



ECONOMIC IMPACT REPORT STUDY
STRONGER COMMUNITIES. BETTER CARE.

2009



MASSACHUSETTS

Blue Cross Blue Shield of Massachusetts is an Independent Licensee of the Blue Cross and Blue Shield Association

Introduction

Blue Cross Blue Shield of Massachusetts (BCBSMA)¹ secured the services of Tripp Umbach, a Pittsburgh based consulting firm, to complete an updated economic impact study that measures the statewide impact of Blue Cross Blue Shield of Massachusetts in 2009. This study is an update to the analysis Tripp Umbach completed on the impact of BCBSMA in 2008. Tripp Umbach is the nation's leading provider of economic impact analysis, having completed similar studies for 50 of the nation's top 100 healthcare organizations, other Blue Cross Blue Shield affiliates, and for many of the nation's largest corporations, universities and charitable foundations.

In order to measure this impact, Tripp Umbach's study focused on the following topic areas:

- **Impact of the Blue Cross Blue Shield of Massachusetts Organization**

The first section of the report quantifies the annual economic, employment, and government revenue impacts related to the operations of the Blue Cross Blue Shield of Massachusetts organization. Impacts were measured on the Commonwealth of Massachusetts for the year 2009.

- **Community Benefits of Blue Cross Blue Shield of Massachusetts**

The second section of the report presents the community benefits of BCBSMA in the year of 2009. Impacts measured by Tripp Umbach include the value of volunteerism, impacts on the local community organizations, corporate sponsorship and partnerships, and spending by event organizers.

¹ For the purposes of this report all references of Blue Cross Blue Shield of Massachusetts (BCBSMA) includes Blue Cross and Blue Shield of Massachusetts HMO Blue (BCBSHMO).

Executive Summary

Blue Cross Blue Shield of Massachusetts (BCBSMA), headquartered in Boston, is the leading health insurer in the Commonwealth of Massachusetts and is a unique asset to the state. Blue Cross Blue Shield of Massachusetts and its affiliates serve more than 3 million individuals both locally and nationally. BCBSMA has offered healthcare products and services since its inception in 1937. The organization is consistently recognized for standards of service excellence that are among the highest in the nation. Blue Cross Blue Shield of Massachusetts is an independent licensee of the Blue Cross Blue Shield Association.

To enhance their ability to provide affordable, quality health care, BCBSMA transferred the insured HMO line of business to a separate, not-for-profit subsidiary in January of 2005. The subsidiary, Blue Cross and Blue Shield of Massachusetts HMO Blue, Inc., offers existing insured HMO plans:

- HMO Blue® (including non-group plans),
- HMO Blue New England, Blue Choice® (in-network),
- Blue Choice New England (in-network), Access Blue™,
- Managed Blue for Seniors™, and
- Medicare Advantage.

BCBSMA deepened its benefit to the state and its people in 2001 when it created the Blue Cross Blue Shield of Massachusetts Foundation with an initial endowment of \$55 million. The Foundation is committed to expanding access to high-quality health care to the underserved residents of Massachusetts. The Foundation has made a significant contribution to both the policy work and other initiatives to improve the healthcare delivery system in both the Commonwealth of Massachusetts and the nation.

Key Findings:

- BCBSMA has a substantial annual economic impact on the economy in Massachusetts; in 2009 this impact was nearly **\$1.6 billion**.
- In 2009, BCBSMA supported more than 5,846 total full time jobs directly or indirectly in the Commonwealth of Massachusetts (3,654 direct employees and 2,192 indirect).
- In 2009, BCBSMA generated nearly \$196.3 million in total revenue for the state treasury:
 - \$35.5 million directly,
 - \$79.4 million indirectly,

- \$81.4 million to the Health Safety Net Trust Fund, formerly known as the Uncompensated Care Pool, and
- In 2009, BCBSMA employees contributed nearly \$7.5 million in donations and volunteer services to charitable organizations.
- BCBSMA has endowed one of the largest private health philanthropies in the state. This foundation allows BCBSMA to build upon its commitment to give back to the local and statewide community.

Organizational Impacts of BCBSMA (2009)

