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## News Release

**FOR IMMEDIATE RELEASE**

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### **BLUE CROSS BLUE SHIELD OF MASSACHUSETTS FILES SECOND QUARTER FINANCIAL RESULTS**

BOSTON – August 14, 2009 – Blue Cross and Blue Shield of Massachusetts, Inc. (BCBSMA) and Blue Cross and Blue Shield of Massachusetts HMO Blue, Inc. (BCBSMA HMO Blue) announced its 2009 second quarter, statutory financial results today and is reporting a combined net loss of \$33.6 million. This total is comprised of a net loss of \$10.5 million for BCBSMA and a net loss of \$23.1 million for BCBSMA HMO Blue. See the attached fact sheet for details.

Allen Maltz, BCBSMA's Chief Financial Officer said, "Second quarter results were affected by the continued volatility in the financial markets, high claims costs associated with newly insured individuals, and employers continued shift to products with higher co-pays and deductibles, which produce lower operating margins."

The company continues to address costs while improving quality through working to eliminate waste in the health care delivery system. It is estimated that approximately 30 percent of medical services may be unnecessary and potentially harmful. BCBSMA believes the most effective way to improve quality and slow the rising cost of care is by changing the way we pay for care.

Maltz added that he continues to be encouraged by the Commonwealth's Payment Reform Commission's recommendations last month to move to a global payment system, as well as the momentum of BCBSMA's Alternative Quality Contract (AQC) – a new contract with physicians and hospitals designed to improve the quality of care our members receive and reduce the rate of medical cost trend over time. Maltz sees both the payment reform recommendations and the momentum of the AQC as steps in the right direction to reduce the unsustainable medical cost trend. Since January of this year, several physician organizations and hospitals have signed BCBSMA's AQC. These contracts currently touch 2,300 physicians providing care for more than 210,000 Blue Cross Blue Shield of Massachusetts HMO members.

Additional measures taken by BCBSMA to impact costs include a series of steps to reduce administrative spending, including a freeze on salaries, as well as actions that will reduce cash compensation for the company's senior executives in 2009 by approximately 30-50 percent.

BCBSMA continues to be the leading private health insurer in Massachusetts, with 3,007,461 members as of June 30, 2009.

Blue Cross Blue Shield of Massachusetts ([www.bluecrossma.com](http://www.bluecrossma.com)) was founded 72 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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## Second Quarter Comparisons

### BCBSMA and BCBSMA HMO Blue Inc. Combined results

	<u>Q2 2009</u>	<u>Q2 2008</u>
Premiums	\$ 1.7 Billion	\$ 1.7 Billion
Claims	\$ 1.5 Billion	\$ 1.5 Billion
Operating Income (loss)	\$ (36.1) Million	\$(3.2) Million
Investment Income	\$ 2.6 Million	\$ 34.3 Million
Federal Income Taxes (benefit)	\$ (28) K	\$ 77 K
State Premium Taxes	\$ 7.5 Million	\$ 7.0 Million
<b>Net Income (loss)</b>	<b>\$ (33.6) Million</b>	<b>\$ 30.8 Million</b>

### BCBSMA results (Parent)

	<u>Q2 2009</u>	<u>Q2 2008</u>
Premiums	\$ 547.5 Million	\$ 555.6 Million
Claims	\$ 495.3 Million	\$ 491.7 Million
Operating Income (loss)	\$ (12.5) Million	\$ 2.4 Million
Investment Income	\$ 2.1 Million	\$ 14.4 Million
Federal Income Taxes (benefit)	\$ (29) K	\$ 77 K
State Premium Taxes	\$ 6.5 Million	\$ 7.0 Million
<b>Net Income (loss)</b>	<b>\$ (10.5) Million</b>	<b>\$ 16.5 Million</b>

### BCBSMA HMO Blue results (Subsidiary)

	<u>Q2 2009</u>	<u>Q2 2008</u>
Premiums	\$ 1.1 Billion	\$ 1.1 Billion
Claims	\$ 1.0 Billion	\$ 1.0 Billion
Operating Income (loss)	\$ (23.6) Million	\$(5.6) Million
Investment Income	\$ 424 K	\$ 19.8 Million
State Premium Taxes	\$ 1.0 Million	\$ 4 K
<b>Net Income (loss)</b>	<b>\$(23.1) Million</b>	<b>\$ 14.2 Million</b>