Blue Cross Blue Shield of Massachusetts Announces 2012 Financial Results

Reports modest operating margin of 0.9% for the year

BOSTON—March 1, 2013 - Blue Cross Blue Shield of Massachusetts (BCBSMA) Inc. and Blue Cross Blue Shield of Massachusetts HMO Blue, Inc. announced a combined operating income of $58.3 million and after-tax net income of $163.9 million for its calendar year 2012 financial results. BCBSMA, the leading private health plan in Massachusetts with 2.8 million members as of December 31, 2012, paid $133 million in federal, state and municipal taxes and assessments in 2012.

"We had a strong 2012 as we marked our 75th year in business," said Allen Maltz, Chief Financial Officer at BCBSMA. "We're continuing to develop innovative new benefit plans, programs and services for employers and members to achieve a shared goal of delivering high-quality health care that is both accessible and affordable. However, we recognize that we have more work to do since rising health care costs are still too big of a burden for many."

Maltz noted that BCBSMA continues to monitor for an uptick in medical utilization, but have not seen any indications it is increasing. "We remain focused in partnering with the health care community on efforts to have costs grow more modestly and in line with the rest of the economy."

BCBSMA's affordability efforts will continue throughout 2013 and include leading the way on delivery system reform and investing in initiatives to ensure that members are getting the best value for their health care dollars. Those efforts include:

- Working in a spirit of shared responsibility with the physicians and hospitals renewing their contract agreements in 2013 with the goal of achieving more modest contract terms consistent with the physician and hospital contracts negotiated over the past three years. This is especially important since the price of health care services remains the single largest driver of health care costs and insurance premiums.

- Expanding the Alternative Quality Contract (AQC), a global payment system designed to encourage cost- effective, patient-centered care. In 2012, Boston Medical Center , Children's Hospital and Lahey Clinic signed onto the AQC. UMass Memorial recently announced that they have joined. BCBSMA now has 82% of its in-state HMO primary care physicians, and 86% of specialists, participating in the AQC. These doctors care for approximately 85% of BCBSMA in-state HMO members. Researchers at the Harvard Medical School (HMS) are conducting a multi-year study of the effects of the AQC on the cost and quality of patient care. The latest findings, which involve a review of the first two years of the AQC, found that the model has succeeded in lowering total medical spending while simultaneously improving the quality of care.

- Creating innovative value-based products such as Blue Options and Hospital Choice Cost Share which continue to be a popular option for employers throughout the state and now have more than 215,000 members.

- Enhancing wellness at the worksite, chronic illness prevention and careful management of medical costs.

Other BCBSMA milestones in 2012 include:

- Being the only local health plan to exceed both state and national standards for the percentage of premiums that health plans must spend on medical care for their members. More than 90% of every premium dollar is spent on our members' health care services.

- Being named the top-ranked Medicare Advantage PPO health plan in America, and the #25 Medicare Advantage plan, according to National Committee for Quality Assurance's (NCQA) Medicare Health Insurance Plan Rankings 2012-2013*. Both BCBSMA's HMO Blue and PPO plans are also among the highest-rated private health plans in the nation.

- Earning 4.5 Stars out of 5 Stars for Overall Plan Rating and 5 Stars for Customer Service according to the Centers for Medicare and Medicaid Services' (CMS) ratings for 2013** for our HMO and PPO Blue PlusRx Medicare Advantage Plans. CMS ranks over 550 plans nationwide each year and award star ratings to help consumers make an informed choice when comparing plans.

- Investing in 10 Massachusetts-based companies whose products and services have the potential to improve the quality and affordability of health care through a new partnership with Healthbox , a company that provides entrepreneurial support to health care start-ups.

- Getting approval from CMS to take part in a demonstration project to integrate Medicare and Medicaid benefits for people who are "dually eligible" for both programs, in conjunction with ValueOptions® and its subsidiary, Massachusetts Behavioral Health Partnership. Enrollment begins later this year.

- Introducing an enhanced safety program to limit possible prescription narcotic misuse and dependence among members.

- Launching GeoBlue, a new insurance product that offers comprehensive health insurance coverage and services to

members who travel or live overseas for their work.

- Awarding four municipalities a Municipal Blue Innovation Award that recognize cities and towns for successfully implementing plan design changes and health and wellness initiatives to make health care more affordable, while improving employee health. BCBSMA is the trusted insurer for more than 75% of the state's municipalities.

- Growing our DentalBlue plan to serve more than 759,000 members.

- Celebrating the second annual company-wide Service Day. On September 25, more than 3,000 BCBSMA employees, known as BlueCrew volunteers, fanned out across the state to provide 16,000 volunteer hours to 29 schools, parks, and other community organizations all on one day. The twenty-nine 2012 Service Day projects support BCBSMA's corporate citizenship strategy, which is centered on four key focus areas: Healthy Child Development, Education Enrichment, Healthy Environments and Family Nutrition, and Sustainable Health Care. In addition, four local not-for-profits each received a $75,000 BCBSMA 75th Anniversary Grant to promote nutrition education and access to healthy foods. The grants were awarded to the Urban Food Initiative; Holyoke Food and Fitness Policy Council; Project Bread in partnership with Lynn Economic Opportunity, Inc.; and Boston Natural Areas Network.

- Providing $6.3 million in contributions, grants, and sponsorships to more than 560 nonprofit organizations that address the health and wellbeing of children and families facing economic hardship in the Commonwealth.

- Recycling more than 330 tons of waste, saving 5,600 trees and avoiding the equivalent of 945 metric tons of carbon dioxide from entering the atmosphere and winning the top 2012 Healthcare & Biotech Recycling Award from MassRecycle.

- Being named one of The Boston Globe's 2012 Top Places to Work and being honored by the Boston Business Journal as a Corporate Leader in Diversity for our efforts to create a more inclusive workforce. BCBSMA employs 3,500 associates.

About Blue Cross Blue Shield of Massachusetts
Blue Cross Blue Shield of Massachusetts (www.bluecrossma.com) is a community-focused, tax-paying, not-for-profit health plan headquartered in Boston. 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.

*NCQA's Health Insurance Plan Rankings 2012–2013—Medicare, NCQA's Health Insurance Plan Rankings 2012–2013—Private

**Plan performance Star Ratings are assessed each year and may change from one year to the next. Rankings refer to Medicare HMO Blue ValueRx, Medicare HMO Blue PlusRx and Medicare PPO Blue PlusRx Medicare Advantage Plans

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