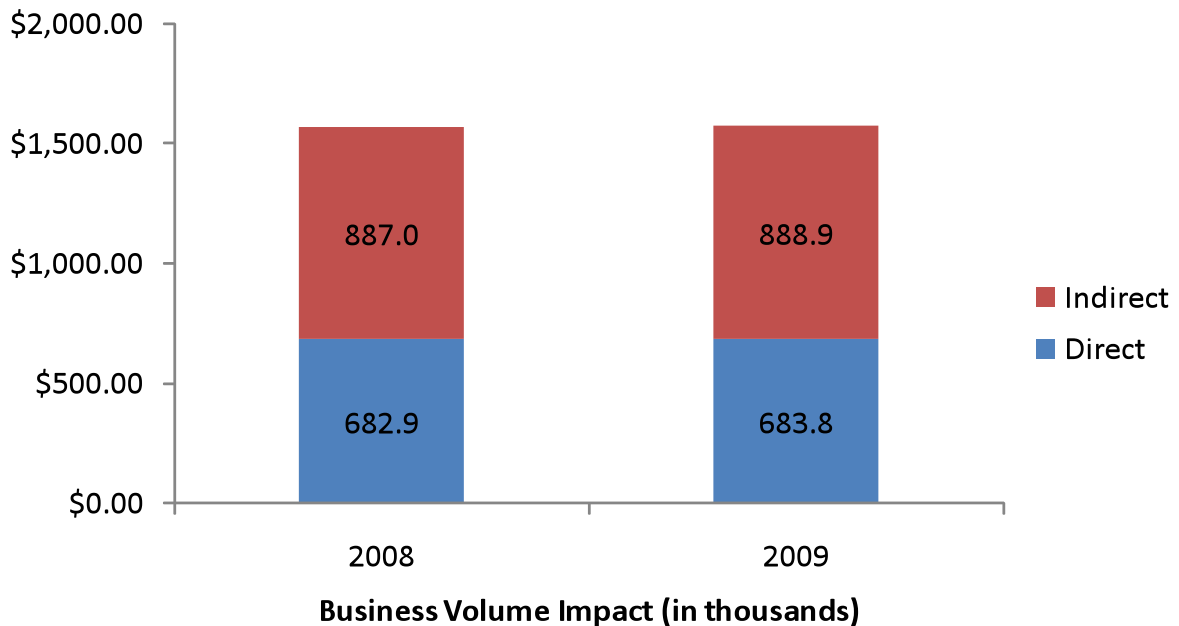
Business Volume Impact

BCBSMA's total business volume impact is the sum of direct and indirect impacts. The direct impact stems from the in-area spending of the following principal groups: expenditures for capital improvements, and goods and services; spending by staff; and the spending by out-of-area visitors. The indirect impacts are derived from these direct, first-round expenditures, which are received as income by businesses and individuals in the study area and re-circulated through the economy in successive rounds of re-spending.

Commonwealth of Massachusetts

- During 2009, BCBSMA had an economic impact on the Commonwealth of Massachusetts of nearly \$1.6 billion (\$683.8 million direct and \$888.9 million indirect).

Figure 1: BCBSMA's Economic Impact on the Commonwealth of Massachusetts



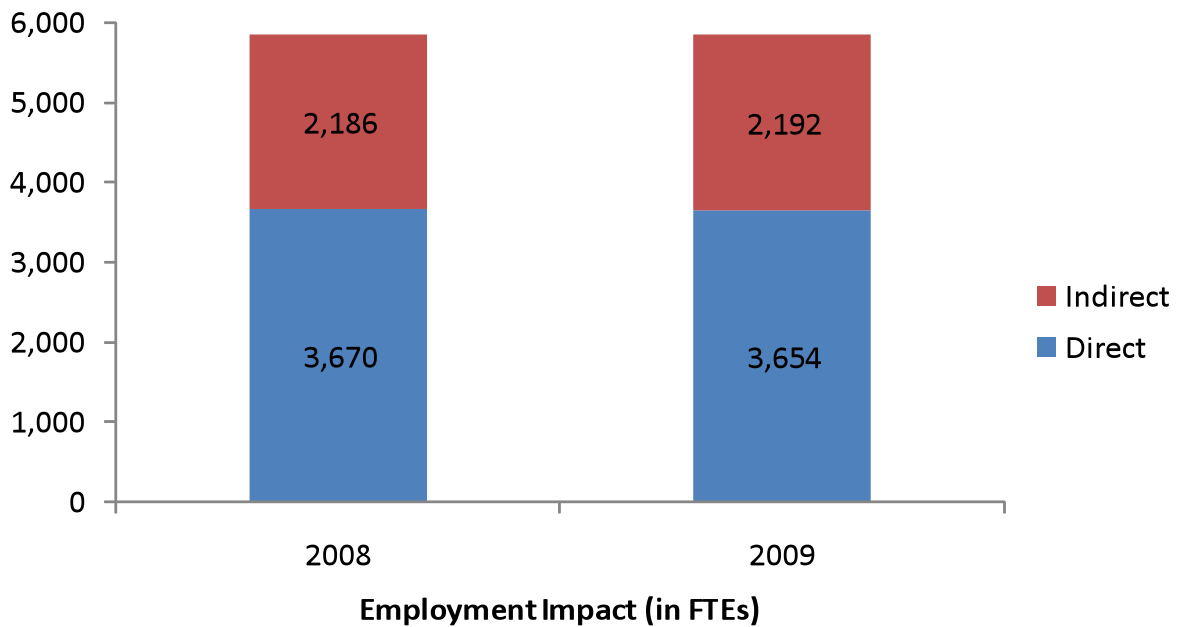
Employment Impact

Blue Cross Blue Shield of Massachusetts is a statewide employer and provides employment to a diverse group of workers who pay taxes to state and local governments. The economic expansion created by BCBSMA brings about demand for additional employment in the economy. The company’s impact on employment is derived from employees who work directly for BCBSMA and the total number of employees who work for other businesses that supply BCBSMA with goods and services.

