

# THE YEAR IN REVIEW: 2013

WASHINGTON

## 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.

We are gratified by our members' continuing preference for Regence and will keep charting our course to transform their health care experience.

### We are here for Washington

Regence has partnered with families, employers, doctors and hospitals to connect Washingtonians with health care services for 96 years.

We are the state's oldest health plan, and more than 1,892 Washingtonians work for Regence and affiliated companies with office locations in Seattle, Tacoma, Everett and Burlington.

We serve more than 1.1 million Washingtonians 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 Washington'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>*

▶ Space Needle

## 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 Washington Office of the Insurance Commissioner.
- ▶ 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, piloting a program for Washington workers in 2008. 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:

- ▶ Everett Clinic
- ▶ Evergreen Health
- ▶ Franciscan Health System
- ▶ Lake Shore Family Practice
- ▶ MultiCare Health System
- ▶ Northwest Physicians Network IPA
- ▶ The PolyClinic
- ▶ Puget Sound Family Physicians
- ▶ Sound Family Medicine
- ▶ UW Medicine
- ▶ Walla Walla Clinic

**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.

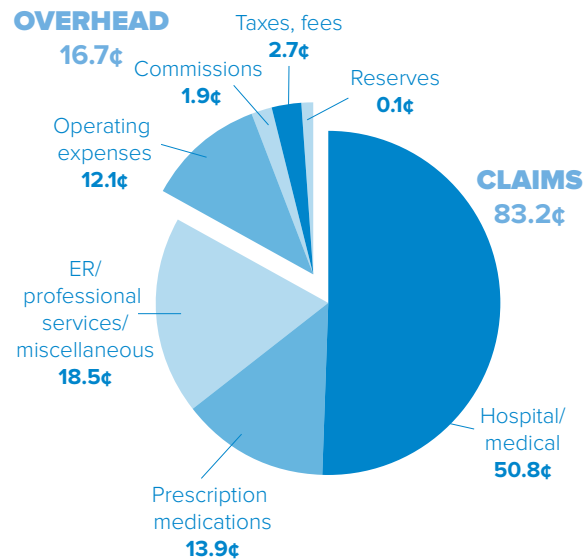
## Keeping our pledge

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

**1,361,487**—requests for payment that Regence BlueShield members averaged every month, or more than **16.3 million** claims in 2013

**818,500**—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:

**83.2¢** of every premium dollar pays for care.

## Taxes and assessments

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

- ▷ \$27.4 million in premium taxes to Washington State
- ▷ \$11.9 million Washington State Health Insurance Pool
- ▷ \$7.3 million in federal taxes

**TOTAL:** \$46.6 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	\$2.2 B	\$2.15 B	\$2.19 B
NET INCOME RATIO	-0.5%	1.4%	2.2%**
MEDICAL LOSS RATIO % OF PREMIUM TO CLAIMS	85.5%	82.7%	83.2%
MONTHS IN RESERVES FOR UNFORESEEN COSTS	5.3 months	5.9months	6.5 months

\*Preliminary and unaudited; as filed with Washington Office of the Insurance Commissioner; 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:

- ▷ **Food Lifeline** is dedicated to ending hunger in Western Washington through its network of 300 food banks, meal programs and shelters. Our partnership with Food Lifeline is directed toward its development of a children's nutrition program.
- ▷ **Treehouse** is uniquely committed to improving the lives of kids living in foster care. In 2011 alone, more than 5,000 foster children used Treehouse services. Regence's support for Treehouse provides funding toward development of an educational model that emphasizes ambitious goals of achieving graduation rate equity for foster youth.

Overall, Regence's community support to these and other Washington nonprofits totaled more than **\$1.2 million** in 2013. Additionally, our employees contributed **\$536,000** for nonprofits through our annual giving campaign, and volunteered more than **1,200 hours**.

## TO REACH US

### Regence BlueShield

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Follow us at [www.twitter.com/RegenceWA](http://www.twitter.com/RegenceWA)

