

*What do I want
from a health plan?*



*I want a health plan
that understands my needs.*

HIP Health Plan of New York (HIP) is among the largest health plans in New York State. HIP provides access to physician services and hospital care in a variety of ways. We contract with more than 160 hospitals, including major acute care institutions, in New York, Connecticut and Massachusetts, to provide services to our members. HIP members have access to HIP-contracted doctors in large physician group practices and facilities associated with some of New York's leading hospitals, as well as access to physicians in their own offices. HIP's total network, including subsidiaries, comprises nearly 43,000 physicians and other providers in more than 72,000 locations in New York, Connecticut and Massachusetts. HIP acquired Vytra Health Plans in 2001; ConnectiCare, one of the largest health plans in Connecticut, in 2005; and PerfectHealth in 2006. Our combined medical membership is approximately 1.3 million. In 2006, HIP and Group Health, Inc. (GHI) obtained approval to affiliate under a parent company, EmblemHealth. The combined company will serve more than four million individuals and offer nearly 92,000 physicians and other providers in 142,000 locations.

Listening to our members – all 1.3 million of them – is our #1 priority.

We never lose sight of the fact that our long-term success depends on the delivery of quality service to our members. This requires not just meeting, but exceeding our members' expectations, wherever and however they access health care and health care information—from physicians' offices, to our customer service hotline, to our multilingual Web site. It means providing an expanding array of products and programs to address our members' diverse and evolving needs. And it means being an efficient and technologically proficient organization, so that we can meet and exceed our members' needs and expectations in the future.

Building on the strong foundation we established over the past several years, HIP reported solid financial results while continuing to deliver value to our more than 1.3 million members.

Arthur L. Johnson



A LETTER FROM OUR CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The year 2006 was an important one for HIP. Building on the strong foundation we established over the past several years, HIP reported solid financial results while continuing to deliver value to our more than 1.3 million members. New programs for members and new tools for providers, coupled with new efficiencies in our own operations, added up to another impressive year.

As the fourth quarter of 2006 drew to a close, HIP and GHI obtained regulatory approval to affiliate. Since then, our respective management teams have been working closely together to plan for the integration of our two organizations. I am pleased to report that this period of collaboration has met our expectations. HIP and GHI are two unusually compatible companies, with like-minded leadership teams. Together, we share a common mission – to be the region’s leading health plan by delivering outstanding service and value to our members.

As EmblemHealth, three strategic objectives will guide us: enhancing our members’ experience, growing our membership and strengthening our financial performance. To achieve these objectives, we will work hard to create a unified culture drawing on the best of our two organizations. A key early step was to create a new name for the new company. EmblemHealth symbolizes the pride we all feel, the shared sense that we are creating something important and valuable. Our new logo and visual identity reflect the union of two outstanding organizations.

EmblemHealth represents an unprecedented opportunity that will benefit our members, our employees and the communities in which we do business. We will serve nearly four million individuals, making us the largest health insurer based in New York State. With the support of more than 5,000 employees, we will be well positioned to capitalize on the legacies of our two organizations. We will leverage our similarities, including our histories of providing quality, affordable health care; our loyal membership base among government workers; our variety of offerings, including EPO, PPO and HMO plans; and our longstanding commitment to our communities. We will also capitalize on our differences, such as GHI’s decades of experience on the indemnity side of the health care business and HIP’s track record in providing HMO coverage.

A look ahead. Much hard work lies ahead. We have already begun the process of rationalizing our product set and analyzing our brand and market position. We are developing a long-term information technology strategy for the new company. And while integrating our two companies is a significant challenge, I am confident that we will achieve that goal. I have enjoyed partnering with my friend and colleague, GHI President and C.E.O. Frank Branchini, and with his team at GHI, to advance the affiliation. I look forward to our working together throughout 2007, and beyond, to ensure that EmblemHealth realize’s its full potential.

ANTHONY L. WATSON

Chairman and Chief Executive Officer

*Since our fundamental mission as a health care company is to understand, meet and exceed our members' expectations, it is fitting that the theme of this year's annual report be **listening to our customers.***

David V. McDowall



A LETTER FROM OUR PRESIDENT AND CHIEF OPERATING OFFICER

On virtually every front HIP performed well in 2006, delivering enhanced service and value to its members while continuing to build a stronger, more efficient company. Since our fundamental mission as a health care company is to understand, meet and exceed our members' expectations, it is fitting that the theme of this year's annual report be "listening to our customers."

In 2006, we continued to strengthen our customer-focused culture. We used feedback from our Voice of the Customer program to continue addressing issues that affect member loyalty. We accelerated CORE (Creating Outstanding Relationships and Experiences), a program that improves the member experience by training our representatives in "soft and hard" customer service skills. And we launched a new program to set a uniformly high standard of service at our call centers.

