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## Welcome

May 2008

Dear Business Partner:

In this month's BlueLinks<sup>SM</sup>, we begin by reporting our first quarter earnings for 2008. Blue Cross Blue Shield of Massachusetts continues to make every effort to improve member health and well-being, and we thank you for your dedication and hard work.

This issue also includes updates regarding the broker website, tiered networks, and CDH offerings. In addition, we name the 2008 Blue Distinction Centers for Complex and Rare Cancers<sup>SM</sup>. There is also a brief outline of the new Partnership for Healthcare Excellence advertising campaign and a description of an innovative e-prescription disease management pilot program.

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

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**First Quarter 2008 Earnings Announcement**

5/15/2008

Today, we reported our First Quarter 2008 financial results. We could not have achieved these results in today's competitive environment without your ongoing dedication and support. We appreciate the opportunity to continue serving you and your clients.

For details about our first quarter results, please read our recent [press release](#). If you have any questions, please contact your Account Executive.

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### We Listened to You: Updated Broker Website at [bluecrossma.com](http://bluecrossma.com)

To better serve the needs of our broker partners, we have developed and deployed the first version of a redesigned broker support section of [www.bluecrossma.com](http://www.bluecrossma.com).

Based on your feedback, the new site, located at [www.bluecrossma.com/brokers](http://www.bluecrossma.com/brokers), was designed to provide quick access to the tools and resources brokers need to sell and support Blue Cross Blue Shield of Massachusetts health and dental coverage. We look forward to continuing to update and refine the site to meet your and your clients' needs; keep your feedback coming.

Content is divided into five sections:

- **Manage Your Business** – Includes links to online enrollment, BlueQuote® and the sold case calendar
- **News & Updates** – Delivers the latest news from Blue Cross Blue Shield of Massachusetts, as well as archives of the BlueLinks eNews, the IAI, and corporate press releases
- **Products** – Provides links to medical and dental benefit summaries, dual option tables, and other information about our plans
- **Value-Added Programs** – Gives access to demos of our decision support tools, information on worksite wellness, and more
- **Resource Library** – Provides links to forms and documents brokers need to support themselves and their clients

We are continuing to enhance this new site and expect to add new content and features in the near future. We will communicate that information to you as releases occur.

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### Significant changes in Personal Spending Account Administration

We wanted to share updates with you regarding significant changes with respect to our vendor partners for personal spending accounts for our Consumer Choice Blue plans.

At a high level, the changes are:

- **Wells Fargo** – Beginning July 31, 2008, Wells Fargo will not be accepting any new, or renewing existing HRA or FSA clients. Wells Fargo will continue to accept new, and renew existing HSA clients.
- **Blue Healthcare Bank<sup>SM</sup>** – We have put a hold on offering the Bank to new employer groups in order to enable the Bank to ensure it can deliver the service you and your clients expect from us and to add capacity to meet its growth expectations.

#### Additional HRA/FSA Solution

We are in the process of finalizing an agreement to expand our relationship with Benefit Concepts, a proven Third Party Administrator (TPA) business partner to provide HRA and FSA account administration services for your clients.

This vendor partner relationship is a solution to support our clients' needs for Health Reimbursement Arrangements (HRA) and Flexible Spending Accounts (FSA) personal spending accounts.

This solution will give your clients enhanced linkage between medical coverage and HRA/FSA

administration, including a debit card and, we are confident, the account and member experience you have come to expect from Blue Cross Blue Shield of Massachusetts. Benefit Concepts is currently one of our existing HRA and FSA partners for our electronic claim feeds and we are expanding the integration with them to strengthen this solution.

Benefit Concepts is a 24-year-old Rhode Island based firm with more than 400 clients-with 75,000 active participants in HRAs and FSAs—and a national reputation for employee benefits management.

We expect to have our enhanced service platform with Benefit Concepts to be operational by the fourth quarter of 2008.

We will provide you with more details shortly.

#### **Wells Fargo ending HRA and FSA administration**

Beginning on July 31, 2008, Wells Fargo will be transitioning out of the market for HRA and FSA administration.

