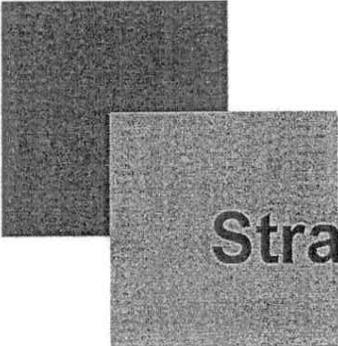




BlueCross BlueShield
of Delaware



Strategic Planning Session

Board of Directors
February 27, 2008

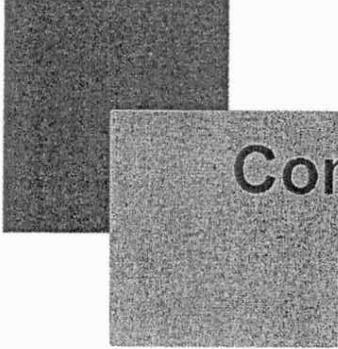
Blue Cross Blue Shield of Delaware is an independent licensee of the Blue Cross and Blue Shield Association.

EXHIBIT

JOINT-89.1



BlueCross BlueShield
of Delaware



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Assessment**

TAB 2 Transaction Options

TAB 3 Appendices

Blue Cross Blue Shield of Delaware is an independent licensee of the Blue Cross and Blue Shield Association.



BlueCross BlueShield
of Delaware



Partner Proposal Assessment

Blue Cross Blue Shield of Delaware is an independent licensee of the Blue Cross and Blue Shield Association.

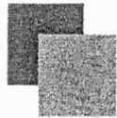
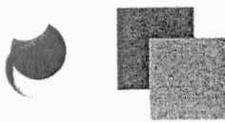


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- Forces Driving Consolidation
- BCBSD Affiliation Experience
- The Blue System Today
- Partner Attributes for Consideration
- Key Partner Attributes Overview
- Details on Key Partner Attributes
- Next Steps



Forces Driving Consolidation

- **Environmental Factors**

- Declining Employer-Sponsored Insurance in Small Group Segment
- Declining Retiree Coverage in Large Group Segment
- Union VEBA
- Increase in Public-Sponsored Coverage
- Uncertain Political Forces
- Uptick in Medical Cost Trends

- **Competition**

- Expanding National Players
- Dilution of Franchise Protection
- Key Account Dependence

- **Provider Integration**

- Hospital Systems
- Physician Groups
- Physician – Hospital
- Pharmacy/PBM, Lab



Forces Driving Consolidation (cont.)

- **Market Requirements**

- New Products
- Market Segmentation
- Health-Related Products and Services
- Information Expectations

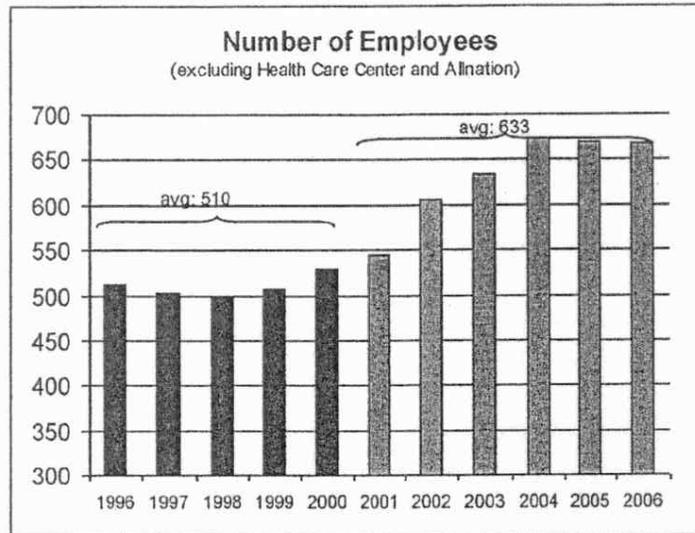
- **Technology Requirements**

- Reporting
- Compliance
- Operations/Medical Management
- Member, Provider, Employer, Broker, Employee Support

- **Economies of Scale**

- Administrative Costs
- Marketing and Customer Relations
- Government Programs
- Market Segmentation
- Capital Formation
- Information and Analytics
- Care Management
- BCBSA Mandates

BCBSD Affiliation Experience — Employment



- Consistent with the increase in enrollment, the number of associates employed by BCBSD grew significantly following affiliation.
- By 2006, employment at BCBSD had grown by 26% following affiliation.

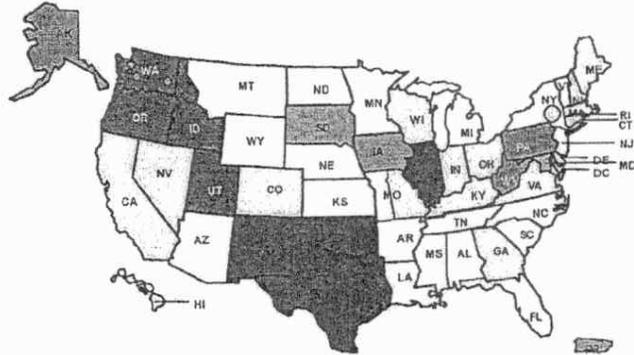
The Blue System Today — Overview

The number of independent Blue Plans has decreased from 115 in 1980 to 39 today. The majority of Blue Plans are organized as non-profit health plans. Several are organized as mutuals and two are currently publicly traded, for-profit companies.

Independent Plans

Alabama	Nebraska
Arizona	New Jersey
Arkansas	New York
California (Blue Shield)	HealthNow Systems, Inc.
Delaware	Lifetime HealthCare, Inc.
Florida	North Carolina
Hawaii	North Dakota
Idaho (Blue Cross)	Pennsylvania
Kansas	Capital Blue Cross
Louisiana	Blue Cross of NE
Massachusetts	Puerto Rico (Triple-S*)
Michigan	Rhode Island
Minnesota	South Carolina
Mississippi	Tennessee
Missouri (Kansas City)	Vermont
Montana	Wyoming

Source: BCBSA Licensee Records, updated January 2008.
*Indicates publicly-traded, for-profit plans



Consolidated and Affiliated Plans

CareFirst, Inc.: Maryland; Washington, DC
Health Care Services Corporation: Illinois; New Mexico; Oklahoma; Texas
Highmark (pending approval): Pennsylvania (Pittsburgh BC; Pennsylvania BS; Philadelphia); Puerto Rico (La Cruz Azul); West Virginia
Premiera: Alaska; Washington (BC of WA and Medical Service Corporation)
The Regence Group: Idaho (Idaho BS); Northwest Medical Bureau; Oregon; Regence Blue Shield (WA/OR); Utah
Wellmark: Iowa; South Dakota
WellPoint, Inc.: California (BC of California); Colorado; Connecticut; Georgia; Indiana; Kentucky; Maine; Missouri (St. Louis); Nevada; New Hampshire; New York; Ohio; Virginia; Wisconsin



Partner Attributes for Consideration

- Size and financial strength
 - Technology, products and services
 - Future success (consolidation and regionalization)
 - Structure/Governance/Leadership
 - Proposed BCBSD leadership and governance
 - Transition: BCBSD and Key Partner Consolidations
 - Approval process
 - Associate impact
 - Cultural fit
 - Other
- 

Key Partner Attributes Overview

	NOT-FOR-PROFIT	NON-INVESTOR OWNED MUTUAL	FOR-PROFIT PUBLICLY TRADED
		Highmark / IBC	
Size and financial strength		7M members, financially sound, but Not-FP limits ability to raise capital; may not be the end game	
Technology, products and services		Heavily invested in ancillary products and services; well-regarded IT capabilities	
Future consolidation and regionalization		Could become leader of independent mid-Atlantic Blues alliance (MD, DC, WV, PA, DE, NJ) – and possible additional Not-FP alliances (FL, SC, etc.)	

Key Partner Attributes Overview (cont.)

NOT-FOR-PROFIT		NON-INVESTOR OWNED MUTUAL	FOR-PROFIT PUBLICLY TRADED
		Highmark / IBC	
Structure/ Governance/ Leadership		Mature leadership team; proposed PA merger creates some uncertainty	
Proposed BCBSD leadership and governance		Uncertain - No precise model; likely to have local president representation on parent board unclear, and a local Board appointed by parent	
Transition		Some experience in plan affiliation and integration (WV, NE-PA)	



Key Partner Attributes Overview (cont.)

