

+ +
PATTERNS OF PERFORMANCE
+ +

PGBA believes in the perfect mix of customer service and commerce. We believe in exploring boundaries and breaking barriers. We believe it is possible to hit even the smallest of moving targets. We believe that hard work and dedication can overcome any obstacle. We believe that it's important to do things unlike any one else.

Most importantly, we recognize that believing is not enough.

Which is exactly why we do more than simply believe — we achieve.

We engage and provide. We explore boundaries. We reach out. We connect. We execute. We hit even the smallest of moving targets. We overcome obstacles. We go above and beyond. We do the impossible. We listen. We work together. We get the job done. We do things unlike anyone else — and we do it all with one thing in mind: The customer.

Over the past 28 years, PGBA, LLC has worked diligently to instill a commitment to outstanding performance while developing a strong foundation for long-term growth. This pattern of performance has been integrally linked to the success of our company and the customers we serve.

This past year was one of the most demanding in our company's long history. The magnitude of the economic slowdown coupled with an intense, highly competitive procurement environment presented unique challenges to performance. Even under these circumstances, our disciplined approach to operational and fiscal efficiency allowed us to overcome all obstacles and provide first class performance for the more than 5.9 million customers it is our privilege to serve.

In 2008 we processed more than 48 million claims and responded to 4.4 million customer inquiries with exceptional timeliness, continuing a legacy of performance built upon constant innovation and continuous improvement. This is further evidenced in our accuracy rates of 99.5% on all lines of business. Financial performance was equally strong with total revenues exceeding \$270 million for the year. Even more impressive is that we were able to achieve this success amid the most rigorous competitive acquisition cycle in PGBA history.

The key to our exceptional performance is a results-driven, forward-looking approach championed by all of our associates. This method allows us to identify solutions in advance of demand so that we are well positioned to exceed the needs of our customers. Our associates' comprehensive knowledge of our customers' needs and unparalleled commitment to quality ensure PGBA remains the business solution of choice.

In 2009 we will build on this foundation as we move forward into a new operating environment. I am confident that our culture of providing customers with stellar service solidly positions us to continue our patterns of performance for many years to come.



A handwritten signature in cursive script that reads "Michael J. Skarupa". The signature is written in dark ink on a light background.

Michael J. Skarupa
President and Chief Operating Officer

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Headquartered in Florence, South Carolina, PGBA provides fiscal intermediary and management information services to government and private industry partners. Our customers include prime contractors for the Department of Defense (DoD), Humana Military Healthcare Services, Inc., and Health Net Federal Services, Inc. PGBA also provides administrative services for Medicare Advantage health plans, Blue Cross BlueShield of Michigan (BCBSM) and Deseret Mutual Benefit Administrators and serves as a subcontractor for the Department of Veterans Affairs.

High volume claims processing, contact center operations, and contract performance management are the core competencies of PGBA. We have more than 2,800 employees with facilities located in Florence, Surfside Beach, Camden, and Columbia, South Carolina. Our long-tenured staff has extensive contract performance management experience; their intimate knowledge and understanding of government and private healthcare programs is integrally linked to our continued success.

In the fiscal year of 2008, PGBA paid \$9.2 billion in benefits for services provided to over 4.1 million customers. Our unparalleled record of performance is a result of constant innovation, continuous improvement and the dedication of our associates and staff.

We have a proven history of meeting and often exceeding the stringent performance standards expected by our customers. This proven pattern of performance has allowed us to strengthen our existing partnerships while generating new growth platforms for the future. Focusing on customer solutions that lie between and beyond the scope of existing business units allows us to identify opportunities that are strategic and material to PGBA. Our intimate knowledge of the challenges that face our customers and our ability to adapt as these change over time allow us to provide an enhanced customer service experience unique to our industry.

2008 was another year of outstanding performance and financial success for PGBA. We consistently met and exceeded our customers' performance standards. We continued to increase efficiency and decrease unit cost through associate productivity gains and technological innovation while exceeding our financial targets for exceptional contract performance management. But what's important, what really matters most, is that we did it by working together as a team — dedicated to delivering quality service to every client we serve, every single day.

