



MASSACHUSETTS

Good Business and Better Communities

Blue Cross Blue Shield of Massachusetts
2008 Corporate Citizenship Report

Our Commitment

Blue Cross Blue Shield of Massachusetts was founded in 1937 when eight community leaders formed a nonprofit organization to help their neighbors afford health care. We have been here ever since, acting in the best interests of our members, associates, and the community.

Our role has evolved and changed dramatically over the past half-century as we now compete head-to-head with other private health insurers. While some of these competitors seek to maximize value for their shareholders, we continue to hold true to our historic legacy of community involvement while adhering to disciplined business practices.

We maintain a strong tradition of trust, stability, and commitment to quality. We bring value to our members through excellent products, competitive prices, and superior service.

We insure approximately three million members, and are mindful of the responsibilities that come with the trust of so many of the Commonwealth's residents. We do not take lightly our duty to ensure our members' health and wellbeing. We recognize that we are fully accountable for their premium dollars. And we are a successful company today because we strive to always make our members' health our top priority and because we run a disciplined business. Our continued success allows us to remain a productive member of the Massachusetts civic landscape and to maintain our commitment to its communities.

As a business of considerable size, we employ more than 3,000 associates across several locations. We have employed three generations of Massachusetts workers who have bought homes, provided for their loved ones, and made their own unique contributions to the communities where they live.

But we are more than a business—our impact and success is more than commercial. True to our founders' intent, we are part of the community, committed to helping those in need, and proud to make a difference.

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In 2001, we established the Blue Cross Blue Shield of Massachusetts Foundation as a contemporary expression of our historic mission to help others afford health care. We supported health care reform because we believe that everyone in Massachusetts should have access to affordable, high-quality health care. Our vision of a transformed health care system that provides safe, timely, effective, affordable, patient-centered care is not just for our members, but for every resident of the Commonwealth. We support community organizations through our philanthropy, our associate volunteers, and other programs. And because we recognize that our actions as individuals and as a company have an effect on the health of our planet, we are working toward more environmentally friendly business practices.

Blue Cross Blue Shield of Massachusetts strives to balance its commitment to our members' health with its responsibilities to the health and wellbeing of the community as a whole. We let integrity guide our actions. We maintain our commitment to the community. And we will continue to do so, because it's who we are and it's the right thing to do.

Our vision of a transformed health care system that provides safe, timely, effective, affordable, patient-centered care for all is not just for our members, but for every resident of the Commonwealth.

Our Approach to Business

At Blue Cross Blue Shield of Massachusetts, we are open and honest with our members, brokers, accounts, and the community at large. We operate a fiscally disciplined and sustainable business that provides value for our members. We make sound business decisions with the health of our members and the vitality of the Massachusetts economy in mind. We have undertaken the following activities in order to respond to the demands of the marketplace and to remain transparent in the way that we operate our business:

- We commissioned an independent economic impact study for 2008 that reported:
 - Our impact on the Massachusetts economy at nearly \$1.6 billion.
 - We supported more than 5,800 jobs.
 - We provided tens of millions of dollars in philanthropy.
 - We generated nearly \$216.9 million in total revenue for the state treasury.
- We comply with the applicable provisions of Sarbanes-Oxley, although it is only required of for-profit companies.
- Our Board of Directors operates under the counsel of external advisers to ensure that our governance aligns with best practices.
- Our supplier diversity program encourages minority- and women-owned business enterprises (M/WBEs) the opportunity to do business with us. In 2008, our total M/WBE spend represented 3.8 percent of total discretionary spending with 18 new and 45 existing business relationships.
- Our Quality = Affordability initiative addresses the overuse, underuse, and misuse of health care services so that our members receive the highest quality care at the most affordable price.
- Our New Business Model initiative ensures that we keep our administrative costs as low as possible so that we operate an efficient business while building new capabilities to meet our members' needs.

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Our Associates

We understand that the talent of our more than 3,000 associates—their ideas, the passion they bring to improving health care, and their commitment to the community—is the underpinning of our success. Blue Cross Blue Shield of Massachusetts continues to be an employer of choice. We offer market-based compensation and benefits, development opportunities, and encourage community service. The following represents recent activities related to our diversity effort, volunteerism, and associate development programs:

- Our director of diversity chairs the Diversity Steering Council, which is comprised of 24 cross-functional leaders.
- We were named to the *Boston Globe's* 2008 “Top 100 Places to Work” list and were recognized as a Massachusetts business that excels at “creating a dynamic, supportive, and inclusive workplace.”
- During the summer of 2008, we employed 90 high school students through the Boston Private Industry Council’s (PIC) internship program. We also provided opportunities to eight college students through the INROADS and Posse Foundation programs. Twenty of the PIC interns were placed at nonprofit partner organizations.
- We provide 15 paid hours per year (increased from 7.5 hours) for our associates to participate in volunteer activities. Community involvement objectives are now included in associates’ annual performance planning activities.

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- Our associates' rate of volunteer participation is almost 60 percent, exceeding the average employee participation rate of Fortune 500 companies.
- In 2008, an associate was selected as the third William C. Van Faasen Community Service Sabbatical recipient. Her six-month sabbatical was spent at the Joint Coalition on Health of North Central Massachusetts conducting a community health assessment on 27 cities and towns to identify the region's neediest areas.
- We invest in our associates' capacity to lead. In 2008, nearly 20 associates completed external leadership development programs through The Partnership, Inc.; the University of Massachusetts' Emerging Leaders Program; and the Greater Boston Chamber of Commerce's Boston's Future Leaders program.