NOT-FOR-PROFIT		NON-INVESTOR OWNED MUTUAL	FOR-PROFIT
			PUBLICLY TRADED
		Highmark/IBC	
Approval process		Least problematic – Not-FP; however, issues re: pending Highmark/IBC approvals	
Associate impact / cultural fit		Expect moderate associate disruption. Unclear culture due to proposed merger	
Other		Would immediately get 5,000 AmeriHealth members	

Details on Key Partner Attributes — Size and Financial Strength (2006)

NOT-FOR-PROFIT		NON-INVESTOR OWNED MUTUAL	FOR-PROFIT PUBLICLY TRADED
	BCBSD	Highmark/IBC (Combined) ¹	
Members (excluding par)	295,000	7,000,000	
Cash flow from operations	\$25.3M	\$270M (\$500M)	
Capital investments	\$8.2M	\$70M (\$120M)	
GAAP reserves/equity	\$189M	\$3.6 billion (\$5.0 billion)	
Financial strength ratings	S&P – A-	S&P – A AM Best – A- Moody's – Baa2	
RBC	1105%	714% (620%)	

1. Estimated based on merger filings, assumes 1/3 of net savings retained by Newco
2. May be reduced with outsource strategy

Details on Key Partner Attributes — Technology, Products and Services

	NOT-FOR-PROFIT		NON-INVESTOR OWNED MUTUAL	FOR-PROFIT
				PUBLICLY TRADED
		Highmark / IBC		
Systems and Technology		Heavily invested in technology, serve as backroom operations for other Blues		
Products and Services		Standard commercial lines; Medicare Advantage; Medicaid; PDP; Individual CDHP; ancillary subsidiaries (dental, vision, etc.)		
Impact on BCBS		Convert to stable systems; excellent technology; add Medicare and Medicaid options; access to strong ancillary services		

Details on Key Partner Attributes — Future Success, Consolidation and Regionalization

	NOT-FOR-PROFIT	NON-INVESTOR OWNED MUTUAL	FOR-PROFIT PUBLICLY TRADED
		Highmark / IBC	
Long-term prospects		Reasonably well positioned for long-term success – likely to be leader in future regional Blue consolidations; political climate could limit expansion	
Regional prospects		Likely to seek to build a regional Not-FP Blue, including BCBSD, CareFirst and Horizon – possibly Central PA	
Impact on BCBSD		Unlikely to require additional system conversions; will require additional regulatory proceedings	

Details on Key Partner Attributes — Structure/Governance/Leadership

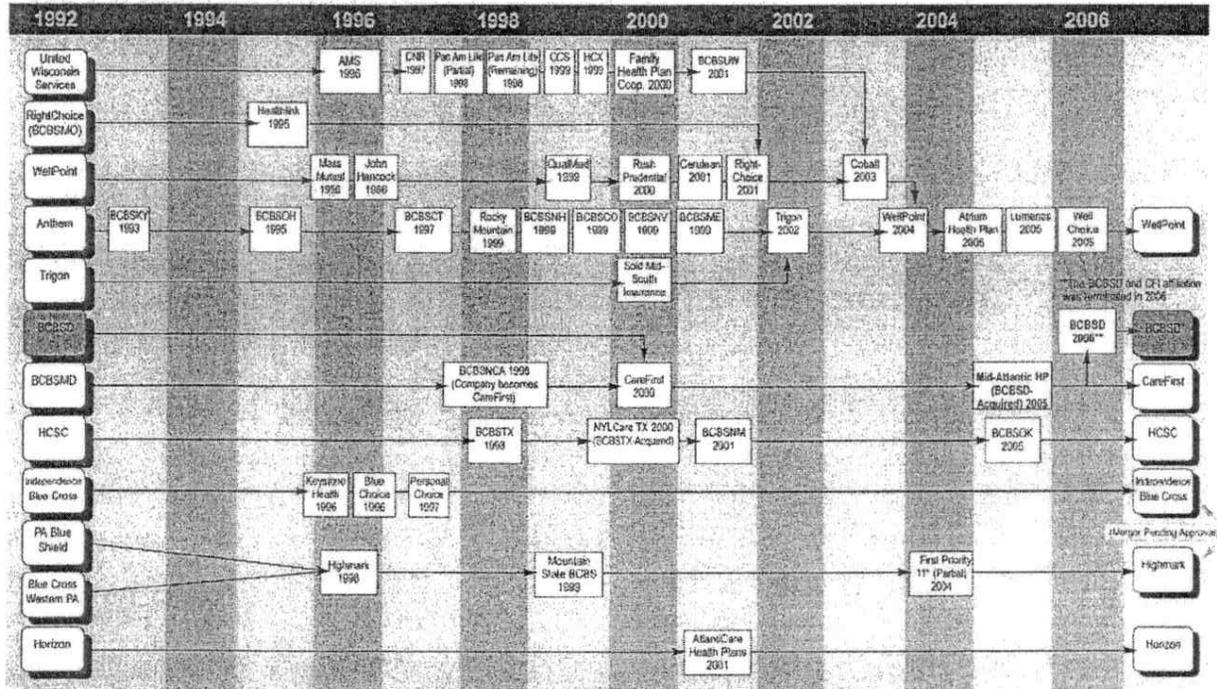
	NOT-FOR-PROFIT	NON-INVESTOR OWNED MUTUAL	FOR-PROFIT PUBLICLY TRADED
		Highmark / IBC	
Partner Structure		Non-stock; not-for-profit/ not-for-profit hosp. plan	
Partner Governance		156 members; 21 directors; PA residents; 25% physicians. Newco – 22 PA residents. WV 10; 3 Highmark; CEO; 6 indep.	
Partner Management Team		Long-term management team; merger reorganization	

Details on Key Partner Attributes — Proposed BCBSD Leadership and Governance

	NOT-FOR-PROFIT		NON-INVESTOR OWNED MUTUAL	FOR-PROFIT
				PUBLICLY TRADED
		Highmark/IBC		
Proposed Structure		2-phased; affiliate; Highmark / Newco member; not-FP		
Proposed Governance		Local board; possible holding co. rep		
Proposed Management		Local president; centralized back office		

Details on Key Partner Attributes — Transition

BCBSD and Key Partner Consolidations*



Source: Company reports, Smith Barney Citigroup managed care analyst report June 16, 2004, AIS Major Mergers and Acquisitions by Managed Care Firms in 2005. *Listing only includes BCBSD and partner plans

Details on Key Partner Attributes — Approval Process

NOT-FOR-PROFIT		NON-INVESTOR OWNED MUTUAL	FOR-PROFIT PUBLICLY TRADED
		Highmark / IBC	
Approvals		Need approvals from officials in DE and PA – remain Not-FP	
Issues		Focus on BOBSD reserves; potential local governance authority; pending Highmark / IBC merger	
Long Term		Expect downstream change-of-control to result in additional hearings, approvals, etc.	

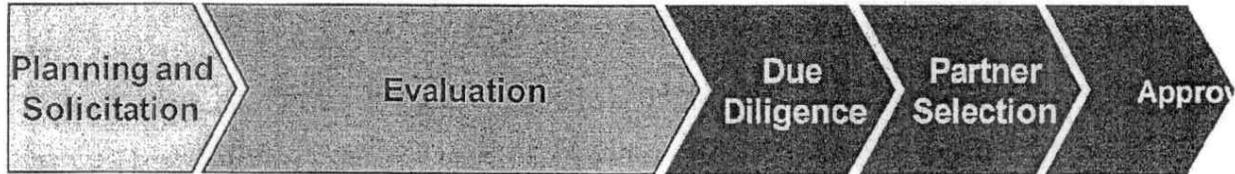
Details on Key Partner Attributes — Associate Impact

NOT-FOR-PROFIT			FOR-PROFIT
			PUBLICLY TRADED
		NON-INVESTOR OWNED MUTUAL	
		Highmark/IBC	
Number of Associates		19,000/9,500	
Associate Opportunities		Incentives; growth opportunities; grandfathered benefits	
Organizational Transformation		Robust local workforce; organizational shifts/potential displacement; changes to associate benefits	

Details on Key Partner Attributes — Cultural Fit

NOT-FOR-PROFIT		NON-INVESTOR OWNED MUTUAL	FOR-PROFIT PUBLICLY TRADED
		Highmark / IBC	
Mission		Access; affordability; quality; health	
Vision		Leadership; customer focused; wellness; financial strength; innovation and involvement	
Values		Mission; excellence; integrity; customers; employees and community	

Next Steps



- Mission and Vision
- Strategic Options
- Rationale and Criteria
- Target Partners
- Information Collection

- Review and Analysis
- Board Presentations
- Management Site Visits
- Proposal Refinement
- Identify Finalist Partners

- Due Diligence
 - ✓ Organizational
 - ✓ Operational
 - ✓ Technical
 - ✓ Market
 - ✓ Financial
 - ✓ Legal

- Letter of Intent
- Evaluation
- Negotiations
- Definitive Agreement
- Communications

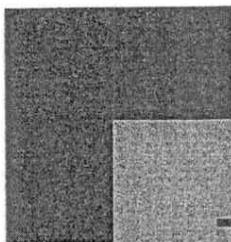
- Boards
- Delaware
- Other States
- Federal

2008

2007	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2009
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BlueCross BlueShield
of Delaware



Transaction Options

Blue Cross Blue Shield of Delaware is an independent licensee of the Blue Cross and Blue Shield Association.



