

BN WellPoint Agrees to Buy Lumenos for \$185 Million (Update3)
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(Adds closing share price in the sixth paragraph.)

By Nicole Ostrow

May 4 (Bloomberg) -- WellPoint Inc., the largest U.S. health-insurance provider, agreed to buy closely held Lumenos for \$185 million to add about 214,000 participants in plans such as health-savings accounts that employers are relying on to cut costs.

Lumenos offers plans that include money set aside in tax-free accounts for medical expenses, paired with high-deductible coverage for major costs such as surgery. Lumenos, based in Alexandria, Virginia, probably will have 2005 revenue of about \$45 million, WellPoint said in a statement today.

The Lumenos accounts add to WellPoint's options for employers seeking to shift more responsibility for health-care costs to their workers, Mark Boxer, WellPoint's chief strategy officer, said. President George W. Bush in 2003 signed a law creating such accounts and promoted them in his re-election campaign last year.

``There is evidence that these programs control costs better, and it is clearly an area of major growth in the future,'' said Michael Obuchowski, who helps manage \$35 million at Altanes Investments LLC in New York, including shares of health insurers. ``It is much easier and makes more sense to buy a team of experienced executives to manage that part of the business than to wait and grow organically.''

The plans typically carry deductibles between \$1,000 and \$2,000, compared with other health-insurance plans that have an average deductible of \$250, said Mary Scanlon, WellPoint's senior vice president of product management and new business, in a telephone interview.

Shares of Indianapolis-based WellPoint rose \$1.18 to \$131.16 as of 4:18 p.m. in New York Stock Exchange composite trading. They had risen 46 percent in the 12 months before today.

Enrollment

WellPoint has about 100,000 members currently enrolled in health-savings accounts and health-reimbursement accounts, said John Watts, head of the company's national accounts.

``It really is not just about passing the burden of cost,'' he said in a telephone interview today. ``We may be able to share the burden of the cost through our insurance programs.''

UnitedHealth Group Inc., the No. 2 U.S. health insurer, made a similar purchase in November. The company agreed to buy closely held Definity Health Corp. for \$300 million in cash to add about 500,000 members.

More than 1 million people currently receive health coverage

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through insurance plans offered in conjunction with health-saving accounts, twice as many as six months ago, as more employers offer the accounts to their workers, according to a study released today by America's Health Insurance Plans, a lobbying group for the health-insurance industry.

WellPoint, created last year by Anthem Inc.'s purchase of WellPoint Health Networks Inc., provides health insurance and services through Blue Cross and Blue Shield plans in 13 states and non-Blue Cross programs in other states. Its health plans include about one in every three Blue Cross and Blue Shield members in the U.S.

The Lumenos purchase probably will close in the second quarter, WellPoint said in the statement.

--With reporting by Kristin Reed in San Francisco and Keith Snider in Washington. Editor: Gienger

Story illustration: For a series of functions on the Bloomberg related to the company, see {WLP US <Equity> CNP00094090108 <GO>}. To see a chart of WellPoint's earnings by quarter, see {WLP US <Equity> CH2 Q <GO>}.

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