Blue Cross Blue Shield of Massachusetts Announces Third Quarter Financial Results

Disciplined business strategy results in modest operating margin of 1.4% for the first three quarters of 2011

BOSTON — November 15, 2011 — Blue Cross and Blue Shield of Massachusetts, Inc. (BCBSMA) and Blue Cross and Blue Shield of Massachusetts HMO Blue, Inc. (BCBSMA HMO Blue) today announced a combined after-tax net income of $78.9 million for the third quarter, including an investment income of $19.0 million and an operating income of $59.3 million. For the first nine months, the combined companies reported an after-tax net income of $155.5 million.

"Due to the seasonal nature of our business, we typically experience improved operating performance in the third quarter and this year was no exception," said Allen Maltz, Chief Financial Officer at BCBSMA. "These results also demonstrate our continued focus on aggressively managing both our administrative and medical spending as we advance our highest priority of making quality health care affordable for our employer customers and members." Maltz said the company has been able to reduce its medical cost trend (the increase in the cost of medical care) by three points over the past twelve months through a combination of more modest contracts with physicians and hospitals and a continued moderation in consumer demand for health care services. At the same time, the company has reduced its 2011 administrative spending (which makes up 10 cents of each premium dollar) to the lowest level since 2008.

While adding that the company has much more work to do to improve the affordability of health care, Maltz noted that the progress so far has resulted in 2012 average premium increases being the lowest since 2005.

Maltz emphasized the company remains focused on the key elements of its affordability strategy which include:

- New provider payment models like the Alternative Quality Contract (AQC) that reward physicians and hospitals for the value, not the volume, of their care
- New value-based health benefit plans that help guide members to high-value providers—physicians and hospitals that deliver high-quality care at a lower cost
- 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 September 30, 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.

For further information: CONTACT: Tara Murray 617-246-4851 tara.murray@bcbsma.com