



The Value of **Blue**

Blue Cross Blue Shield of Michigan

2011 Value Report

Embrace total health

A message from Ken Dallafior

There's never been a better time to get to know the Blues. The Michigan Blues are transforming health care through a series of initiatives that are promoting personal and population health, improving health care quality and lowering health care costs. In short, we're focused on delivering health care value.

One way we're doing it is through plans and programs designed to encourage total health. People who strive to achieve optimal health are less likely to need costly medical care. This, in turn, helps to stem the tide of rising health care costs.

Our Total Health Engagement Model shows how we are transforming health care by aligning goals, rewards and relationships to achieve:

- Better health
- Improved quality of care
- Lower health care costs

Through our strategic approach to enhancing health care value, we're working to ensure that the health care system is more value-driven. We do this through a series of programs and initiatives with our hospital and physician partners, including our Collaborative Quality Initiatives and Patient-Centered Medical Home program.

The following pages provide an overview of some of the tools we're using to help improve the quality and cost of health care in Michigan.

This is the story of **Total Health Engagement...**

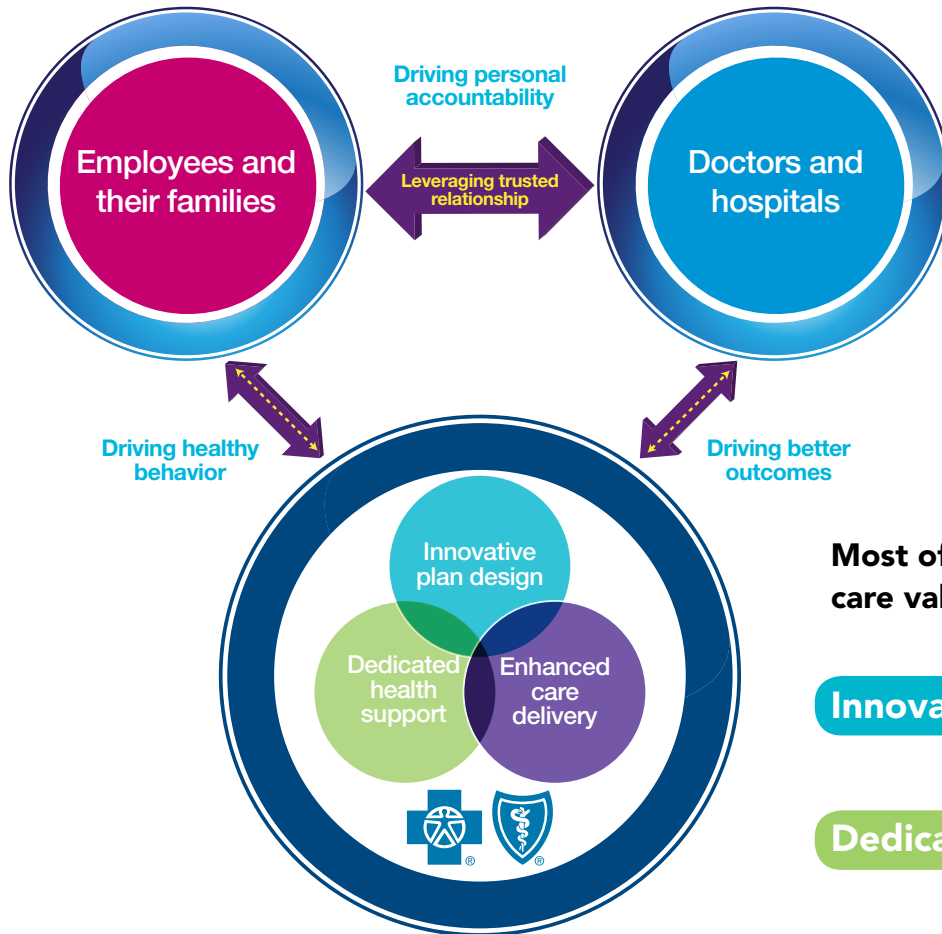


Ken Dallafior

Senior Vice President

Group Business and Corporate Marketing

Total Health Engagement Model



Most of our efforts to deliver health care value fall into three key areas:

Innovative plan design

Dedicated health support

Enhanced care delivery

The days of expecting different results and just changing plans are gone. We need to prevent the preventable and this Total Health Engagement Model helps do just that.

*– David Gast, Director, Benefits and Health Services
Steelcase Inc.*

Size + strength = better value for our customers, members

At Blue Cross Blue Shield of Michigan, we're leveraging our size to better serve Michigan residents — not just our **4.4 million members in Michigan**, but everyone across this great state.

