Blue Cross Blue Shield of Massachusetts Exceeds National and State Health Care Spending Standards for Second Consecutive Year

BOSTON — July 19, 2013 —Blue Cross Blue Shield of Massachusetts (BCBSMA) exceeded federal standards by $396 million* and state standards by $242 million* in the amount it spent on medical benefits on behalf of its members in 2012.

"We work hard to keep our premiums as low as possible and we're proud that in 2012, we were able to exceed both state and federal standards for the percentage of premiums that health plans must spend on medical care for their members," said Allen Maltz, Chief Financial Officer of Blue Cross Blue Shield of Massachusetts. "It's worth noting that Massachusetts standards are the highest in the nation. Our ability to exceed the standards last year reflects our disciplined approach and commitment to appropriately pricing premiums to the cost of the benefits and to keeping our medical and administrative costs low."

Massachusetts state and the federal government began requiring health insurers to meet certain spending medical loss ratio (MLR) levels for medical benefits in 2011. MLR is an easy way to see what percentage of every premium dollar goes toward medical expenses, and what percentage goes toward administrative expenses. This is the second consecutive year that BCBSMA exceeded both the state and federal standards.

The Affordable Care Act (ACA) requires insurers to meet specific MLR goals. Under the ACA, the federal medical loss ratio requirements are:

- 85 percent for large groups (meaning 85 percent of every premium dollar goes toward medical expenses and improving the quality of care).
- 80 percent for small groups and individuals.

In Massachusetts, the requirement for small groups and individuals, known as the merged market, is the highest in the nation:

- 90 percent of every premium dollar is required to be paid toward paying claims or improving the quality of care.

In 2012, BCBSMA spent 91.3 percent of premium revenues on medical benefits for its individuals and small groups in the merged market and 90.9 percent for large groups. Under both state and federal law, if an insurer's medical loss ratio is below the requirement, the company must issue rebates to the companies and people they insure.

BCBSMA ended 2012 with a modest operating margin of 0.9% and paid $133 million in federal, state and municipal taxes and assessments for the year.

*The combined number includes HMO Blue and BCBSMA, Inc. Merged and Large Group Markets

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.

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