BCBSD Transaction Options

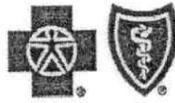
	Not For Profit Affiliation	Not For Profit Merger	For Profit Conversion and Acquisition	Merger with Mutual	Asset Sale
Transaction Complexity	Least complex; Partner acquires BCBSD membership.	Moderately complex: Non-stock company merger – Acquirer must obtain Certificate of Authority, etc.	Moderately complex – BCBSD converts to stock company and must obtain Certificate of Authority as conventional insurer. Application statute adds complexity.	Complex – may require two-stage conversion – mutualization first and merger second (policy approval, etc.). Application of untested conversion statute adds complexity.	Complex – labor intensive identification of assets and liabilities to be included/excluded. Certificate of Authority for acquirer, etc. Application of untested conversion statute adds complexity.
Need For Legislation	None – Precedent established.	Potentially – what is post-merger entity? "Health Service Corp." under Ch. 63 must be Delaware entity.	Unlikely – NFP (Not-for-Profit) statute clearly applicable; BCBSD as stock insurer, arguably subject to Form A process. Analogy to Form A process most relevant.	Very possible – no applicable statute and multiple provisions in insurance code that might be analogous. Must also deal with restrictions on merging "charitable non-stock corporations."	Unlikely – analogy to assumption reinsurance provisions of Sec. 9430 (assumption reinsurance) was used with FSHP sale. However, limited to entity with Delaware Certificate of Incorporation.

BCBSD Transaction Options (etc.)

	Not For Profit Affiliation	Not For Profit Merger	For Profit Conversion and Acquisition	Merger with Mutual	Asset Sale
Clarity of Path	Most clear – Precedent established.	Unclear – No legislative avenue. Post transaction status unclear.	Somewhat clear – Form A or Form A “like” regulatory process is likely plus untested NFP conversion statute.	Least clear. No obvious statutory regime, untested NFP conversion statute, etc.	Somewhat clear – analogy to assumption reinsurance plus (untested) NFP conversion statute for mutual/stock acquirer is likely.
Political Dynamics	Least disruptive to status quo; Therefore, least likely of the options to raise political concerns.	Loss of BCBSD identity and Delaware assets = significant political issues. However, retention of not-profit mission helpful.	Substantial change in perceived status quo in conversion to for-profit stock insurer (change in mission, pricing, provider contracting, etc.). All raise substantial political concerns. Conversion payment helps offset political impact.	Loss of BCBSD identity and Delaware assets = significant political concerns. Conversion payment helps offset political impact.	Loss of BCBSD identity and Delaware assets = significant political concerns. Purchase by for-profit entity raises concerns further. Conversion payment helps offset political impact.

BCBSD Transaction Options (cont'd)

	Not For Profit Affiliation	Not For Profit Merger	For Profit Conversion and Acquisition	Merger with Mutual	Asset Sale
Time to Completion	9 – 12 months from regulatory filings to close.	12 to 18 months from regulatory filings to close.	12 to 20 months from regulatory filing to close.	12 to 20 months from passage of legislation / regulatory filings to completion.	12 to 20 months from regulatory filing to close.
Triggers NFP Conversion	No.	Technically no; but absorption of BCBSD and its assets by out-of-state entity will likely require payment to state.	Yes.	Yes.	Yes for for-profit and mutual. Non-profit absorption of BCBSD assets will likely require a payment to the State.



BlueCross BlueShield
of Delaware

Partner Proposal Assessment – Appendices

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Environmental Overview



Delaware Market

Nearly half of BCBSD's enrollment comes from ten accounts. Major competitors continue to position for market expansion nationally (including heavy investments in technology, consumer products, consolidations, etc.) with significant impact in Delaware.

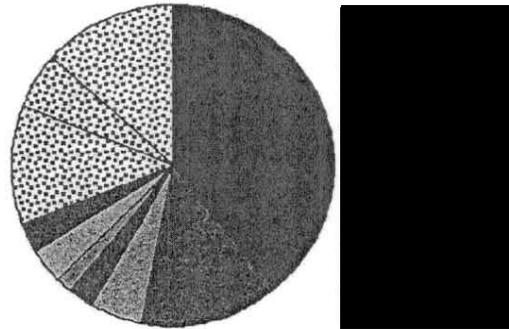
- **Aetna:**
 - Acquired Schaller Anderson, including roughly 80,000 DE Medicaid contracts
 - Awarded State employee HMO bid to become 2nd largest carrier in DE
 - Awarded AARP contract to market an Individual 50-64 product under the AARP brand
 - Expected to re-enter the DE small group market in 2008
 - **United Health Care:**
 - Opened DE sales office in 2007, attempting to leverage 2003 acquisition of MAMSI
 - Acquired Unison, including roughly 30,000 DE Medicaid contracts
 - **Coventry:**
 - Replaced local management following loss of State HMO contract
 - Introduced Individual products, preparing to introduce an integrated Workers Compensation product
- 

Delaware Market (cont.)

Segment	BCBSD Contracts	Competitors
Individual <65		Aetna, United, Coventry
Individual >65		United, Aetna
Accounts 1-50		Coventry, United, Aetna
Accounts 51-200		Coventry, Aetna, United
Accounts 200+		Aetna, Cigna, United
National		Aetna, Cigna, United
FEP		Aetna, Coventry

(Competitors that are either new or have expanded capabilities in a segment are in red.)

Delaware Market Share



Recent Acquisitions

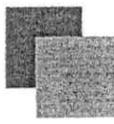
Date	Acquirer	Target	Business	Size	Value (\$ millions)
Jan-08	United	Unison	Medicaid	370,000 members	N/A
Nov-07	CIGNA	Great West	Insurance	2.2 million members	\$ 1,500
Oct-07	Humana	CompBenefits	Vision/Dental		\$ 368
Sep-07	Coventry	FL Health Plan Admin	Insurance	295,000 members	\$ 685
Sep-07	Humana	KMG	TPA		\$ 155
Aug-07	WellPoint	Image Management Hld	Radiology Management	WellPoint; 8 Blues; others	\$ 300
Jul-07	AETNA	Schaller Anderson	Medicaid	\$310 million revenue	\$ 535
Apr-07	Coventry	Mutual of Omaha	FEHP; NE; IA	215,000 members	\$ 120
Mar-07	United	Sierra Health Services	Insurance	900,000 members	\$ 2,600

Recent Acquisitions (cont.)

Date	Acquirer	Target	Business	Size	Value (\$ millions)
Feb-07	HealthNet	Guardian (other 50%)			\$ 80
Feb-07	Coventry	Concentra	Workers Comp		\$ 387
Dec-06	United	Mega Health Division	Student Insurance		N/A
Jul-06	CIGNA	HealthMarkets-HRG	Part-timer Insurance	200,000 members	\$ 156
May-06	Humana	CHA	KY Health Plan	190,000 members	\$ 68
Feb-06	AETNA	Broadspire	Disability	1.2 million STD members	\$ 160
Feb-06	United	Deere Health Care	Insurance		\$ 515
Jan-06	CIGNA	Mid-South Admin	TPA	26,000 Groups	N/A
Dec-05	WellPoint	WellChoice (Empire)	Insurance	5 million members	\$ 6,500

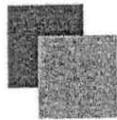
Regional Presence (2006)

Share Position	Delaware	Maryland	New Jersey	Pennsylvania
#1	BCBSD	CareFirst	Horizon	Highmark
#2	United	United	Aetna	IBC
#3	Coventry	Aetna	United	Aetna
#4	Aetna	Kaiser	HealthNet	UPMC
#5	IBC (AmeriHealth)	CIGNA	IBC (AmeriHealth)	Coventry
Others		Coventry	AmeriGroup	United
		WellPoint	CIGNA	Humana
				CIGNA
				WellPoint



