

our world | our hands | our future



MASSACHUSETTS
75 YEARS

Blue Cross Blue Shield of
Massachusetts is an Independent
Licensee of the Blue Cross and
Blue Shield Association

LETTER FROM THE PRESIDENT & CEO

Dear Friends,



When I ask our associates why they enjoy working for our company, it often leads to a lively chat about our involvement in the community. It matters, they tell me, that their employer shares their concern for local neighborhoods, encourages volunteering, and invests back into the communities that sustain our business.

Given that spirit, it was easy to recruit our associates in 2011 to help launch some new service initiatives. The biggest splash was our first-ever Company-Wide Service Day in September. From sun-up to sundown, nearly 3,000 of us mobilized across 31 volunteer sites statewide for 16,000 collective hours of service. Another popular debut was our Professional Mentoring Partnerships program, which lets associates share their business skills with nonprofit leaders.

Recognizing the connection between a healthy environment and healthy communities, we formalized efforts last year to become a greener, more environmentally sustainable company. We also reshaped our Corporate Citizenship strategy into four new areas of focus, as detailed in this report, that support our guiding mission to help children and families facing economic hardship – throughout the Commonwealth – to thrive, learn, and lead as healthy and engaged citizens.

With this mission in mind, we are proud to share a few success stories on behalf of our community partners. I hope you will join me in congratulating them for another year of great work. It is our privilege to serve with them.

Sincerely,

Andrew Dreyfus
President & CEO



A LOOK INSIDE

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1 healthy child development



WE WILL PUT CHILDREN FIRST

Baby showers are happy events. The mother-to-be caresses her belly, opens gifts of gear and garb, and receives advice and warm wishes from friends and family.

It's a different picture for a woman in poverty. Without the financial and emotional assistance many take for granted, a low-income new mother could find the future frightening. More importantly, her child's early years of life—so critical for physical, social, and emotional development—may be fraught with risk.

Fortunately, Room to Grow in Boston lends a hand. This community partner supplies the clothing, books, and toys that children need for a healthy start. The agency also counsels mothers one-on-one from pregnancy through the first three years of life.

"You can feel Room to Grow's impact the minute you walk through the door and see the

baby supply area. It's a peaceful environment; there's a sense of security there," explains Deirdre Savage, our company's senior director of Public, Government, and Regulatory Affairs. Deirdre serves on Room to Grow's advisory board along with Jeff Bellows, our senior director of Corporate Citizenship.

In May 2011, our Business Consulting Group completed a partnership with Room to Grow to help them develop a new operational strategy and action plan. Other associates lent their time as BlueCrew volunteers, and we also provided financial assistance. Today, their success and continued growth is evident in their move to larger headquarters.

Room to Grow is showering good advice, baby supplies, and sweet little clothes on women in need. It's a place of happiness, offering the security every new mother deserves.

We are helping Room to Grow to shower good advice, baby supplies, and sweet little clothes on mothers in need.





OUR COMMITMENT

All children begin life full of promise, but for those living in poverty—14.3% in Massachusetts¹—resources and opportunities are in short supply. We have pledged to partner with agencies that tackle these problems directly. Here are some highlights:

Bessie Tart Wilson Children's Foundation (BTWIC).

Kids and parents count on professional child care providers for a lot, but as BTWIC reports, more than 25,000 early educators in Massachusetts are struggling to make ends meet. With support from our company, BTWIC is advocating for compensation reform, a career development program, and loan forgiveness for these workers. BTWIC's goal is ours: to raise the quality of early education for all children across the Commonwealth.

¹ Source: U.S. Census Bureau, 2011
² Source: Raising a Reader

Children's Investment Fund.

For happier kids, sunlight matters. Studies show childcare environments with natural light and natural outdoor play space are important for early learning and development. Our financial support helped Children's Investment Fund's to conduct an inventory of infrastructure quality among local providers and to fund space improvements.

Raising a Reader.

Children who are read to regularly before age five bond with their caregivers, develop a larger vocabulary, and are more likely to stay in school in adolescence.² The Raising a Reader early literacy program gives families opportunities to read with their young children at home. In 2011, our company's support allowed this agency to provide summer story times for nearly 600 families in greater Boston, Lawrence, Lowell, and Brockton.



