

Report to the Community

Excellus BlueCross BlueShield has filed its 2009 financial statements with the New York State Insurance Department. The following is a summary of the health plan's 2009 performance.

QUALITY AND CUSTOMER SATISFACTION

In 2009, we continued to achieve high scores for quality and customer satisfaction, once again earning the highest level of accreditation from the National Committee for Quality Assurance (NCQA). We are continuing to make substantial investments to better manage chronic diseases and complicated high-risk cases and to build the information technology tools required to support these efforts.

OPERATIONS

In the 11 years since we merged three upstate health plans to become Excellus BlueCross BlueShield, our annual operating margins have averaged less than two percent. For 2009, Excellus BlueCross BlueShield reported an operating loss of \$6.6 million, or 0.1 percent of premium revenue.

The health plan processed nearly 48 million claims in 2009, paying \$4.3 billion in medical benefits to more than 18,000 upstate physicians, 110 upstate hospitals, 61,000 pharmacies and other health care providers. We process an average of 131,500 claims *every day* and pay an average of \$11.8 million daily for medical goods and services on behalf of our members.

On average, we spent 89 cents of every premium dollar on medical care for our members last year, which compares favorably with other health plans.

The health plan ended the year with about 1.7 million members for health insurance and self-funded business. Dental enrollment represented an additional 779,000 members.

NET INCOME

On a premium base of \$4.9 billion, Excellus BlueCross BlueShield reported a net gain of 1.0 percent or \$46.6 million. Investment income of \$75 million offset the loss from operations and accounted for all of the net income.

RESERVES

As a nonprofit enterprise, net income is placed into reserves for the protection and benefit of the 1.7 million members that we cover across 39 counties, from Jamestown to Plattsburgh and from the Canadian border to the Pennsylvania state line. Adequate reserves are essential should it become necessary to pay for a large influx of claims due to an epidemic, a pandemic, an act of bio-terrorism or other disasters.

Total reserves at year end were \$965 million. This represents \$633 per member. By comparison, the typical cost of a single emergency room visit is more than \$700. Though modest by some comparisons, this level of reserves is safe. It allows the health plan to sustain an A- (Strong) credit rating with Standard & Poors and an B++ (Good) financial strength rating from A.M. Best.

EXECUTIVE COMPENSATION

Executive compensation is set by the health plan's board of directors and is based on a thorough analysis of comparable positions in the insurance and health care industries by independent outside national consultants selected by the board. It reflects the complexity of our health plan's parent organization. In addition to health insurance, corporate leaders oversee the business of long term care insurance, health centers, employee benefit and pension consulting services, home health care agencies, hospices, and a nurse staffing agency. Some officers are paid partially with subsidiary revenues rather than health plan premiums. Due to poor financial performance in 2008, compensation for the corporation's top officers was reduced by at least 20 percent in 2009.

CORPORATE MISSION AND LOCAL IMPACT

In support of our mission to ensure access to affordable health care for as many people as possible, in 2009 we continued to help reduce the number of uninsured by supporting government "safety net" programs. These include Medicaid, Child Health Plus, Family Health Plus, Healthy NY, ValuMed Plus and direct-pay products. We covered more than 300,000 people in these programs during 2009. We also invest millions of dollars to expand health care access to underserved populations, improve members' health status, address nursing shortages, reduce hospital acquired patient infections, and help with other community needs.

In 2009, we added 11 small rural hospitals to the 18 upstate hospitals we partnered with in 2005 to reduce hospital acquired infections. In 2007 and 2008, this partnership helped prevent more than 500 hospital acquired infections and avoid more than 4,700 incremental days in the hospital, saving nearly \$5 million. We also continued our "Generics are REAL" campaign in 2009 to help increase the public's acceptance and use of generic drugs as a safe and effective alternative to higher-priced brand-name drugs. Since our education efforts began in 2006, the upstate generic fill rate has increased by nearly 10 percentage points, representing more than \$850 million in savings to our communities.

