

UNWAVERING.

Today's rapidly changing business climate requires a sharpened focus on what matters most. At PGBA, we believe that what matters most is an unwavering commitment to consistently providing our customers with the best possible performance, supported by unparalleled customer service.

The formula for our success is not complicated. We aim to be the best at what we do by focusing on the basics. We do things right the first time. We understand our customers' needs, and we are driven to meet those needs, with each and every interaction.

To maintain our position as the best, we are not distracted by trendy “quick fixes.” We remain steadfast and true to the basics that have led PGBA to be the premier company we are today. Because, when you peel back the fancy layers, really, what matters most is also the most basic. Deliver the best, exceed expectations, and always be of service — to your customers, and to the community.

It's a basic approach.

It works.

And it matters.

Headquartered in Florence, South Carolina, PGBA provides fiscal intermediary and management information services to government and private industry partners. 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.

PGBA's core competencies are high volume transaction processing, call center operations and managing performance to meet contract requirements. As an unlicensed affiliate of the largest health insurance provider in South Carolina, BlueCross BlueShield of South Carolina (BlueCross), PGBA is backed by more than 60 years of experience in the healthcare industry. This experience enables PGBA to provide customers with cost-effective solutions that are supported by extensive healthcare expertise, superior technology, financial strength and stability.

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 for Blue Cross Blue Shield of Michigan (BCBSM) and Deseret Mutual Benefit Administrators and serves as a subcontractor for the Department of Veterans Affairs (VA). We also administer inmate health care claims processing for the Department of Justice's Bureau of Prisons.

As PGBA approaches its 30th year of providing healthcare administrative and transaction processing services, it does so in a climate of increasing competition – bolstered by rapid adoption of technical innovations, a heightened focus on providing unparalleled customer service, and an unwavering commitment to do more for less.

PRESIDENT'S LETTER

Calendar year 2009 was marked as one of the most economically challenging years in our generation. People all across the country saw their retirement savings shrink, while unemployment rose to highs not seen in over 20 years. Housing values declined sharply, and several longstanding, major companies disappeared altogether or had to reinvent themselves in order to survive. In addition, our country continued to fight a war on two fronts, in a struggle that that has lasted longer than both World Wars combined.



MIKE SKARUPA

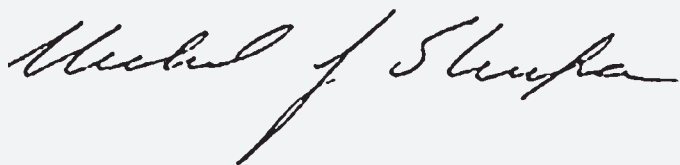
Close to home, in July we at PGBA received the news that two of our major contracts had been awarded to competing companies. Most assuredly, 2009 presented the American people, including those of us at PGBA, with one challenge after another.

Yet, despite the cloud that seemed to hang over 2009, our associates' dedication never wavered – whether it was maintaining exceptional performance of our contracts, or opening our hearts to make a difference in the greater community. Once again, PGBA's associates made a difference in the communities where we live and work, providing support to many charitable organizations and individuals in need of help.

PGBA has been providing administrative services to government and private industry customers for over 30 years. Our performance has always been exceptional — year after year, we meet and exceed the government's rigorous contract standards, constantly bettering our best and achieving superb levels of quality and timeliness.

Our reputation is a valuable asset in facing the challenges ahead. Our commitment to operational excellence is stronger than ever. We continue to pursue new growth opportunities that will allow PGBA to sustain our position in the ever changing government health care market place. With total revenues exceeding \$266 million our financial performance continues to reflect our dedication to the operationally efficient and innovative solutions that our customers expect.

As we move forward into 2010 we will continue to seek growth opportunities that lie between and beyond the scope of our existing lines of business. While we have received news that the TRICARE North Region contract will be retained through 2016, we will continue to aggressively pursue new business opportunities through strategic alliances and the development of innovative solutions. These efforts will allow us to effectively brand and market PGBA as the cost effective, high-performing, quality-oriented business partner that we are.

A handwritten signature in black ink, appearing to read "Michael J. Skarupa". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Michael J. Skarupa

President and Chief Operating Officer

OPERATIONAL PERFORMANCE

REVENUE

excluding investment income

2005

\$241.3 Million

2006

\$267.7 Million

2007

\$270.1 Million

2008

\$274.4 Million

2009

\$266.0 Million

PGBA exceeded the calendar year 2009 revenue forecast by achieving total revenues of \$266 million.