Room to Grow family and staff

#1 and #2:

OUR COMPANY'S RANK AMONG CRADLES TO CRAYONS' CORPORATE PARTNERS FOR VOLUNTEER HOURS AND OVERALL CONTRIBUTIONS, RESPECTIVELY.





education enrichment

2

WE WILL CHAMPION LEARNERS AND LEADERS.

Ask the average college student "What's for dinner?" and you'll likely hear mutterings about pancakes, burgers, or a takeout menu. Not Emmanuella "Emu" Louis.

"My favorite thing to make is roast chicken with glazed beets and pureed potatoes," she says.

Emu is a freshman chef-in-training at the Culinary Institute of America in New York. She's also remembered fondly at our company's corporate headquarters, where she was a regular presence as a Blue Scholar during her four years of high school.

Blue Scholars are students from Boston's Madison Park Technical Vocational High School, chosen to partner with our associate volunteers in a mentoring relationship. Students meet with their mentors once a week, attend college preparatory seminars at our office, and participate in summer internships through our partnership with the Boston Private Industry Council.

"My experience with Blue Scholars helped me keep my grades up, prepare for the SATs, and apply for college," Emu explains.

After Emu showed a love for cooking, we helped her land an internship at Community Servings, a nonprofit that prepares and delivers nutritious meals to low-income people living with serious illnesses in eastern Massachusetts.

Community Servings Kitchen Manager Tony Murrillo supervised Emu's work for two summers and recognized her talents right away.

"Emmanuella was a natural in the kitchen," Tony says. "She was always upbeat and a team player, she followed direction, was a fast learner, and was

exceptionally creative."

Today, Emu is using that creativity to slice and dice, puree and knead, and prepare for a career she loves. She also makes pancakes—fancy ones, of course.

“My experience with Blue Scholars helped me keep my grades up, prepare for the SATs, and apply for college.”



Emmanuella Lewis

OUR COMMITMENT

Education and self-sufficiency go hand in hand. About eight percent of Massachusetts residents are poor, but among people without a high school diploma, the poverty rate soars to 22 percent¹. Teachers, administrators, policymakers, and parents play critical roles—and corporate citizens can make an impact, too. Here's how:

William C. Van Faasen Community Service Sabbatical.

Homework is tough for children with no place to call home. Ruth Porter, a nurse case manager with our company, helped homeless youth in 2011 through a paid, six-month service sabbatical we grant to one associate per year. Working with Brockton-based School on Wheels and the South Shore Unaccompanied Youth Coalition, Ruth created an intake tool to assess the needs of homeless youth and did projects to help these teens stay in school and be safe.



20,876:
NUMBER OF SUMMER-JOB HOURS WE SPONSORED FOR BOSTON PUBLIC HIGH SCHOOL STUDENTS THROUGH THE BOSTON PRIVATE INDUSTRY COUNCIL.

Fenway High School Junior Ventures Program Challenge Grant.

Our associates have long mentored students from Boston's Fenway High School through its Junior Ventures program, which teaches business skills along with the ins and outs of workplace life. In 2011, we challenged Fenway High School to expand its donor base with a matching grant, provided mentors during the school year, and sent 80 BlueCrew volunteers to paint classrooms.

Peace First.

Reading and writing are critical for children at school, but they should also learn friendship, communication, and peace-making. Peace First promotes positive climates in struggling public elementary and middle schools in Boston. With support from our company, the nonprofit reached 2,400 students and led more than 100 coaching sessions with school leaders.

¹ Source: Albelda, Randy; Cadet, Ferry; and Mei, Dinghong, "Poverty in Massachusetts by Education Status: Population 25 Years and Older" (2011). Center for Social Policy Publications. Paper 51.

healthy environments 3 and family nutrition



WE WILL STAND FOR GOOD HEALTH, INSIDE AND OUT.

There are no grab-and-go meals at Women's Lunch Place (WLP) in Boston. Fresh flowers brighten every table, meals are served on china, and servings are generous. WLP is about dining with dignity.

