued at zero. That does not mean that the executive did not hold substantial options. Rather, it reflects a fall in company stock price; at the time of the SEC filings, stock options were less than the value at the point the options were awarded. If the stock price rises, the options will again have value. Those executives have a particularly keen interest in improving company profitability and stock price.

⁶ The Kaiser Family Foundation, *Medicare Chartbook, Second Edition Fall 2001*, available online at (http://www.kff.org/content/2001/1622/Medicare_Chart_Book.pdf).

⁷ Committee on Ways and Means, U.S. House of Representatives, *Medicare and Health Care Chartbook, 1997*, available online at (<http://www.access.gpo.gov/congress/house/ways-and-means/sec3.pdf>).

⁸ Average 2002 compensation, not including unexercised stock options, of the 57 executives listed in this report was nearly \$5.5 million, compared to \$148,350 for the leading executives in the Medicare program, the Secretary of the Department of Health and Human Services and the Administrator of the Centers for Medicare and Medicaid Services.

⁹ Cristina Boccuti, Marilyn Moon, "Comparing Medicare and Private Insurers Growth Rates In Spending Over Three Decades," the Urban Institute, March 31, 2003, available online at (<http://www.urban.org/url.cfm?ID=1000474>).

¹⁰ Letter from Paul Ginsburg, Ph.D., President, Center for Studying Health System Change, to Senator Max Baucus, April 10, 2003.

¹¹ Ibid.

¹² General Accounting Office, *Medicare+Choice Payments Exceed Cost of Fee-For-Service Benefits, Adding Billions to Spending*, GAO/HEHS-00-161 (Washington: GAO, August 2000).

¹³ Scott Harrison, Presentation to the Senate Committee on Finance Staff, *The Medicare+Choice Payment System*, Medicare Payment Advisory Commission, March 7, 2003, available online at (http://www.medpac.gov/publications/congressional_reports/MplusCpay_sys_SH.pdf).

¹⁴ Marsha Gold, "Can Managed Care and Competition Control Medicare Costs?" *Health Affairs* Web Exclusive, April 2, 2003.

¹⁵ D. G. Safran, et al., "Health Outcomes in Traditional Medicare and Medicare HMOs: Equal for All?" presented at Academy Health's June 2002 conference; and, J. E. Ware, M. S. Bayliss, W. P. Rogers, "Differences in four-year health outcomes for elderly poor, chronically ill patients treated in HMO and fee-for-service systems," *JAMA* 276 no. 13 (October 2, 1996): 1039-1047.

¹⁶ McCloskey, Amanda, *Managed Care Plans Offer No Real Choice for Rural Medicare Beneficiaries* (Washington: Families USA, May 2003).

¹⁷ Kaiser Family Foundation, *Medicare+Choice Fact Sheet* (Washington: Kaiser Family Foundation, April 2003).

¹⁸ Scott Harrison, op. cit.

¹⁹ Lori Achman and Marsha Gold, *Medicare+Choice Plans Continue to Shift More Costs to Enrollees* (New York: The Commonwealth Fund, April 2003).

²⁰ Kaiser Family Foundation, *Medicare+Choice Fact Sheet*, op. cit.

²¹ Ibid.

²² Lori Achman and Marsha Gold, op. cit.

²³ Karen Davis, Cathy Schoen, Michelle Doty, and Katie Tenney, "Medicare Versus Private Insurance: Rhetoric and Reality," *Health Affairs* Web Exclusive, October 9, 2002.

²⁴ Debra Draper, et al., *The Role of National Firms in Medicare+Choice* (Washington: Kaiser Family Foundation, June 2002).

²⁵ Aetna 2002 10-K, Exhibit 13, available online at (<http://www.sec.gov/Archives/edgar/data/1122304/000095012303002268/y83806exv13.htm>).

APPENDIX I:
Methodology

METHODOLOGY

Families USA analyzed compensation for the most highly paid executives in 11 leading publicly traded managed care plans, or the parent companies of such managed care plans.

Selection of Health Plans in This Report

Families USA selected health plans for inclusion in this study from the largest publicly traded managed care plans in the U.S. and from the plans with the largest number of Medicare enrollees in 2002.