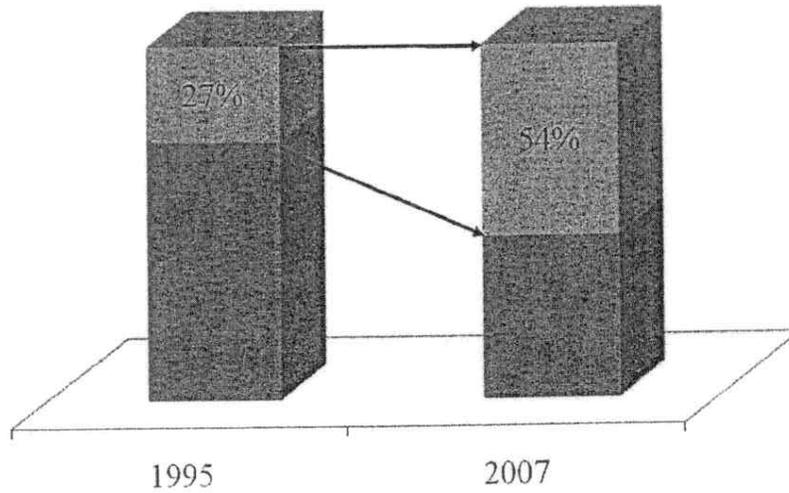
Top National Insurers

Company	Market Cap (\$ billions)	2007 Revenue (\$ millions)	2007 Net Income (\$ millions)	Medical Members (millions)
UnitedHealth Group	\$ 61.5	\$ 75,431	\$ 4,654	34
WellPoint, Inc.	\$ 43.1	\$ 61,134	\$ 3,345	35
Kaiser Permanente	NA	\$ 36,000	\$ 400	9.0
Aetna, Inc.	\$ 24.7	\$ 27,600	\$ 1,831	17
Humana, Inc.	\$ 12.2	\$ 25,290	\$ 834	11
CIGNA Corporation	\$ 12.9	\$ 16,547	\$ 1,159	10
Health Net, Inc.	\$ 5.0	\$ 14,108	\$ 200	6.7
Coventry Health Care	\$ 8.1	\$ 9,880	\$ 626	4.7



Increasing Concentration

% of U.S. Residents Covered by Top 10 Health Insurers

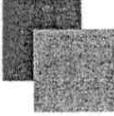


Partner Evaluation Factors



Partner Market Requirements

- Protect/Strengthen Blue Brand
- State-of-the-Art Administrative Infrastructure and Technology
 - Web-Based Tools and Information for Employers, Members, Providers and Brokers
 - Low Cost Structure/Economies of Scale
 - Flexibility to Support Innovative Product Design, DE Unique Requirements
 - Good Development Planning and Execution
- Access to Capital/Strong Financial Position
- Broad Array of Creative Products for Every Market Segment
- Local Market Orientation/Understand and Responsive to DE Specific Needs
- Government Contracting Experience, MA Participation



Partner Market Requirements (cont.)

- * Health-Related Insurance Products and Services (Life, Property and Casualty, Dental, Vision, Rx)
- * National Contracts for Lab, Rx, Surgery Centers, In-Store Clinics
- * Strong Relationships with Consultants and National Accounts
- * Direct Marketing Expertise
- * Pricing and Actuarial Capability
- * Strong Provider Relationships
- * Clinical Data, Medical and Health Management Tools and Information
- * Aggressive and Progressive Medical Management, Health and Wellness Programs
- * Benchmark Data and Metrics (Clinical and Operating)



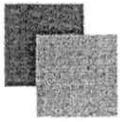
Partner Market Requirements (cont.)

- Good Cultural Fit (Ethics, Integrity, Customer Service, Business Strategy, Operating Philosophy)
- Respect and Value Employees
 - Grandfather Employee Benefits
 - Strong Systems
 - Progressive Evaluation, Training and Development
- Experience Integrating Blue Plans
- Positive BCBSA Relationship/Influence
- Constructive Legislative Environment/Good Government Relations
- Strong Compliance and Reporting
- Influential Local Board and Management
- Flexible Transition Plan
- Track Record of Success in Community



Comparative Evaluation Factors

- **Strategic**
 - Mission and Vision
 - Region Evolution
 - Position for Reform/Next Generation
 - Perception of Stakeholders
 - Voice/Influence
- **Organizational**
 - Structure
 - Governance Role
 - Management Authority
 - Employee Satisfaction
- **Business**
 - Scope of Products and Services
 - Growth Potential
- **Business (cont.)**
 - Employee Recruitment and Development
 - Capital Access and Investment
- **Operational**
 - Culture and Philosophy
 - Systems and Infrastructure
 - Health and Medical Management
 - Cost Structure
 - Access Fees
- **Implementation**
 - Approval Process
 - Approval Issues
 - Transition Issues
 - Integration Issues



Appendix

BCBSD and Potential Partner Background



Partner Description

NOT-FOR-PROFIT		FOR-PROFIT	
		Mutual	Publicly Traded
	BCBSD	Highmark / IBC	
Size			
Revenue (in millions)	\$490	\$22,000	
Members (x PAR, 000)	295	7,000 ¹	
Geography	DE	PA, WV, Ancillary, Medicaid, TPA, PBM, Ltd Benefit Medicare National	
Market Characteristics	(DE)	(WV/PA)	
% <65 Insured (US 69%)	75%	65/77%	
Per Capita Spend Ratio US	1.2	1.1/1.1	

1. Highmark and IBC unduplicated members, additional 1 million members NEPAJV, Mt. State Affiliate and other BCBS outsource arrangements.

Partner Description (cont.)

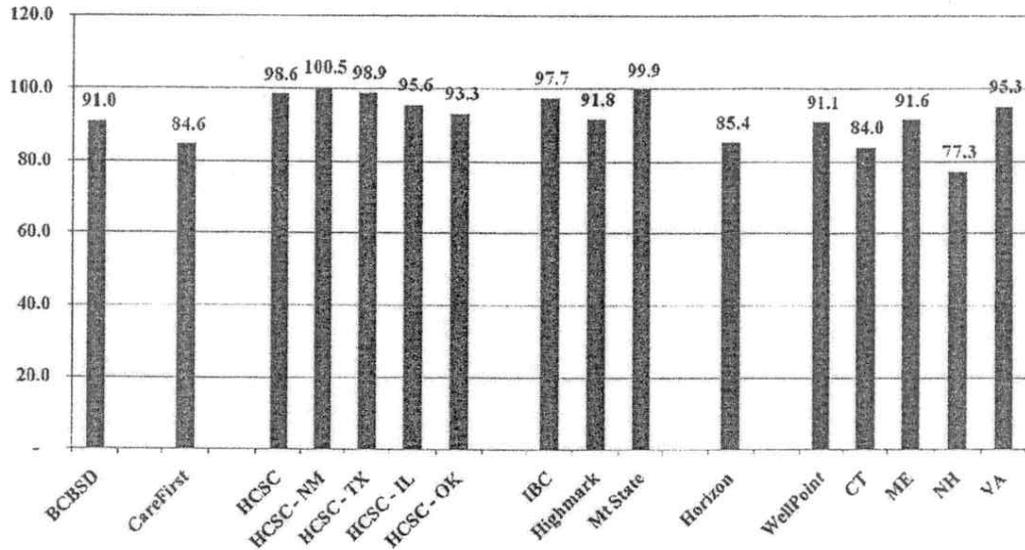
Membership Distribution					
NOT-FOR-PROFIT				Mutual	FOR-PROFIT
	BCBSD		Highmark		Publicly Traded
ASO	46%		39%		
PAR	26%		17%		
Large Group	12%		17%		
Small Group	9%		7%		
Individual	2%		4%		
FEHP	4%		5%		
Medicare					
Supplemental	1%		3%		
Advantage	0%		5%		
PDP	0%		3%		
Medicaid	0%		0%		

(200,000 in JVs)



BCBSA Service Performance Scorecard (SPS)

Overall Composite SPS Scores¹ (3Q07)