The women who eat there—for many, their only meal of the day—could tell stories of homelessness, mental illness, addiction, and abuse. It's a sensitive mix that gave WLP Executive Director Sharon Reilly concerns about inadequate training for her staff, some of them volunteers.

"Many of the populations we serve have suffered some sort of trauma. While all of our staff treat our guests with dignity and respect, we would like to move into a more trauma-informed service model," Sharon explains.

She found help from Liz Cerullo of our Provider Service department and Leah Moretti of Human Resources. In 2011, we launched a skills-based volunteer program called Professional Mentoring Partnerships (PMP). Associates with exper-

tise in areas like human resources, finance, operations, and marketing are matched with nonprofit organizations. Leah and Liz were two of the program's first volunteer mentors.

"Many of these nonprofits don't have an HR department," Leah says. "WLP has just 14 people on staff, so it was very rewarding to use my skills and experiences to help them develop a training plan to meet their needs."

After mentoring for 40 to 50 hours, Leah and Liz delivered training materials and tools to help WLP leaders to coach, do job interviews, and measure job performance. Staff members were also given free access to our BlueCampus online learning center, and we provided a capacity-building grant to formalize WLP's professional development program.

"Our staff is already using the materials," Sharon says. "We are in the process of hiring new employees now. Because of the PMP program, we can immediately access resources for interviewing and training. It has been incredibly valuable."

Through Professional Mentoring Partnerships, our associates lend advice to nonprofits about business functions like human resources, finance, operations, and marketing.



3



OUR COMMITMENT

An apple a day ... makes for healthy kids and families. In the face of a nationwide obesity epidemic, experts are calling for better access to healthy foods, especially among low-income people. Equally important are safe, supportive environments. Here's a sampling of how we made a difference:

Project Bread's Chef in Schools.

Lunch lines will soon feature more fruits, vegetables, and other nutritious foods, thanks to new federal regulations for school meals. Project Bread's Chef In Schools program—with financial support from our company—will train school kitchen staff in Boston, Chelsea, Lawrence, and Salem to offer food that is healthy, affordable, and appealing.



Wholesome Wave.

Fresh, local produce can be hard to find in underserved communities. In 2011, we supported Wholesome Wave's efforts to deliver coupons to low-income people for use at local farmers' markets and to distribute vouchers at health clinics that patients with diet restrictions can use at the markets.

Environmental Defense Fund.

One important way we can support healthy environments is to reduce our own impact on the planet. We partnered with the Environmental Defense Fund through its Climate Corps program to identify and promote opportunities for our company to use less electricity and do business more efficiently.

\$163,500:

OUR YEAR-END CONTRIBUTION TO FOOD BANKS, PANTRIES AND AGENCIES OFFERING WINTER ASSISTANCE TO HUNGRY INDIVIDUALS AND FAMILIES. SOME PARTNER AGENCIES INCLUDED PINE STREET INN, NORTH READING YOUTH SERVICE, WORCESTER COUNTY FOOD BANK, INTERFAITH SOCIAL SERVICES, AND BOYS & GIRLS CLUBS OF CAPE COD.

4 sustainable healthcare system



WE WILL TEAM UP TO DELIVER BETTER CARE

As the mother of a five-month-old baby, Katie Barrett knows the last place she wants to be is in a hospital emergency department—especially if that trip is unnecessary.

“If my daughter gets an ear infection on a Saturday, I might have to go to the Emergency Department, even though that’s something better managed in the primary care setting,” says Katie. She speaks as a professional as much as a mother, since her job with our Performance Measurement & Improvement department is to analyze data about physicians and hospitals.

In 2011, we shared that data with the Greater Boston Aligning Forces for Quality Initiative (AF4Q). This collaboration of doctors, hospitals, health plans, and other organizations is tackling two quality measures: non-urgent use of emergency departments and avoidable hospital readmissions.

“We are part of this effort because we have substantial experience helping practices to focus on appropriate care and addressing clinically wasteful care,” explains Dana Safran, our senior vice president of Performance Measurement & Improvement who is a member of AF4Q’s core leadership team.

