From Our CEO
Dear Friends:

As I think about the ways Blue Cross is working with others to make high-quality health care more affordable, three priorities stand out. Taken together, they have the potential to reshape how we think about, and experience, health care in Massachusetts and across the country.

Getting in Step with Consumers

We’re developing new ways to make the health care experience simpler and more responsive to our members’ needs. We operate in a complex, fragmented health care system that is out of step with what consumers demand in many other aspects of their lives, especially when their money or well-being are at stake. That has to change. Whether they’re choosing where to get their care, trying to understand a deductible, or managing a health savings account, our members want us to simplify their experience, anticipate their needs, and engage with them on their terms. Guided by our promise to always put our members first, we’re developing new programs and tools – some using the latest personal technology and others based on old-fashioned person-to-person outreach – to ensure that we deliver what contemporary health care consumers require.

“Consumerism means our employees are asked to consider all their options when choosing health care, just as they would when making other important purchases.”
– GAIL BEAUREGARD, director of corporate benefits, Boston Scientific

Changing Payment Incentives

We’re changing the way we pay for our members’ care. Instead of incentives to do more, we offer doctors and hospitals the incentives, data, and support they need to perform at their best. For the past five years, the vast majority of doctors in our Massachusetts HMO provider network have participated in a new payment model we call the Alternative Quality Contract or AQC. Unlike traditional fee-for-service, which pays for activity – visits to a physician, diagnostic tests, admissions to a hospital – the AQC rewards better quality
and outcomes. In 2014, independent researchers examined the first four years of the AQC and found that it has lowered costs and improved patient care for our HMO members. By 2016, we will offer new payment incentives for quality and efficiency that will include our Massachusetts PPO and Medicare Advantage membership as well.

“This new kind of contract asks doctors and hospitals, together, to think about prevention, to think about high-value care, to think about reducing waste...”
– ZIRUI SONG, M.D., PH.D., Harvard Medical School

Turning the Tide on Chronic Disease

We’re developing new and more effective programs, tools and incentives aimed at preventing and controlling chronic disease. It has long been known that chronic conditions such as diabetes, heart disease, and obesity are among the most debilitating, costly, and preventable of all our nation’s health problems, yet progress has been frustratingly slow. Five percent of our members account for half of our medical costs, and most of them have multiple chronic conditions linked to lifestyle risks and behaviors like diet, physical activity, and tobacco use. To help turn the tide, we’re working with our members, employer customers, and physicians and hospitals on new, outcome-oriented approaches to wellness, including personalized coaching, online programs and tools, and support for people living with chronic conditions. We believe that by focusing on what happens outside the doctor’s office – in people’s homes, communities, and work sites – we can help improve our members’ quality of life, reduce the burden of illness, and slow the rise in health care costs.

“We firmly believe that the wellness program does impact our claim experience. For our active employees, our rates haven’t increased in four years.”
– JOE SHEA, executive director, Hampshire County Joint Insurance Trust

As the brief stories in this report demonstrate, we share with our customers and provider partners a strong commitment to creating a far better consumer experience, using incentives to improve patient care, and reducing the burden of chronic
disease. We still have a lot of work to do, but together we’re making real progress toward the goal of higher quality at lower cost.

With thanks and best wishes,

ANDREW DREYFUS
President and CEO, Blue Cross Blue Shield of Massachusetts
New Tools Support Engaged Employees

GENESIS HR SOLUTIONS
Big Benefits for Growing Companies

JAMES HOOK & CO.
A Partnership That Spans Generations

CITIES & TOWNS
Wellness Focus Pays Dividends

MEDICARE
Teamwork Enhances New Medicare Option
2014 was a very successful year.

Guided by our Promise to Always Put Our Members First and our Vision to Make Quality Health Care Affordable, we advanced each of our strategic goals – to grow our business, maintain our financial stability, engage health care consumers, and be the partner of choice for employers and providers.
Our net income for the year was

Despite the financial challenges due to extensive modernization of our healthcare system, enrollment, and billing processes, we managed to maintain robust revenue despite the high cost of Affordable Care Act compliance.
An independent study published in the New England Journal of Medicine (October 30, 2014) found that our Alternative Quality Contract (AQC) payment model has improved the quality of patient care and lowered costs.

The AQC, which includes 85 percent of the physicians and hospitals in the Blue Cross HMO network, fosters shared responsibility for improving care and moderating the unsustainable rate of increase in health care costs.
SAVINGS ON MEDICAL SPENDING

IMPROVED HEALTH OUTCOMES

12 POINTS ABOVE NATIONAL AVERAGE

“Members who belonged to
physician organizations that joined the AQC experienced slower growth in their health care spending... [and] greater increases in quality of care.”

– ZIRUI SONG, M.D., PH.D., Harvard Medical School
WE HAVE THE TOP-RANKED MEDICARE PPO PLAN IN THE U.S. FOR THE SECOND STRAIGHT YEAR.*

OUR COMMERCIAL PPO AND HMO ARE AMONG THE HIGHEST-RATED IN THE U.S.*

A TOP RATED INSURER IN MASSACHUSETTS

HIGHEST OVERALL RATING MASSACHUSETTS

Boston Business Journal Most Admired Company Recognition

Boston Business Journal Leaders in Diversity and Top Charitable Contributor Designations

Center for Plain Language Award for Our Multimedia Tutorial on Consumer Directed Health Care

Benchmark Portal Center of Excellence Certification for Our Retail Sales and Retention Team

