

Press Release: Physicians and WellPoint Settle MDL Class Action

On July 11, 2005, counsel for approximately 900,000 physicians and WellPoint, Inc., announced that they have settled two national class actions pending in federal court for the Southern District of Florida before U.S. District Judge Federico Moreno as well as multiple state court actions filed against the company. WellPoint is the fourth company named as a Defendant in the Managed Care Litigation in Florida to settle with physicians. The agreement includes the resolution of two national lawsuits against both pre-merger companies, WellPoint Health Networks Inc. and Anthem, Inc. ("WellPoint") and includes substantial commitments by WellPoint to institute a significant number of business practice changes that will benefit physicians.

This agreement includes industry-leading improvements to physician-related business practices. The cornerstone of these business practices is WellPoint's agreement to apply generally accepted medical standards. Additionally, WellPoint has committed to increase transparency in paying claims and has agreed to an enforcement mechanism to help ensure compliance with the terms of the settlement. The business practice changes and transparency add significant value to physicians in terms of ensuring reduced overhead and greater focus on patient care. The agreement will also streamline communication between physicians and WellPoint, reduce administrative complexity in the claims payment system and help to improve the quality of the health care system in general.

If approved by the court, the agreement would conclude this lawsuit against WellPoint as part of on-going multi-district litigation currently pending against many of the nation's largest for-profit health insurers and which is scheduled for trial on January 23, 2006.

The settlement also includes a payment of \$135 million to a settlement fund for payments to physicians and \$5 million to a non-profit foundation devoted to better health care. The total value of the business practice changes is hundreds of millions of dollars.

Key Aspects of Settlement

In addition to the monetary component of the settlement, physicians and WellPoint have agreed to new levels of transparency and communication as well as a renewed commitment concerning business practices through a number of initiatives. In the agreement, WellPoint has agreed to, among other things:

- A definition of medical necessity that ensures that patients are entitled to receive medically necessary care as determined by a physician exercising clinically prudent judgment in accordance with generally accepted standards of medical practice;
- Use of clinical guidelines that are based on credible scientific evidence published in peer reviewed medical literature (taking into account Physician Specialty Society recommendations, the views of Physicians practicing in the relevant

clinical areas, and other relevant factors) when making medical necessity determinations;

- Provide physicians with access to an independent medical necessity external review process;
- Establish an independent external review board for resolving disputes with physicians concerning many common billing disputes;
- Pay for the cost of recommended vaccines and injectibles and for the administration of such vaccines and injectibles;
- Not automatically reduce the intensity coding of evaluation and management codes billed for covered services;
- Ensure the payment of valid clean claims within fifteen (15) days for electronically- submitted claims and thirty (30) days for paper claims;
- Provide fee schedules via electronic communication;
- Establish a compliance dispute resolution mechanism to address disputes regarding WellPoint 's compliance with the agreement;
- Establish a physician advisory committee; and
- Provide ninety (90) days notice of changes in practices and policies and annual changes to fee schedules.

“Hopefully this settlement by the nation’s largest health insurer signals a new day of cooperation with physicians and helps forge a new constructive working relationship with them,” said Tim Norbeck, Executive Director of the Connecticut State Medical Society.

"The commitments obtained from WellPoint in this settlement represent real progress in our ongoing efforts to ensure that physicians in this country are able to achieve the highest quality health care for patients in this country. We are pleased that WellPoint has committed to these efforts," said Edith Kallas, partner with Milberg Weiss Bershad & Schulman in New York.