Additional achievements in financial performance include:

Finalized risk-sharing arrangement with Health Net Federal Services for quality of claim payment accuracy as measured by the Annual Health Care Cost Audit for the North Region contract.

A 22 percent increase in TRICARE claims processed per FTE from the second quarter 2008 to the second quarter 2009 through focused efforts to improve processes and systems.

TRICARE

During the protests of the loss of the T-3 contracts, employees in PGBA operations remained true to our corporate values and ethics, maintaining exceptional standards of performance and continuing to provide TRICARE beneficiaries, providers and the DoD with the highest levels of customer service.

	<i>Total</i>	<i>North</i>	<i>South</i>	<i>Puerto Rico</i>
Total Claims Processed	37,354,413	17,649,670	19,653,614	51,129
Claims Processed in 30 Days	37,136,457	17,549,766	19,535,562	51,129
Percentage of Claims Processed in 30 Days	99.42%	99.43%	99.40%	100.00%
Total XPress Claims Processed	1,546,281	559,504	986,716	61
Total Web and Written Routine and Priority Inquiries Processed	923,341	329,286	594,055	N/A
Total Calls Handled by PGBA Associates	2,666,257	1,141,189	1,525,068	N/A

MEDICARE ADVANTAGE

In 2009, PGBA's Medicare Advantage operations experienced a 12 percent growth in total claims processed while adapting to changing requirements to meet our customers' needs.

	<i>Total</i>	<i>Michigan</i>	<i>Deseret</i>
Total Claims Processed	10,012,363	9,656,240	356,123
Claims Processed in 30 Days	9,710,869	9,368,630	342,239
Percentage of Claims Processed in 30 Days	96.99%	97.02%	96.10%
Claims Processed in 60 Days	10,011,122	9,655,351	355,771
Percentage of Claims Processed in 60 Days	99.99%	99.99%	99.90%

VA HERO

PGBA continued to serve the VA HERO line of business by providing exceptional service, meeting or exceeding every performance measure applicable under our subcontract.

Total Claims Processed	203,690
Claims Processed in 30 Days	197,078
Customer Service Inquiries Resolved	5,182

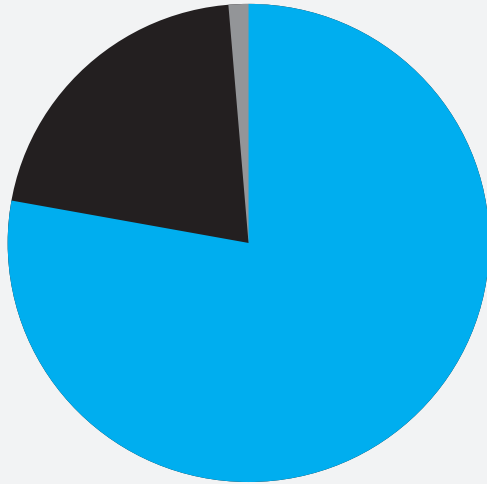
BUREAU OF PRISONS (BOP)

PGBA successfully transitioned from 100 percent paper submitted claims at contract start to over 60 percent electronic by year end.

Total Claims Processed	4,772
Total Claims Processed in 30 Days	4,768
Total Claims Processed in 60 Days	4,772
Percentage of Claims Processed in 30 Days	99.92%
Percentage of Claims Processed in 60 Days	100.00%
Total Inquiries Closed (Routine + Good Faith Estimate)	1,935
Total Calls Completed	50

Start of the BOP contract was 03/01/09

CLAIMS PAID BY PERCENTAGE OF TOTAL



TRICARE	78.5%
South	41.3%
North	37.1%
Puerto Rico	0.1%
MEDICARE ADVANTAGE	21.0%
Michigan	20.3%
Deseret	0.7%
OTHER BUSINESS	0.5%
VA Hero	0.4%
Bureau of Prisons	0.1%

CLAIMS PAID BY LINE OF BUSINESS

TRICARE South

19,653,614

TRICARE North

17,649,670

TRICARE Puerto Rico

51,129

Medicare Advantage Michigan

9,656,240

Medicare Advantage Deseret

356,123

VA Hero

203,690

Bureau of Prisons

4,772

DEDICATION TO QUALITY

PGBA is committed to a culture of quality. We continue 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 customers in 2009.