Plan size was determined using information from Interstudy, a Minneapolis, Minnesota-based think tank that tracks the managed care industry. Interstudy publishes an annual list of the top national managed care plans. The plans included in this report were all among the top 25 managed care plans in 2001, or the parent company of such plans. (Interstudy's 2002 listing had not yet been published at the time this report was written.) The plans in this report include 10 of the 12 largest managed care companies in the U.S. in 2001 (the other two of the top 12, Blue Cross and Blue Shield Association Plans and Kaiser Foundation Health Plans, Inc., are both not-for-profit companies and therefore do not report executive compensation to the SEC).

In 2002, each plan reported that it had 50,000 or more Medicare enrollees, making each among the leading providers of managed care services to the Medicare population.

Calculating Compensation

The data used to calculate executive compensation were taken from the Electronic Data Gathering Analysis and Retrieval (EDGAR) Database. EDGAR is available online at the SEC's Web site and includes all public companies' filings to the SEC. These companies are required to submit both annual reports (form 10-K) and yearly proxy statements (form DEF 14-A). Proxy statements report the executive compensation—including salaries, bonuses, stock options, and other compensation—of the companies' chief executive officers (CEOs) and the four most highly compensated executive officers. Families USA downloaded SEC filings for each of the companies' fiscal year 2002 DEF 14-As.

How Executive Remuneration Was Computed

Total Annual Compensation, Exclusive of Unexercised Stock Options: This amount was computed for each executive by adding together the following information from the SEC filing:

- **Salary:** Annual wages paid to the executive for the fiscal year.
- **Bonus:** Bonuses paid to the executive for the fiscal year.
- **Other Annual Compensation and All Other Compensation:** Additional compensation given to the executive, which could include the company's contributions to a savings plan, tax reimbursements, transportation, relocation fees, a signing bonus, life insurance plans, and retirement plans.
- **Restricted Stock Awards:** The value of shares given to the executive by the company during 2002. These shares are usually subject to restrictions—for example, the executive may not be able to sell them for a specified period of time. The dollar value is as reported in the proxy statements for the fiscal year and is not adjusted to reflect any of the stock restrictions.
- **Long-Term Incentive Plan Payouts:** Taxable payments in cash or stock to the executive for reaching a specified performance goal over a period longer than a year.
- **Value of Shares Acquired on Exercise:** The value of stock options the executive exercised during 2002. The company computes this value by multiplying the number of shares acquired by the difference between the market price and the “exercise price.”

The Value of Unexercised Stock Options: This amount was computed by adding together figures from the SEC filings regarding stock option grants awarded to each executive. Stock option grants give these executives the right—but not the obligation—to buy or sell a specific amount of the company's stock at a specified price (“exercise price”) during some specified time period in the future. The IRS allows companies to deduct the transaction from taxable income.

Stock options are only valuable when the market price of the company's stock exceeds the exercise price of the option. For example, if an executive is awarded 100 stock options at an exercise price of \$10 a share and the market price is \$30 a share, then the executive could buy 100 shares at \$10 a share, reaping the \$20 difference between the exercise price and the market price for each share—a total of \$2,000. However, if the market price of the share is less than the exercise price, the stock options have no value. The value of unexercised stock options was computed for each executive by adding together the following:

- **Value of Unexercised In-The-Money Options/SARS (Exercisable):** Value of the “in-the-money” stock option grants the executive has been awarded in the past that are fully vested and, thus, could be exercised in the year 2002. This value is the difference between the current market price and the exercise price.
- **Value of Unexercised In-The-Money Options/SARS (Unexercisable):** The value of the “in-the-money” stock option grants that are not yet vested and that the executive can choose to exercise in the future. This value is the difference between the current market price and the exercise price for stock options that have not yet vested. For example, this would include options that an executive has held for two years but whose terms require three years to pass before the options are available.