Wells Fargo is shifting its focus to Health Savings Accounts, which it will continue to offer going forward.

This means that they will not accept new or renewing HRA or FSA business after July 31, 2008.

If you plan to place an HRA/FSA with Wells Fargo with an effective date prior to July 31, 2008, please note that there is a 60-day timeline required for a successful implementation of these products. The 60-day time period begins with the delivery of all required setup documents (completed and signed) with the applicable setup fees.

Clients with existing Wells Fargo contracts that are due for renewal prior to July 31, 2008, will be able to renew again this year, but will need to be advised that they will not be able to renew with Wells Fargo when their plan year ends in 2009. Groups with existing Wells Fargo contracts that are due for renewal after July 31, 2008, will be able to keep their current plan until the end of the plan year, but then will need to be transitioned to a new HRA/FSA administrator.

We are working with Wells Fargo on a transition plan to ensure we meet any new sales commitments and continue service for our current Wells Fargo HRA and FSA customers until they transition to another administrator.

#### **Blue Healthcare Bank evaluating capacity**

Effective immediately, Blue Healthcare Bank is undergoing an extensive review of its operating environment to ensure it has the capacity to maintain service levels as they add new Blues Plans and new employer groups. The bank is actively working to strengthen its existing service capacity as well as adding new capacity.

This change will not affect Blue Cross Blue Shield of Massachusetts employer groups who are current customers of the bank.

These actions will ensure the bank has the capacity to continue its expansion plans to add more than 20 Blues Plans, while delivering the service levels they and we are expecting for business currently with the bank. The bank is also reassessing its strategy and evaluating other vendor partner opportunities to expand capacity.

We are working closely with the bank to fully understand its action plan.

#### **Questions and support**

We remain committed to providing your clients with the best Consumer-Directed Health Care solutions in the market and ensuring that we offer a wide range of personal spending account options.

If you have questions about our CDH products for your clients, please contact your Account Executive.

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## Updated Tiered Network Plans Available July 1, 2008

An updated version of our Blue Options<sup>SM</sup>/Blue Precision<sup>SM</sup> family of plans that features a more robust cost and quality provider tiering structure, offering greater savings, will be available July 1, 2008, for employers with over 50 employees and beginning August 1, 2008, for smaller groups.

The updated plans, which initially launched last year with a two-tier structure, will have three benefit 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 lower cost/higher quality providers when they get care. And it also delivers real choice within the tiers.

Breakdown of Providers by Tier		
Tier	PCPs	Hospitals
Enhanced Benefits Tier (lowest member cost sharing)	17%	27%
Standard Benefits Tier (mid-level member cost sharing)	73%	49%
Basic Benefits Tier (highest member cost sharing)	10%	24%

### 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. So members can control 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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## Blue Distinction Centers for Complex and Rare Cancers

Blue Cross Blue Shield of Massachusetts is proud to name the Beth Israel Deaconess Medical Center, the Dana-Farber/Brigham and Women's Cancer Center, the Massachusetts General Hospital Cancer Center, and the Lahey Clinic Medical Center as Massachusetts' Blue Distinction Centers for Complex and Rare Cancers. Complex and rare cancers comprise approximately 15 percent of new cancer cases each year. It is sometimes difficult for patients to locate facilities

with multi-disciplinary teams that are experienced in inpatient, surgical care for adults with these particularly challenging malignancies.