Massachusetts ECO Awards Excellence in Commuter Options Leadership

METCO Leadership Pioneer Award for Support of Educational Opportunity

Color Magazine All-Inclusive Awards for Leadership and Supplier Diversity

* National Committee for Quality Assurance (NCQA) Health Insurance Plan Rankings 2014–2015. Overall, our Medicare Advantage PPO plan is ranked as the #15 Medicare Advantage plan in the U.S. and our Medicare Advantage HMO plan is ranked #19. (NCQA is not affiliated with CMS, nor is the award given by Medicare.) Our commercial PPO plan is ranked by NCQA as the #10 private plan in the U.S. and our commercial HMO plan is ranked #11.
2014 Combined Balance Sheets and Income Statements

Our Combined Balance Sheets and Income Statements provide a statutory-basis overview of the financial results of both Blue Cross Blue Shield of Massachusetts, Inc. and Blue Cross Blue Shield of Massachusetts HMO Blue, Inc.

2014 Combined Balance Sheets and Income Statements

2014 Audited Financial Reports
2014 Audited Financial Reports include Audited Statutory-Basis Financial Statements for Blue Cross and Blue Shield of Massachusetts, Inc. for the years ended December 31, 2014 and 2013 with Report of Independent Registered Public Accounting Firm. The reports also include the Audited Statutory-Basis Financial Statements for Blue Cross and Blue Shield of Massachusetts HMO Blue, Inc. for the years ended December 31, 2014 and 2013 with Report of Independent Registered Public Accounting Firm.

2014 Blue Cross and Blue Shield of Massachusetts HMO Blue, Inc.

2014 Blue Cross and Blue Shield of Massachusetts, Inc.

CORPORATE CITIZENSHIP

Together We’re Building a Healthier Community
We believe all children and families throughout the Commonwealth deserve to thrive, learn, and lead as healthy and engaged citizens.
Together We’re Giving Everyone a Voice

We will not rest until every Blue Cross associate can say, “I see a reflection of myself at every level of the organization and I have a clear shot to be successful.”
### Board of Directors (as of December 31, 2014)

<table>
<thead>
<tr>
<th>Name</th>
<th>Position and Affiliation</th>
</tr>
</thead>
<tbody>
<tr>
<td>George R. Alcott, III</td>
<td>Vice President, Massachusetts AFL-CIO</td>
</tr>
<tr>
<td>Brian M. Barefoot</td>
<td>President Emeritus, Babson College</td>
</tr>
<tr>
<td>Andrew Dreyfus</td>
<td>President &amp; CEO, Blue Cross Blue Shield of Massachusetts, Inc.</td>
</tr>
<tr>
<td>Helen G. Drinan</td>
<td>President, Simmons College</td>
</tr>
<tr>
<td>Richard C. Garrison</td>
<td>President, Bink Inc.</td>
</tr>
<tr>
<td>Paul Guzzi, Vice Chair</td>
<td>President &amp; CEO, Greater Boston Chamber of Commerce</td>
</tr>
<tr>
<td>Philip W. Johnston</td>
<td>President, Philip W. Johnston Associates</td>
</tr>
<tr>
<td>Ralph C. Martin, II</td>
<td>Senior Vice President &amp; General Counsel, Northeastern University</td>
</tr>
<tr>
<td>Robert F. Meenan, M.D.</td>
<td>Dean, Boston University School of Public Health</td>
</tr>
<tr>
<td>Paula A. Price</td>
<td>Senior Lecturer, Harvard Business School</td>
</tr>
<tr>
<td>Dorothy E. Puhy</td>
<td>Executive Vice President &amp; COO, Dana-Farber Cancer Institute</td>
</tr>
<tr>
<td>Timothy M. Sweeney</td>
<td>President, Liberty Mutual Personal Insurance</td>
</tr>
<tr>
<td>Paul F. Toner</td>
<td>President, New Voice Strategies</td>
</tr>
<tr>
<td>Benaree P. Wiley</td>
<td>Principal, The Wiley Group</td>
</tr>
<tr>
<td>Phyllis R. Yale, Chair</td>
<td>Senior Advisor, Bain &amp; Company, Inc.</td>
</tr>
</tbody>
</table>

### Leadership Team (as of December 31, 2014)

<table>
<thead>
<tr>
<th>Name</th>
<th>Position and Affiliation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andrew Dreyfus</td>
<td>President, Chief Executive Officer</td>
</tr>
<tr>
<td>Bruce Bullen</td>
<td>Chief Operating Officer</td>
</tr>
<tr>
<td>Deborah Devaux</td>
<td>Senior Vice President, Network and Service Integration, Interim Chief Strategy Officer</td>
</tr>
<tr>
<td>John A. Fallon, M.D.</td>
<td>Senior Vice President, Chief Physician Executive</td>
</tr>
<tr>
<td>Stephanie Lovell, Esq.</td>
<td>Senior Vice President, General Counsel</td>
</tr>
<tr>
<td>Name</td>
<td>Position</td>
</tr>
<tr>
<td>--------------------</td>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>Allen Maltz</td>
<td>Executive Vice President, Chief Financial Officer</td>
</tr>
<tr>
<td>Jay McQuaide</td>
<td>Senior Vice President, Communications &amp; Corporate Citizenship</td>
</tr>
<tr>
<td>Jason Robart</td>
<td>Senior Vice President, Chief Human Resources Officer</td>
</tr>
</tbody>
</table>

Blue Cross Blue Shield of Massachusetts

We’re Making Quality Health Care Affordable

Copyright Information
Terms of Use, Privacy & Security
Accessibility