Our relationships with employers and members and our robust partnerships with tens of thousands of Michigan physicians, hospitals and other health care providers have enabled us to:

- ✓ Create **programs** that are improving the value and quality of health care in Michigan.
- ✓ Build **the nation's largest** patient-centered medical home initiative, widely recognized for helping to transform primary care.
- ✓ Negotiate volume-based discounts with health care providers that **lower health care costs** for customers and members by billions of dollars each year.
- ✓ Pay more than **\$19 billion** in insurance benefits into the Michigan economy in 2010 alone.
- ✓ Subsidize coverage for **26,000 children** from low-income families through the state's MICHild program, as well as for seniors through our Medicaid plans and for individuals who are transitioning out of employer-sponsored coverage.
- ✓ **Launch school partnership programs** that help us fight the childhood obesity epidemic.

To learn more, visit bcbsm.com/innovate.



How others say we're delivering VALUE...

Perhaps the best way to show how BCBSM is providing value is to hear from employers, health care providers and others who know firsthand how we're improving the quality of care while lowering health care costs.

“BCBSM is truly a national health care innovator as a result of its Patient-Centered Medical Home program. We applaud BCBSM for building a foundation to support powerful primary care that promotes evidence-based medicine, embraces best practices and rewards improved performance.”

*– Paul Grundy, M.D., M.P.H.,
Director, Healthcare Technology
and Strategic Initiatives, IBM*

“In today’s economic environment, I think it comes down to offering my employees better care at a better price. The enhanced care delivery model will help improve the process of getting the right care, at the right time, at the right price.”

*– Daniel Cieslak, Senior Vice
President, Human Resources,
Dunham’s Sports*

“While other organizations are waiting on the sidelines for proof to see if new payment models for primary care improve health care delivery ... BCBSM’s Physician Group Incentive Program is leading the way.”

*– Gregg Stefanek, D.O.,
Gratiot Family Practice*





Innovative plan design

We offer a comprehensive array of health care plans that not only motivate people to lead healthier lives but help them manage their health care dollars.

Blues plans include options that reward members for taking steps to improve their health, as well as financial options like health savings accounts, health reimbursement arrangements and flexible spending accounts.

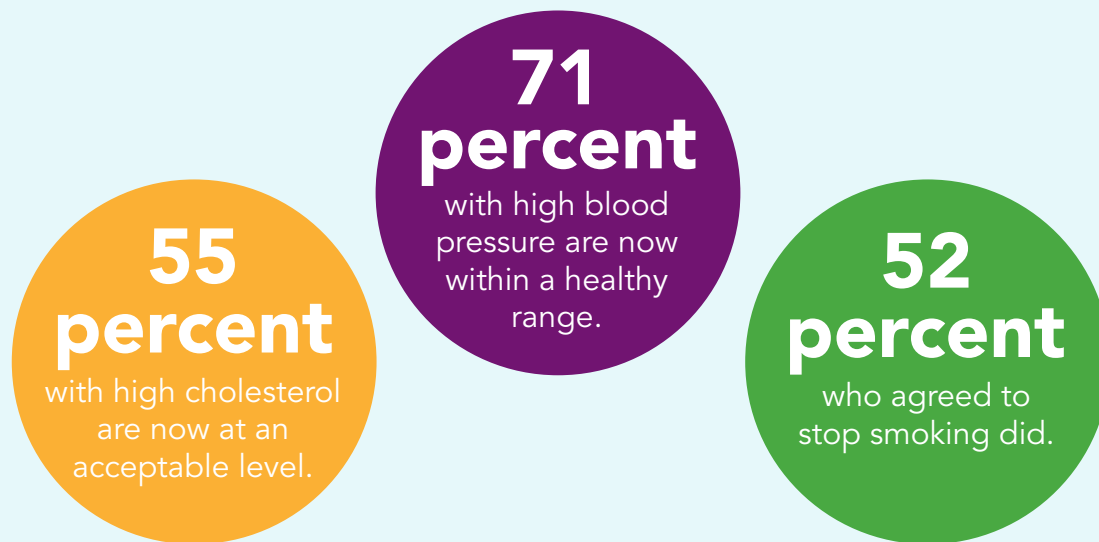
“I now have direct knowledge of at least one health insurer that I am prepared to call visionary — Blue Cross Blue Shield of Michigan. They demonstrate ... a vital interest in the quality of care by expending time and financial resources on thoughtful quality improvement initiatives.”