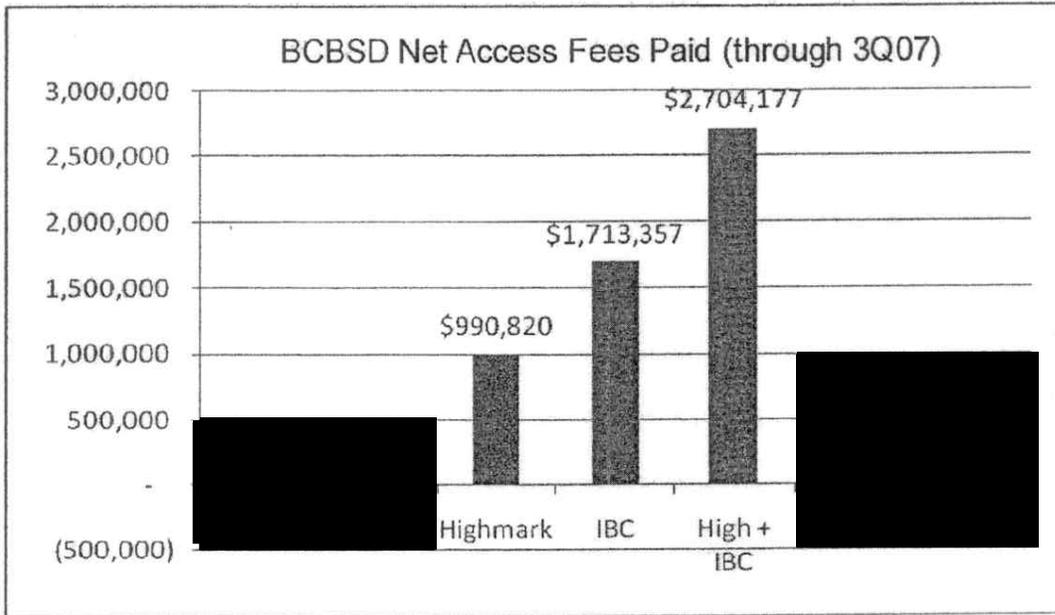


1. Includes composite scores for BlueCard® index, MTM and FEP program.

Health Plan Quality Information

Health Plan	Commercial Product	Health Plan Report Card Quality Information					
		Access and Service	Qualified Providers	Staying Healthy	Getting Better	Living with Illness	Accreditation Outcome
BCBSD	HMO/POS Combined	★★★★	★★★★	★★★★	★★★★	★★★★	Excellent
Highmark							
Keystone West	HMO	★★★★	★★★★	★★★★	★★★★	★★★★	Excellent
Keystone West	POS	★★★★	★★★★	★★★★	★★★★	★★★★	Excellent

Access Fees





Appendix

Partnership Experience



Partnership Experience

NOT-FOR-PROFIT			MUTUAL	FOR-PROFIT
				PUBLICLY TRADED
	CareFirst		Highmark / IBC	
Acquisition/ Affiliation	BCBSD		MT. State BCBS; NEPA	
Transaction			In 1999 Highmark replaced Ohio Mutual in WV; provided \$10M surplus note; fee admin services and appointed 5 of 10 Board members; 2004 expanded; Highmark appoints entire Board	

Partnership Experience (cont.)

NOT-FOR-PROFIT		MUTUAL	FOR-PROFIT PUBLICLY TRADED
		Highmark / IBC	
Impact		Improved financial performance and administration	
Other		Failed acquisition of Capital BC; 2005 JV with NEPA expanded in 2007; Admin ventures with BC-FL, LA, AZ	

Future Impact on Mid-Atlantic Region



Mid-Atlantic Region Development

If we affiliate with...

- CareFirst
 - Further consolidation will likely occur
 - Infrastructure and technology challenge remains for at least near term
 - Horizon may be interested but pressure for conversion and sale
 - Capital BC may be interested but still not enough critical mass
 - Highmark/IBC could be interested
 - HCSC
 - Provides critical mass for near term
 - Limited opportunities for further consolidation
 - Challenge of mutual conversion; BCBSD may become an island
 - Lack of Medicaid-type experience
 - Highmark/IBC
 - Provides critical mass for near term
 - CareFirst possible, already have relationship for Medicare
 - Horizon could be interested given strength in South Jersey
 - Could be done incrementally (Highmark administrative services leading to affiliation or acquisition)
 - Challenge of Highmark/IBC merger remains
- 



Mid-Atlantic Region Development (cont.)

If we affiliate with...



BCBSD, INC.
BOARD OF DIRECTORS MEETING
MARCH 17, 2008

A meeting of the Board of Directors of BCBSD, Inc. was held pursuant to notice on March 17, 2008, at 12:00 noon in the corporate offices, 800 Delaware Avenue, Wilmington, Delaware. The following members were present:

Max S. Bell, Jr., Chairman
Ben Corballis, M.D., Vice Chairman
Thomas E. Archie
Bernard J. Daney
Robert F. Rider
David P. Roselle, Ph.D.
Frances M. West, Esq.
William H. Willis, Jr. (*via phone*)

Also attending were the following members of staff: Timothy J. Constantine, President & Chief Executive Officer; William E. Kirk, III, Vice President, General Counsel & Corporate Secretary; and Ellen M. Johnson, Executive Assistant to the President & CEO. External counsel attending: Grover C. Brown, Esq. of Gordon, Fournaris & Mammarella (representing the BCBSD Board of Directors) and David S. Swayze, Esq., and Michael W. Teichman, Esq., of Parkowski, Guerke & Swayze, P.A. (representing BCBSD, Inc.). Consultants attending: Robert C. Cole, Jr. and Louis Pavia, Jr., President of CareCompanion.

I. Blue Venture Fund.

EXHIBIT
JOINT-90.1

BCBSD004496
Confidential

II. Report of Nominating Committee

III. Review / Discussion of Potential Partners

▪ **Feedback from Board Strategic Planning Session**

Mr. Constantine discussed a number of follow-up items and activities that resulted from the Board Strategic Planning Session of February 27, 2008. In advance of today's meeting, the Board received information relative to the biographical profiles of key executive leadership of the potential affiliation partners under consideration and a high-level business valuation of BCBSD, Inc., which will be discussed later in the meeting. Management plans to develop a white paper outlining and justifying BCBSD's need to affiliate to have available during the regulatory review phase following the execution of a definitive agreement. Management has also engaged Deloitte to update BCBSD's capabilities assessment (the last assessment was performed in 2004).

▪ **Preliminary Valuation of BCBSD, Inc.**

Mr. Constantine reviewed the preliminary business valuation of BCBSD, Inc. BCBSD staff prepared the high-level analysis based upon the valuations of publicly traded insurers. A range of \$252 million to \$315 million was calculated for BCBSD based upon its 2005 – 2007 financial results, which was consistent with the results of the independent valuation conducted by Cain Brothers in 2003 in connection with the proposed CareFirst/WellPoint transaction.

▪ **Next Steps**

Mr. Constantine reported that members of the Affiliation Work Group (Messrs. Constantine, Kirk, Cole and Pavia) met in advance of today's meeting to develop recommendations for proposed strategies and next steps relative to the affiliation process to present to the Board. The Work Group agreed that, of the potential partners under consideration, [REDACTED] is clearly able to satisfy BCBSD's established market and organizational requirements. Since [REDACTED] does not appear to have any major uncertainties, such as senior leadership transitions or other pending strategic transactions, the Work Group recommended that the Board of Directors begin evaluation, due diligence and negotiations with [REDACTED]. The Work Group suggested that the Board meet with [REDACTED] senior executive leadership in the next two months. The Work Group also recommended that the BCBSD Board postpone further discussions with any of the other potential partners until there is further clarification regarding some of the uncertainties.

The Board agreed with the Work Group's recommendations. Once BCBSD and [REDACTED] mutually agree upon a meeting date, the details will be communicated to the Board. On behalf of the Board, Mr. Constantine will notify each of the other four potential partners regarding the Board's decision to delay further discussions and will emphasize the Board's desire to preserve each relationship.

Mr. Pavia discussed the results of the research that he has conducted regarding the relationship of each potential partner with its respective provider community, and outside counsel discussed the conversion statute.

IV. Adjournment

There being no further business, the meeting adjourned at 1:55 p.m.

Respectfully submitted:

Ellen M. Johnson
Executive Assistant to the President & CEO

Affiliation Update

BCBSD Board of Directors
April 9, 2008

CareCompanion

EXHIBIT
JOINT-91.1

Process Strategy

- Suspend discussions with [REDACTED] Highmark/IBC and [REDACTED] while risks abate
- Advance evaluation, due diligence and negotiations with [REDACTED]
- Establish key milestones and timeline
- Reassess Partners
- Pursue best option
- Execute definitive agreement early 2009

Milestones and Timeline

May June July Aug. Sept. Oct. Nov. Dec. Jan.