TRICARE

PGBA is the claims subcontractor for two of the three regional TRICARE "TNEX" contracts: the North Region with Health Net Federal Services and the South Region with Humana Military Health Services (HMHS). As subcontractor to HMHS, PGBA also processes claims for TRICARE Overseas Puerto Rico.

Our operational performance on the TRICARE contracts continues a pattern of performance that we've built over 28 years of experience in providing administrative services to the Department of Defense. The South and North TRICARE Operations delivered exceptional customer service in 2008 by processing over 34 million claims, responding to almost 1 million pieces of correspondence and over 2.7 million phone calls. The value of our efforts is demonstrated through earning a total of over \$6.1 million in Award Fees for the TRICARE South and North Region contracts.

PGBA's North Region TRICARE contract achieved J.D. Power & Associates re-certification recognition for call center best practices as one of the most professional and elite call center operations among all call centers nationally.

We have continued to improve our Web-based claims submission and customer service capabilities on our award winning *myTRICARE.com* Web site by adding Google as a new navigation tool and implementing push E-mail functionality to deliver timely health industry information to our customers, helping to keep them informed of the healthcare issues that impact their business. In addition, TRICARE beneficiaries are now able to receive an electronic

Explanation of Benefits (e-EOB), which greatly reduces administrative costs and improves operational efficiencies. In 2008, we had an 8% increase in Web activity and we won three prestigious industry awards for *myTRICARE.com*.

- Fall/Winter 2008 Merit Award
- Spring/Summer 2008 Bronze Award World Wide Web Health Awards Honoring the Best Online Health Information
- Silver Award 2008 eHealthcare Leadership Awards: In recognition of outstanding healthcare Web sites for consumers and healthcare professionals

PGBA TRICARE 2008 PERFORMANCE

Total Claims Processed.....	34,181,383
Percentage of Claims Processed in 30 Days.....	99.7%
Total Web Claims Processed.....	4.8 million
Total Web and Written Inquiries Processed.....	949,481
Total Calls Handled by PGBA Associates.....	2,758,271

MEDICARE ADVANTAGE

PGBA has provided administrative solutions for the Medicare Advantage program since its inception in 2002. We are currently responsible for claims and benefits administration for the BlueCross BlueShield of Michigan (BCBSM) Medicare Advantage plan and Deseret Mutual Benefits Administrators, performing both claims and customer service functions for their Private Fee-for-Service (PFFS) plan.

In 2008, PGBA delivered exceptional customer service to our Medicare Advantage customers by processing 8.9 million claims, with 96.9% finalized within 30 days, and maintaining five days work on hand. Our business partnerships with BCBSM and Deseret Mutual Benefit Administrators remain strong and viable.

Our ability to maintain such a high level of performance is directly attributable to continuous improvements in the way we manage contract performance. Through periodic innovation and incremental improvements, we have been able to tightly integrate and streamline our core processes. Our Medicare Advantage contracts achieved a 26% gain in productivity per associate during 2008. In addition, innovations realized in our claims processing system contributed to a 36% increase in our first pass claims resolution rate.

These technological innovations and process improvements help support PGBA's reputation as an industry leader in contract performance management.

PGBA MEDICARE ADVANTAGE 2008 PERFORMANCE

Claims Processed	8,936,913
Claims Processed in 30 Days	96.9%
Claims Processed in 60 Days	99.8%

VA HERO

PGBA has been providing administrative services to the Department of Veterans Affairs Healthcare Effectiveness through Resource Optimization (HERO) demonstration project since January 2008. As a second-tier subcontractor to the VA we processed over 47,000 claims and resolved over 6,000 customer service inquiries in 2008. Our exceptional performance and customer service strengthens our position for future partnership opportunities with the VA.

