Blue Cross Blue Shield of Massachusetts Announces Financial Results

Disciplined business strategy results in modest operating margin of 0.5% in second quarter

BOSTON — August 15, 2012 — Blue Cross Blue Shield of Massachusetts, (BCBSMA) Inc. and Blue Cross Blue Shield of Massachusetts HMO Blue, Inc. (BCBSMA HMO Blue) today announced a combined after-tax net income of $28.3 million for the period between April and June. The results reflect an operating income of $8 million and investment income of $19.9 million. BCBSMA, a taxpaying not-for-profit health plan, paid approximately $34 million in taxes and assessments in the second quarter.

"We continue to aggressively manage our administrative and medical costs and are on track to meet our business goals for the year," said Allen Maltz, Chief Financial Officer at Blue Cross Blue Shield of Massachusetts. "Our broad-based affordability efforts continue to help control health care costs while improving medical care, and are allowing us to deliver the lowest premium increases in several years."

Maltz highlighted a number of BCBSMA initiatives which are helping to control health care costs, improve care and innovate in the marketplace:

- After two years of rigorous analysis by the Harvard Medical School, the Alternative Quality Contract (**AQC**) was found to be achieving its original twin goals of improving the quality of patient care while simultaneously slowing the growth in health care spending. The study found that improvements in both the cost and quality of patient care in the second year of the AQC (2010) were even greater than the first year (2009). And, as in the first year, AQC groups outperformed non-AQC providers both in year two and for the first two years (cumulative results for 2009-2010). The AQC is now the predominant contract model between BCBSMA and its network physicians and hospitals with more than 75% of primary care physicians and 80% of specialist participating in the program.

- **More modest contracts** with physicians and hospitals renewing their contracts, low administrative costs and careful management of medical costs enabled BCBSMA to exceed both state and national standards last year for the percentage of premiums that health plans must spend on medical care for their members.

- **BCBSMA's innovative value-based products** that reward employers and employees when they choose to receive care from physicians and hospitals that deliver high-quality care at a lower cost continue to be popular options for employers throughout the state. In fact, five popular high quality health plan options are available to thousands of small businesses statewide through the Retailers Association of Massachusetts' group purchasing cooperative. The lower cost health care plans will offer additional savings of 3% and will be coupled with an enhanced wellness program to encourage employees in small businesses to become healthier and more engaged in their health care decisions.

- BCBSMA recently announced a partnership with Healthbox, a company that supports early-stage health care innovation and entrepreneurship, to accelerate the businesses of ten Massachusetts-based health care companies. The promising companies are addressing issues of strategic importance in health care, including patient engagement, provider effectiveness and wellness.

Blue Cross Blue Shield of Massachusetts (www.bluecrossma.com) is a community-focused, tax-paying, not-for-profit health plan headquartered in Boston. Celebrating our 75th anniversary in 2012, we are committed to working with others in a spirit of shared responsibility to make quality health care affordable. Consistent with our corporate promise to always put our 2.8 million members first, we are rated among the nation's best health plans for member satisfaction and quality.

For further information: CONTACT: Sharon Torgerson 617-246-2357 sharon.torgerson@bcbsma.com