

Moving healthcare forward in Rhode Island.

Partnerships | Results | Opportunities



2013 ANNUAL REPORT



We're Moving Forward Together.

2013 was a year of great change for most health insurers as everyone prepared for the heart of the Affordable Care Act to take effect. At Blue Cross & Blue Shield of Rhode Island, we've been changing the way we do business for many years, even before the Affordable Care Act was enacted. We believe reshaping the way health-care is delivered and paid for is critical to addressing affordability and bringing lasting change.

Progress doesn't happen overnight, but we made significant strides in 2013 with several new partnerships and financial arrangements, including agreements with provider groups that reward quality and coordinated systems of care. A new behavioral health partnership will offer our members highly coordinated care from a team of clinicians and caregivers. And we continued to find ways to reduce the cost of our members' care through innovative medical management programs and provider contracts.

As we address affordability, the implementation of state healthcare exchanges is giving more people access to health insurance. Blue Cross worked closely with the State to make sure the launch of HealthSource RI went as smoothly as possible. We also focused on helping consumers navigate the often confusing world of healthcare by launching an educational healthcare reform website and opening a retail location in Warwick, where customers can come in and talk with us in person.

Heading into 2014, we're entering our 75th year of supporting the healthcare needs of Rhode Islanders. We're taking this opportunity to remember our past, but also to look ahead. Healthcare is a vastly different landscape now than it was back in 1939. We've grown with it over the years—and we'll continue to lead change so we can be here for our members and customers well into the future.



Chuck LoCurto,
Board Chair (left)

Peter Andruszkiewicz,
President and CEO (right)





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Putting Patients First

What does it mean for patients to be at the center of the healthcare system? It means doctors are working together to coordinate the care patients receive. A patient's medical record is easily accessible to all healthcare providers. The options patients have for treatment are explained and understood. And the cost of their healthcare is affordable. Here's how we collaborated with doctors and hospitals in 2013 to reshape how healthcare is delivered.



The bundled payment agreement ensures the coordinated approach we believe patients deserve, from the very first appointment through recovery.



—Robert Marchand, MD, President of South County Orthopedics

**IMPROVED QUALITY AT LOWER COST:
UNIVERSITY MEDICINE CONTRACT**

During 2013, Blue Cross partnered with University Medicine, Rhode Island's largest multi-specialty physician group, to develop an innovative reimbursement agreement that pays physicians based on the quality of care given to their patients, instead of the quantity of care. The agreement provides financial incentives to:

- Improve the patient experience
- Reward preventive and wellness care
- Limit unnecessary hospitalizations
- Coordinate care with primary care physicians for members with chronic conditions

University Medicine's patients—and the local healthcare system—will benefit from improved healthcare quality and safety while better managing the patient's cost of care.

**A NEW PAYMENT MODEL FOR ORTHOPEDIC SURGERY:
SOUTH COUNTY AGREEMENT**

One of the benefits of coordinated care is often lower cost—and that is the foundation of a new bundled payment arrangement Blue Cross developed with South County Hospital and South County Orthopedics. Under this agreement, Blue Cross provides incentives for the hospital and physician group to give patients a fully coordinated suite of services. This includes pre-operative visits through the completion of post-operative physical therapy. Patients have the peace of mind of knowing all of their care is coordinated, covered by their insurer, and delivered according to the highest quality standards and clinical best practices. This model encourages the hospital and physician group to achieve

the highest levels of patient safety and quality while also controlling rising costs.

4-STAR RATING FOR OUR MEDICARE ADVANTAGE PLANS

With the dedication and collaboration of many Blue Cross employees and our network of local healthcare providers, we achieved significant improvement—from 3.5 to 4.0 stars—for our Medicare Advantage plans. The Star Ratings Program is overseen by the Centers for Medicare & Medicaid Services (CMS). Ratings are based on the plan's compliance with operational metrics, the patients' experience when receiving care, their ease in accessing care, and the clinical outcomes of patients with chronic conditions. To continue offering Medicare Advantage plans for Rhode Islanders, it is critical that we maintain or increase our 4.0 star rating going forward.