The SEC permits companies to estimate the potential value of stock options awarded to executives in one of two ways:

- **Grant Date Present Value:** This value is estimated using the Black-Sholes option pricing model. Used by market professionals to calculate the value of an option, it includes such variables as the stock price, the exercise price, and the expiration date.
- **Potential Realizable Value:** This value is calculated at hypothetical annual growth rates of 5 percent and 10 percent for the stock price over the term of the option—usually 5 or 10 years. The company reports potential realizable value at both 5 percent and 10 percent in its proxy statements. For the purposes of this study, the more conservative value of 5 percent was reported.

APPENDIX II:
Compensation Information by Company

Aetna Inc.

Annual Compensation for Top Executives	\$ 24,371,813
Average Compensation for Top Executives	\$ 4,874,363
Total Value of Unexercised Stock Options	\$ 47,142,746
Average Value of Unexercised Stock Options	\$ 9,428,549

Executive Name and Title	John W. Rowe, M.D. Chairman & CEO	Alan M. Bennett Senior VP & CFO	David B. Kelso Executive VP, Strategy & Finance	L. Edward Shaw, Jr. Executive VP & General Counsel	Ronald A. Williams President
Salary	1,000,000	425,000	700,000	525,000	848,077
Bonus	2,500,000	450,000	925,000	700,000	1,500,000
Other Annual Compensation ¹	89,490	0	76,648	0	372
Restricted Stock Awards	0	0	0	0	0
Long-Term Incentive Payouts ²	5,198,400	996,360	2,599,200	797,088	3,465,600
All Other Compensation ³	139,115	121,262	61,562	34,350	299,442
Value of Shares Acquired on Exercise	0	919,847	0	0	0
Total Compensation	8,927,005	2,912,469	4,362,410	2,056,438	6,113,491
Value of Unexercised In-The-Money Options/SARS (E)	10,556,570	517,148	1,298,000	4,318,446	1,180,002
Value of Unexercised In-The-Money Options/SARS (U)	8,082,910	891,800	2,748,000	1,251,272	3,556,998
Grant Date Present Value ⁴	5,439,000	932,400	2,331,000	931,200	3,108,000
Potential Realizable Value at 5% Growth	nr	nr	nr	nr	nr
Total Value of Stock Options	24,078,480	2,341,348	6,377,000	6,500,918	7,845,000

¹ Includes \$80,360 and \$66,204 for personal use of corporate aircraft for Dr. Rowe and Mr. Kelso, respectively. Mr. Williams was reimbursed \$372 for income taxes.

² Represents the value of previously awarded performance units that vested upon attainment of specified performance criteria.

³ Includes life insurance premiums, matching contributions made under the ISP or the Supplemental ISP, and performance-based company contributions under the ISP.

⁴ Based on stock options granted in 2002.

nr = Not reported in the SEC filing

Source: Aetna Inc., Notice and Proxy Statement Schedule 14(A) Information, filed with the Securities and Exchange Commission on March 17, 2003.

Anthem, Inc

Annual Compensation for Top Executives	\$ 15,648,885
Average Compensation for Top Executives	\$ 3,129,777
Total Value of Unexercised Stock Options	\$ 17,173,100
Average Value of Unexercised Stock Options	\$ 3,434,620

Executive Name and Title	Larry C. Glasscock President & CEO	David R. Frick Executive VP & Chief Legal and Admin Officer	Michael L. Smith Executive VP & Chief Financial and Accounting Officer	Keith R. Faller President, Anthem Midwest	Marjorie W. Dorr President, Anthem East
Salary	980,000	475,000	475,000	465,000	465,000
Bonus	2,352,000	760,000	760,000	744,000	744,000
Other Annual Compensation	197,877	56,425	101,953	114,957	3,351
Restricted Stock Awards	3,233,700	883,878	883,878	862,320	862,320
Long-Term Incentive Payouts	0	0	0	0	0
All Other Compensation ¹	94,262	33,932	33,905	33,071	33,056
Value of Shares Acquired on Exercise ²	0	0	0	0	0
Total Compensation	6,857,839	2,209,235	2,254,736	2,219,348	2,107,727
Value of Unexercised In-The-Money Options/SARS (E) ³	0	0	0	0	0
Value of Unexercised In-The-Money Options/SARS (U) ³	0	0	0	0	0
Grant Date Present Value	nr	nr	nr	nr	nr
Potential Realizable Value at 5% Growth ⁴	9,038,474	2,259,618	2,259,618	1,807,695	1,807,695
Total Value of Stock Options	9,038,474	2,259,618	2,259,618	1,807,695	1,807,695

¹ Other compensation represents matching contributions made under the company's 401(k) and deferred compensation plans.