Cancer types that are treated at the Blue Distinction Centers for Complex and Rare Cancers include:

- Bladder
- Bone
- Brain–Primary
- Esophageal
- Gastric
- Head and Neck
- Liver
- Pancreatic
- Rectal
- Soft Tissue Sarcomas
- Thyroid–Medullary or Anaplastic
- Acute leukemia (inpatient, non-surgical)

Criteria used to select the Blue Distinction Centers include:

- Multidisciplinary team input, including sub-specialty trained teams for complex and rare cancers and demonstrated depth of expertise across disciplines in medicine, surgery, radiation oncology, pathology, and radiology
- Demonstrates ongoing quality management and improvement programs for cancer care
- Demonstrates an ongoing commitment to using clinical data registries and providing access to appropriate clinical research for complex and rare cancers
- Demonstrates sufficient volume of direct patient experience in treating rare and complex cancers
- Exceeds volume threshold for annual surgical cases treated

The program focuses initially on providing information to patients who have complex and rare cancers, to help support them in their own decision making, emphasizing the importance of comprehensive, multidisciplinary disease-specific care teams to provide the evaluation and care plan for complex and rare cancers. Patients who require a major surgical procedure for the treatment of a complex or rare type of cancer (e.g., esophagectomy, pancreatectomy) can gain information that may help them make a better-informed decision should they choose to seek treatment in facilities that have demonstrated experience in treating their particular type of cancer.

The program further recognizes that the majority of patients' multidisciplinary treatment may be accomplished best by integrating the expertise available in a Blue Distinction Center with locally available treatment resources, especially for outpatient chemotherapy and radiotherapy. We also recognize that optimal support of a patient's long term and palliative care needs may be served best by coordination of care between the patient, the patient's family, local physicians, the Blue Distinction Center and the local Blue Cross Blue Shield of Massachusetts plan. We will encourage patients' care coordination as appropriate to support patient-centered care.

Blue Distinction Centers for Complex and Rare Cancers were developed in strategic collaboration with the National Comprehensive Cancer Network (NCCN) and with input from a panel of leading clinicians and professional organizations. We are proud to congratulate and honor these cancer centers for their dedication to the highest quality of health care.

For more information about rare and complex cancer care, please contact your Account Representative.

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**Section 125 Program Ending**

As of June 1, 2008, we will cease to offer Section 125 assistance to employers. We are ending the program due to the fact that most employers have already complied with the Massachusetts health care reform law.

This change will have no impact on employers who have already taken advantage of the Section 125 plan offering. They may continue their relationship with Fiserv Health and will remain responsible for their annual \$50 maintenance fee.

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### **Partnership for Healthcare Excellence Launches Target Market Campaign**

Building on its successful 2007 statewide campaign launch, the Partnership for Healthcare Excellence\* has begun the next phase of its campaign—an intensive grass roots consumer education effort in New Bedford, Salem-Beverly, and Worcester. These areas were chosen for their population size, socio-economic diversity, potential for media opportunities, strong health care institutions, and community organizations.

The campaign includes local print and radio advertising (including Hispanic and Portuguese press) that encourages consumers to play a greater role in improving the quality of their care by asking questions, checking medication labels, and becoming an informed health care consumer. This campaign will continue throughout 2008 and will expand to include outdoor advertising. Pre- and post-surveys will help measure the effectiveness of the campaign.

Outreach efforts are focused on leaders of local hospitals and community health centers, city officials, employers, and other groups. The Partnership will host events on such topics as medication safety and infection prevention, participate in community events, and will work with various groups including hospitals, community health centers, and employers to distribute information encouraging consumers to be more engaged in their own health care. For more information, go to [www.partnershipforhealthcare.org](http://www.partnershipforhealthcare.org).

\*The Partnership, supported by seed funding from Blue Cross Blue Shield of Massachusetts, is a broad-based, statewide coalition uniquely focused on helping patients play a greater role in improving the quality of their health care. The Partnership believes that having patients who are educated, active, and engaged is one of the best ways to improve the safety and effectiveness of health care for everyone.

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### **e-Prescribing Disease Management Pilot**

Blue Cross Blue Shield of Massachusetts and Zix Corporation's PocketScript® are launching an innovative six-month pilot that leverages providers' existing e-prescribing technology to identify Blue Cross Blue Shield of Massachusetts members who may benefit from a disease management program. We are inviting 20-25 physician prescribers to participate in this program from July through December 2008. When participating providers write prescriptions using their e-prescribing device, they will receive an alert that their patient is eligible to participate in Coronary Artery Disease, Diabetes, Osteoporosis, or Atrial Fibrillation disease management programs. After discussing with the patient, the doctor can notify us that their patient would like to participate with a few keystrokes. The pilot program will benefit providers and their patients by:

- Supporting the physician's plan of care by offering the patient additional support and education to manage their conditions at the critical moment of diagnosis or initiation of treatment
- Helping the patient better manage their disease to improve their health
- Enhancing physician-patient dialogue
- Timely and efficient enrollment in a supportive disease management program

For more information please contact your Account Representative.