WellPoint
Presents to
BCBSD
Board

Due Diligence

Terms and
Conditions

Reassess
Partners and
Options

Partner Selection and
Negotiation

Execute
Agreements
and File

- Agenda
- Briefing Materials
- Presentation
- Questions and Answers
- Debriefing
- 5/21/08

- Confirm Checklist
- Organize Materials
- Review Information
- Site Visits [REDACTED]
- 7/31/08

- Delineate Requirements and Issues
- Discuss Expectations and Trade-offs
- [REDACTED] Offer (Term Sheet)
- 8/31/08

- Update Uncertainties - [REDACTED]
- Highmark/IBC Merger
- [REDACTED] Management and Medicaid
- Assess Implications
- 9/31/08

- Compare and contrast options
- Target Partner for Further Discussions
- Negotiate Terms and Conditions
- Valuation (if appropriate)
- Regulatory and Legal Strategy
- Transition Plan
- Integration Plan
- Communications Plan
- 12/31/08

- Board Approvals
- Signing
- 1/31/09
- (May be extended based on approval strategy)



May Presentation Plan

■ Board Background Brief

- [REDACTED] participants bios
- Brief history of evolution of [REDACTED]
- Overview of [REDACTED] business and markets
- Description of [REDACTED] mission, vision and organization
- Summary of BCBSA licensing requirements

■ May 13th Visit by [REDACTED]

- Brief (45 minute), high-level presentation (Outline follows)
- Questions and Answers
- Discussion

■ Debrief and make decision whether to pursue next steps

- Ability to meet market, business, organizational and other requirements
- Organizational “Fit”

Board Presentation Outline

- **Vision and expectations for healthcare and BCBS system**
 - **Impact of National and Local “Healthcare Reform” initiatives on insurance industry and [REDACTED] position**
- **[REDACTED] philosophy regarding its mission, vision and competitive advantages**
- **[REDACTED] approach to governance and management of State plans**
- **Affiliation and integration experience**
- **BCBSD affiliation**
 - **Rationale**
 - **Timeframe and process**
 - **Implications for customers, members, employees, providers and community**
 - **Branding strategy**
- **[REDACTED] region strategy, role and implications for BCBSD**

BCBSD / [REDACTED] Transaction
Key Activities

Corporate Transaction Mechanics	Governmental Filings, Reviews, and Approvals
<ul style="list-style-type: none"> Amend Certificate of Incorporation provisions to for-profit stock corporation 	<ul style="list-style-type: none"> Attorney General's determination of the fair market value
[REDACTED]	<ul style="list-style-type: none"> Delaware court review of the Attorney General's determination (if necessary)
<ul style="list-style-type: none"> Proceeds paid to the State of Delaware for charitable foundation 	<ul style="list-style-type: none"> Form A (Delaware Insurance Department)
	<ul style="list-style-type: none"> Federal antitrust / Hart-Scott-Rodino filings
BCBSA's Role	
<ul style="list-style-type: none"> BCBSA must approve surrender of license from BCBSD and reissuance to [REDACTED] 	

Presented to BCBSD Board of Directors - 5/13/08

EXHIBIT
JOINT-92.1



BlueCross BlueShield
of Delaware

Background of [REDACTED]

Meeting of [REDACTED] and Board of
Directors of BCBSD, Inc.

May 13, 2008

Blue Cross Blue Shield of Delaware is an independent licensee of the Blue Cross and Blue Shield Association.

 Background
Contents

- Company Overview
- History and Evolution
- Markets
- Products & Services
- Mission, Vision and Core Values
- Organization
- Performance

**BCBSD, INC.
BOARD OF DIRECTORS
EXECUTIVE SESSION
MAY 21, 2008**

An executive session of the Board of Directors of BCBSD, Inc. was held on May 21, 2008 at 3:00 p.m.

Present: Members of the Board – Max S. Bell, Jr., Chairman; Ben Corballis, M.D., Vice Chairman; Thomas E. Archie; Bernard J. Daney; Robert F. Rider; David P. Roselle, Ph.D.; and William H. Willis, Jr. Members of Staff – Timothy J. Constantine, President & Chief Executive Officer; William E. Kirk, III, Vice President, General Counsel & Corporate Secretary; and Ellen M. Johnson, Executive Assistant to the President & CEO.

• **Strategic Partner Search Updates**

The Board discussed the meeting of May 13, 2008 between the Board of Directors of BCBSD and representatives from [REDACTED]. Mr. Constantine indicated that [REDACTED] is interested in moving forward with the due diligence process and are assembling a list of documents that will be requested from BCBSD.

Messrs. Constantine and Kirk also gave the Board a corporate and regulatory overview of the other potential partners.

On behalf of the Affiliation Workgroup, Mr. Constantine recommended that the Board meet with representatives from the [REDACTED] within the next month. The Board agreed with the Workgroup's recommendation.

• **Operations**

There was further discussion regarding the various operational and administrative expense challenges that BCBSD is experiencing and the corporate strategies planned to improve performance.

There being no further business, the executive session of the Board of Directors meeting was adjourned at 3:20 p.m.

Respectfully submitted:

Ellen M. Johnson
Executive Assistant to the President & CEO

EXHIBIT
JOINT-93.1

BCBSD, INC.
BOARD OF DIRECTORS MEETING
JUNE 17, 2008

A meeting of the Board of Directors of BCBSD, Inc. was held pursuant to notice on June 17, 2008, at 12:00 noon in the corporate offices, 800 Delaware Avenue, Wilmington, Delaware. The following members were present:

Max S. Bell, Jr., Chairman
Ben Corballis, M.D., Vice Chairman
Thomas E. Archie
Bernard J. Daney
Robert F. Rider
David P. Roselle, Ph.D.
Frances M. West, Esq.
William H. Willis, Jr.

Also attending were the following members of staff: Timothy J. Constantine, President & Chief Executive Officer; Christine L. Alrich, Vice President of Corporate Marketing; George H. English, Jr., Vice President of Operations & Chief Compliance Officer; William B. Jones, Vice President of Information Technology & Chief Information Officer; William E. Kirk, III, Vice President, General Counsel & Corporate Secretary; Lauren O'Brien, Vice President of Finance & Chief Financial Officer; P. Scott Fad, Assistant Vice President of Corporate Planning; Darelle L. Riabov, Assistant Vice President of Corporate Communications; and Ellen M. Johnson, Executive Assistant to the President & CEO. Guests attending: Steven S. Birchard, Principal, and Luisa Y. Charbonneau, Senior Manager, of Deloitte Consulting, LLP; and Eugenia DiSabatino of Gordon, Fournaris & Mammarella (representing Grover C. Brown, Jr., Esq., External Counsel to the Board of BCBSD, Inc.).

Chairman Bell opened the meeting and welcomed Eugenia DiSabatino, who represented Grover Brown, Esq.

I. Review and Approval of Minutes

II. Reports of Standing Committees

EXHIBIT
JOINT-94

BCBSD004478
Confidential

III. Presentation of Deloitte Capabilities Assessment

Mr. Constantine introduced Mr. Birchard and Ms. Charbonneau, who joined the meeting at 12:45 p.m. to present an overview of the results of the capabilities assessment of BCBSD performed by Deloitte, which was mailed to the Board in advance of today's meeting. As part of BCBSD's strategic planning process, Grover C. Brown, Esq. (external counsel to the BCBSD Board) suggested, and the Board agreed, that the capabilities assessment performed in 2004 be updated, and Deloitte was engaged to assist with the initiative. The objectives of the 2008 assessment were to understand how BCBSD compares against future market requirements, analyze how BCBSD compares against local and national competitors, and determine future capital requirements, priorities and high-level investment costs. Deloitte and BCBSD leadership worked together to achieve those objectives, thus producing the report presented to the Board today.

Mr. Birchard presented an overview of the following:

- BCBSD's service area demographics and population growth.
- BCBSD's market share as compared to each of its major competitors.
- BCBSD's top ten accounts, which continue to make up approximately 60% of the total book of business. A majority of the 2007 top ten accounts is non-risk business, which limits the profitability of these accounts.
- A summary of findings relative to BCBSD's key strengths, areas of opportunity (gaps), and recommendations to address the gaps identified.

Ms. Charbonneau provided an overview of the background and objectives, scope and approach, and methodology for the Deloitte engagement. She stated that management and Deloitte are in agreement relative to the operational gaps that currently exist and the need for BCBSD to become part of a larger entity in order to mitigate the risks. Mr. Charbonneau also reviewed the external and internal findings of the assessment relative to BCBSD's functional areas and identified the capability needs that will require significant investment over the next several years, especially enhancement of information technology. This investment could be in the range of \$100 – 130 million.

