



### CEO Message

We are confident that sustainable solutions to our health care cost challenges are within reach. The key to success is shared responsibility.

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**2012 ANNUAL REPORT** from Blue Cross Blue Shield of Massachusetts

**CEO MESSAGE** HEALTHY SAVINGS FOR EMPLOYERS BETTER CARE, LOWER COST HEALTH AND WELLNESS CORPORATE CITIZENSHIP 2012 IN REVIEW

# FROM ANDREW DREYFUS, PRESIDENT AND CEO

Our commitment to making quality health care more affordable took on added meaning in 2012, for several reasons.

First of all, we celebrated our 75th anniversary and reaffirmed our founders' guiding vision, which was to make sure residents of Massachusetts could afford to get the health care they needed.

Second, our company and our independently governed, nonprofit Foundation played very active and constructive roles in the public policy debate that preceded enactment of our state's new health care cost containment law.

And third, we have demonstrated that we can, in fact, have an impact on the cost trend as well as on quality and outcomes—through the success of our Alternative Quality Contract; our new, value-based products and wellness incentives; our ability to coordinate care for people with very expensive and complex medical problems; our support for new models of affordable care; and much more.

As you read and view what physicians, employers, brokers, and others have told us for this annual report, I think you will get a sense of how much, and how fast, the health care landscape is changing. At Blue Cross Blue Shield of Massachusetts, we are confident that sustainable solutions to our state's cost challenges are within reach, and we are proud and excited to have a significant role to play in building an exceptional and affordable health care system.

## THE UNFINISHED BUSINESS OF AFFORDABILITY

2:05

"The key to success is shared responsibility... No one's going to be able to sit on the sidelines."



## PREPARING FOR UNPRECEDENTED CHANGE

1:32

"Naturally, we've thought a lot about the role we'll be playing through all this..."



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CEO MESSAGE HEALTHY SAVINGS FOR EMPLOYERS BETTER CARE, LOWER COST HEALTH AND WELLNESS CORPORATE CITIZENSHIP 2012 IN REVIEW

# HEALTHY SAVINGS FOR EMPLOYERS

One of our top priorities during 2012 was to ensure that we could provide the best possible combination of affordable products, services, programs, and consultation to every employer customer and potential customer regardless of size, industry type, or market segment.

Whether a customer is large, national, and self-insured or a startup with a handful of workers; a thriving high-tech superstar or a nonprofit that marks its success one client at a time; a city or town; a college or university; a huge grocery chain or a corner bodega—we are more prepared than ever to be an active partner in helping improve the health of their employees and their bottom line.

We collaborate with employers and their brokers and consultants to gain a comprehensive understanding of their employees' health care needs, their use of the health care system, and the factors that are driving the employers' costs. For companies with large memberships, we are able to provide in-depth Health Informatics reports that can identify the best opportunities for cost containment. For example, as a result of its Health Informatics data, a company may decide to focus on educating employees on the appropriate use of emergency services or high-cost imaging—or on promoting diet, exercise, or smoking cessation.

As the stories in this section of the annual report demonstrate, the need for information, innovative solutions, and trusted advice is not limited to large employers, especially in a time of rapid, unprecedented change in health care.

## HIGHER ED BLUE

2:28

Babson College uses our new Higher Ed Blue incentives to make employee health and wellness an integral part of the campus culture.



## TAKING ON THE COST DRIVERS

Our Health Informatics reports equip employers with data, analysis, and recommendations on how to address their health care costs.

## TAILORING HEALTH COVERAGE

Employers of all types and sizes look to us for customized solutions that meet the unique health care needs of their workers.



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## BETTER CARE, LOWER COST

2012 marked three years since we introduced the Alternative Quality Contract (AQC), a groundbreaking payment model that rewards providers for quality, efficiency and effectiveness rather than quantity of care.

By the end of the year, more than three-quarters of the contracted primary care providers and specialists in our HMO network were participating in the AQC. The results of the AQC to date, including those from a formal evaluation by Harvard Medical School researchers, show that its use is improving patient care while slowing the growth in health care spending.

A September 30, 2012 editorial in *The New York Times*, entitled, "How Insurers Can Help," said this of the AQC: "The experience with Massachusetts Blue Cross suggests that global payments can help change the culture of medical practice. If this model shaves just a few percentage points off the spending growth rate, total health care expenditures in the nation could drop by tens of billions of dollars a year, saving trillions over the next two decades."

[Download our AQC White Paper](#)

### THE AQC CONTINUES TO EXPAND

1:22

The president of Boston Children's Hospital explains how the Alternative Quality Contract will help enhance pediatric care.



### OFFERING A CONTINUUM OF CARE

1:51

Signature Healthcare's chief of medicine describes an innovative approach Brockton Hospital uses to improve patient care and control costs.



### IMPROVING COORDINATION OF CARE

AQC groups in Boston, Springfield, and Lowell focus on reducing clinically wasteful care such as unnecessary hospital admissions.

