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Welcome

July 2008

Dear Business Partner:

In this mid-summer issue of BlueLinks℠ eNews, we are updating you on important new information and reiterating some information from earlier editions.

Beginning July 1, 2008, our Blue Options℠ and Blue Precision℠ Tiered Network family of plan designs includes a more robust, expanded three-tier structure, which offers additional savings opportunities to employers.

Additionally, we have signed an agreement with Benefit Concepts that will give our employers access to a preferred solution for offering Health Reimbursement Arrangements and Flexible Spending Accounts beginning in the fourth quarter of 2008.

While our product portfolio is expansive, we continually look for ways to better meet your health coverage needs. To that end, we have added two new HMO Blue plans and modified two existing HMO Blue plans for July 1, 2008, which are discussed in greater detail below.

In this edition of BlueLinks eNews, we also review Voluntary Blue, a service we are administering in conjunction with Benefit Concepts that offers employers another opportunity to provide mandated coverage for part-time employees not covered by the employer's plan.

We include a reminder that PPO out-of-network reimbursement changes will take effect on January 1, 2009.

Thanks to your efforts, the creation of Indigo Insurance Services, LLC, has been a tremendous success. Below, we discuss some very solid numbers, and share a new product that has been approved for sale—voluntary group term life.

Finally, we all appreciate the toll that smoking takes on the health and productivity of employees and their coworkers. Below, we describe a pilot program we are initiating with QuitNet that may provide an opportunity for your employees to access a personalized smoking cessation program.

If you have any questions or comments, please don't hesitate to share them with your Account Executive.

Sincerely,

Carlos Cubia
Vice President
Sales Division

In this issue of BlueLinks eNews:

- Updated Tiered Network Plans
- New Solution for HRA and FSA Administration
- Product Modifications
- Voluntary Blue: Health Care Coverage for Non-Eligible Part-Time Employees
- Out-of-Network Reimbursement: Usual and Customary Fee Schedule
- Indigo Insurance Services
- QuitNet®' Smoking Cessation Program

Updated Tiered Network Plans Available July 1, 2008

An updated version of our Blue Options℠/Blue Precision℠ family of plans features a more robust cost and quality provider tiering structure and offers greater savings. The updated version is available for effective dates as of July 1, 2008, for employers with over 50 employees, and beginning August 1, 2008, for smaller groups and individuals.

The updated plans, which initially launched last year with a two-tier structure, will have three benefits tiers* for Massachusetts primary care physicians (PCPs) and acute care hospitals.

Enhanced Benefits Tier—Lowest member cost sharing—Includes Massachusetts PCPs and hospitals that met our quality benchmark and our benchmark for lowest cost.

Standard Benefits Tier—Mid-level member cost sharing—Includes Massachusetts PCPs and hospitals that met our quality benchmark and our benchmark for moderate cost. Also includes providers without sufficient data for measurement on one or both benchmarks. In limited circumstances, the Standard Benefits Tier includes certain providers whose scores would put them in the Basic Benefits Tier to provide geographic access for members.

Basic Benefits Tier—Highest member cost sharing—Includes Massachusetts PCPs and hospitals that scored below our quality benchmark and/or our benchmark for moderate cost.

This more robust tiering structure provides significant financial incentives for members to choose high quality, lower cost providers when they get care. It also delivers real choice within the tiers.

How Tiers Work
Each time members seek care from a PCP or hospital, their cost sharing is based on the tiering of the provider they see. Now Members can have more control over their costs by choosing providers from the Enhanced or Standard Benefits Tiers.

To view Product Option Sheets and the Summary of Benefits visit the Broker site or contact your Account Executive.

* Note: For the cost benchmark, hospitals were measured on their individual facility's performance and PCPs were measured according to the costs their group's HMO patients incurred. Physician groups can be composed of an individual provider, or a number of providers who practice together. Tier placement is based on benchmarks where measurable data is available; those without sufficient data were defaulted to the Standard Benefits Tier. Specialty hospitals were measured on cost alone for their overall tier rating. Hospitals with nonstandard reimbursement were placed in the Basic Benefits Tier.

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New Solution for HRA and FSA Administration

We have signed an agreement with Benefit Concepts that gives your clients access to a preferred solution for offering Health Reimbursement Arrangements (HRA) and Flexible Spending Accounts (FSA) with effective dates beginning in the fourth quarter of 2008.

This solution expands our existing relationship with Benefit Concepts by further the Benefit Concepts personal spending account (PSA) administrative and support services to deliver collaborative setup, funding, and management for clients.

The enhanced HRA and FSA spending account options with Benefit Concepts are available for quoting to accounts now with effective dates beginning in the fourth quarter of 2008.