She then identified the proposed next steps of the process, which are to integrate recommendations from the capabilities assessment into the strategic planning process to determine priorities, develop an overall information technology strategy that supports the strategic plan, and determine if BCBSD will make investments to meet the market requirements or affiliate with another health plan to meet the identified needs.

The Board discussed the findings and recommendations of the assessment and posed a number of questions. Deloitte agreed with the opinion of the Board and management that BCBSD will need to affiliate with a larger Blue entity in order to remain viable in the marketplace and fulfill its mission of providing high-quality and cost effective health services to its customers.

Deloitte departed the meeting at 1:25 p.m. with the appreciation of the Board and staff.

IV. CEO's Report

V. Adjournment

Respectfully submitted:

Ellen M. Johnson
Executive Assistant to the President & CEO

BCBSD, INC.
BOARD OF DIRECTORS MEETING
JUNE 25, 2008

A meeting of the Board of Directors of BCBSD, Inc. was held pursuant to notice on June 25, 2008, at 11:30 a.m. in the corporate offices, 800 Delaware Avenue, Wilmington, Delaware. The following members were present:

Max S. Bell, Jr., Chairman
Ben Corballis, M.D., Vice Chairman
Thomas E. Archie
Bernard J. Daney
Robert F. Rider
David P. Roselle, Ph.D.
Frances M. West, Esq.
William H. Willis, Jr.

Also attending were the following members of staff: Timothy J. Constantine, President & Chief Executive Officer; William E. Kirk, III, Vice President, General Counsel & Corporate Secretary; Ellen M. Johnson, Executive Assistant to the President & CEO; and Diane M. Coates, Executive Secretary to the President & CEO. Legal Counsel: Grover C. Brown, Esq. of Gordon, Fournaris & Mammarella (representing the BCBSD Board). Consultants: Robert C. Cole, Jr. and Louis Pavia, Jr., President of CareCompanion. Guests from the [REDACTED]

SESSION I

Members of the Affiliation Work Group (Messrs. Constantine, Kirk, Pavia, Cole and Brown) met with the BCBSD Board to address any questions or concerns that the Board may have in advance of today's meeting with representatives of the [REDACTED]. Mr. Constantine also provided an update regarding one of the other potential strategic partners.

SESSION II

The representatives from [REDACTED] joined the meeting at 12:15 p.m. Mr. Bell opened the session by welcoming the guests from [REDACTED], followed by introductions. Before making his opening remarks, [REDACTED], Chairman of the Board of [REDACTED], expressed his appreciation for the opportunity to appear before the BCBSD Board today.

[REDACTED] and [REDACTED] then presented a comprehensive overview of [REDACTED] and addressed several questions posed by the Board.

At the conclusion of the presentation and discussion, the representatives of [REDACTED] departed at 2:45 p.m. with the Board's gratitude for attending today's meeting.

EXHIBIT
JOINT-95.1

Meeting of BCBSD Board of Directors
June 25, 2008
Page 2

ADJOURNMENT

There being no further business, the meeting adjourned at 2:46 p.m. Mr. Bell requested that the members of the Board, and Messrs. Constantine, Kirk, Cole, Pavia, and Brown remain for a debriefing to discuss next steps relative to the strategic partner search process. Messrs. Archie, Rider, and Willis did not remain for the debriefing due to prior commitments.

Respectfully submitted:

Ellen M. Johnson
Executive Assistant to the President & CEO

BCBSD, INC.
BOARD OF DIRECTORS
EXECUTIVE SESSION
JUNE 25, 2008

An executive session of the Board of Directors of BCBSD, Inc. was held on June 25, 2008 at 2:50 p.m.

Present: Members of the Board – Max S. Bell, Jr., Chairman; Ben Corballis, M.D., Vice Chairman; Bernard J. Daney, David P. Roselle, Ph.D.; and Frances M. West, Esq. (Messrs. Archie, Rider, and Willis were not in attendance due to prior commitments). Members of Staff – Timothy J. Constantine, President & Chief Executive Officer; and William E. Kirk, III, Vice President, General Counsel & Corporate Secretary. Outside Legal Counsel – Grover C. Brown, Jr., Esq., of Gordon, Fournaris & Mammarella (representing the BCBSD Board). Consultants – Robert C. Cole, Jr., and Louis Pavia, Jr., President of CareCompanion.

The purpose of this executive session was to discuss the next steps of the strategic partner search process. There was extensive discussion and exchange concerning the possible merits and deterrents to a business combination with the [REDACTED]. The consensus reaction of the Board to the [REDACTED] presentation was favorable and the view was expressed by some in attendance that the goals and business approach of [REDACTED], particularly with respect to the local presence and focus on its health care subscribers, appeared to be compatible with those of Blue Cross and Blue Shield of Delaware (BCBSD). The representations of [REDACTED] as to the state of the art of its computer and technology capabilities and its potential timely availability to BCBSD in the event that a decision was reached to merge or otherwise combine operations was, if true, viewed to be a significant consideration. However, there was uncertainty and concern as to how such a combination could be accomplished given the status of [REDACTED] as a mutual company.

At Chairman Bell's direction, there was discussion regarding the prospect of arranging presentations by other Blue Cross Blue Shield Plans, given the earlier presentation to the Board by [REDACTED] and its ongoing due diligence investigation of the Company. Mr. Constantine advised the Board that he recently learned from the Chief Executive Officer of [REDACTED] that its board authorized management to explore the feasibility and appropriateness of converting to a for-profit, public company. [REDACTED] indicated that this exploratory effort would likely take six to eight weeks and considerably longer if a decision was reached to convert. Under these circumstances, the consensus of the BCBSD Board was that it would not be productive at this time to schedule a presentation by Horizon.

Mr. Constantine also advised the Board that the CEO of [REDACTED] approached him about interest in a possible business combination between BCBSD and [REDACTED]. However, due to the geographic location of [REDACTED] and its small size as compared to [REDACTED], the consensus of the Board was that a potential business combination with [REDACTED] was not a viable option at the present time. Messrs. Cole and Mr. Pavia agreed with the Board's decision.

The Board also decided that a business combination would not be pursued with [REDACTED] at this time, since the Plans are currently involved in prolonged regulatory proceedings regarding a proposed merger.

With regard to [REDACTED] the Board discussed its non-profit charitable corporation status, the recent changes in top management, and the ever-present specter of the unpredictable [REDACTED]. Taking all of these factors into consideration, there was concern that attempting to enter into

another and different business combination with [REDACTED] was not feasible at this time. However, recognizing the assistance that [REDACTED] has provided to BCBSD during the disaffiliation process, the services it currently provides to BCBSD under the Interim Service Agreement, and its close geographic proximity to BCBSD, the Board discussed the possibility of extending an invitation to [REDACTED] to make a presentation regarding a possible partnership if there is still interest among its leadership to do so.

In addition, if the Board decides to invite [REDACTED] to make a presentation, BCBSD could take the position that it had sought the most advantageous arrangement available by reviewing a for-profit stock company Blue [REDACTED], a non-profit mutual company [REDACTED] and a non-profit Blue [REDACTED].

As a result of the foregoing discussions, the consensus of the Board was as follows:

1. Mr. Brown would contact David S. Swayze, Esq., of Parkowski, Guerke & Swayze, with respect to the mechanics for a merger or other business combination by BCBSD with [REDACTED] in its capacity as a foreign mutual company, and give a report to the Board as to the feasibility of such a transaction.
2. In the meantime, management would contact [REDACTED] leadership regarding BCBSD's interest in a possible transaction with [REDACTED] and make due diligence of BCBSD reasonably available to [REDACTED] to the extent its leadership deems appropriate.
3. Management was authorized to seek an outside independent opinion, at the appropriate time, to evaluate the computer and technological resource capabilities that [REDACTED] would provide to BCBSD in the event of a business combination with either Plan.
4. Management was authorized and directed to make arrangements with [REDACTED] leadership, if there is still an interest on the part of [REDACTED] to schedule a presentation to the BCBSD Board of Directors within the next couple of months.

There being no further business to come before the executive session, the meeting adjourned at 3:30 p.m.

Respectfully submitted:

Grover C. Brown, Esq.
Acting Secretary

**BCBSD, INC.
BOARD OF DIRECTORS
EXECUTIVE SESSION
OCTOBER 8, 2008**

An executive session of the Board of Directors of BCBSD, Inc. was held on October 8, 2008 at 2:00 p.m.

