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A.M. Best Assigns Rating to Rocky Mountain Health Plans and Its Subsidiary

OLDWICK, N.J., Apr. 22, 2005—A.M. Best Co. has assigned a financial strength rating of B++ (Very Good) to **Rocky Mountain Health Maintenance Organization, Inc., d/b/a Rocky Mountain Health Plans** (RMHP), and its subsidiary, **Rocky Mountain Healthcare Options** (RMHCO) (both of Grand Junction. CO). The rating has a stable outlook.

The rating of RMHP reflects its improved earnings, strong capitalization and excellent network coverage. Partially offsetting these strengths are its low overall market share in Colorado, strong competitive pressures in the Denver region and low level of statutory capital at RMHCO.

RMHP continued to increase underwriting gains and net income in 2004. All operating segments contributed favorably to earnings and overall earnings, as a percentage of revenue, exceeded 3% in 2003 and 2004. A.M. Best notes that this percentage is considered very good for a non-profit company and believes that this trend is sustainable in the near to medium term.

The results of several years of profitable operations have positively impacted capitalization. At the end of 2004, RMHP capital increased to slightly more than 900% of the National Association of Insurance Commissioners (NAIC) Authorized Control Level (ACL). RMHP’s ACL continues to be augmented by declining HMO membership and the effects of the Colorado Department of Health Care Policy & Financing Medicaid contract converting to

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Administrative Service Only (ASO), an event that took place in the second half of 2003. RMHP's network in the Western Slope (or western Colorado) and Front Range (Denver area)—its two primary service areas—are excellent with approximately 95% and 80% penetration, respectively.

RMHP operates in almost all counties in Colorado; however, its overall market share is low at approximately 4%. While the company's market share in the Western Slope region is approximately 35%, in the Front Range it is only about 1%. A.M. Best acknowledges that the latter is a fairly new market for RMHP and that several national health care companies are presently in this market. A.M. Best notes that RMHP plans to diversify by designing products to attract small groups and offering ASO products on a more wide spread basis, utilizing its dual option offering to attract more members.

Capitalization at RMHCO is thin, raising some concerns especially as 85% of total membership growth is expected to come from the Preferred Provider Organization (PPO) offering, which was underwritten by this entity. However, this concern is somewhat mitigated by the explicit support available from RMHP, which has significant excess capital.

For Best's Ratings, an overview of the rating process and rating methodologies, please visit http://www.ambest.com/ratings.

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