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## News Release

### **FOR IMMEDIATE RELEASE**

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### **BLUE CROSS BLUE SHIELD OF MASSACHUSETTS FILES FIRST QUARTER 2008 FINANCIAL RESULTS**

BOSTON – May 15, 2008 – Blue Cross and Blue Shield of Massachusetts, Inc. (BCBSMA) and Blue Cross and Blue Shield of Massachusetts HMO Blue, Inc. (BCBSMA HMO Blue) filed statutory first quarter 2008 financial results today, reporting a combined after-tax net loss of \$2.2 million. This total is comprised of an after-tax net income of \$14.5 million for BCBSMA and a net loss of \$16.7 million for BCBSMA HMO Blue (see attached fact sheet for details).

For the first quarter of 2008, BCBSMA earned premiums of \$566.5 million and incurred \$505.5 million in health care claims. BCBSMA experienced a \$3.4 million operating loss, earned \$21.4 million in investment income and incurred \$177,000 in federal taxes for the reporting period.

For the first quarter of 2008, BCBSMA HMO Blue earned premiums of \$ 1.1 billion and incurred \$1 billion in health care claims. For the reporting period, BCBSMA HMO Blue experienced a \$41.7 million operating loss and earned \$25 million in investment income.

“BCBSMA experienced a high rate of medical costs in the first quarter of 2008 due to seasonal increases in health care costs related to the flu and other seasonal illnesses,” said Allen Maltz, BCBSMA Chief Financial Officer.

Maltz added that improving the quality and affordability of health care has been and will continue to be a major focus for BCBSMA in 2008. “We’re working on a number of innovative short-term and long-term strategies that will slow the growth in health care costs and improve the quality of the care our members receive,” Maltz said. As an example, he pointed to the company’s new alternative quality contract which is aimed at rewarding doctors for the outcome of the care they provide instead of the volume or quantity of care.

In addition the company continues to introduce care management programs intended to help members manage chronic illnesses like diabetes and asthma. “Our pharmacy management programs continue to slow the pharmacy trend and our efforts to promote the use of generic drugs have resulted in real savings for employers and members,” said Maltz. “In 2007, more than half of BCBSMA’s members treated for high cholesterol were treated with generic statins, resulting in \$27 million in lower costs including \$9 million in lower out-of-pocket co-payments for members. All of this was achieved while the number of statin prescriptions increased.”

-more-

The impact of economic factors such as the corporate consolidation of businesses has affected health insurers across the country and resulted in a decrease in first quarter combined enrollment for BCBSMA and BCBSMA HMO Blue of approximately 35,000 members. The consolidation of Gillette into Proctor & Gamble alone resulted in the loss of 17,000 BCBSMA members. Many of these Gillette employees are enrolled in Anthem BCBS in Ohio, and as a result, BCBSMA will continue to serve as the host plan for 4,765 Massachusetts-based Proctor & Gamble employees. For the full year of 2008, BCBSMA expects modest membership growth.

Blue Cross Blue Shield of Massachusetts ([www.bluecrossma.com](http://www.bluecrossma.com)) was founded 71 years ago by a group of community-minded business leaders. Today, headquartered in Boston, BCBSMA provides coverage to more than 3 million members, 2.5 million in Massachusetts. BCBSMA believes in rewarding doctors and hospitals for delivering safe and effective care, and in empowering patients to take more responsibility, become educated health care consumers and become stronger partners with their doctors. Blue Cross Blue Shield of Massachusetts is an independent licensee of the Blue Cross Blue Shield Association.

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