*— Joseph V. Simone, M.D., President,
Simone Consulting*

Helping members reach health goals

Our incentive-based plan designs are helping members produce real results in their journey toward better health. Here's a look at how one of our plans, Healthy Blue LivingSM, is doing it:

Since 2006 ...



The Blues are proud to support members every step of the way.

Pharmacy benefit management reduces costs while maintaining quality

Our Blues RxSM prescription plans offer value, safety, effectiveness and convenience. Members have easy access to nearly all retail pharmacies in Michigan and 60,000 pharmacies nationwide.

With drug costs on the rise, we've built in a number of measures to hold long-term costs in check and maximize value. These include cost-management features such as prior authorization, step-therapy and quantity limits, as well as tiered prescription drug plans that increase the use of generic drugs.

Recognizing that prescription drugs are an integral component of a member's health care, we're also developing a new integrated approach to pharmacy management.

To learn more about our pharmacy initiatives, go to the Member area of **bcbsm.com**:

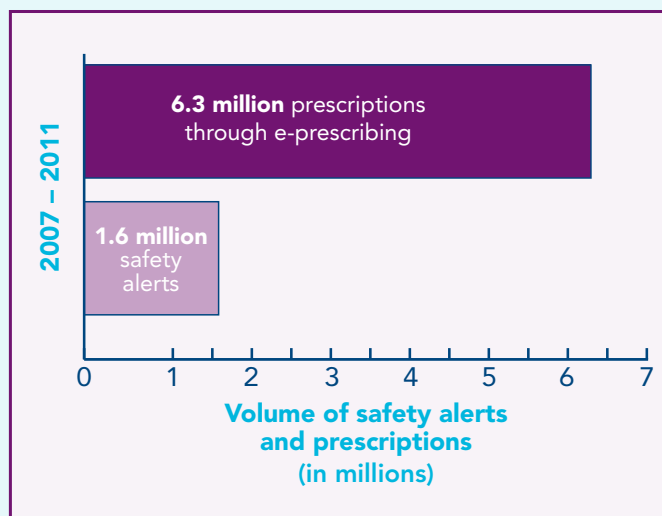
- Click on *Prescription Drugs* in the left-hand column.
- Click on *Pharmacy Initiatives*.

Our pharmacy benefit management programs saved nearly **\$400 million** in 2011.

Rising e-prescribing rates improve safety and quality

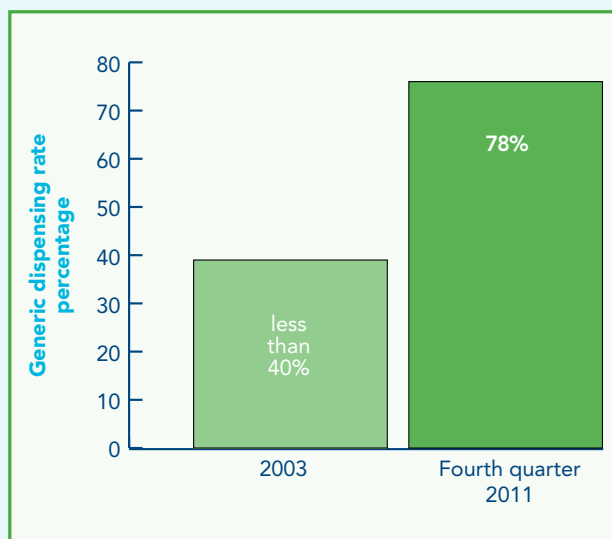
Due in large part to the Blues' e-prescribing initiatives, Michigan now ranks third in the nation for electronic prescribing. That's important because e-prescribing has been shown to improve quality and patient safety, in addition to providing added convenience for patients.

BCBSM's e-prescribing program



Since 2007, **more than 6.3 million prescriptions** have been generated through BCBSM's e-prescribing program. And **more than 1.6 million safety alerts** have been issued to prescribers, stopping dangerous drug interactions.

BCBSM's generic dispensing rate



We've **increased our generic dispensing rate** from less than 40 percent eight years ago to **78 percent** (including Medicare Part D and Blue Care Network) for the fourth quarter of 2011.

Dedicated health support



BCBSM's innovative plan designs are integrated with state-of-the-art wellness and care management programs. These programs help members adopt healthy behaviors and reach better outcomes, as well as help lower costs.

We call this comprehensive suite of programs BlueHealthConnection®. It provides health support for all members at any level of wellness, with a goal of keeping healthy people well and minimizing risk factors.