Why do some doctors have relatively low numbers of patients using the emergency department and hospital unnecessarily? It could be any number of factors – including characteristics of their patients, characteristics of the practices themselves, or both. The data helps practices and individual clinicians to take proactive steps to improve quality and efficiency, such as through expanded office hours or better communication with hospitals. AF4Q seeks to identify, validate, and communicate any best practices so patients get the right care at the right time in the right place.

“All relevant stakeholders—plans, providers, and consumer representatives— are a part of the AF4Q efforts,” Dana says. “Improvement happens when the whole community works together toward a common goal and can hold each other accountable for progress.”

The data helps practices and individual clinicians to take proactive steps to improve quality and efficiency, such as through expanded office hours or better communication with hospitals.



Katie Barrett

OUR COMMITMENT

Good health care can always be better. As we work to find new solutions for an immensely complex system, partnership is paramount. Our company is contributing to the discussion; here are some of the forums:

Alliance for Appropriate and Affordable Health Care (Triple A-H).

Payment reform was the first order of business in 2011 for this private, state-wide initiative. By investing and sharing ideas, our company joined Triple A-H's band of health plans, employers, health care providers, and policy experts in a search for answers to the affordability challenge.



A.S. ZAINI / SHUTTERSTOCK.COM



National Institute for Healthcare Management (NIHCM).

No doubt about it, health care reform is a hot-button issue. That is why the NIHCM takes a nonprofit, nonpartisan approach. This organization, which we supported in 2011, is fostering a dialogue between government and the private sector to find workable solutions to achieve better, less expensive care.

Mass in Motion.

"Eat Better. Move More. Start Today." That slogan captures Mass in Motion's mission to promote nutrition and fitness in cities and towns. For the fourth consecutive year, we supported this state program's work to implement health-promoting policies and environmental changes in four-dozen participating communities.



BLUECREW

It's no surprise that a lot of self-proclaimed humanitarians and environmentalists work at our company. We encourage that spirit—and when these women and men roll up their sleeves for community service, we call them the BlueCrew.



SEPTEMBER 20, 2011

What a difference one day makes. Our inaugural company-wide Service Day harnessed the goodwill of 3,000 associates through 31 volunteer projects across the Commonwealth.

We built playgrounds, painted murals, delivered clothes and toys to low-income children, planted community gardens, and helped food banks provide more than 20,000 nutritious meals to vulnerable families. We even partnered with the residents of Monson, outside Springfield, to restore a treasured recreation field that was destroyed by a news-making summer tornado.

As we headed home, we had logged more volunteer hours in one day—16,000—than in all of 2010!

IN 2011,
 3,003 BLUECREW
 ASSOCIATES PERFORMED
 26,086 HOURS
 OF SERVICE FOR
 161 PROJECTS,
 VALUED AT NEARLY
 \$750,000

SERVICE DAY MAKES AN IMPACT*

100%
 of our community partners
 said they felt appreciated
 and respected.

95%
 said their service
 visions were
 achieved.

99%
 of associates felt
 they made a difference
 in the community.

* Among respondents to a survey



ENVIRONMENTAL IMPACT

We understand that healthy people depend on a healthy environment. Issues such as cleaner streets and public spaces, access to gardens and parks, cleaner air and water, and affordable nutritious food are often linked to the health of our members and the future livelihoods of our communities.

With our mission squarely focused on the health of the communities we serve, it's our duty to strive to be a sustainable company. Under the guidance of our company's first senior manager of Environmental Impact, we took steps in 2011 that make sense for both our business and the environment such as:

Measure and reduce our environmental impact.

In 2011, we cut paper use by more than 15 percent, recycled more than 375 tons of paper, and lowered overall waste by approximately five percent. We also reduced our energy consumption by setting computers to power-down automatically when not in use and through several lighting retrofits. We also set our first company-wide environmental goals that will guide our strategy and work.

Empowering our associates and members to engage in more sustainable practices.

We expanded our green@blue associate sustainability program, launched in 2009, by recruiting more associate "green ambassadors." Our associates also signed our first corporate sustainability pledge and participated in several successful business pilots to reduce our impact.