About Benefit Concepts
Benefit Concepts is a 24-year-old Rhode Island-based firm with more than 400 clients and a national reputation for employee benefits management.

As one of six TPAs we collaborate with on our claims feed solution, Benefit Concepts has a proven track record with us. Benefit Concepts also has access to adjudicated medical and pharmacy claims that facilitate the timely and accurate administration of HRA and FSA accounts.

Service and Support with Benefit Concepts
This new partnership will help us deliver a preferred level of service and support for accounts and members to help them manage, administer, and use their PSAs and health plans. This represents a significant improvement to standard claims feeds, enhancing the employer and member PSA experience.

To deliver this improved level of support, we will be working with Benefit Concepts to provide joint implementation teams for new clients and aligned member service between our two organizations. Additionally, we will maintain joint client support teams to provide

quick resolution to employer issues during the plan year.

Account Types Available with Benefit Concepts
We are offering the following account types through Benefit Concepts:

- Flexible Spending Accounts (FSA)
- Health care
- Dependent care
- Health Reimbursement Arrangements (HRA)

All health care accounts will be available with a stored value card. Within the accounts, Benefit Concepts can manage multiple health care accounts under one card. This account integration greatly simplifies card use for the member.

Other Services
When you sign on with Blue Cross Blue Shield of Massachusetts and Benefit Concepts for an HRA and/or FSA, you, your clients, and their employees will receive:

Customized Communications

Employee Portal—Full-service web portal that helps members manage their HRA/FSA with:

- Electronic substantiation submission
- Benefit information, 24/7
- Track expenses and review
- Claims research
- Forms and documents
- Other helpful information such as FAQs

Employer Portal—Allows managers to effectively control their plan

- Review and edit benefit and human resources data and contribution amounts
- Update information as necessary
- Communicate with employees through the employee portal, including custom collateral
- Monitor file transfers
- Report on overall plan status, contributions, and payments

Reporting—Benefit Concepts provides reporting to the employer and members, including:

- Employers—Plan status and overview reports
- Members—Semi-annual account statements

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Product Modifications

At Blue Cross Blue Shield of Massachusetts, our comprehensive product portfolio provides many options to meet the various health coverage needs of employer groups in Massachusetts. As part of our ongoing effort to give you the most cost-effective coverage options for your clients, we have added two new plans and modified two existing plans.

Highlights of the plan changes are:

New Plans

HMO Blue® Premium—A new HMO Blue plan with $15/$25 office visit copays and $100 inpatient and outpatient hospital copays. The plan has premiums approximately six percent less than the HMO Blue $10 and is available as of July 1, 2008, effective dates.

HMO Blue® Value with BasicRx—This plan combines our popular HMO Blue Value medical benefits with our BasicRx pharmacy benefit design. BasicRx includes our BlueValue Rx formulary, as well as a $250/$500 pharmacy deductible and 50 percent co-insurance on Tier 2 and Tier 3 medications. This new plan has premiums that are approximately four percent less than our existing HMO Blue Value with prescription drug coverage and became available as of April 1, 2008.

Modified Plans

Access Blue™ Enhanced Value—We are modifying the standard pharmacy benefit for all accounts to the BasicRx pharmacy benefit design. BasicRx includes our BlueValue Rx formulary and a $250/$500 pharmacy deductible and 50 percent co-insurance on Tier 2 and Tier 3 medications. The modified plan became available for new accounts and renewals as of July 1, 2008.

HMO Blue Basic Value—We are modifying the standard version of this plan by adding a $250/$500 medical deductible and changing the pharmacy benefits to the BasicRx pharmacy benefit design. BasicRx includes our BlueValue Rx formulary, as well as a $250/$500 pharmacy deductible and 50 percent co-insurance on Tier 2 and Tier 3 medications. The modified plan became available for new accounts and renewals as of July 1, 2008.

To learn more please see our Product Modifications Chart. Copies of the benefit summaries for these products are available in the Broker Resources section of bluecrossma.com. If you have questions, please contact your Account Executive.

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Voluntary Blue: Health Care Coverage for Non-Eligible Part-Time Employees

Under Massachusetts health care reform, employers with 11 or more full-time equivalent employees must give their qualifying part-time employees not covered by the employer's plan the option of directly purchasing health coverage on a pre-tax basis through the employer's Section 125 plan.

Meeting this mandate does not have to be an expensive administrative burden—not with Voluntary Blue. Blue Cross Blue Shield of Massachusetts worked with Benefit Concepts, an established administrative services company, to create a service that can help you set up a special Section 125 plan and Premium Reimbursement Account (PRA) arrangement for these non-eligible, part-time employees.

The PRA is used to hold money deducted pre-tax from part-time employees to pay and reimburse employees for their health care premiums on a pre-tax basis. The PRA is administered by Benefit Concepts.