**CONTINUED GROWTH AND IMPROVED OUTCOMES
IN PATIENT-CENTERED MEDICAL HOMES**

Our patient-centered medical home (PCMH) program continued to mature in 2013, with over 30 percent of the state's primary care physicians caring for 120,000 Blue Cross members in PCMHs. With enhancements in reimbursement models and the development of a standard performance assessment tool, Blue Cross continues to work collaboratively with the Chronic Care Sustainability Initiative (CSI-RI) and the primary care community to rapidly advance our ability to help practices gauge their progress and identify areas of opportunity. Our PCMH program also provides funding for care management staff and extended office hours, which help reduce the need for emergency room and hospital visits. We're proud to say that many of the early

adopter PCMHs are showing measurable reductions in the number of patients who have urgent care center visits, emergency room visits, hospital stays, and readmissions to the hospital following discharge.

**CONNECTING PATIENTS AND PROVIDERS
THROUGH CURRENTCARE**

To provide safer, higher quality care, doctors often need access to information from a person's medical record. We developed a program in 2013 to incent healthcare providers to actively promote CurrentCare and help patients enroll. As Rhode Island's health information exchange, CurrentCare allows providers to access a secure electronic network that contains enrolled patients' protected health information such as medications, allergies, and testing results. Providers receive incentives for taking the time to discuss the benefits of shared medical records with their patients, enrolling patients, and utilizing CurrentCare functionality. Last year, more than 56,000 Rhode Islanders enrolled in CurrentCare through providers eligible to participate in this incentive program. That was a 30% increase in overall CurrentCare enrollment compared to 2012.

MANAGING MEMBER HEALTHCARE COSTS

An overwhelming majority of our members' premiums (86 cents of every dollar) go toward paying for healthcare services, as do all of our members' out-of-pocket costs. That's why we're always looking for ways to slow the growth of medical spending—and pass those savings on to our members. In 2013, we saved nearly \$40 million on medical costs.

Coordinating Care for Better Health

When you're coping with an illness or chronic condition, it takes a team to care for you. In 2014, we'll continue to work with the provider community to develop new models that encourage communication and collaboration between everyone involved in a patient's care.

CREATING SYSTEMS OF CARE CENTERED ON THE PATIENT

We have seen steady progress in our local healthcare system with the growth of patient-centered medical homes and innovative new payment models. But each individual provider is only a single player on a much larger team. We are becoming increasingly focused on connecting our members' healthcare providers within truly coordinated systems of care. We are currently working in collaboration with physicians across Rhode Island and three major hospital systems—Care New England, CharterCare, and Lifespan—to create new coordinated systems of care that are physician led and reward ongoing collaboration and communication between providers. One example of such a system is HealthPath, a new model for behavioral healthcare.

With one in four Rhode Islanders struggling with a behavioral health issue, the need in our state for improved, coordinated behavioral healthcare is critical. That's why we launched a collaborative partnership with Care New England, Butler Hospital, and The Providence Center's subsidiary, Continuum Behavioral Health. HealthPath is a unique, two-year pilot program that will coordinate a wide range of services for people with persistent behavioral health problems. HealthPath enables participants to focus on getting well with the support of a team of clinicians and caregivers working closely with them. The program also provides intensive, specialized care during the day and after hours so members can avoid the emergency room and remain safe and stable in their communities.





By ensuring that HealthPath members are able to receive the right level of care at the right place at the right time, we believe that we can improve patient care while simultaneously driving down health care costs for some of the system's most complex patients.



—Ian Lang, Executive Director, Continuum Behavioral Health

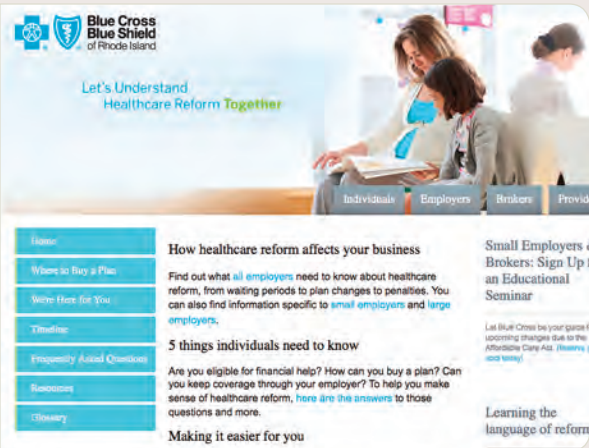
Focusing on Customers

With the new federal healthcare reform requirements and the launch of the Rhode Island health exchange (HealthSource RI), decisions about healthcare and health insurance are increasingly shifting to individual consumers. Blue Cross is helping to facilitate that shift by meeting customers where they are—both online and in the community. In 2013, we introduced new consumer-focused health plans and new ways to purchase health insurance.