² There were no stock option exercises by named executive officers during fiscal year 2002.

³ Market value of securities underlying all of the options held by named executive officers at the end of fiscal year 2002 did not exceed the exercise price of such options, so none of the options were "in the money."

⁴ Options granted in 2002.

nr = Not reported in the SEC filing

Source: Anthem, Inc., Notice and Proxy Statement Schedule 14(A) Information, filed with the Securities and Exchange Commission on April 2, 2003.

CIGNA Corporation

Annual Compensation for Top Executives	\$ 21,871,042
Average Compensation for Top Executives	\$ 3,124,435
Total Value of Unexercised Stock Options	\$ 16,806,454
Average Value of Unexercised Stock Options	\$ 2,400,922

Executive Name and Title	H. Edward Hanway Chairman & CEO	John Y. Kim President, Retirement & Investment Services	Patrick E. Welch President, CIGNA Healthcare	Terry L. Kendall President, CIGNA International	Donald M. Levinson Executive VP, Human Resources & Services	James G. Stewart Former Exec VP & CFO	William M. Pastore Former President, CIGNA Healthcare
Salary	1,021,900	530,800	426,900	484,100	571,000	724,600	686,000
Bonus	0	1,370,000	800,000	440,000	350,000	400,000	400,000
Other Annual Compensation	0	0	0	0	0	0	0
Restricted Stock Awards	1,050,000	0	0	0	0	0	0
Long-Term Incentive Payouts ¹	0	0	0	0	0	0	0
All Other Compensation	119,100	8,800	700	32,400	44,800	48,300	51,000
Value of Shares Acquired on Exercise	3,785,890	0	0	319,446	3,525,515	4,018,909	660,882
Total Compensation	5,976,890	1,909,600	1,227,600	1,275,946	4,491,315	5,191,809	1,797,882
Value of Unexercised In-The-Money Options/SARS (E) ²	0	0	0	0	0	0	0
Value of Unexercised In-The-Money Options/SARS (U) ²	0	0	0	0	0	0	0
Grant Date Present Value ³	6,399,907	1,249,412	386,573	679,994	2,280,693	3,495,417	2,314,458
Potential Realizable Value at 5% Growth	nr	nr	nr	nr	nr	nr	nr
Total Value of Stock Options	6,399,907	1,249,412	386,573	679,994	2,280,693	3,495,417	2,314,458

¹ Long-term compensation for the incentive plan for the period ending December 31, 2002 will be paid in April 2003.

² The market value of securities underlying all of the options held by named executive officers at the end of fiscal year 2002 did not exceed the exercise price of such options, so none of the options were "in the money."

³ Options granted in 2002.

nr = Not reported in SEC filing

Source: CIGNA Corporation, Notice and Proxy Statement Schedule 14(A) Information, filed with the Securities and Exchange Commission on March 21, 2003.

Coventry Health Care, Inc.