PGBA VA HERO 2008 PERFORMANCE

Claims Processed	47,839
Claims Processed in 30 Days	99.12%
Customer Service Inquires Resolved	6,692

BUREAU OF PRISONS (BOP)

In 2008, The United States Department of Justice, Federal Bureau of Prisons, awarded PGBA a medical claims adjudication contract for services rendered to inmates residing in 109 federal prisons. Through a dedicated claims and customer service team, PGBA also will provide customer service to the physicians and other healthcare professionals who render care. During the five-year contract, PGBA will leverage its experience and performance in electronic claims processing to move the Bureau of Prisons from a manual claims adjudication process to a fully automated, rules-driven system.

Dale Creasman

CLAIMS ASSOCIATE II



DEVOTED
METICULOUS
ARDENT

Dale is committed to ensuring claims are paid accurately and is thorough in responding to all quality issues that affect PGBA's performance. Her skill in interpreting policy and outstanding cross-functional skills make Dale an integral part of PGBA's success.

Valerie Nowlin

PROJECT ADMINISTRATOR



DETAILED
HELPFUL
POSITIVE

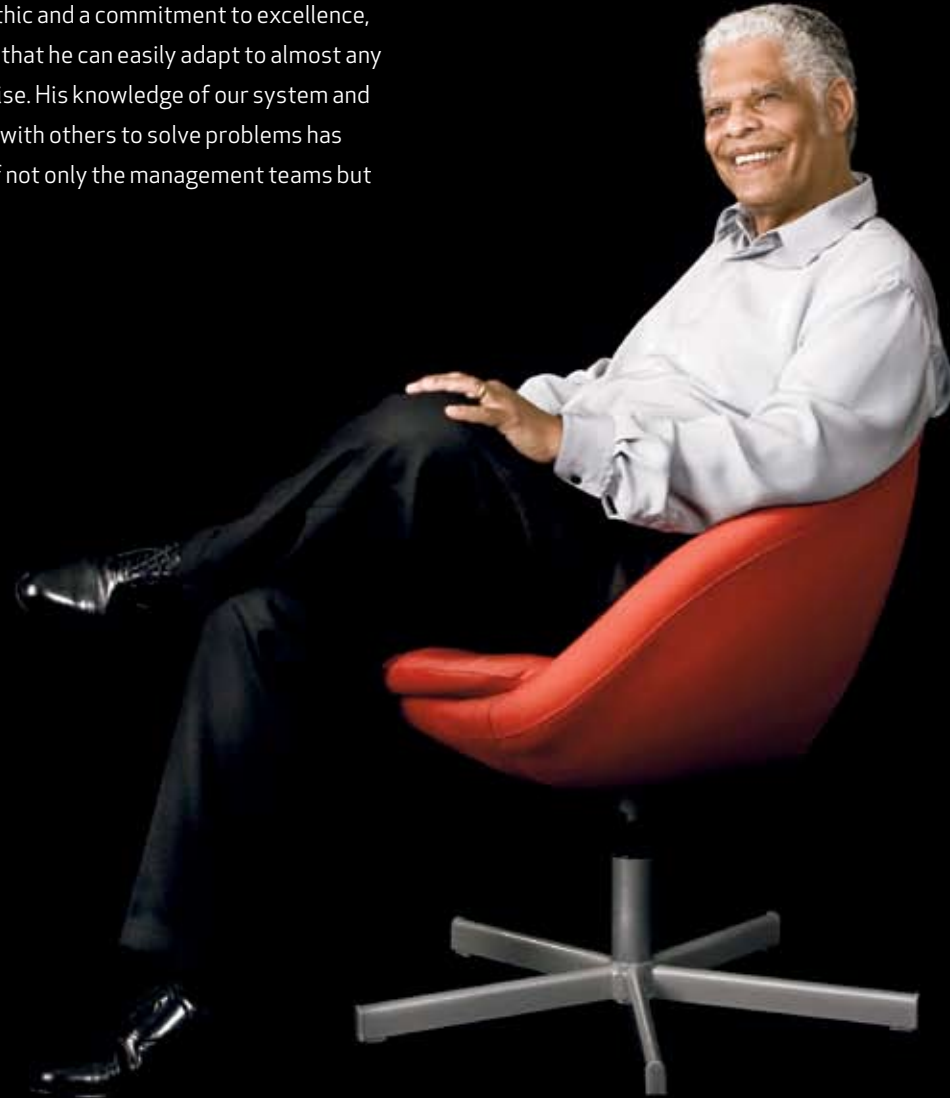
Valerie plays a vital role in supporting PGBA's consistently strong performance in so many ways. She willingly lends her expertise to various projects and initiatives to ensure overall performance remains strong throughout the year. She exemplifies the spirit of teamwork through her enthusiastic and dedicated support of fellow associates. And, because of her technical knowledge and ability to take on new projects, we benefit from her ability to diversify her role within the company. Valerie truly is a one-of-a-kind associate and her consistent performance has certainly helped us to continue our pattern of success.