BlueHealthConnection®

Industry-leading case management programs

Our case management programs deliver cost-effective and efficient ways of coordinating health care services that improve a member's quality of life. These programs realize, on average, a 3.8:1 return on investment for our group customers. They help to manage:

Transitions of care

Medically complex chronic conditions

Catastrophic events

High-cost claimants

BlueHealthConnection[®] savings for 2011 reached more than **\$90 million** by helping members stay healthier.

Best-in-class health assessments, digital coaching programs

These programs provide a path to a healthier lifestyle based on each member's unique needs, motivation, confidence, barriers and readiness for change. And they're proven to help members change behavior.

chronic condition management	65% saw improvements in their health
diabetes management	95% better manage their diabetes
nutrition	76% improved their nutrition habits
smoking cessation	56% quit successfully
weight management	54% lost weight and kept it off for at least 6 months
stress reduction	67% decreased personal stress symptoms



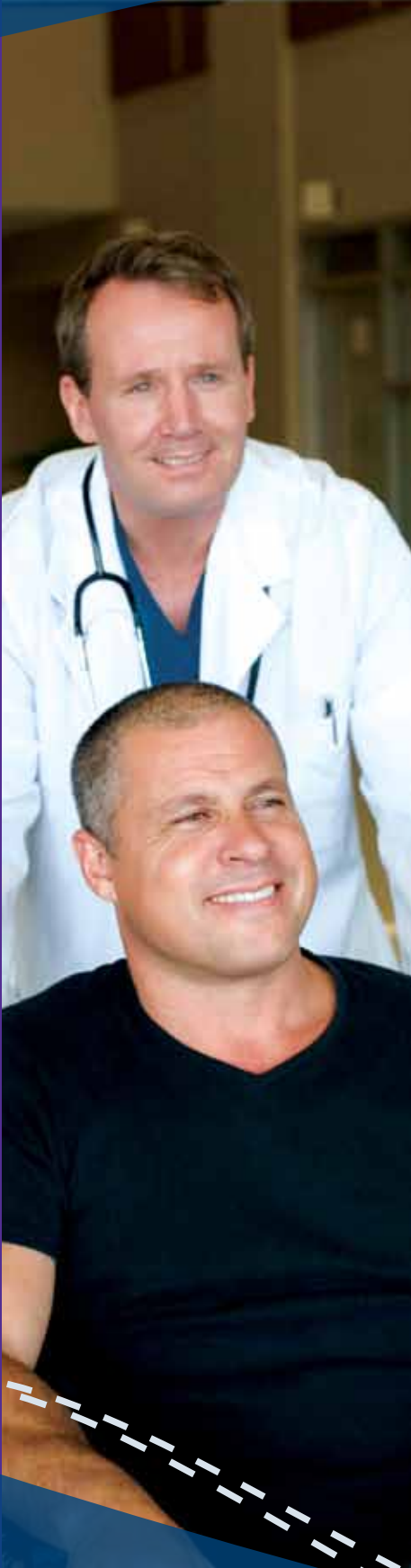
Chronic condition management

Our chronic condition management programs help members manage their conditions through a combination of coordination of care, patient education and supportive treatment plans. Programs typically realize a 2:1 return on investment for our group customers. The programs target:

Asthma
Congestive heart failure
Coronary artery disease
Chronic obstructive pulmonary disease
Diabetes



Enhanced care delivery



Blue Cross is at the forefront of nationwide initiatives that are driving dramatic shifts in health care quality, improving health outcomes and, ultimately, making health care more affordable.

Our Value Partnerships program — a collaborative effort with hospitals and physicians — includes more than 45 initiatives that are improving health care quality and lowering costs.

“Kudos to the doctors, hospital administrators and the leadership of Blue Cross Blue Shield of Michigan for figuring out how to collaboratively align their incentives in the best interests of their patients.”

*– Christopher J. White, M.D., Chairman,
Department of Cardiology and Director,
Ochsner Heart & Vascular Institute,
New Orleans, La.*