OUR ENVIRONMENTAL SUSTAINABILITY GOALS

GOAL 1:
Reduce our absolute greenhouse gas (GHG) emissions by 15 percent by 2015

How:
Use less electricity, fuel, and paper

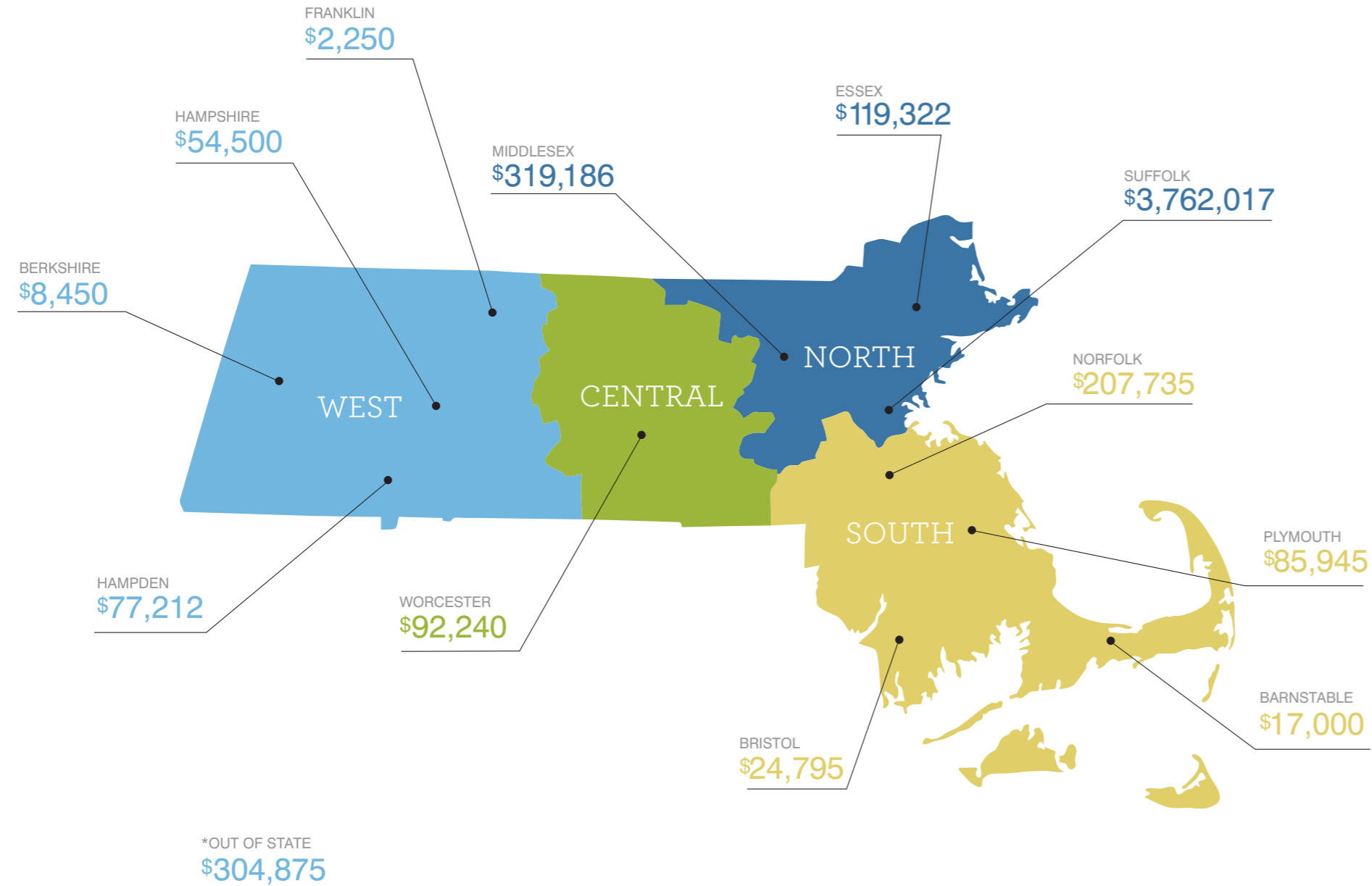
GOAL 2:
Reduce our absolute waste by 15 percent by 2015