KNOWLEDGEABLE
RELIABLE
INNOVATIVE

With a strong work ethic and a commitment to excellence, Raymond has proven that he can easily adapt to almost any situation that may arise. His knowledge of our system and a willingness to work with others to solve problems has gained the respect of not only the management teams but his peers as well.



Raymond Berrouet

REGISTERED NURSE, MEDICAL REVIEWER II

A culture of Compliance, a commitment to Training and Quality, and a dedication to Total Continuous Improvement. It's these standards which we uphold that allow us to achieve and maintain optimal performance as a company, as well as provide unmatched levels of service to each of our customers time and time again.

QUALITY

PGBA continues to deliver high quality claims processing and contact center services to our business partners. By establishing an infrastructure that supports ongoing continuous quality improvement while promoting communication and collaboration with our partners, we were able to deliver excellent performance for all of our valued customers.

In 2008, PGBA also successfully processed over 48 million healthcare claims, while maintaining an average claims payment accuracy rate of 99.89%. This outstanding accuracy rate is reflective of PGBA's commitment to providing world-class performance and service.

TRAINING

PGBA has a history of highly successful contract performance management because we invest in our people. A world-class training program equips associates with a comprehensive understanding of the services that we provide to our customers. PGBA retains a full staff of highly qualified training specialists, whose professional classroom skills are enhanced by Dimensions Development International (DDI) certification.

In 2008 we invested significant resources in upgrading our online Learning Management System (LMS). The upgraded version has resulted in increased participation and completion rates as well as enhanced management monitoring tools. Supporting our customers with highly-trained and knowledgeable associates is integrally linked to the success of PGBA. We will continue to invest in our most valuable asset, our employees, so that we can better serve our clients today, tomorrow and beyond.

COMPLIANCE

PGBA's strong culture of compliance directly supports and enhances our industry leading contract management performance. Our Compliance program, called **Our Values:** Communication, Responsibility, Integrity, Service, People, Innovation, and Quality — represents a shared culture of ideas and principles that provide a blueprint of how we, as individuals and a company, should conduct business. Our shared values are what link us together, engender trust among all employees and customers, and define who we are as an organization built on strength, leadership and quality.

PGBA's hard-earned reputation for providing quality services to our customers is built upon a foundation of these shared values. They are at the core of everything we do, and they provide the foundation for our success.

In 2008, our Compliance program developed and implemented an online internal control training module that provides training and support to management conducting internal control reviews. This training strengthens our ability to make proactive process improvements and allows us to provide continually outstanding performance that is consistent with our values.

During 2008, our Compliance department was nationally recognized, on two separate occasions, for our robust and innovative program. The Health Ethics Trust (HET), a division of the Council of Ethical Organizations, awarded a "Best Practice" award for recognition of our continued efforts in education and awareness. We were also accepted as a signatory member of the Defense Industry Initiative (DII), a non-profit organization that promotes compliance best practices and business ethics for Department of Defense contractors.

TOTAL CONTINUOUS IMPROVEMENT (TCI)

PGBA, LLC is committed to improving our way of doing business. To solidify this commitment, we use a formal improvement process called Total Continuous Improvement (TCI). This process provides a common and consistent way of knowledge sharing, collaboration and involvement across all levels of PGBA operations.