Present: Members of the Board – Max S. Bell, Jr., Chairman; Thomas E. Archie; Bernard J. Daney; Robert F. Rider; David P. Roselle, Ph.D.; Frances M. West, Esq., and William H. Willis, Jr. Members of Staff – Timothy J. Constantine, President & Chief Executive Officer; William E. Kirk, III, Vice President, General Counsel & Corporate Secretary; and Ellen M. Johnson, Executive Assistant to the President & CEO. Outside legal counsel: Grover C. Brown, Esq., of Gordon, Fournaris & Mammarella; Consultants: Robert C. Cole, Jr.; and Louis Pavia, Jr., President of CareCompanion.

The Board discussed the presentation given by representatives of [REDACTED] during today's regular session of the Board of Directors meeting. Chairman Bell invited all of the attendees to share their perceptions and comments. The Directors expressed concerns regarding the legal and legislative challenges that [REDACTED] is facing relative to the [REDACTED].

Mr. Constantine provided an update on various completed and planned due diligence activities with the other potential partners, which included reports of visits by staff and consultants to a number of sites.

There was also discussion regarding the next steps of the process. Mr. Constantine stated that management's goal is to enable the Board of Directors to reach a final decision regarding the choice of strategic partner by the end of 2008.

The Board agreed that its next meeting would take place on October 23, 2008 beginning at 11:30 a.m. At that meeting, management will present the results of further due diligence, including a comparison of the proposals received from the potential partners with the criteria to be considered. Management will also make a recommendation regarding the engagement of an outside consultant to evaluate the technological advantages and capabilities of the potential partners. There will also be another meeting of the Board scheduled in November 2008, following the national and state elections, to discuss how the results could possibly effect BCBSD's strategic partners search from a regulatory approval standpoint.

The Board agreed that management would not pursue further due diligence activity with [REDACTED] at this time.

Mr. Constantine also announced that Scott Serota has invited him to be a member of the FEP Board of Managers of the Blue Cross and Blue Shield Association (BCBSA). Upon election by the BCBSA Board in November 2008, Mr. Constantine's term would begin in January 2009, following an orientation.

There being no further business, the executive session of the Board of Directors meeting was adjourned at 2:10 p.m.

Respectfully submitted:

Ellen M. Johnson
Executive Assistant to the President & CEO

**EXHIBIT
JOINT-98.1**



BCBSD, Inc.
Board of Directors – Executive Session
Meeting of October 23, 2008.
Page 2 of 2

Messrs. McBride and Swayze discussed the fiduciary obligations of BCBSD and its Board of Directors, as well as the steps that would be necessary to effectuate various transactions with the potential partners.

The Board agreed that the next meeting of the Board of Directors would be Monday, November 24, 2008, at 11:30 a.m. In advance of the meeting, management will provide documents for the Board's review to include an impact analysis of each prospective partner, the regulatory criteria required to effectuate a transaction with each prospective partner, and a summary of Deloitte's independent assessment of the technological capabilities and strategies of each prospective partner.

There was also discussion regarding the upcoming political elections in Delaware.

The meeting adjourned at 3:40 p.m. Chairman Bell requested that the members of the Board, Messrs. Constantine and Kirk, and Ms. Johnson remain for an additional executive session to discuss officer contract matters.

Respectfully submitted:

Ellen M. Johnson
Executive Assistant to the President & CEO

BCBSD 2008 – Strategic Partner Capability Review

November 20, 2008

Confidential

Deloitte.

EXHIBIT
JOINT-100.1

Background

- In June, 2008, BCBSD asked Deloitte to refresh the 2004 assessment of operational capabilities as part of the strategic planning process
- The objectives of this assessment were to:
 - Understand how BCBSD compares against future market requirements
 - Analyze how BCBSD compares against local and national competitors
 - Determine future capital requirements, priorities and high-level investment costs
- Although BCBSD continues to be the dominant player in the Delaware market, several critical capability gaps were identified. An investment of \$100M to \$129M was estimated to address these gaps
- As a result, BCBSD has decided to evaluate a potential combination with a strategic partner as a means to address their capability gaps and position themselves for the future

Objectives and Assumptions

- BCBSD wishes to evaluate potential partners (in part) on the basis of how they might meet BCBSD's previously identified capability gaps

- The objective of this assessment is to:
 - Make a side-by side comparison of BCBSD's current capabilities and gaps with those of a select number of potential strategic partners
 - Identify key differences in the functional capabilities of potential partners
 - Identify additional questions or issues for further exploration

- For the purposes of this assessment, only internal capabilities were reviewed

- Capabilities were self-reported by potential partners and were not independently verified. Responses within the capability tables were provided by the potential partners.

Key Evaluation Factors – Focus on Internal Dimensions

Internal Dimensions		
Financial	Performance	<ul style="list-style-type: none"> Ability to make future investments Performance relative to strategic corporate targets, as well as competitor/industry performance
	Processes	<ul style="list-style-type: none"> Assessment of growth and profitability over time Ability to plan, forecast and conduct profitability analyses
Product, Pricing and Distribution		<ul style="list-style-type: none"> Content and structure of product offerings within core business relative to market competitors Distribution strategy and performance across products/market segments Member account satisfaction with product portfolio and product development process
Network Management and Medical Management		<ul style="list-style-type: none"> Size and composition of facility, physician and pharmacy networks Competitiveness of reimbursement for facility, physician and pharmacy networks Breadth/depth of medical management programs
Operational Performance		<ul style="list-style-type: none"> Performance and capability levels of core plan operations including claims, customer service, enrollment and billing relative to market requirements and industry standards
Human Resources		<ul style="list-style-type: none"> Overall headcount, tenure, turnover, leverage ratio, employee satisfaction results Quality and magnitude of learning and development process
Information Technology		<ul style="list-style-type: none"> Level of functional and technical adequacy of the existing platforms Strategic alignment of major IT initiatives and investments
Informatics, Data Management and Reporting		<ul style="list-style-type: none"> Data warehouse, data analysis and internal and external reporting capabilities

Summary of Key Differences

- **Financial Processes**
 - Although both establish priorities during an annual planning process, [REDACTED]
 - [REDACTED] has designed a capital allocation predictive model which analyzes the impact of various investment scenarios on their financials and risk-based capital.
- **Product, Pricing and Distribution**
 - [REDACTED] does not offer [REDACTED] or [REDACTED]
 - [REDACTED]
 - Decisions on commissions and broker bonus programs are determined at the plan level by [REDACTED]. [REDACTED] appears to have a common strategy [REDACTED]
- **Network Management**
 - [REDACTED] is consolidating their provider demographic management systems into an [REDACTED] is their system of record.
- **Medical Management**
 - [REDACTED] has a single Quality Improvement plan for the organization, a single set of medical policies and clinical guidelines and a standard approach to UM across all plans. It is unclear what degree of flexibility the local plans have under [REDACTED].
 - [REDACTED] is selecting a vendor for their clinical platform that will integrate UM / CM and DM, as well as wellness and pharmacy. [REDACTED] has [REDACTED]
- **Operational Performance: Membership and Billing**
 - [REDACTED] has [REDACTED] electronic enrollment; [REDACTED] doesn't track this. Both can accept electronic enrollment in multiple formats.

Summary of Key Differences (continued)

- **Operational Performance**
 - [REDACTED] processes all medical claims on the [REDACTED] system. Dental and drug claims are paid on separate systems. [REDACTED] plans to maintain [REDACTED] medical systems
 - [REDACTED] currently supports multiple customer service desktops, with plans to move to an enterprise standard desk top, while [REDACTED] appears to have a single desk top today.
 - [REDACTED] June YTD BlueCard Index score was [REDACTED] 3Q YTD score of [REDACTED] is lower than their [REDACTED] score of [REDACTED] due to claim migration issues.
- **Human Resources**
 - [REDACTED] appears to have a more robust set of metrics to monitor human capital management performance and produces monthly scorecards.
- **Information Technology**
 - [REDACTED] strategy appears robust, however, many of the systems are in development or are not fully deployed at this time.
 - While [REDACTED] offers robust capabilities, certain components of their overall environment are supported by less than optimal technology (eg. [REDACTED]), however there are in flight strategies to address this.
- **Informatics: Data Management and Reporting**
 - [REDACTED] has a single [REDACTED], while [REDACTED] has [REDACTED], as well as an [REDACTED]

	Auto Adjudication Rate	Adjustment Rate	ASA	Blockage Rate	IT Cost PMPM (2008)	Estimated 2008 IT Spend
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]