Commonwealth of Massachusetts

- In 2009, BCBSMA supported more than 5,846 total full time jobs directly or indirectly in the Commonwealth of Massachusetts (3,654 direct employees and 2,192 indirect).

Figure 2: BCBSMA’s Employment Impact on the Commonwealth of Massachusetts



Government Revenue Impact

Blue Cross Blue Shield of Massachusetts generates a substantial amount of revenue for the state government.

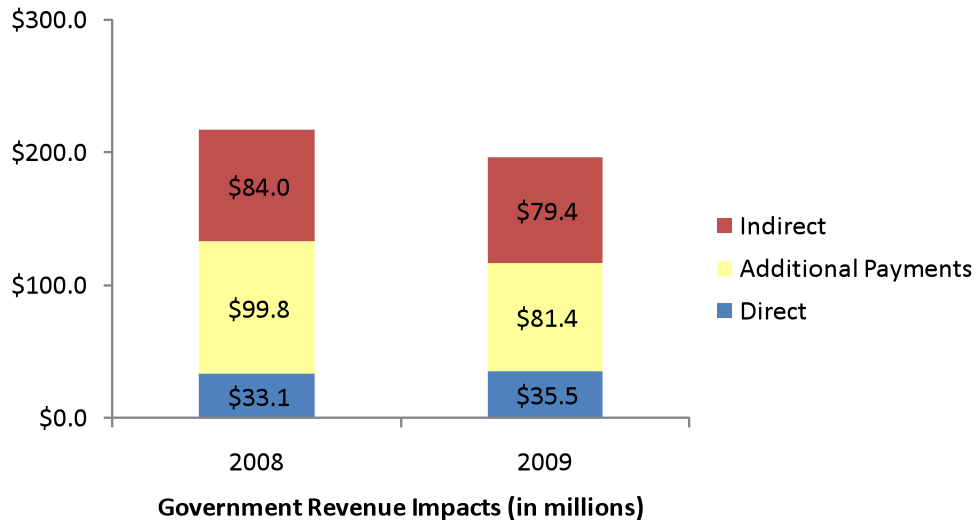
Tripp Umbach models calculate the indirect government revenue² accruing to the various areas based on the business volume generated by the spending of BCBSMA populations. The direct government revenue is the amount paid by BCBSMA directly to the Commonwealth of Massachusetts in business taxes; *this does not include any taxes paid to the federal government.*

In addition to these direct and indirect revenues, in 2009, BCBSMA paid over \$81.4 million into the Commonwealth’s Health Safety Net Trust Fund. BCBSMA pays what amounts to the largest portion of any health insurance provider for this assessment.

Commonwealth of Massachusetts

- In 2009, BCBSMA generated over \$196.3 million in total revenue for the State of Massachusetts (\$35.5 million in direct taxes and \$79.4 million through indirect taxes as well as an additional \$81.4 million in direct payments³).

Figure 3: BCBSMA’s Government Revenue Impact on the Commonwealth of Massachusetts



² Total government revenue equals direct revenue plus indirect revenue. Indirect tax revenue is the sum of state taxes paid by BCBSMA-related businesses and populations. Indirect taxes calculate the relationship between BCBSMA-related business volumes, the business volume calculated for the overall state based on sales receipts and the overall amount of tax collected by the state as tax revenue.

³ This amount is the \$81.4 million BCBSMA pays to the state for the Health Safety Net Trust Fund.

Employee Contributions Impact

Tripp Umbach estimates that BCBSMA employees donated, in the form of their time spent doing community work and direct contributions to local charities, nearly \$7.5 million⁴ in 2009. The volunteer time donated totals nearly \$1.8 million, while employee donations add up to over \$5.7 million. For an organization with 3,654 FTEs, this is a dramatic amount of giving that makes a difference in the cities and towns of the Commonwealth.

⁴ Tripp Umbach calculated this number based on a few basic assumptions from Tripp Umbach databases based on surveys conducted at various institutions on volunteerism and charitable giving. These assumptions take into account that there are various types of donations of time, from the SLC donating time to local boards and the average employee donating time at the local library, since these tasks would have varying values and benefits to the charities they are measured on different levels. Tripp Umbach models are based on both internal databases regarding typical volunteerism and data from the Points of Light Foundation.



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