Annual Compensation for Top Executives \$ **43,169,953**

Average Compensation for Top Executives \$ **8,633,991**

Total Value of Unexercised Stock Options \$ **29,249,247**

Average Value of Unexercised Stock Options \$ **5,849,849**

Executive Name and Title	Allen F. Wise President & CEO	Thomas P. McDonough Executive VP, & COO	Dale B. Wolf Executive VP, CFO & Treasurer	Harvey C. DeMovick, Jr. Senior VP, Customer Service Ops & CIO	Bernard J. Mansheim, M.D. Senior VP & Chief Medical Officer
Salary	892,308	594,230	544,230	359,231	349,231
Bonus ¹	2,100,000	1,000,000	1,000,000	400,000	375,000
Other Annual Compensation ²	164,230	74,450	102,809	0	0
Restricted Stock Awards	5,710,000	2,141,250	2,141,250	285,500	428,250
Long-Term Incentive Payouts	nr	nr	nr	nr	nr
All Other Compensation ³	1,455,826	613,096	585,924	221,261	215,546
Value of Shares Acquired on Exercise	11,341,966	3,082,784	3,077,178	2,406,869	1,507,534
Total Compensation	21,664,330	7,505,810	7,451,391	3,672,861	2,875,561
Value of Unexercised In-The-Money Options/SARS (E)	6,412,050	5,564,664	5,674,784	2,813,277	1,880,138
Value of Unexercised In-The-Money Options/SARS (U)	96,000	882,163	965,945	742,525	626,713
Grant Date Present Value	nr	nr	nr	nr	nr
Potential Realizable Value at 5% Growth	3,590,988	0	0	0	0
Total Value of Stock Options	10,099,038	6,446,827	6,640,729	3,555,802	2,506,851

¹ Represents Management Incentive Plan awards in 2002; they will be paid in 2003 but appear in the 2002 SEC Compensation report and are therefore noted here.

² Other annual compensation includes use of company transportation.

³ Consists of life insurance premiums, matching contributions to retirement savings plans and supplemental executive retirement plan and the value of credits to phantom cash and stock equivalent accounts made under company's 2000 deferred compensation plan. Actual payouts will occur at the end of the deferral period elected by the participant.

nr = Not reported in the SEC filing

Source: Coventry Health Care, Inc., Notice and Proxy Statement Schedule 14(A) Information, filed with the Securities and Exchange Commission on April 29, 2003.

Health Net, Inc.

Annual Compensation for Top Executives	\$ 11,633,113
Average Compensation for Top Executives	\$ 2,326,623
Total Value of Unexercised Stock Options	\$ 48,650,336
Average Value of Unexercised Stock Options	\$ 9,730,067

Executive Name and Title	Jay M. Gellert President & CEO	Marvin P. Rich Executive VP, Finance & Health Plan Operations	Christopher Wing Executive VP, Regional Health Plans & Specialty Companies	B. Curtis Westen Senior VP, General Counsel & Secretary	James Woys President, Health Net Federal Services
Salary ¹	754,808	451,923	337,500	448,038	308,569
Bonus	700,000	800,000	561,450	308,000	240,100
Other Annual Compensation ²	65,755	11,133	8,767	12,000	12,000
Restricted Stock Awards	0	0	1,056,000	132,000	0
Long-Term Incentive Payouts	0	0	0	0	0
All Other Compensation	6,256	5,905	162	8,432	5,803
Value of Shares Acquired on Exercise	0	0	0	5,242,500	156,012
Total Compensation	1,526,819	1,268,961	1,963,879	6,150,970	722,484
Value of Unexercised In-The-Money Options/SARS (E)	16,163,584	0	0	180,269	1,169,771
Value of Unexercised In-The-Money Options/SARS (U)	2,686,666	3,512,000	189,000	736,531	483,680
Grant Date Present Value	nr	nr	nr	nr	nr
Potential Realizable Value at 5% Growth ³	4,627,407	11,073,577	5,692,125	1,423,817	711,909
Total Value of Stock Options	23,477,657	14,585,577	5,881,125	2,340,617	2,365,360

¹ Salary includes amounts deferred pursuant to Health Net, Inc.'s deferred compensation plan and profit sharing and 401(k) plans.

² Other annual compensation includes a housing benefit for Mr. Gellert and car allowance for Messrs. Gellert, Rich, Wing, Westen, and Woys.

³ Option grants in 2002.

nr = Not reported in the SEC filing

Source: Health Net, Inc., Notice and Proxy Statement Schedule 14(A) Information, filed with the Securities and Exchange Commission on March 24, 2003.

Humana Inc.