How:
Produce less trash and recycle more paper, plastic, glass, and metal

GOAL 3:
Reduce our office paper use by 15 percent in 2012

How:
Print less and streamline processes

“ IN 2011, WE EARNED THE MOST IMPROVED SUSTAINABILITY AWARD FROM A BETTER CITY, A NON-PROFIT ORGANIZATION WORKING TO IMPROVE ECONOMIC COMPETITIVENESS AND QUALITY OF LIFE IN BOSTON. ”



GEOGRAPHIC IMPACT

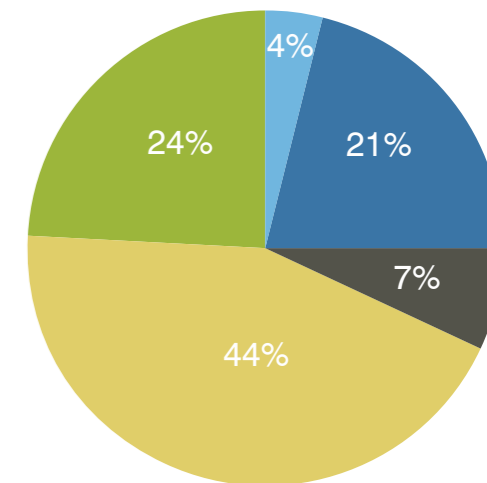
From the Berkshires to Merrimack Valley, and from Boston to the South Coast, in 2011 we invested more than five million dollars in the communities our members call home.

- | | | | |
|--|---|--|---|
| <p>WEST</p> <ul style="list-style-type: none"> Amherst Brimfield Easthampton Great Barrington Greenfield Hamden Hatfield Holyoke North Adams Northampton Palmer Pittsfield Springfield Turner Falls Westfield West Springfield <p>CENTRAL</p> <ul style="list-style-type: none"> Athol Charlton Concord Dudley Fitchburg Holden Hudson Leominster Maynard Milford Shrewsbury Southborough Southbridge | <p>NORTH</p> <ul style="list-style-type: none"> Allston Amesbury Andover Arlington Boston Brighton Brookline Burlington Cambridge Chelmsford Chelsea Chestnut Hill Danvers Dorchester Gloucester Hyde Park Jamaica Plain Lawrence Lincoln Lowell Lynn Lynnfield Malden Manchester Marblehead Mattapan Mission Hill North Reading | <p>SOUTH</p> <ul style="list-style-type: none"> Barnstable Braintree Brockton Canton Carver Dedham Duxbury Easton East Weymouth Fairhaven Fall River Foxboro Framingham Hanover Hingham Hyannis | <ul style="list-style-type: none"> Kingston Mashpee Marshfield Milton Natick Needham New Bedford Newton Norfolk North Attleboro North Dighton North Quincy Norwell Plymouth Provincetown Quincy Rockland South Easton South Weymouth Stoughton Taunton Walpole Waltham Wareham Wellesley Wellesley Hills West Newton West Barnstable Weston Westwood Weymouth Wollaston |
|--|---|--|---|



CONTRIBUTION TO THE COMMUNITY

In 2011, we supported more than **500** nonprofit organizations and their missions to enrich the lives and neighborhoods of Massachusetts residents. In total, our contribution was nearly **\$5.1 million**.¹



AREAS OF INVESTMENT

- Healthy Child Development
- Education Enrichment
- Healthy Environments & Family Nutrition
- Sustainable Health Care System
- Civic/Other

BREAKDOWN OF CONTRIBUTIONS

TOTAL CONTRIBUTION	RANGE	# OF ORGANIZATIONS
\$2.84 million	≥ \$25,000	46
\$1.27 million	\$10,000-\$24,999	97
\$560,000	\$5,000-\$9,999	100
\$410,000	< \$5,000	260

ASSOCIATE GENEROSITY

$$\begin{array}{r}
 \$427,202 \quad + \quad \$328,066 \quad = \quad \$755,268 \\
 \text{given personally} \quad \quad \quad \text{company} \quad \quad \quad \text{to support United Way} \\
 \text{by associates} \quad \quad \quad \text{match} \quad \quad \quad \text{charities and Catalyst} \\
 \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \text{Fund grantees}^2
 \end{array}$$

¹ Excluding Massachusetts health access assessments
² Mini-grants awarded to organizations dedicated to expanding health care access

CONTRIBUTION TO THE COMMONWEALTH

Each year, our company generates a substantial positive impact on the local economy. We measure this influence in terms of business volume, employment, government revenue, and benefits to the community.