The comprehensive TRICARE Quality Management Plans, including all direct and support operations, continued to ensure achievement of a 99.5 percent claim payment accuracy rate. PGBA achieved outstanding performance on the TRICARE Management Activity (TMA) Option Period IV Annual Cost of Care Audit as evidenced by a 0.37 percent payment error rate in the North Region and 0.13 percent in the South Region. These audit results are critical to our prime customers.

Listed are the aggregate quality metrics for PGBA lines of business. VA HERO is listed separately.

TRICARE AND MEDICARE ADVANTAGE QUALITY METRICS

	<i>Paid Error Amount</i>	<i>Billed Amount</i>	<i>Accuracy</i>
TRICARE North	675,659.79	200,759,511.47	99.66%
TRICARE South	224,509.88	234,876,912.17	99.90%
<i>TRICARE Total</i>	900,169.67	435,636,423.64	99.79%
BCBSM	27,547.60	13,491,734.16	99.80%
DESERET	7,577.51	816,904.52	99.07%
<i>Medicare Advantage Total</i>	35,125.11	14,308,638.68	99.75%
Total Combined	935,294.78	449,945,062.32	99.79%

VA HERO QUALITY METRICS

Claims Universe	191,408
Total Audited	2,319
Total Billed Amount Audited	\$5,054,487.61
Total Payment Error Amount	\$1,335.91
Claims in Error from Audit	46
Payment Error Rate	0.03%
Occurrence Frequency Error Rate	1.98%

SIGNIFICANT EVENTS OF 2009

The South and North TRICARE operations delivered exceptional customer service in contract year 2009 as demonstrated by processing over 37 million claims with 99.4 percent finalized within 30 days, consistently maintaining less than five days work on hand, responding to 923,000 pieces of correspondence with 98 percent completed in 15 days, and answering over 2.6 million phone calls at a 98.5 percent service level.

Continued significant improvement of the electronic data interchange (EDI) volume from network providers. Through focused efforts, we increased EDI claims from network providers to 82 percent. We also achieved a 72 percent EDI submission rate for all claims, an all-time high for PGBA.

Implemented several large-scale and/or high-profile change orders, including Outpatient Prospective Payment System, Severity Based Diagnostic Related Groupings/Present on Admission Indicators, and Extended Care Health Option program.

Increased Web-based claims submissions on myTRICARE.com: the volume of XPressClaim receipts in 2009 was 6.4 percent higher than 2008.

Reduced customer contacts as a percentage of claims processed from 8.3 percent in the second quarter 2008 to 7.5 percent in the second quarter 2009.

Achieved targeted revenue and expense goals for the Bureau of Prisons (BOP) line of business. Met all processing timeliness requirement standards, implemented new training modules, and developed operational plan code logic to improve efficiency of claims processing.

Under our VA HERO program, PGBA processed 19,706 claims in the month of August. This figure represents a 200 percent increase over the average claims processed during the last quarter of 2008. Even with the increased workload, all performance metrics were exceeded.

TRICARE CONTRACT AWARDS

Since the initial T3 award announcements in July of 2009 PGBA has been working diligently with our Prime partners Health Net Federal Services (HNFS) and Humana Military Healthcare Services (HMHS) to re-secure the TRICARE North Region and South Region contracts. Following a careful review of TMA's evaluation, both prime contractors launched protests of the T-3 award decisions. The GAO subsequently sustained the Humana protest of the South Region award to UnitedHealth on October 28, 2009, and sustained the HNFS protest of the award of the North Region to Aetna on November 4, 2009. The GAO recommended that TMA review the protests and provide appropriate resolution.

To allow for an adequate transition to the new contracts, our partners Humana Military Healthcare Services and Health Net Federal Services successfully negotiated and TMA executed agreements to extend the current contracts through March 31, 2011.

After a thorough review of the GAO's decision the government on May 5, 2010, announced its intention to re-award the North Region contract to HNFS with PGBA as a subcontractor. This secures 750 jobs at our Surfside Beach location and preserves annual revenues of \$110 million. In addition, the government issued an amended RFP for the South Region contract. HMHS/PGBA submitted a response to the final amendment on July 30, 2010. PGBA anticipates the government to announce the contract decision award in the late 2010.

