Blue Cross Blue Shield of Massachusetts Announces 2014 Financial Results

CEO Andrew Dreyfus Points To Major Opportunities for Collaboration With Consumers, Employers and Providers

BOSTON — February 27, 2015 — Blue Cross Blue Shield of Massachusetts (Blue Cross), Inc. and Blue Cross Blue Shield of Massachusetts HMO Blue, Inc. announced a combined after-tax net income of $8 million, which reflects an operating loss of $118.8 million, non-operating income of $16 million and investment income of $110.8 million for its calendar year 2014 financial results. Blue Cross, the largest health plan in Massachusetts, paid more than $286 million in federal, state and municipal taxes and assessments in 2014, up from $177 million in 2013.

"Our 2014 results are generally in line with the expectations we set at the beginning of the year," said Chief Financial Officer Allen Maltz. "We had planned for an operating loss so that we could keep premium increases as low as possible and to help fund significant investments in new technologies and services." Maltz said the operating loss was higher than anticipated for two major reasons: 1) the dramatic increase in the cost of so-called specialty medications which rose by more than 30% last year; and 2) the taxes, fees and expenses related to the Affordable Care Act.

Blue Cross recently published its 2014 annual report, highlighting the collaborative approach to meeting the health care needs of our members and employer accounts. Highlights of 2014 include:

- Our overall membership grew for the second year in a row and our success at retaining employer customer and winning new business was the highest in many years.
- Membership in our Dental Blue plans approached 830,000 and an increasing number of employers also looked to us for Group Life and Disability insurance.
- An October 2014 study in the New England Journal of Medicine showed that our Alternative Quality Contract improved the quality of patient care and lowered costs in the four years since it was first implemented. The four-year study by Harvard Medical School researchers offers important lessons for payment reform efforts nationally.
- Exceeding state and federal government spending requirements for a third year in a row by spending more than 90 percent of every premium dollar on our members' medical care.
- Our campaign to improve quality of care and reduce the risk of addiction for members taking prescription painkillers has yielded significant results. Safety and quality are up, opioid prescriptions are down and addiction risk is down.
- We launched Zaffre Investments, which helps finance innovative health care products, services and technologies.
- Our Corporate Citizenship efforts included: $6.1 million in contributions to 531 organizations; 284 community service projects, totaling 30,000 hours valued at $1.15 million; and 400 tons recycled, 2 percent reduction in electricity and 5,600 trees saved.
- Our Diversity and Inclusion efforts included: 42 percent increase in employee participation in diversity-related internal programs; 800 leaders completing diversity and inclusion training; and 50 partnerships and 150 events.
- We received awards and accolades from: NCQA, *US News & World Report, Boston Business Journal, Center for Plain Language, Benchmark Portal, Mass Eco, Metco and Color Magazine*.

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 the trusted health plan for more than 30,000 Massachusetts employers and 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. Connect with us on Facebook, Twitter, YouTube and LinkedIn.

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