“ For decades, employers have made access, coverage, and cost decisions for their employees. Now that more individuals are making those decisions, we want to empower our customers with the information they need. ”

—Peter Andruszkiewicz,
President and CEO, Blue Cross & Blue Shield of RI



HELPING CUSTOMERS UNDERSTAND HEALTHCARE REFORM

In 2013, many Rhode Islanders were asking, “How does healthcare reform affect me?” Our “Let’s Understand Healthcare Reform Together” campaign helped answer this important question for individuals, employers, providers, and nonprofit organizations. Our campaign included:

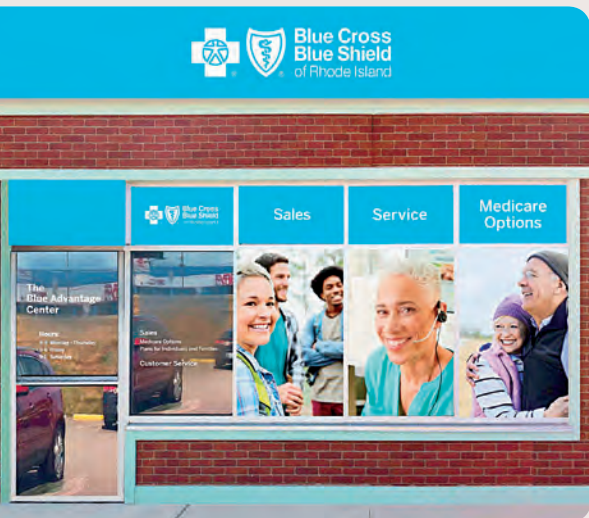
- An easy-to-use website, bcbsri.com/healthcarereform, which helped thousands of Rhode Islanders learn about buying a plan, benefit changes, tax credits, penalties, and more
- A series of seminars for small employers
- Community forums for nonprofit organizations
- Educational brochures and information

HELPING RI EMPLOYERS SAVE MONEY WITH SELECTRI

SelectRI is an innovative provider network introduced in 2013. Employers save 5% to 15% on our VantageBlue and BlueSolutions plans by choosing providers within the SelectRI network. Members also save money on out-of-pocket costs when receiving high-quality, coordinated care through our network of patient-centered medical homes (PCMH)—while retaining the option to choose from any of the providers in the national BlueCard network.

A LOWER COST, INNOVATIVE PLAN FOR RI SENIORS

Continuing our long history of providing innovative plans for Rhode Island’s seniors, we introduced our new “triple zero” Medicare Advantage plan option, BlueCHiP for Medicare Value, last fall. To meet our customers’ need for plan options that limit out-of-pocket costs, our “triple zero” plan features: \$0 monthly premium, \$0 copay for PCMH visits, and \$0 copay for generic prescription drugs. To help keep our members healthy, the “triple zero” plan also includes a fitness center membership for \$5 per month, which is available at most Rhode Island fitness centers including YMCA of Greater Providence locations.



HEALTH INSURANCE MEETS MAIN STREET

More people than ever are buying health insurance on their own, many for the first time. To help Rhode Islanders with this important decision, we opened a Blue Cross storefront last fall—the only one of its kind in Rhode Island. More than 3,000 Rhode Islanders stopped by our Warwick location for personalized help with:

- Learning more about Medicare coverage
- Understanding their benefits and coverage
- Buying a plan for themselves or their families

The Warwick retail location was so well received by our community that we plan to keep it open permanently and will evaluate opening additional locations in the future.

Making Healthcare More Affordable

In the coming year, we'll continue to introduce new types of plans that are focused on high-performing networks of providers and helping members understand their options related to the cost and delivery of healthcare. Take a look at what's ahead.