We believe our associates are our company's greatest assets. It is they who continue to make us successful as an organization, and who will lead us into the future. Because we benefit from the knowledge of our associates, they have a voice in improving our company and how it serves our customers. Furthermore, we encourage employees to make suggestions and submit ideas for review that will:

- ELEVATE CUSTOMER SERVICE
- IMPROVE PROCESSES
- ENHANCE QUALITY
- REDUCE COST

Ultimately, our unparalleled record of performance is a result of constant innovation and continuous improvement.

PGBA's strong culture of compliance directly supports and enhances our industry-leading contract management performance.

Our world-class training program equips associates with a comprehensive understanding of the services that we provide to our customers.

+ TCI AWARD WINNERS +

TCI Awards are given to teams of associates in recognition of the hard work they have put forth in helping to strengthen our organization in the areas of Customer Service, Quality and Cost Reduction. These teams, and the individuals that comprise them, played an integral role in our success over the past year. Congratulations to all of the 2008 Winners.

CUSTOMER SERVICE

Developed a process to identify claims errors earlier in the production cycle, allowing for timely correction of potential payment errors.



Claims Correction and Communication

PICTURED FROM LEFT TO RIGHT (FRONT):
Margie Ballard, Elaine Daniel, Kelly Austin, Beth Collins, and Mike Skarupa

PICTURED FROM LEFT TO RIGHT (BACK):
Bill Horton, Kathie Knight, Linda Talaber, Christine Evans, Art Lambert, Eric McCollough, and Jeff Littlefield

NOT PICTURED:
Kim Carter, Bryan Buss, Miguel Bryant, Joey Parrott, Ricky Simmons, Dennis Edge, Andrew Messer, and Chris Rogers

+ TCI AWARD WINNERS +

QUALITY

Automated payment calculation of covered and non-covered services, improving cycle times and reducing payment errors.



Auto-Calculate Allowed and Non-Allowed Amounts

PICTURED FROM LEFT TO RIGHT (FRONT): Tammy Coker, Cyndi Jackson, and Kay Andrews

PICTURED FROM LEFT TO RIGHT (BACK): Bill Horton, Jennifer Fleming, Joan Eckert, Robert Thomas, Terry Harper, Antonio Taylor, and Mike Skarupa

NOT PICTURED: Kenneth Hardee, Valerie Jackson, Robin Feagin, and Robin Tebben

Reviewed and updated denial code criteria to ensure that codes are applied accurately and consistently.



Denial Code/U-CODE Review

PICTURED FROM LEFT TO RIGHT (FRONT): Kay Andrews, Sandra Scurry, Lynn Sutton, and Mary Lancaster

PICTURED FROM LEFT TO RIGHT (MIDDLE): Bobbi Grant and Pam Powell

PICTURED FROM LEFT TO RIGHT (BACK): Bill Horton, BJ White, Woody Ford, Claudette Gandy, Glynis Hennegan, Heather Turner, and Mike Skarupa

NOT PICTURED: Valerie Nowlin, Myra Banks, and Alanda Stevens

+ TCI AWARD WINNERS +



Relocation of Records Retention Warehouse

PICTURED FROM LEFT TO RIGHT (FRONT): Kay Andrews, Clyde Branham, Jimmy Pettus, and Mike Skarupa

PICTURED FROM LEFT TO RIGHT (BACK): Bill Horton, Lynn Coleman, Crystal Mangum, Mike King, and Tracey McCaskill

COST REDUCTION

Consolidated records retention warehouses to reduce cost associated with unused space.

Melanie Heyne

OPERATIONS CLERK



GENEROUS
CARING
CONSCIENTIOUS



While others may find frustration in trying to solve difficult problems, Melanie possesses the patience to push through and find the right solution to resolve the issue by being resourceful, organized and insightful. It's Melanie's commitment to PGBA and her charisma that make her such a valued member of our team and such a wonderful person to work with.

Lea Gillings

CLAIMS ASSOCIATE III



SEASONED
STEADFAST
SKILLED



As the primary contact with each customer inquiry, Lea handles every call with professionalism and proficiency. With outstanding organizational skills and a solid knowledge of claims processing and policy, Lea is a valued associate who genuinely cares for every customer with whom she interacts. Her attention to detail and generous spirit also benefit her in coaching new associates through their training period as she patiently answers their questions and guides them through complex issues.