NEW LEADERSHIP OF GOVERNMENT PROGRAMS

In October 2009, Bruce Hughes was named President of the Government Programs Division for BlueCross BlueShield of South Carolina.

A proven visionary with an impressive track record of business growth, Mr. Hughes brings considerable experience to lead Government Programs of BlueCross, including the subsidiaries dedicated to the Medicare and TRICARE programs. Prior to his current position, Mr. Hughes spent 25 years in various professional and management positions with BlueCross, most recently as President and Chief Operating Officer for Palmetto GBA, LLC.

Under Mr. Hughes' leadership, Palmetto GBA became one of the nation's largest Medicare administrative services contractors, and the company has the most diverse contract portfolio of any Medicare contractor. During Mr. Hughes' tenure Palmetto GBA's revenue increased from \$101 million in 1999 to \$230 million in 2008.

With the challenges facing PGBA, LLC in the current health care reform landscape and TRICARE contracting environment, Mr. Hughes is well suited to take the helm and guide the company forward to stability and growth.

STRATEGIC POSTURE

We recognize that increasing productivity through continuous cost structure analysis while pursuing predictable, iterative growth is only one part of a successful, long-term strategic plan. PGBA's knowledge about awareness of the challenges facing our industry and our customers is embedded deep within our organization. Our ability to generate sustainable revenue growth is a result of understanding our customers' needs and developing cost-effective solutions to meet those needs.

The recently passed Affordable Health Care for America Act will have a significant impact on PGBA's strategic initiatives. Efforts to increase government sponsorship and oversight of health care will present new growth opportunities for PGBA and our customers.

To successfully capture these opportunities we have reinvigorated our commitment to developing new growth platforms. We are dedicated to maintaining our outstanding performance, enhancing the value of the services we provide our customers and aggressively exploring and pursuing new business opportunities that are strategic and material to PGBA and our stakeholders.

Our strategic objective is to assemble and maintain the most innovative portfolio of solutions, capabilities, and systems that leverages our core competencies as a high-volume, quality-oriented administrative services organization to achieve sustainable revenue growth.

We expect PGBA's solid reputation for reliable, exceptional performance in the face of uncertainty will serve us well in adapting to market challenges and the changing needs of our customers.

CORPORATE SOCIAL RESPONSIBILITY

PGBA employees take corporate social responsibility very seriously as they are always ready to give back to the communities in which we live and work. In 2009, PGBA and its employees provided over \$467,000 in direct contributions to local charitable causes. Major recipients included the United Way with over \$225,000, the March of Dimes \$62,000, the Red Cross \$21,500 and the American Heart Association \$8,790.

Throughout the year 2009, one of great economic difficulty, PGBA employees contributed generously to help those in need throughout the communities in which we operate. As 2010 begins, we are poised to continue our tradition of service and look forward to making a positive difference once again . . . and for a long time to come.

Other organizations benefitting from PGBA donations:

*American Cancer Society
American Heart Association
Angel Tree
Boy and Girls Club of the Pee Dee Area
Brookgreen Gardens
Careteam AIDS Walk
Careteam Dining With Friends
Coast AIDS Quilt Project
Conway Jazz & Arts Festival
Family Equality Council
First Tee Golf Charity
Florence Area Humane Society
Florence Area Literacy Council
Florence City-County Civic Center
Florence Little Theatre
Grand Strand Humane Society
Health Net Golf Classic
House of Hope
Junior Achievement
Lighthouse Ministries
Manna House
March of Dimes
Marine Corps League: Monument Fund
McLeod Health Foundation*

*Myrtle Beach Military Days
Operation Freedom Care Packages
and Soldiers' Angels
Pawley's Island Festival of Music & Art
Pee Dee Coalition Against
Domestic & Sexual Assault
Relay for Life
Salvation Army
Salvation Army Boys and Girls Club
Science South
Senior Citizens
Special Olympics
Susan G. Komen Cancer Foundation
The Billie Hardy Home for Boys
The Kershaw Center Disabilities Foundation
The Long Bay Symphony
The School Foundation of Florence
The Walter M. Crowe Animal Shelter*

PGBA, LLC

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