



*State of California
Arnold Schwarzenegger, Governor
Business, Transportation and Housing Agency*

980 Ninth Street, Suite 500
Sacramento, CA 95814
916-322-2078
916-322-2579 fax

**STATEMENT BY CINDY EHNES REGARDING WELLPOINT-ANTHEM
MATERIAL MODIFICATION TO BLUE CROSS OF
CALIFORNIA**

Good morning. I am Cindy Ehnes, Director of the California Department of Managed Health Care. A short time ago, I signed an Order of Approval on the Material Modification to the Knox-Keene license of Blue Cross of California, clearing the way for a change in control in the parent corporation of Blue Cross.

As the chief regulator in this matter, and as Director of the Department of Managed Health Care, it is my job to apply the law fairly – to protect consumers and ensure that health plans maintain their ability to provide health care to Californians.

And this is exactly what we have accomplished. We have negotiated a pact that is a good deal for consumers and sends a strong message that California is a state with a competitive and healthy marketplace where business is welcome.

Current law requires the Department to examine the filing based on the ability of the company to continue access to appropriate health care for California's Blue Cross enrollees. Under current law, we do not have the authority to approve or disapprove the merger of the parent companies, or to determine the acceptable level of executive compensation.

Our review process under the Knox-Keene Act was thorough, structured and deliberative. We were able to achieve concessions through extensive negotiations to improve the quality and accessibility of health care for Californians, retain administrative oversight activities in California, hold down administrative costs, maintain current levels of products available for low-income consumers and provide investments in important health programs, such as the Healthy Families program.

July 23, 2004

Page 2 of 2

Our process has been open and fair. This deal received our highest level of scrutiny and allowed for public participation in this important policy matter. Shareholder interests are the concerns of others. My interests are the concerns of consumers and business.

In conducting this review, my staff has exercised our statutory authority with the utmost diligence and competence. I would especially like to acknowledge Kevin Donohue and Kathleen McKnight, Senior Counsel who spent countless hours poring over more than 2,000 pages of filings and many more hours in complex negotiations.

In signing this order of approval, the Department of Managed Health Care has upheld our responsibility to protect California consumers and stayed within our authority by allowing companies doing business in California to operate in a competitive marketplace.