VALUE Partnerships
Improving Health Care in Michigan

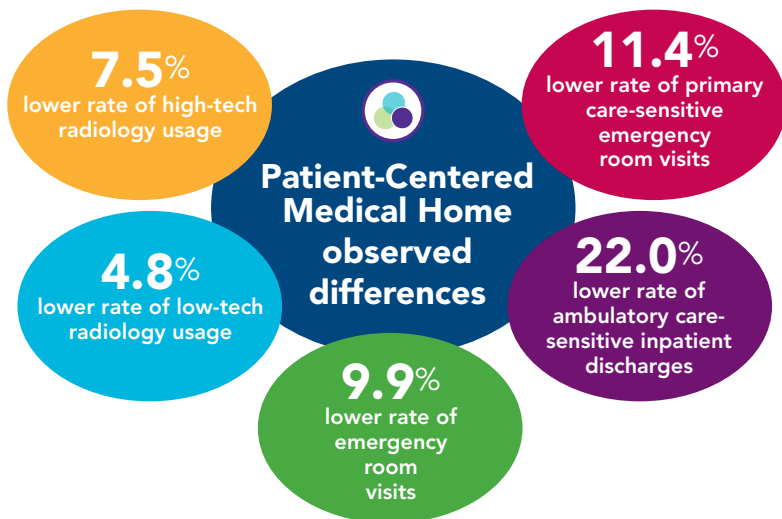
Leading the way with patient-centered care

A key component of Value Partnerships is BCBSM's Patient-Centered Medical Home Program. With more than 2,500 designated physicians in 774 practices throughout Michigan, it's the country's largest such program.

PCMH primary care physicians and their teams coordinate patients' care across the entire health care spectrum to keep them healthy, help them set health goals and monitor their care on an ongoing basis.

Here's how PCMH-designated practices compare to non-PCMH practices.

For more information, visit valuepartnerships.com



As of July 2011

Our Collaborative Quality Initiatives are saving money. In one example, over a two-year period, **more than \$49 million in payments associated with adverse surgical outcomes have been averted** through the efforts of the Michigan Surgical Quality Collaborative, or MSQC. This initiative was designed to evaluate and improve the quality of surgical care for patients throughout the state.

Collaborative Quality Initiatives making a difference

Another important element of Value Partnerships is our Collaborative Quality Initiatives — joint efforts among hospitals, physicians and the Blues that are improving health care quality and lowering costs.

Our CQIs are improving health care and reducing costs:

CQI	Results/Outcomes
Michigan Bariatric Surgery Collaborative	35% decrease in visits to emergency rooms following surgery 24% decrease in overall complication rates
Michigan Surgical Quality Collaborative	18% decrease in surgical site infections 37% decrease in overall complications
Michigan Society of Thoracic & Cardiovascular Surgeons Quality Collaborative	11.6% decrease in post-operative prolonged ventilation

As of August 2011

For more information on Value Partnerships, see the *2011 Partners in Health Care Report*. You can access the report online at bcbsm.com/pdf/partners.pdf.



Blue Distinction Centers® deliver better outcomes, lower costs

Yet another way we're helping to ensure better health outcomes is through the nationwide Blue Distinction Centers for Specialty Care®. The Blues award hospitals Blue Distinction designations for meeting certain criteria in the high-cost, high-variability complex care that accounts for more than 30 percent of inpatient costs nationally.

The program offers members the broadest access — with more than 1,900 centers in 47 states — to facilities that are proven to deliver better outcomes, based on the industry's most rigorous clinical quality criteria. For example, Blue Distinction Centers have:



**42 percent lower mortality rates
one year after heart transplants**



**40 percent lower short-term major
complications for bariatric surgery**



**33 percent lower cardiac bypass
mortality rates**



**29 percent lower inpatient
mortality rates after heart attacks**

For more information, go to bcbs.com/bluedistinction.





Other ways we're reducing

Developing quality networks, negotiating favorable rates

The Blues' PPO network is the largest in the country and includes 92 percent of the doctors and 96 percent of the hospitals. That's more than **2,000 facilities** and more than **40,000 health care professionals**. Our discounts help protect the affordability of health insurance for **millions of subscribers**.

Our utilization management area oversees the use of services by doctors and hospitals and works closely with medical vendors for select services and supplies our members may need.

Provider discount savings

Approximate annual savings in Michigan:

Hospital costs: **\$8.1 billion**

Professional costs: **\$3.4 billion**

Pharmacy costs: **\$2.9 billion**

Did you know ...

Our negotiated discounts have a positive effect on members' premiums and out-of-pocket costs.

- Without our care management efforts and the advantage that negotiated discounts provide, members would typically pay a premium that is more than **20 percent higher** or choose a plan with a deductible that is **\$500 more** than their current one.
- Members can check out one way that negotiated discounts affect their out-of-pocket costs by reviewing their Explanation of Benefits statements. A column titled "Less Participating Provider Savings" lists the amount that total provider charges are reduced due to negotiated discounts.



Members get discounts on wellness programs and services

healthybluextrasSM
good for you. good for michigan.

bcbsm.com/extras


Blue365[®]
Your resource for living healthier.[®]

bcbsm.com/extras

Check us out online:



A Healthier Michigan

aHealthierMichigan.org



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