If your clients offer Blue Cross Blue Shield of Massachusetts coverage exclusively to full-time employees and have 11 or more full-time employees, we will pay the one-time setup costs to get their solution up and running.

Benefit Concepts will validate reimbursement requests, administer payments to employees, and respond to PRA questions. Meanwhile, your clients will pay a small monthly maintenance and per-employee fee directly to Benefits Concepts.

This value-added service can help your clients meet health care reform obligations and will also allow them to save on taxes as their employees direct some of their paycheck to purchase health care on a pre-tax basis.

If you have questions about Voluntary Blue, please contact your Account Executive or go to www.bluecrossma.com/voluntaryblue.

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Out-of-Network Reimbursement: Usual and Customary Fee Schedule

Beginning January 1, 2009, the out-of-network coverage for non-preferred physicians and other covered non-preferred professional providers for our Blue Care® Elect and Preferred Blue® PPO plans will change to include the application of a usual and customary fee schedule. This change will affect new sales and existing PPO customers on their renewal dates beginning January 1, 2009.

Currently, when a member in one of these plans receives services from a non-preferred provider that is not part of our PPO network, Blue Cross Blue Shield of Massachusetts makes claim payments based on the provider's charges. Beginning January 1, 2009, claim payments for most non-preferred physicians and other covered non-preferred providers will be calculated based on Blue Cross Blue Shield of Massachusetts' standard indemnity fee schedule or the provider's actual charge if it is less than the fee schedule. In instances in which a provider's charges are more than the standard indemnity fee schedule, the member will be responsible for the difference plus any applicable cost-sharing amount. (Note: This change will not affect claim payments for services received outside of Massachusetts from a provider that participates with the local BC and/or BS plan.)

If you have any questions about this change, please contact your Account Executive.

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Indigo Insurance Services

The overall marketplace reaction to the creation of Indigo Insurance Services has been very positive. With the ability to quote life and disability insurance in a single call to your Blue Cross Blue Shield of Massachusetts Sales and Account Executive, brokers like you have put us well on our way to exceeding our goals for 2008.

Results since Indigo's launch in April include:

- Over 500 brokers appointed by Indigo and USAble
- 600 cases quoted
- 25 cases sold ranging in size from 2 to 250 employees
- Over $500,000 of annualized premium
- Multiple medical, dental, life, and disability cases sold
- Single medical, dental, life, and disability commission statement released
- First qualifier for the USAble Life 2009 Incentive Contest

We continue to work toward the release of single electronic bill presentment for medical, dental, life, and disability by year-end 2008, and single enrollment functionality by year-end 2009.

Voluntary Group Term Life (VGTL) Approved in Massachusetts
You now have the ability to sell USAble's VGTL through Indigo Insurance Services. For more information on this coverage please visit www.indigo-insurance.com.

If you have any questions please contact your Blue Cross Blue Shield of Massachusetts Account or Sales Executive.

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QuitNet Smoking Cessation Program

Cigarettes claim thousands of lives each week and cost Americans over $167 billion a year in lost productivity and medical expenses. Public awareness campaigns have called attention to these facts, but they don't make quitting any easier. That's why we are offering select accounts that implement tobacco premium contribution differentials (TPCD) access to QuitNet, a comprehensive, evidence-based program designed to help smokers put down the pack for good.

Blue Cross Blue Shield of Massachusetts, in collaboration with QuitNet, is proud to offer members access to personalized smoking cessation support and educational information such as quit-related statistics like "Time Smoke-Free" and "Lifetime Dollars Saved." Members have access to smoking cessation services and tools via phone, online, and through written communications. This allows the member to choose the quit method that works best for them. Members who participate in the program will receive scheduled phone counseling from credentialed health professionals, a QuitNet *QuitGuide*, and five years of opt-in e-mail support. QuitNet provides a unique community to help people on their way to a smoke-free life.

Overcoming tobacco dependency isn't easy, but with QuitNet and Blue Cross Blue Shield of Massachusetts, our members have the tools to make one of the single best changes for their health. For more information about this pilot program, please call your Account Executive.

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BlueLinks for Brokers
http://www.bluecrossma.com/bluelinks-for-brokers/

Product Modifications Chart
http://mailcenter.newmediagateway.com/bluecrossma/dsc/collateral/product_modifications_chart.pdf

Blue Cross Blue Shield of Massachusetts
http://www.bluecrossma.com/

Voluntary Blue
http://www.bluecrossma.com/voluntaryblue/

USAble Life 2009 Incentive Contest
http://mailcenter.newmediagateway.com/bluecrossma/dsc/collateral/2009_indigo.pdf

Indigo Insurance
http://www.indigo-insurance.com/

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