Excellus BlueCross BlueShield is committed to remaining a nonprofit, community-based health insurer. Our health plan is the largest division of a parent corporation that collectively employs more than 6,000 workers in about 30 locations throughout upstate New York. We are one of upstate New York's largest employers and purchasers of local goods and services. Aside from paying for our members' medical care, we contribute an estimated \$865 million to the upstate economy in both direct and indirect spending. Based on the multiplier effect of economic modeling, our spending supports nearly 1,800 local jobs outside of our company.



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Health Plan Performance Measures

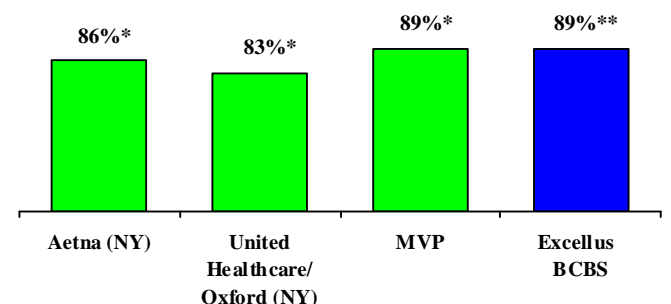
Quality and Satisfaction



"NCQA's 'Excellent' Accreditation status is reserved for the best health plans in the nation. It is only awarded to those plans that meet or exceed NCQA's rigorous requirements for consumer protection and quality improvement and deliver excellent clinical care."

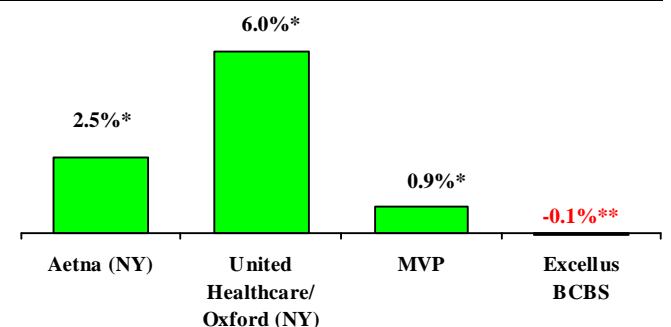
-- Margaret E. O'Kane, NCQA President

Percent of Premium Spent on Medical Care



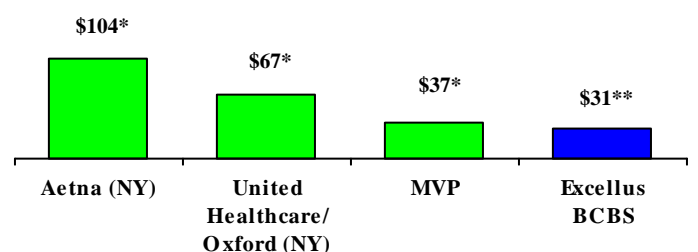
* As of 9/30/09 (most recent data available)
** As of 12/31/09

Operating Margin as Percent of Premium



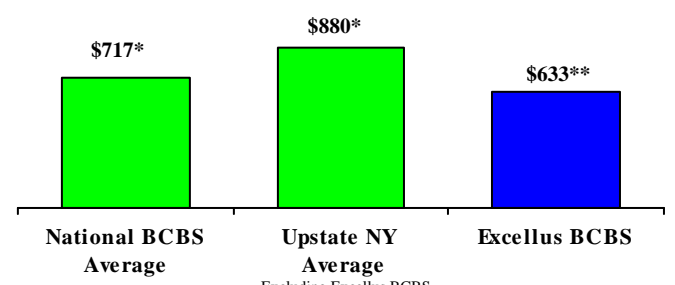
* As of 9/30/09 (most recent data available)
** As of 12/31/09

Net Income Per Member



* As of 9/30/09 (most recent data available)
** As of 12/31/09

Reserves Per Member



* As of 9/30/09 (most recent data available)
** As of 12/31/09