Annual Compensation for Top Executives	\$ 5,158,587
Average Compensation for Top Executives	\$ 1,031,717
Total Value of Unexercised Stock Options	\$ 4,950,538
Average Value of Unexercised Stock Options	\$ 990,108

Executive Name and Title	Michael B. McCallister President & CEO	James E. Murray COO, Market & Business Segment Operations	Jonathan T. Lord, M.D. Senior VP & Chief Innovation Officer	Bruce J. Goodman Senior VP & Chief Services & Information Officer	James H. Bloem Senior VP & Chief Financial Officer
Salary	700,000	470,000	425,000	378,301	385,000
Bonus	612,500	359,023	279,951	216,732	220,570
Other Annual Compensation ¹	59,852	32,248	35,839	12,853	13,619
Restricted Stock Awards	0	0	0	0	0
Long-Term Incentive Payouts	nr	nr	nr	nr	nr
All Other Compensation ²	276,620	312,480	42,376	132,866	19,307
Value of Shares Acquired on Exercise	0	0	173,450	0	0
Total Compensation	1,648,972	1,173,751	956,616	740,752	638,496
Value of Unexercised In-The-Money , Options/SARS (E)	1,767,085	704,183	208,200	12,530	3,292
Value of Unexercised In-The-Money Options/SARS (U)	531,448	0	173,500	0	6,583
Grant Date Present Value	nr	nr	nr	nr	nr
Potential Realizable Value at 5% Growth ³	408,624	163,450	245,175	481,293	245,175
Total Value of Stock Options	2,707,157	867,633	626,875	493,823	255,050

¹ Includes transportation, executive insurance, relocation expenses and miscellaneous items.

² Represents amounts contributed or accrued to the HRSP and contributions and earnings related to the long term benefit plan and the value of the 1998 Restricted Stock Awards that vested in February 2002 based on the company achieving its 2001 management goals.

³ Options granted in 2002.

nr = Not reported in the SEC filing

Source: Humana Inc., Notice and Proxy Statement Schedule 14(A) Information, filed with the Securities and Exchange Commission on April 29, 2003.

Oxford Health Plans, Inc.

Annual Compensation for Top Executives	\$ 87,653,390
Average Compensation for Top Executives	\$ 17,530,678
Total Value of Unexercised Stock Options	\$ 38,643,423
Average Value of Unexercised Stock Options	\$ 7,728,685

Executive Name and Title	Norman C. Payson, M.D. Former Chairman & CEO	Charles G. Berg President & CEO	Kurt B. Thompson Executive VP & CPO	Alan M. Muney Executive VP & Chief Medical Officer	Daniel N. Gregoire Executive VP & General Counsel
Salary	1,000,000	609,616	500,000	400,000	400,000
Bonus	2,000,000	700,000	350,000	300,000	300,000
Other Annual Compensation ¹	2,242	52,477	144,815	0	69,675
Restricted Stock Awards ²	0	0	0	0	0
Long-Term Incentive Payouts	0	0	0	0	0
All Other Compensation	1,858	16,699	8,540	8,629	8,629
Value of Shares Acquired on Exercise	73,006,725	3,360,381	3,239,031	1,174,073	0
Total Compensation	76,010,825	4,739,173	4,242,386	1,882,702	778,304
Value of Unexercised In-The-Money Options/SARS (E)	25,589,375	2,925,594	1,179,009	502,908	271,500
Value of Unexercised In-The-Money Options/SARS (U)	0	4,832,484	1,536,408	991,645	814,500
Grant Date Present Value ³	0	0	0	0	0
Potential Realizable Value at 5% Growth	nr	nr	nr	nr	nr
Total Value of Stock Options	25,589,375	7,758,078	2,715,417	1,494,553	1,086,000

¹ The amounts paid include costs incurred by Dr. Payson and Messrs. Berg and Thompson for use of a company sponsored airplane. The amounts paid to Mr. Gregoire include relocation costs.

² No stock options were awarded in 2002.

³ There were no stock options granted to these executives in 2002.

nr = Not reported in the SEC filing

Source: Oxford Health Plans, Inc., Notice and Proxy Statement Schedule 14(A) Information, filed with the Securities and Exchange Commission on April 2, 2003.

PacifiCare Health Systems, Inc.

