

# THE YEAR IN REVIEW: 2013

OREGON

## A pivotal year in health care transformation

Regence marked a decade of progress in 2013 toward our company's vision of transforming the way our members experience health care.

Health care is personal, and health insurance should be personalized so people get the value they need. We are equipping members and their providers for a new kind of relationship. And we are creating innovative plans and partnerships to make sure everyone has a stake in delivering quality care that is affordable.

We grade ourselves on how we do the things that matter most to our members, from large employers to individuals who buy their own health insurance, as well as doctors and brokers. All of our customers' and business partners' needs have evolved and so have our goals. We regularly ask them to tell us how we are doing, and we use their feedback to improve our operations.

Our business grew in 2013 and we are pleased to welcome new members and gratified that many continue to choose Regence. We will keep charting our course to transform their health care experience.

### We are here for Oregon

Regence has partnered with families, employers, doctors and hospitals to connect Oregonians with health care services for 73 years.

We're the state's foremost health plan, and more than 3,230 Oregonians work for Regence and affiliated companies with office locations in Portland, Salem, Medford and Bend.

We serve more than 750,000 Oregonians through their workplace or personal coverage. And we hold strongly to our nonprofit heritage, which means our focus is on helping people first, today and for the long term.

Beyond Oregon's borders, our members have access to health care in all 50 states and around the world through our affiliation with the Blue Cross and Blue Shield Association's BlueCard® Program. We are proud to be one of The Blues®, which are the health plans of choice for one in three Americans.



**Regence**

*your health, connected<sup>SM</sup>*

## Progress and flexibility

Last year we devoted many of our resources to preparing our members and our company for some of the most sweeping provisions of the Affordable Care Act (ACA). However, our initiatives are not defined by federal or state reform.

Long before passage of the ACA, Regence advocated for system change and consumer engagement. Our fourth year of implementing the ACA saw great productivity and progress toward meeting broad new health insurance rules for 2014:

- ▶ We created new products to include the expanded benefits as required by the federal health care reform law, and priced them according to the new requirement that all applicants be approved.
  - Products and prices for individual and small group policies were reviewed by the Oregon Insurance Division.
- ▶ When the rules changed just before the effective date, we took extra steps to help our members keep their 2013 plan for one more year, while navigating them to their many choices in the marketplace.
- ▶ We worked with regulators and legislators on the changes that reform would bring to the marketplace.
- ▶ We educated and informed our members, employers, providers and producers about what the new options mean for them.

Implementing the law remains a challenge as the deadlines continue to shift. We will be here to help members understand what these changes mean for them.

## We are customers, too

We experience the same frustrations and difficulties as our members when it comes to the health care system. That fuels our passion to make the system work better for everyone.

Regence was an early adopter of patient-centered medical homes. We led the market with tools to help consumers understand health care costs, engage in provider reviews and participate in wellness rewards.

We continued to build on this foundation in 2013 with initiatives that can curb costs while helping members in the long term with better health, higher quality, and fewer risks.

**Partnering for quality.** Regence is changing health care by creating partnerships that promote a new and different goal: improving the health of patients and their care experience, while lowering the cost of care.

Instead of paying only for care, our new agreements partner with doctors to set benchmarks on cost and quality, and rewards for meeting them.

Partnerships with health care organizations around the state will pay long-term dividends in patient health and satisfaction:

- ▶ Adventist Health
- ▶ Healthcare Resources NW
- ▶ Legacy Health
- ▶ Oregon Medical Group
- ▶ The Portland Clinic
- ▶ Salem Clinic
- ▶ Tuality Health Alliance
- ▶ Willamette Valley Health Solutions

**Sharing knowledge.** Complexity is widely recognized as one of the biggest challenges in medicine. That is an opportunity for us to provide significant value to members and their doctors.

Medical research finds wide variations in treatment and results, and identifies where treatment itself can pose risks. Our programs help doctors and members base decisions on best evidence about safety and outcomes:

- ▶ Radiology and spinal surgery are just two of our initiatives to educate medical professionals and members about quality treatment options with the lowest risk and cost.

**Smoothing the way.** We strengthened our technology platforms to deliver a better experience every day for employers, providers, producers and individual members:

- ▶ We built increased flexibility into our operations to respond in a rapidly changing environment.
- ▶ We greatly improved the efficiency and quality of our operations so we can offer our customers high-value products and services.
- ▶ We remain focused on excellent service; Regence's customer service scores are among the highest for the Blue Cross and/or Blue Shield Plans nationally.