We are a not-for-profit company, but unlike most other not-for-profits, we pay significant federal, state, and local taxes or assessments. We are also different from other not-for-profits in that we don't receive or solicit charitable donations, and we don't benefit from tax-exempt financing.



MASSACHUSETTS ECONOMIC IMPACT IN 2011

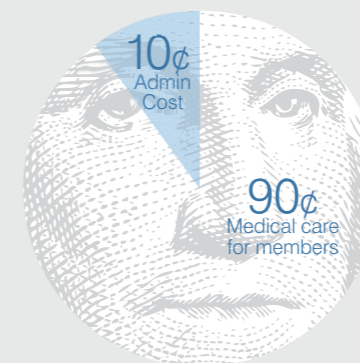
Total Impact	More than \$1.6 billion
Full-time Jobs in Massachusetts	6,352 (3,519 direct employees and 2,823 indirect)
Taxes, Assessments, and Fees ¹	\$218.3 million \$94.6 million in indirect taxes \$123.7 million in direct taxes and assessments to the state <ul style="list-style-type: none"> • Corporate Tax (\$37.0 M) • In-Lieu of Property Taxes (\$1.2 M) • Unemployment Insurance (\$3.0 M) • Health Safety Net Pool Assessment (\$63.3 M) • Universal Immunizations Assessment (\$19.2 M)

¹In addition to state and municipal taxes and assessments, the company also pays \$36.9 million in federal taxes.

WHERE PREMIUM DOLLARS GO

Massachusetts health plans are held to the highest standards in the U.S. regarding administrative expenditures.

At Blue Cross Blue Shield of Massachusetts, we use approximately 90 cents of every premium dollar we receive to pay for health care services for our members. The approximately 10 cents remaining is used for administrative purposes.



- OF THE 90¢*:
- 45 cents is used for hospital services
 - 30 cents is used for physician services
 - 15 cents is used for prescription services

EXAMPLES OF ADMINISTRATIVE COST:

- Salaries and benefits
- Contributions to reserves
- IT investments
- Facilities maintenance
- Taxes and assessments

*Numbers are approximate, and vary slightly each year

 FOUNDATION

The people who work at the Blue Cross Blue Shield of Massachusetts Foundation spend each day working towards one objective: how to help uninsured, vulnerable, and low-income individuals and families in the Commonwealth get access to the health care they deserve.



One of the largest private health philanthropies in New England, the Foundation operates independently from our company and partners with public and private organizations through grants and policy initiatives. Here's what they accomplished in 2011:

Awarded \$3.2 million in grants to 72 community-based organizations, health centers, and hospital-based programs to broaden coverage and improve affordability.

Thirteen Massachusetts non-profits were chosen to receive the Foundation's first Making Health Care Affordable grants. This new grant program was developed to support innovative and sustainable initiatives to curb health care costs while also improving quality of care. Priorities include promoting strategies to reduce health care costs while maintaining or improving quality. The Foundation's three other grant programs are focused on connecting low-income patients with coverage and primary care providers, strengthening advocacy for health access, and building the capacity for community-based organizations.

Produced 6 new policy and research reports that made important contributions to a fact-based understanding of Massachusetts health reform and the ongoing effort to control health care costs.

Launched 4 online toolkits about local health reform that other states can use to implement the national Affordable Care Act.

Co-sponsored 11 health care journalists nationwide at the 2011 Health Coverage Fellowship, a nine-day program designed to help the media improve their coverage of critical health care issues.

Sponsored 8 emerging leaders in Massachusetts health care through the Massachusetts Institute for Community Health Leadership program, which trains students to implement a project that addresses uninsured and low-income residents.



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MASSACHUSETTS
— 75 YEARS —