Patricia A. Smith

ADMINISTRATIVE SPECIALIST



EFFICIENT
INNOVATIVE
COMMITTED

Making the process better. It's something that Patricia finds a way to do. She is a problem-solver and performs multiple tasks that keep her team on track. Whenever an issue arises, she does not sit back and wait to handle it; she digs in, researches and recommends the best way to solve it.





ENGAGED
DRIVEN
CONSCIENTIOUS

Driven to constantly increase her knowledge of our operations, Sondra eagerly takes on new challenges and tasks that contribute to PG&A's success. Sondra leads her team by example — always endeavoring to do her best and motivate those around her to strive for outstanding quality.

Sondra Atkins

CODER KEYER

Corporate social responsibility. It's something that at PGBA, we take pride in practicing. Which is why every year we contribute to charitable organizations in and around our local communities so that in turn, they can help all of those in need who live there, lead a happier and healthier life.

PGBA believes strongly in its responsibility to the community. Throughout the year, PGBA associates support multiple causes and charities in the area by giving of themselves in many ways: through financial contributions, volunteer efforts, and participation in other local initiatives that benefit the communities where associates live and work. Support for the community is woven into the fabric of PGBA, as demonstrated by the wide scope of charitable organizations and individuals that benefit from the efforts of PGBA associates.

PGBA also believes in vibrant communities. In addition to its contributions to charitable aid organizations, PGBA is an active supporter of local arts, cultural and environmental activities. PGBA proudly sponsors such local events as the Conway Jazz and Arts Festival, the Pawleys Island Festival of Music and Art, and the Long Bay Symphony. PGBA also contributes to Brookgreen Gardens, a National Historic Landmark with a unique garden museum that combines art, history, botanical gardens and educational events.

Our support for local residents even extends to those who cannot speak for themselves. In 2008, PGBA associates at our Surfside Beach office held a donation drive for the Grand Strand Humane Society, an organization committed to the care of homeless and abandoned animals, and to educating the community on responsible pet ownership. Generous and caring PGBA associates donated much needed food, toys and supplies totaling \$10,000.

At PGBA, we are passionate about helping others, and we pride ourselves on turning that passion into action.



2008 Contributions

The United Way	\$ 275,000
March of Dimes	\$ 62,000
American Heart Association.....	\$ 19,000
Grand Strand Humane Society	\$ 13,000
American Red Cross.....	\$ 7,500

Other organizations PGBA supported in 2008 include:

- Salvation Army
- Manna House Food Pantry
- Susan G. Komen Breast Cancer Foundation
- Greenville Hospital Memorial Nursing Scholarship
- Florence Humane Society
- Angel Tree Toy Drive
- Boys and Girls Club of Horry County
- Lighthouse Ministries Food Pantry
- Careteam AIDS Walk and Dining with Friends
- Pee Dee Coalition Against Sexual and Domestic Assault
- Junior Achievement
- Family Equity Council
- House of Hope
- The School Foundation
- Grand Strand Miracle League
- Greater Florence Chamber of Commerce



The United Way Campaign Chairman Award was presented to Betty Jeffords (right) for more than 15 years of dedicated service to the mission of United Way.

Other awards PGBA received in 2008 include:

United Way Excellence Award: Platinum Level

United Way Leadership Excellence Award:
For having the greatest number of leadership donors