A NEW, MORE AFFORDABLE PLAN FOR INDIVIDUALS AND SMALL EMPLOYERS

In 2014, a new health plan option will be introduced for Rhode Island individuals and businesses with less than 50 employees. VantageBlue Select will feature traditional benefits paired with a local network of physicians and select hospitals focused on highly coordinated care. This combination will allow us to price the plan approximately 15% lower than a comparable plan with our national network.

PREDICTABLE BENEFIT COSTS: NEW HEALTH INSURANCE PRIVATE EXCHANGE

Employers are looking for new options to control the rising costs of benefits and give their employees the independence to choose the best coverage based on their needs. In 2014, we plan to provide employers with an advanced solution: a private exchange for health insurance. Using a defined contribution approach similar to 401(k)s, our exchange will allow employers to establish an annual healthcare benefit contribution level. Employees can then shop for and purchase a health plan and other products such as vision and dental plans, going beyond their employer's contribution.

MAKING HEALTHCARE EASIER TO UNDERSTAND

Healthcare and health insurance can be confusing and intimidating, especially to someone who hasn't had access to it in the past. Our Healthcare Basics community education

campaign will provide a simple, approachable guide to healthcare in Rhode Island, with information on how to get health insurance, find healthcare professionals, get recommended preventive care, and more. The guide will be available at community wellness events, workshops hosted by community organizations, our retail store in Warwick, and on BCBSRI.com. The guide will also be translated into other languages to reach a wider audience.

ADDRESSING THE NEEDS OF OUR DIVERSE COMMUNITY

As Rhode Island becomes increasingly diverse, we want to ensure that all communities have access to healthcare information. One step toward that goal will be accomplished in 2014 by launching several websites in Spanish to help Rhode Islanders understand how healthcare reform may affect them. This includes:

- **bcbstri.com/asegurate**—This website highlights what individuals need to know about healthcare reform and buying a plan. Individuals can take advantage of our financial assistance calculator, which helps determine if they qualify for tax credits from the government.
- **bcbstri.com/es/reformadelasalud**—Healthcare reform has its own language: actuarial value, essential health benefits, cost-sharing reductions. This comprehensive website explains healthcare reform for individuals and employers in simple, easy-to-understand terms. It is also available in English at bcbstri.com/healthcarereform.



“ There are a lot of uncertainties out there. There is security in knowing that we have good health coverage through Blue Cross. And we appreciate that. ”

-Kevin McKay, CEO, Tockwotton on the Waterfront

Investing in the Health of Our Community

Our commitment to improving the health of *all* Rhode Islanders remains an integral part of who we are and how we operate. Our goal is to demonstrate good stewardship of the resources entrusted to us and to improve the health and access to care of Rhode Island's most vulnerable citizens. To accomplish this goal, we are fortunate to partner with many organizations across the state to achieve more than we ever could alone. Together we're making an impact—now and in the future.



IMPROVING ACCESS TO CARE THROUGH ONGOING COMMUNITY PARTNERSHIPS

Blue Cross maintains long-term partnerships with several community organizations that provide uninsured Rhode Islanders access to essential healthcare services. We continued to support these programs in 2013:

- **Rhode Island Free Clinic**—One of two free clinics serving the healthcare needs of the uninsured, the Rhode Island Free Clinic served nearly 2,000 uninsured Rhode Islanders last year.
- **Clinica Esperanza**—A clinic-within-a-clinic, CHEER provided free walk-in healthcare, screenings, and vaccinations for 563 uninsured Rhode Islanders.
- **Thundermist Health Center**—The Quick Care program provided nearly 12,000 patients with on-demand care, improving access while reducing Emergency Department use for non-emergent health issues.
- **Rhode Island Oral Health Commission**—The annual RI Mission of Mercy is a two-day free dental clinic that provided 929 Rhode Islanders with 3,845 dental procedures valued at \$527,738.

ENABLING HEALTHIER LIVING THROUGH EDUCATION AND PROGRAMMING

In April and October we hosted a series of statewide screenings of *Escape Fire: The Fight to Rescue American Healthcare*, a documentary about the American healthcare system, accompanied by a panel discussion moderated by the film’s director and producer Matt Heineman.