We continued to move forward with Project Keystone, aimed at enhancing our members' experience in, and perception of, our participating physician group practices. We made enhancements to our claims processing operations, yielding significant improvements in claims processing turnaround times. And we carefully monitored our CAHPS® (Consumer Assessment of Health Care Providers and Systems) scores to measure our success in satisfying our members' perceived needs.

Our ongoing commitment to ensuring that our members receive high-quality care was recognized in 2006 when the National Committee for Quality Assurance (NCQA) awarded Excellent Accreditation to our commercial HMO and POS lines of business and Commendable Accreditation to our Medicare and Medicaid HMO lines of business. NCQA also rated ConnectiCare, HIP's Connecticut subsidiary, as Excellent in all products. In addition, ConnectiCare is the highest-ranked plan in Connecticut and is ranked 6th nationally by U.S. News & World Report/NCQA.

Providing new and innovative programs to our members was a priority in 2006. We continued to expand our Geriatric Case Management Program; we established Centers of Excellence for bariatric surgery; and we created programs to enhance the health of our members, from enforcing evidence-based medical practice to integrating WebMD® tools into all health promotion and disease management programs.

We continued to expand and strengthen our delivery system, growing our provider network in New York to 27,500 providers at 43,500 locations, an increase of 11 and 12.5 percent, respectively, over the previous year. We also renegotiated contracts with leading hospitals and systems and completed the second year of our three-year rollout of HIP's Provider Electronic Platform, an online system for physician-plan interaction and referrals.

Looking ahead. A key goal for HIP in 2007 will be to sustain the strong momentum we have built in recent years. We will continue to develop programs that have served us well, including Project Keystone, CORE and the Voice of the Customer. We will also sharpen our focus on improving service to our providers, who are instrumental in creating quality experiences for our members; continue to enhance member health outcomes and medical management practices, including expanding our disease and care management processes; and expand our service to the Medicare population.

Our core goal in 2007 will be to ensure the successful integration of HIP with GHI as we create EmblemHealth, the largest health insurer based in New York State.

DANIEL T. MCGOWAN

President and Chief Operating Officer



My parents depend on me to translate insurance information from English to Chinese. I'd like a health plan for them that

SPEAKS THEIR LANGUAGE.

HIP's Web site, hipusa.com[®], was one of the first in the nation to be available in Chinese as well as English, Korean and Spanish. In 2006, we made several enhancements to hipusa.com to improve navigation, increase broker automation, and streamline contact management and enrollment. And for our Chinese-speaking members, we continued to maintain an office in New York's Chinatown to provide not only sales support, but customer service as well.

*We like seeing
OUR DOCTOR
right here in our
neighborhood.*

HIP members have access to an increasingly large network of physicians and other providers. In 2006, our New York network grew to 27,500 physicians and other providers at 43,500 locations—an increase of 11 and 12.5 percent, respectively, over 2005. Many of these physicians, practicing where our members live and work, benefited from programs designed to give them the resources they need to provide quality care. The aim of one such program, Project Keystone, is to improve the experience our members have at HIP-participating physician group practices.

*I want a health plan that's
TECHNOLOGICALLY
savvy.*

For nearly a decade, HIP has used cutting-edge technology to transform its operations. In 2006, we continued to apply technology to improve the quality of service to members and providers. We enhanced our Provider Electronic Platform, which supports physicians and facilities with Web-enabled self-service transactions. We employed Voice-over Internet Protocol (VoIP) technology to improve our call-center capabilities. And we continued to employ a mobile enrollment application system so our sales team could effectively enroll Medicare beneficiaries in or near their homes.



I want my claims processed quickly and

WITHOUT A LOT OF HASSLE.

In 2006, we implemented CATS (Claims Audit Tracking System) to improve claim processing accuracy. We made organizational changes in our claims area that, coupled with new processes and incentive programs, have resulted in reduced cycle time. In fact, by the end of 2006, 92 percent of submitted claims were processed within 15 days, even though we handled about 10.3 million claims—more than three times the volume processed in 2000.

Shouldn't a health plan make it

EASY TO GET REIMBURSEMENT
for prescription medicines?

Yes. In 2006, we implemented a number of pharmacy service improvements designed to benefit both members and providers. We launched an electronic refill reminder initiative for members with chronic conditions on maintenance medications. We enhanced two programs for elderly members to minimize the risk of adverse events and ensure coordination of care. And we enabled physicians, through our e-prescribing program, to locate electronically a member's prescription record, select the best generic or preferred formulary alternative for that member, and print a prescription.