Our Environment

At Blue Cross Blue Shield of Massachusetts, we recognize that a healthy planet is necessary to support and nurture healthy people. What we do as individuals and as a company will affect our ability to do business well into the future. For this reason, we look to be responsible stewards of our environment by conserving resources, using green building techniques, and developing policies to help preserve and protect the environment, including:

- Our newest office building, 25 Technology Place, received the Leadership in Energy and Environmental Design (LEED®) Silver certification for its environmentally responsible design.
- Our recycling initiatives have recovered more than 228.5 tons of paper since April 2008, which translates into a savings of nearly 3,900 trees and 13.7 million gallons of water.
- Our BlueCrew program offers a variety of environmentally friendly volunteer service opportunities for associates throughout the Commonwealth, such as planting sea grass to preserve the dunes on Spectacle Island.
- We are a Gold Level Partner with MassRides, a statewide organization that offers commuters alternative transportation options, such as access to carpools, vanpools, and public transit.
- We were one of 30 socially responsible businesses to be recognized by the City of Boston as a “Bike-Friendly Business” in 2008.

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Our Philanthropy

Through our philanthropic activities and in keeping with our corporate promise, we have always sought to promote the health of our members and strengthen the communities they call home. Through community service and donation of resources, we demonstrate our values as an outstanding corporate citizen and a company that cares. Some of our recent charitable giving includes:

- An independent economic impact study valued the donations and volunteer services of Blue Cross Blue Shield of Massachusetts associates to charitable organizations at more than \$7.4 million in 2008.
- In 2008, Blue Cross Blue Shield of Massachusetts made contributions to more than 470 organizations in cities and towns across the Commonwealth and throughout the region.
- The Blue Cross Blue Shield of Massachusetts Foundation awarded \$4.49 million in grants in 2008 to community-based organizations, community health centers, and select hospital-based programs that expand access to health care for low-income, vulnerable, and uninsured residents.
- In 2008, the Blue Cross Blue Shield of Massachusetts Foundation supported 10 journalists from New England in the 7th annual Health Coverage Fellowship; 18 emerging leaders in health care from across the state in the 3rd annual Massachusetts Institute for Community Health Leadership program; and 20 emerging community leaders and activists in health access in the inaugural class of the Community Partnerships Leaders Program.

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- In 2008, 2,180 associates participated in 138 BlueCrew projects, volunteering more than 16,900 hours of service to organizations across Massachusetts.
- In September 2008, and for the second consecutive year, the *Boston Business Journal* reported that Blue Cross Blue Shield of Massachusetts ranked second in contributions to nonprofit charities in Massachusetts.

Our Leadership

Since our founding, participation in meaningful civic activity has been important to us. Today is no exception. Blue Cross Blue Shield of Massachusetts is a leader in the national effort to transform the health care system. Working collaboratively to improve the quality and safety of care while addressing the critical issues of cost is our highest priority.

- Our Alternative Quality Contract brings payment reform to health care in Massachusetts. Instead of paying doctors and hospitals for the volume and intensity of services, we reward providers based on quality of care and patient outcomes. As the Commonwealth seeks to reform the payment system, we have a respected voice at the table.
- We have made a significant investment in improving the quality and safety of health care by encouraging and promoting the use of technology by doctors and hospitals. We have also dedicated more than \$52 million to the eRx Collaborative and the Massachusetts eHealth Collaborative, organizations that are integrating the latest technology into medical practice.
- In 2008, we created Trustee Advantage, a one-year program that teaches board members of provider health care facilities how they can lead efforts to improve the quality and safety of the care their organizations provide.
- In an effort to help consumers improve the quality of their health care, we joined a consortium of business, health care, and consumer groups to launch the Partnership for Healthcare Excellence. In 2008, we funded a public engagement campaign in three markets—New Bedford, Worcester, and Beverly/Salem—while sustaining the Partnership’s statewide presence.
- We are one of the founders of the Initiative for a New Economy (INE), a Boston-based organization advocating supplier development to assist minority-owned business enterprises in Massachusetts to become part of the economic mainstream. We remain an active participant in INE. In 2008 our financial investment alone totaled \$100,000.

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- We are a significant supporter of the Commonwealth Compact, an initiative to make Massachusetts a location of choice for people of color. We made an initial financial commitment of \$33,000 in 2007, followed by \$50,000 in 2008, and participate as members of the steering committee.

Looking Forward

These are uncertain times. The worldwide recession's impact on financial markets, the struggling Massachusetts economy, and growing unemployment have challenged Blue Cross Blue Shield of Massachusetts as a business. Yet our commitment to the community has not changed.

We continue our collaborations to improve the quality, safety, effectiveness, and affordability of health care. In 2009, we expect to sign many more providers to our groundbreaking Alternative Quality Contract.

The Blue Cross Blue Shield of Massachusetts Foundation continues to make grants that improve access to health care for the underserved. The Foundation's policy work continues as well with the 2009 report "Care Beyond Coverage: The Next Generation of Health Reform," which identifies the most significant barriers to care and develops actionable policy solutions to address them.

We continue to give the resources we can responsibly afford to organizations that share our dedication to improving the health and wellbeing of the people of Massachusetts. But more important, we believe, is the gift of our time and effort. The talent of our associates is what is truly making a difference in Massachusetts. Their integrity and spirit of service have made us the company we are today, and the company we will be tomorrow.



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