We also partnered with the Rhode Island Foundation and other community partners to sponsor a series of educational forums for nonprofit agencies to learn about federal healthcare reform and how it will impact the people they serve.

BLUEANGEL COMMUNITY HEALTH GRANTS

In 2013, we awarded \$200,000 to eight community-based agencies through our BlueAngel Community Health Grants. This funding supports programs that break down barriers to good health created by cost, culture, miscommunication, system structure, and lack of education. Here are some of their accomplishments:

- Innovative nutrition and case management services were offered to approximately 3,308 people at the Martin Luther King Jr. Community Center in Newport.
- The Healthy Foods, Healthy Families Program offered by Farm Fresh RI enrolled 359 families to address both the symptoms and root causes of hunger and obesity.

BLUE ACROSS RHODE ISLAND

On September 26, 2013, we held our second annual Blue across Rhode Island day of service. Over 650 employees volunteered nearly 3,500 hours to help more than a dozen nonprofits across the state. Together, our employees cleared brush, built playscapes, painted, harvested food, and more. In addition, we sent out 1,500 Well Kid Kit nutrition bags to area schoolchildren, and provided Amos House with over 3,000 Hygiene Kits for their homeless clients.

LOOKING AHEAD TO 2014

As we celebrate 75 years of service to the RI community, we’re also looking ahead to the next 75 years and beyond. Our focus in 2014 is our future—particularly Rhode Island’s children and the urgent issue of childhood obesity. We are awarding three \$75,000 BlueAngel Community Health Grants in 2014 to collaborating organizations that are specifically working to address this critical issue.

2013
By the Numbers

655 VOLUNTEERS

6,103
VOLUNTEER HOURS

\$135,120
VALUE OF
VOLUNTEER HOURS*

\$140,671
IN EMPLOYEE FUNDRAISING

\$950,000
IN FINANCIAL OR
IN-KIND DONATIONS
INVESTED BY THE COMPANY

175
ORGANIZATIONS SUPPORTED
THROUGH IN-KIND DONATIONS,
VOLUNTEERISM,
OR FINANCIAL SUPPORT

* At \$22.14 per hour according to the Independent Sector.

2013 Financial Report (in thousands of dollars)

INCOME In 2013, we recorded \$1,537,716 in premiums from members (individuals and employers). We also earned \$22,039 in investment income.

Premium Income		Investment Income		Total Income
\$1,537,716	+	\$22,039	=	\$1,559,755

EXPENSES From this total income, \$1,322,519 was used for medical and dental claims for our members. This amount accounted for 86.0% of premiums collected. The company also spent \$214,950 on administrative expenses or 14.0% of premiums collected.

Payments to Providers		Administrative Expenses		Other Expense		Total Expenses
\$1,322,519	+	\$214,950	+	\$537	=	\$1,538,006

NET GAIN Investment returns and reductions in administrative expenses resulted in a net gain of \$21,749.

Gains from Operations		Premium Deficiency Reversal		Other Gains		Net Gain
\$247	+	\$0	+	\$21,502	=	\$21,749

RESERVES In 2013, we added the net gain of \$21,749 to our reserve fund. As a result, reserves held for the protection of our members totaled \$287,601 at year-end. At 18.7% of annual premium revenue, BCBSRI's reserves are below the 23% minimum recommended by the Office of the Health Insurance Commissioner.

Total Reserves		Average Daily Benefit Payments to Providers		Average Daily Administrative Costs		(Number of days we could pay Benefits & Administrative Costs)
\$287,601	/	(\$3,623	+	\$589)	=	68 Days



This formulation represents unaudited results utilizing Statutory Accounting Principles. The Blue Cross and Blue Shield Association licenses Blue Cross & Blue Shield of Rhode Island to offer certain products and services under the Blue Cross and Blue Shield brand names. Blue Cross & Blue Shield of Rhode Island is an independent organization governed by its own Board of Directors and solely responsible for its own debts and other obligations. Neither the Association nor any other organization using the Blue Cross and Blue Shield brand names acts as a guarantor of Blue Cross & Blue Shield of Rhode Island's obligations. A copy of Blue Cross & Blue Shield of Rhode Island's most recent audited financial statements is available on request to:

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