*When I have a question
about my coverage, I don't
want to deal with a recording.*

*I want to talk to an
actual person who has the
ANSWERS I NEED.*

In 2006, we implemented a "unified call center," which efficiently routes members' calls on the basis of call volume and the expertise required to handle a particular inquiry. We enhanced training and employed a new technology to reduce both call waiting time and call abandonment. We introduced CORE (Creating Outstanding Relationships and Experiences), a program that provides us with a single standard of outstanding service at all of our call centers. And members further benefited from the introduction of a new system called C-MORE (Centrally Managed Online Repository), which gives representatives instant access to information for responding and following up efficiently on member inquiries.





I think a health plan should
HELP ME STAY
HEALTHY,
not just reimburse me
for medical expenses.

We think so, too. In fact, HIP offers a broad range of programs designed to foster healthier living among its members. In 2006, we linked WebMD® health-risk appraisals to our disease management (DM) programs and enhanced our DM programs in coronary artery disease and diabetes. We were recognized for our longstanding commitment to keeping people healthy when the National Committee for Quality Assurance (NCQA) awarded our commercial HMO and POS lines of business Excellent Accreditation. We partnered with Seniorlink to offer members expert assistance in senior care planning for a loved one at a reduced rate, regardless of where the recipient lives. We trained dozens of new volunteers for our Hospital Visitation Program, which provided more than 16,000 visits to hospitalized HIP members in 2006. And we extended the reach of our Healthy Living with Chronic Conditions workshop by training more than 45 new lay instructors, who lead classes in medical group offices, senior centers and community centers.

*I want a health
plan that cares about the
COMMUNITY
I live in.*

*I appreciate a health plan
that comes up with
NEW APPROACHES
and options.*

Innovation has been central to HIP's success in recent years. In 2006, we began selling two new Medicare products: a diabetic Special Needs Plan and a dual-eligible Special Needs Plan. We saw one of our subsidiaries, PerfectHealth—the first insurer in New York to offer a consumer directed health plan – double its membership. And we saw another subsidiary, ConnectiCare, experience growth in its innovative “Solo” plan, which members can combine with a health savings account.

In 2006, HIP continued its long tradition of giving back to the communities it serves. We supported the New York University College of Nursing Leadership Institute for Black Nurses, which mentors nurses of African descent seeking career advancement in administration, education and research. We provided a grant to LaGuardia Community College for renovating and outfitting their health tutoring center. And we were the primary sponsor of the National Medical Fellowships, which are dedicated to improving the health care of low-income and minority communities.



HEALTH INSURANCE PLAN OF GREATER NEW YORK AND SUBSIDIARIES
FINANCIAL HIGHLIGHTS

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS)	AS OF DECEMBER 31,	
	2006	2005
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 472,270	\$ 281,216
Marketable securities	977,217	843,785
Premiums receivable—net	185,632	177,248
Other current assets	97,174	90,511
Total current assets	1,732,293	1,392,760
Property, Plant and Equipment—Net	239,180	247,566
Goodwill—Net	172,668	172,992
Identifiable Intangible Assets—Net	94,459	107,714
Other Assets	32,832	29,888
Total	\$ 2,271,432	\$ 1,950,920
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Claims payable	\$ 470,373	\$ 465,135
Accounts payable and other current liabilities	259,864	175,697
Premiums received in advance	21,508	23,191
Current maturities of long-term debt	1,268	1,476
Total current liabilities	753,013	665,499
Long-Term Debt	3,629	4,897
Deferred Tax Liability	41,125	46,673
Pension and Other Postretirement Benefits	122,070	110,484
Other Long-Term Liabilities	77,201	73,285
Total liabilities	997,038	900,838
Commitments and Contingencies	—	—
Net Assets—Unrestricted	1,274,394	1,050,082
Total	\$ 2,271,432	\$ 1,950,920

CONSOLIDATED STATEMENTS OF OPERATIONS

(IN THOUSANDS)

FOR THE YEARS ENDED DECEMBER 31,

	2006	2005	2004
Revenues:			
Earned premiums	\$ 4,963,621	\$ 4,532,097	\$ 3,598,978
Administrative services and other fees	18,995	22,732	16,718
Investment income—net	55,957	43,895	34,022
Other revenues	1,094	1,078	4,465
Total revenues	5,039,667	4,599,802	3,654,183
Expenses:			
Cost of benefits provided	4,201,614	3,755,497	2,895,853
General and administrative	638,926	622,226	491,959
Legal settlement and related fees	—	68,066	—
Impairment loss	—	26,335	—
Gain on sale of real estate holdings	(22,178)	—	—
(Gain) loss on relocation	(187)	7,150	44,633
Total expenses	4,818,175	4,479,274	3,432,445
Income Before Income Taxes	221,492	120,528	221,738
Income Taxes	16,386	5,195	6,478
Net Income	\$ 205,106	\$ 115,333	\$ 215,260

These financial statements are derived from the audited financial statements of Health Insurance Plan of Greater New York and subsidiaries, which were prepared in conformity with accounting principles generally accepted in the United States.

