Blue Cross Blue Shield of Massachusetts Files First Quarter 2011 Financial Results

BOSTON — May 16, 2011 — Blue Cross and Blue Shield of Massachusetts, Inc. (BCBSMA) and Blue Cross and Blue Shield of Massachusetts HMO Blue, Inc. (BCBSMA HMO Blue) announced its first quarter, statutory financial results today and is reporting a combined net income of $20.0 million. These results reflect an operating loss of $25.4 million offset by investment income of $42.6 million.

"These results are an improvement in our operating performance from a year ago and reflect a renewed focus across the company to make quality health care affordable for individuals, families and employers in our community," said Allen Maltz, BCBSMA's Chief Financial Officer. Maltz noted that BCBSMA typically posts an operating loss in the first quarter due to seasonally higher claims costs in the first three months of the year.

Maltz said the company continues its intense focus on reducing its administrative spending which accounts for 10 cents of each premium dollar. BCBSMA's expected total administrative spending in 2011 will be reduced to 2008 levels.

Maltz also noted the company is achieving significant results in moderating medical costs which comprise approximately 90 percent of customers' premiums. Maltz added, "One of the big stories of the first quarter is that we continue to see an encouraging moderation in the rate of increase in medical spending." Maltz attributed this moderation to the following:

- More modest fee-for-service contracts with hospitals and physicians as well as the impact of the company's Alternative Quality Contract (AQC).
- A rapid adoption of the company's new value-based health benefit plans.
- Care management and wellness programs that help members receive the most appropriate care, manage chronic illness, and live healthier lifestyles.

BCBSMA is the leading private health plan in Massachusetts, with 2.8 million members as of March 31, 2011.

Blue Cross Blue Shield of Massachusetts (www.bluecrossma.com) was founded 74 years ago and is now the largest private health plan in the state, providing coverage to nearly 3 million members. BCBSMA believes in working with physicians, hospitals, employers and the broader community to provide quality, affordable health care in Massachusetts. Blue Cross Blue Shield of Massachusetts is an independent licensee of the Blue Cross Blue Shield Association.

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