Annual Compensation for Top Executives	\$ 8,592,250
Average Compensation for Top Executives	\$ 1,718,450
Total Value of Unexercised Stock Options	\$ 32,774,326
Average Value of Unexercised Stock Options	\$ 6,554,865

Executive Name and Title	Howard G. Phanstiel President & CEO	Bradford A. Bowlus Executive VP & CEO PacifiCare Health Plans	Joseph S. Konowiecki Executive VP, General Counsel & Secretary	Gregory W. Scott Executive VP & CFO	Katherine F. Feeny Executive VP, Senior Solutions
Salary	917,309	600,001	547,887	501,696	374,910
Bonus	1,690,000	780,000	800,000	650,000	206,250
Other Annual Compensation ¹	330,160	196,348	136,511	195,788	62,139
Restricted Stock Awards	0	0	0	275,700	0
Long-Term Incentive Payouts	nr	nr	nr	nr	nr
All Other Compensation	68,312	42,228	24,362	38,292	25,382
Value of Shares Acquired on Exercise	0	128,975	0	0	0
Total Compensation	3,005,781	1,747,552	1,508,760	1,661,476	668,681
Value of Unexercised In-The-Money Options/SARS (E)	2,405,625	310,713	0	404,531	103,300
Value of Unexercised In-The-Money Options/SARS (U)	6,293,625	3,020,063	3,606,000	2,671,594	394,900
Grant Date Present Value ²	5,332,490	2,332,964	3,498,900	1,999,684	399,937
Potential Realizable Value at 5% Growth	nr	nr	nr	nr	nr
Total Value of Stock Options	14,031,740	5,663,740	7,104,900	5,075,809	898,137

¹ Includes forgiveness of loans, risk premium applied to amounts deferred under company's stock unit deferral compensation plan.

² Options granted in 2002.

nr = Not reported in the SEC filing

Source: PacifiCare Health Systems, Inc., Notice and Proxy Statement Schedule 14(A) Information, filed with the Securities and Exchange Commission on April 30, 2003.

Sierra Health Services, Inc.

Annual Compensation for Top Executives	\$ 12,935,505
Average Compensation for Top Executives	\$ 2,587,101
Total Value of Unexercised Stock Options	\$ 13,569,257
Average Value of Unexercised Stock Options	\$ 2,713,851

Executive Name and Title	Anthony M. Marlon, M.D. Chairman, CEO & President	Frank E. Collins Senior VP, Legal & Admin & Secretary	Jonathon W. Bunker Senior VP, Managed Healthcare	Paul H. Palmer Senior VP, Finance, CFO & Treasurer	Laurence S. Howard Senior VP, Program Office
Salary	876,364	290,922	309,002	251,693	270,104
Bonus	1,663,650	275,250	338,700	254,200	183,500
Other Annual Compensation	nr	nr	nr	nr	nr
Restricted Stock Awards	0	0	0	0	0
Long-Term Incentive Payouts	nr	nr	nr	nr	nr
All Other Compensation ¹	92,883	31,087	25,675	36,178	32,128
Value of Shares Acquired on Exercise	2,113,091	1,461,825	1,492,407	1,566,361	1,370,485
Total Compensation	4,745,988	2,059,084	2,165,784	2,108,432	1,856,217
Value of Unexercised In-The-Money Options/SARS (E)	2,750,223	511,850	390,319	305,150	352,850
Value of Unexercised In-The-Money Options/SARS (U)	2,981,065	1,268,394	1,195,731	1,237,400	1,056,000
Grant Date Present Value	nr	nr	nr	nr	nr
Potential Realizable Value at 5% Growth ²	549,497	293,065	293,065	293,065	91,583
Total Value of Stock Options	6,280,785	2,073,309	1,879,115	1,835,615	1,500,433

¹ Includes contributions to the company's 401(k) plan and life insurance policies.

² Options granted in 2002.

nr = not reported in the SEC filing

Source: Sierra Health Services, Inc., Notice and Proxy Statement Schedule 14(A) Information, filed with the Securities and Exchange Commission on April 18, 2003.

