The Importance of Reserves

Blue Cross Blue Shield of Massachusetts holds reserves, also known as "statutory surplus," to help ensure that we are able to meet our financial obligations, even in the midst of market disruption. The recent turmoil in the financial markets is a vivid reminder that for institutions like ours, it's necessary to maintain sufficient reserves.

Our current level of reserves, adjusted for seasonality, equates to the following:
- **$625-$675 per member, or**
- **45-50 days of typical claims and administrative expenses for each member, or**
- **Three routine office visits for each member, or one emergency room visit**

Things to consider:

Reserves protect members, accounts, and providers. Reserves ensure our ability to pay claims, even when faced with unexpected changes in the market, such as a downturn in the economy or adverse changes in medical expenses.

Reserves are monitored by the Division of Insurance, the Blue Cross and Blue Shield Association, and our Board of Directors. The National Association of Insurance Commissioners developed a metric called Risk-Based Capital (RBC) to evaluate a company's reserves in light of its membership size and risk profile. Set by our Board of Directors, we will maintain reserves consistent with an RBC level between 550 and 650 percent; this range is consistent with the levels maintained by all nonprofit health plans in Massachusetts.

Solid reserves help mitigate premium increases. We can temper premium increases with strong reserves by relying less upon earnings from business operations and more on investment income to meet our reserve requirements. Without solid reserves, the company would need to charge higher premiums.

Reinvestment in our business and the community. Our reserves provide the capital needed to invest in technology and other systems and infrastructure required to run a competitive business. Our financial strength also enables us to support the work of our community partners and the Blue Cross Blue Shield of Massachusetts Foundation.