### MANAGING COMPLEX CONDITIONS

Two AQC doctors groups supplement primary care with teams that include social workers and mental health specialists.



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CEO MESSAGE HEALTHY SAVINGS FOR EMPLOYERS BETTER CARE, LOWER COST **HEALTH AND WELLNESS** CORPORATE CITIZENSHIP 2012 IN REVIEW

## HEALTH AND WELLNESS

In 2012, we continued to develop—often in collaboration with our employer partners—innovative, outcome-focused programs, tools, incentives, and information channels to promote prevention, health improvement and care management.

We added new programs designed to engage our members in making positive lifestyle changes in areas like physical activity, healthy eating, and tobacco-free living. Especially noteworthy is Healthy Actions, a program that offers individuals and small businesses the kind of wellness programs and incentives that were previously available only to large employers.

We refined our care management services, which focus on helping members with chronic, complex, or acute medical problems.

Our new Chronic Condition Management program includes a highly-trained team of clinicians and support staff that helps members better understand their chronic illnesses, and connects them to appropriate care management resources and wellness programs. We continuously evaluate our member population to identify high-risk members, so that our Care Management team can actively reach out with interventions that address potential health problems before they escalate, and thereby reduce costly emergency care and avoidable hospital admissions.

### CARE MANAGEMENT

Our longtime partnership with the Massachusetts Municipal Association means better coordination of care for members facing a medical crisis.

### HEALTHY ACTIONS FOR SMALL BUSINESSES

An innovative new program engages small businesses and their employees in health improvement by offering financial rewards.

### INVESTING IN EMPLOYEE WELLNESS

The benefits director and the CFO of a global biopharmaceutical company discuss the company's investment in employee wellness.



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## CORPORATE CITIZENSHIP

In 2012, we continued our longstanding commitment to strengthening the communities where our members and associates live and work, through strategic investments, employee volunteerism, civic leadership, and our nonprofit Foundation.

In recognition of our 75th anniversary, we awarded special \$75,000 grants to four local nonprofits that promote nutrition, education, huge success and access to healthy foods for low-income families with young children: The Urban Food Initiative; Project Bread in partnership with Lynn Economic Opportunity, Inc.; Boston Natural Areas Network; and the Holyoke Food and Fitness Policy Council's Kindergarten Initiative.

Our second annual all-company Service Day was a huge success, as our associates tallied more than 16,000 hours in volunteer work across the state. Our employee volunteer corps, known as the BlueCrew, also provided mentoring assistance throughout the year—educational mentoring and tutoring for students, and skills-based, professional mentoring that matches our associates with nonprofit organizations.

The Blue Cross Blue Shield of Massachusetts Foundation continued to play a vital role in expanding access to health care for low-income and vulnerable residents of the Commonwealth through its research, policy work, and grant making. The Foundation added a new category of grants in 2012, to support strategies and initiatives that will reduce health care costs while also maintaining or improving access and quality. The Brookline Community Mental Health Center was one of the first recipients. You can learn more about the Foundation's work at [bluecrossmafoundation.org](http://bluecrossmafoundation.org).

### PROMOTING HEALTHY EATING FOR KIDS

1:55

Elementary school children experience new food choices thanks to our 75th anniversary grant to the Holyoke Food and Fitness Policy Council.



### SERVICE DAY 2012: 3,000 VOLUNTEERS, 29 PROJECTS

3:06

A look at how our company's associates spent a day in September working on community service projects throughout the state.



### STRENGTHENING OUR NONPROFIT PARTNERS

The director of administration at an organization devoted to ending domestic violence hones her HR skills with help from two of our associates.

### HEALTHY LIVES FOR HIGH-RISK PATIENTS

A grant from our Foundation supports a new approach to meeting the complex needs of people coping with chronic medical and mental health conditions.



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## 2012 IN REVIEW

Our 75th anniversary year was productive and successful, thanks to the dedication and hard work of our 3,500 associates.

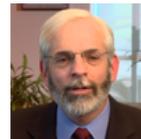
Their commitment to making quality health care affordable, and their dedication to the health and welfare of our customers, our members, and the broader community at large, led to some notable achievements.

There is no doubt that the achievement that gives us the most satisfaction is helping our members at times when they are most vulnerable, and are most in need of security and peace of mind.

### A LOOK BACK AT 2012

1:58

"With all the changes taking place in health care, we've got a clear mission that is as valid today as it was 75 years ago...."



### 2012 FACTS, FIGURES AND FINANCIAL OVERVIEW

A list of milestones, accomplishments, and results, as well as our compensation philosophy and our 2012 financial statements.

### 75 YEARS OF SERVICE

2:13

A brief look at our beginnings and at how the values of our founders still connect us with employers, members, and our associates.



### BOARD OF DIRECTORS AND EXECUTIVE LEADERSHIP TEAM

A list of board members and corporate leaders as of December 31, 2012.



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