

THE YEAR IN REVIEW: 2013

UTAH

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 Utah

Regence has partnered with families, employers, doctors and hospitals to connect Utahns with health care services for 72 years.

We are the state's oldest health plan, and more than 419 Utahns work for Regence and affiliated companies, located in Salt Lake City.

We serve nearly 465,000 Utahns 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 Utahs' 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, connectedSM

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 plans were reviewed by the Utah 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.

We established a partnership with the Central Utah Clinic, which shares our goal. We hope to expand partnerships like this around the state to achieve our vision of personalized, high-quality care that remains affordable.

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 ChoiceSM 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.

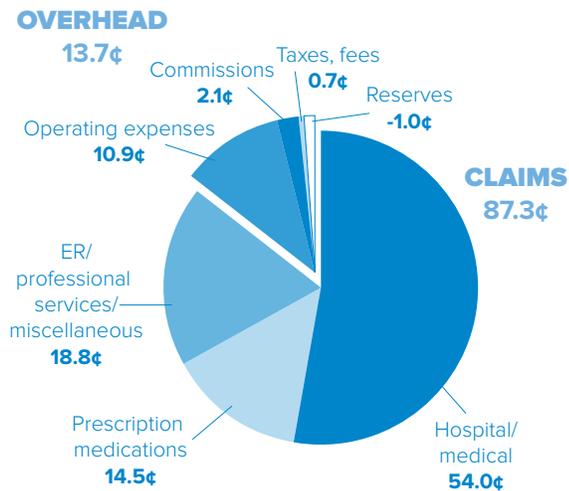
Keeping our pledge

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

570,947—requests for payment our Utah members averaged every month, or more than **6.8 million** claims in 2013

277,626—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:

87.3¢ of every premium dollar pays for care.

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

Key Financial Metrics	2011	2012	2013*
PREMIUM REVENUE	\$1.01 B	\$1.0 B	\$1.08 B
NET INCOME RATIO	-1.1%	4.1%**	0.8%***
MEDICAL LOSS RATIO % OF PREMIUM TO CLAIMS	88.8%	84.0%	87.3%
MONTHS IN RESERVES FOR UNFORESEEN COSTS	2.8 months	3.5 months	3.1 months

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

**Excludes income from one-time distribution of accumulated earnings from subsidiary.

***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:

- ▷ **American Heart Association's (AHA)** mission is to build healthier lives, free of cardiovascular diseases and stroke. Our partnership will focus on increasing the number of people who understand the link between their overall health and their risk of heart disease and stroke.
- ▷ **Big Brothers Big Sisters of Utah** provides one-to-one mentoring for children, ages six through 18, in Salt Lake area and Utah Counties. Its partnership with Regence will allow it to undergo a strategic planning process to establish a more community-based structure: serving children based on neighborhood, providing staff in all communities served and expanding training for staff and mentors to better prepare them to provide service to the children facing adversity in these communities.

Overall, Regence's community support to these and other Utah nonprofits totaled more than **\$448,000** in 2013. Additionally, our employees contributed **\$75,000** for nonprofits through our annual giving campaign, and volunteered more than **1,000 hours**.

TO REACH US

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BlueShield of Utah**

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