United Way Top Giver Award:
For achieving the highest total given

United Way Special Recognition:
Campaign Chairman Award

March of Dimes: 2008 Major Sponsor

March of Dimes: Top Fundraising Team

March of Dimes: Team with Most Fundraising Participants

2008 BOARD OF DIRECTORS

M. Edward Sellers
CHAIRMAN & CEO
BLUECROSS BLUESHIELD OF SOUTH CAROLINA

Joseph F. Sullivan
DIRECTOR

William Horton
PRESIDENT & COO, GOVERNMENT PROGRAMS DIVISION,
BLUECROSS BLUESHIELD OF SOUTH CAROLINA

Michael J. Skarupa
PRESIDENT & COO, PGBA, LLC

William J. Meyer
DIRECTOR

Robert W. Johnson
VICE PRESIDENT, INSTIL HEALTH

Stephen K. Wiggins
EXECUTIVE VICE PRESIDENT AND CIO,
BLUECROSS BLUESHIELD OF SOUTH CAROLINA

SHOWN FROM TOP LEFT TO BOTTOM RIGHT





2008 OFFICERS



FIRST ROW FROM LEFT TO RIGHT

Michael J. Skarupa
PRESIDENT & COO, PGBA, LLC

Kay Andrews
VICE PRESIDENT, TRICARE

T. Jeffrey Littlefield
VICE PRESIDENT, TRICARE

SECOND ROW FROM LEFT TO RIGHT

Mark A. MacDougal
VICE PRESIDENT, TRICARE NORTH REGION OPERATIONS

Michael J. Gurrera
VICE PRESIDENT AND CFO, PGBA, LLC

Ron Rushton
VICE PRESIDENT, SYSTEMS

Robert W. Johnson
VICE PRESIDENT, TRICARE SOUTH REGION
HEALTHCARE SERVICES

THIRD ROW FROM LEFT TO RIGHT

Jordan D. Evans
ASSISTANT VICE PRESIDENT, TECHNICAL SUPPORT

Myriam G. Alonso, Ph.D.
ASSISTANT VICE PRESIDENT, OPERATIONS TRAINING

Cynthia E. Connelly
ASSISTANT VICE PRESIDENT, SYSTEMS

FOURTH ROW FROM LEFT TO RIGHT

Katherine H. Norton
ASSISTANT VICE PRESIDENT & COMPLIANCE OFFICER

Jamie O. Watson
ASSISTANT VICE PRESIDENT, MEDICARE ADVANTAGE

Allen R. Jones
ASSISTANT VICE PRESIDENT, CONTRACT ADMINISTRATION

DeDee Rowe
ASSISTANT VICE PRESIDENT, SENIOR DEPUTY
GENERAL COUNSEL AND SECRETARY



 **PASSIONATE
TIRELESS
DRIVEN**

Kay is dedicated to identifying potential fraudulent and abusive practices. The relationships Kay has established with various law enforcement and investigative agencies, and her relentless commitment to our program integrity efforts, contribute to our customers' success in prosecuting fraud and abuse cases and protecting their resources.



Kay Norris

PROGRAM INTEGRITY ANALYST

Christopher Chukes

CLAIMS ASSOCIATE IV



DEDICATED
DEPENDABLE
RESPONSIBLE

Always eager to lend a hand, Christopher plays an important role in helping to ensure that productivity and quality remain at their highest level. A leader, his peers often look to him for advice and guidance or to assist with high profile and urgent issues that need resolution. It's the kind of dedication Christopher exudes that helps PGBA continue to be successful each and every year.

Tamara Duck

BUSINESS ANALYST



ENTHUSIASTIC
TEAM PLAYER
DEVOTED

Known as a "go to" person, Tamara's technical skills and knowledge not only help us to meet various production and quality standards, but exceed those standards with smart solutions. Respected and looked to for leadership by her colleagues, she can be counted on to deliver timely and quality work, no matter how difficult or challenging the task may be. She is a true asset to her team and to PG&A.





We are more than just a business. We are a collection of driven, caring and dedicated people who work hard to ensure that the main focus, the very reason why we first opened our doors over 28 years ago, never wavers and remains the same.

That focus? The customer and their success.

At PGBA, we deliver the solutions that satisfy the needs of our business partners by constantly pushing ourselves to do more, to be better and to perform on a level like no other. Going above and beyond with the customer in mind — it's what we do.

Our extensive experience as a healthcare administrative services organization, coupled with knowledge gained through our leadership in administering government healthcare programs, enables us to offer high-quality, scalable solutions that are aligned with our customers' needs. And with our administrative solutions supported by extensive healthcare expertise, superior technology, financial strength and stability we look forward to continuing our pattern of success for years to come.

PGBA

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