**Delivering solutions.** We have helped employers deliver health care benefits that fit their companies:

- ▶ Regence Employee Choice<sup>SM</sup> lets companies of all sizes select the level of benefits they can offer while allowing employees to choose coverage and networks.
- ▶ Regence Marketplace helps mid-size and larger companies offer benefit choice to workers with different coverage needs while stabilizing employer health costs.

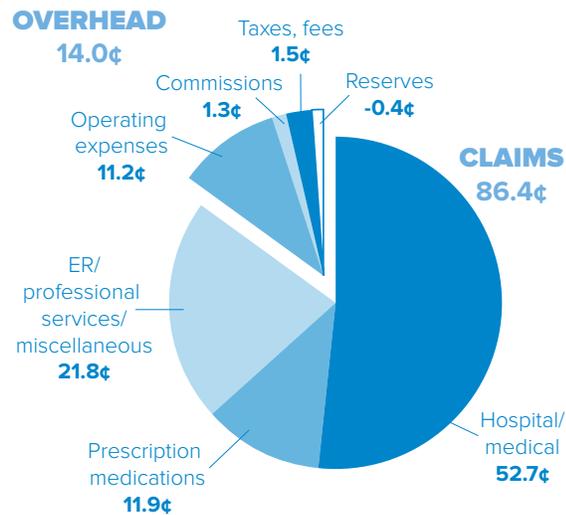
## Keeping our pledge

Health insurance is a pledge to be here for members and pay for their medical care.

**933,172**—requests for payment our Oregon members averaged every month, or nearly **12 million** claims in 2013

**527,483**—member calls receiving personal Customer Service assistance in 2013

## Where the premium dollar went in 2013



Our members count on us to be there when they have questions and to pay for their covered medical services.

And we keep our pledge:

**86.4¢** of every premium dollar pays for care.

## Taxes and assessments

As a tax-paying nonprofit, Regence supports Oregon through various fees and assessments:

- ▷ \$7.2 million in state premium tax
- ▷ \$9.0 million to Oregon Medical Insurance Pool
- ▷ \$11.1 million in federal income tax

**TOTAL:** \$27.3 million

Regence keeps its pledge to members today and for the future through long-term financial stability.

Key Financial Metrics	2011	2012	2013*
PREMIUM REVENUE	\$1.87 B	\$1.85 B	\$1.89 B
NET INCOME RATIO	0.4%	2.3%	1.0%**
MEDICAL LOSS RATIO % OF PREMIUM TO CLAIMS	86.3%	84.4%	86.4%
MONTHS IN RESERVES FOR UNFORESEEN COSTS	3.3 months	3.7 months	4.0 months

\*Preliminary and unaudited; as filed with Oregon Insurance Division; reflects fully insured business only.

\*\*Net income includes investment results, which were deposited to reserves.

## Building community

We live where our members live, and we feel strongly about helping our neighbors. Regence works through local nonprofits that make a long-term difference in people's health and well-being. These community partners receive a multi-year commitment of executive leadership and guidance, volunteer assistance, and strategic funding that strengthen them in their mission for the long term:

- ▶ **Friends of the Children (FOTC)** is a revolutionary nonprofit that provides highly vulnerable children with professional, paid, long-term mentors. This preventive, early intervention helps break the cycle of poverty so children can grow up to be productive citizens. Our support of FOTC focuses on launching a new health initiative for its staff and mentees.
- ▶ **Oregon Food Bank (OFB)** addresses the root causes of hunger through public policy advocacy and education programs, as well as food distribution to pantries across Oregon and Southwest Washington. Our partnership with OFB focuses on support for business planning, capacity building, education and marketing outreach.
- ▶ **SMART (Start Making A Reader Today)** helps children become confident readers by providing individual volunteer attention and new, take-home books. Our three-year partnership with SMART provides funds to build capacity to reach children across the state.

Overall, Regence's community support to these and other Oregon nonprofits totaled more than **\$3 million** in 2013. Additionally, our employees contributed **\$816,000** for nonprofits through our annual giving campaign, and volunteered more than **3,300 hours**.

## TO REACH US

**Regence BlueCross  
BlueShield of Oregon**

100 SW Market Street  
PO Box 1071  
Portland, Oregon 97201

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