UnitedHealth Group Incorporated

Annual Compensation for Top Executives \$ **34,109,028**

Average Compensation for Top Executives \$ **6,821,806**

Total Value of Unexercised Stock Options \$ **853,742,449**

Average Value of Unexercised Stock Options \$ **170,748,490**

Executive Name and Title	William W. McGuire, M.D. Chairman & CEO	Stephen J. Hemsley President & COO	R. Channing Wheeler CEO, Uniprise	Robert J. Sheehy CEO, UnitedHealth Care	David J. Lubben General Counsel
Salary	1,896,154	980,769	474,231	474,231	450,000
Bonus	5,275,000	2,300,000	540,000	650,000	550,000
Other Annual Compensation ¹	203,211	0	0	0	0
Restricted Stock Awards	nr	nr	nr	nr	nr
Long-Term Incentive Payouts	1,798,000	924,000	470,000	400,000	425,000
All Other Compensation	285,038	95,212	21,614	34,926	33,199
Value of Shares Acquired on Exercise	0	0	8,082,854	3,504,995	4,240,594
Total Compensation	9,457,403	4,299,981	9,588,699	5,064,152	5,698,793
Value of Unexercised In-The-Money Options/SARS (E)	448,178,567	175,927,180	18,757,720	22,813,677	16,876,411
Value of Unexercised In-The-Money Options/SARS (U)	53,377,650	32,409,370	9,391,418	10,475,557	6,392,233
Grant Date Present Value	nr	nr	nr	nr	nr
Potential Realizable Value at 5% Growth ²	28,430,754	13,121,886	5,863,342	5,863,342	5,863,342
Total Value of Stock Options	529,986,971	221,458,436	34,012,480	39,152,576	29,131,986

¹ Other annual compensation includes company-provided transportation, expense allowances, and financial planning fees paid by the company.

² Options granted in 2002.

nr = Not reported in the SEC filing

Source: UnitedHealth Group Incorporated, Notice and Proxy Statement Schedule 14(A) Information, filed with the Securities and Exchange Commission on April 9, 2003.

WellPoint Health Networks

Annual Compensation for Top Executives	\$ 45,913,499
Average Compensation for Top Executives	\$ 9,182,700
Total Value of Unexercised Stock Options	\$ 156,513,923
Average Value of Unexercised Stock Options	\$ 31,302,785

Executive Name and Title	Leonard D. Schaeffer Chairman & CEO	David C. Colby Executive VP & CFO	Thomas C. Geiser Executive VP, General Counsel & Secretary	D. Mark Weinberg Executive VP & Chief Development Officer	Joan E. Herman Executive VP, Specialty & State-Sponsored Program
Salary	1,246,155	541,231	501,577	614,231	472,385
Bonus	5,690,916	1,335,000	1,138,613	1,025,706	1,146,250
Other Annual Compensation	140,342	5,377	5,377	0	5,377
Restricted Stock Awards	0	0	nr	0	nr
Long-Term Incentive Payouts	nr	nr	nr	nr	nr
All Other Compensation ¹	207,382	58,675	55,615	70,007	51,160
Value of Shares Acquired on Exercise	14,480,737	0	0	12,336,257	4,785,129
Total Compensation	21,765,532	1,940,283	1,701,182	14,046,201	6,460,301
Value of Unexercised In-The-Money Options/SARS (E)	65,999,271	20,135,650	10,840,254	530,307	2,462,405
Value of Unexercised In-The-Money Options/SARS (U)	15,106,708	3,920,715	3,920,715	4,972,300	3,920,715
Grant Date Present Value ²	11,981,582	2,313,576	2,313,576	5,186,911	2,909,238
Potential Realizable Value at 5% Growth	nr	nr	nr	nr	nr
Total Value of Stock Options	93,087,561	26,369,941	17,074,545	10,689,518	9,292,358

¹ Other compensation includes matching contributions made under the company's 401(k), elective deferral contributions to the company's deferred compensation plan and life insurance premiums.

² Options granted in 2002.

nr = Not reported in SEC filing

Source: WellPoint Health Networks, Notice and Proxy Statement Schedule 14(A) Information, filed with the Securities and Exchange Commission on March 31, 2003.

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Families USA

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