CORPORATE INFORMATION

As of December 31, 2006

HIP Health Plan of New York Board of Directors

ANTHONY L. WATSON

Chairman and Chief Executive Officer

DANIEL T. MCGOWAN

President and Chief Operating Officer

ROBERT W. BROKAW

Retired Corporate Executive

DAVID COOPER, M.D.

Chief Executive Officer
ProHealth, Inc.

KAREN DAVIS

Organizational Consultant

ELAINE FRIEDMAN, ESQ.

Attorney at Law

OLIVER GRAY

Associate Director
D.C. 37, A.F.S.C.M.E., A.F.L.-C.I.O.

CARL HAYNES

President
International Brotherhood of Teamsters
Local 237

MORRIS LEE

Executive Director
Council for Airport Opportunity

YUNGMAN F. LEE, ESQ.

Herrick, Feinstein LLP.

CARMELO MALLIA

Former Social Worker
New York City Adoption Services

JOHN O'CONNOR

Executive Vice President and Chief Marketing Officer
Amalgamated Bank of New York

SUMAN REEJSINGHANI, M.D.

Physician in Private Practice

CHARLES WANG

President
Rosen-Wang Global Partners, L.L.C.

DAVID WEISS, PH.D.

Professor
Health Professions and Family Studies
Hofstra University

HIP Health Plan of New York Officers

ANTHONY L. WATSON

Chairman and Chief Executive Officer

DANIEL T. MCGOWAN

President and Chief Operating Officer

DAN J. DRAGALIN, M.D.

Executive Vice President for Medical Affairs
and Corporate Chief Medical Officer

MICHAEL D. FULLWOOD, ESQ.

Executive Vice President, Chief Financial Officer,
General Counsel and Corporate Secretary

MICKEY HERBERT

Executive Vice President

JOHN H. STEBER

Executive Vice President for Operations
and Chief Information Officer

DAVID S. ABERNETHY

Senior Vice President for Operations,
Public Policy and Regulatory Affairs

ARTHUR H. BARNES

Senior Vice President for External Affairs
and Corporate Contributions

FRED BLICKMAN

Senior Vice President for Human Resources

DOMINIC F. D'ADAMO

Senior Vice President for Finance
and Corporate Controller

PHILIP GANDOLFO

Senior Vice President for Melville Operations

EDWARD A. LUCY

Senior Vice President for Delivery Systems
Management and Strategy

RONALD MAIORANA

Senior Vice President for Public Affairs
and Operations Advisor to the Chairman

FRANCIS B. OLSEN, D.D.S.

Senior Vice President for
Product Management

VALERIE A. REARDON

Senior Vice President for Corporate Compliance
and Internal Audit

VINCENT SCICCHITANO

Senior Vice President for
Product/Customer Management

DEWITT M. SMITH

Senior Vice President for Marketing and Sales

LESLIE STRASSBERG, F.S.A.

Senior Vice President for Underwriting
and Actuarial Services and Chief Actuary

PEDRO J. VILLALBA

Senior Vice President for Information Technology
and Chief Technology Officer

MARC S. WOLFERT

Senior Vice President and Chief Operating Officer
for Centralized Laboratory Services

ROSLYN YASSER

Senior Vice President for
Product/Customer Management

EDWARD ANSELM, M.D.

Vice President for Medicine
and Chief Medical Officer

CYNTHIA R. AURELI

Vice President for Claims

ARTHUR J. BYRD

Vice President for Investor Relations
and Treasurer

SUNNY P. CHIU

Vice President for Group Practice
and Facility Oversight

KERRY S. DEWITT

Vice President for Government Relations

JOHN A. KENNEDY

Vice President for Sales, Marketing
and Government Programs

JUDY A. KOHN

Vice President for Provider Relations

WILLIAMS LEWIS, ESQ.

Vice President for Facilities,
Real Estate and Corporate Services
and Associate General Counsel

LEONARD H. REICH, PH.D.

Vice President for Behavioral Health

ARAKSI H. SARAFIAN

Vice President and Chief Pharmacy Officer

TERRYLYNN SMITH

Vice President for Human Resources

WANDA WAREHAM

Vice President for Government-Assisted Programs

CRAIG M. WILLEY, ESQ.

Vice President, Director of Taxation
and Assistant General Counsel

STEPHEN A. ZENG

Vice President for Corporate Development

NICHOLAS P. KAMBOLIS, ESQ.

Assistant Corporate Secretary
and Associate General Counsel

HIP®

HIP Health Plan of New York
55 Water Street
New York, New York 10041
hipusa.com®