

Leading Michigan to a Healthier Future

# Blue Cross Blue Shield of Michigan Annual Report

09

**Dan Loepp swaps a working lunch for a walking lunch with Ernie Harwell, legendary Detroit Tigers broadcaster from 1960 to 2002 and Blues healthy-living spokesperson from 2003 to 2009.**



I'd like to take this opportunity to say a few words about a dear friend of mine. Ernie Harwell joined the Blues back in 2003 to help us spread the message of healthy living. Ernie is truly a Michigan icon. His passion to get people moving more and eating healthier is an inspiration to all of us. Though Ernie Harwell "retired" from the Blues in 2009, he will forever be part of our family at Blue Cross Blue Shield of Michigan. – Daniel J. Loepp

# A message

from the President and CEO

“**I**n this time of great change, Blue Cross Blue Shield of Michigan has an unparalleled opportunity to help shape the future of Michigan’s health in ways that go beyond the business of health care and health insurance.

But we can’t do it alone.

We work in partnership with community leaders, medical professionals, business owners and others who care about and contribute to the health and well-being of people throughout the state. Together, our expertise and collective influence can build a healthier future for Michigan.

The insight we gain from our partners is invaluable, and it’s changing Michigan for the better.

In this report, you’ll read first-hand stories from Michigan residents who partner with the Blues to become healthier in various ways. You’ll see a snapshot of how we are actively leading Michigan to a healthier future through healthier people, healthier communities, a healthier economy and healthier systems of care.

Michigan is our home, and we’re working every day to ensure its future is bright.”



Daniel J. Loepp  
President and CEO  
Blue Cross Blue Shield of Michigan



Visit [bcbsm.com/annualreport](https://bcbsm.com/annualreport) to read more about how we’re leading Michigan to a healthier future.

# A message from the Chairman of the Board

“Without question, these are times of uncertainty. The economic conditions we face today are causing companies everywhere to change long-established business models, reform their structures and seek efficiencies that will allow them to compete now and in the future.

This is especially true in health care where the nonprofit Michigan Blues and our for-profit competitors faced unprecedented economic and market challenges in 2009.

Given the complexities of the business, the Blues are fortunate to have a strong executive leadership team coupled with a diverse and involved board of directors. Their collective business acumen, embrace of change and continuous improvement, and firm commitment to the Blues’ unique mission set them apart from the ordinary.

Through the determination and engagement of all Blues employees, the company accelerated a monumental effort in 2009 to change the enterprise from good to great. The Blues’ Performance Transformation will not only help us weather the current storm, but prepare for tomorrow.

Turn to Page 13 to read about our evolutionary change to become a healthier company. Ultimately, our transformation will position BCBSM to become a healthier organization, ready to lead Michigan to a healthier future.”



Gregory A. Sudderth  
Chairman of the Board  
Blue Cross Blue Shield of Michigan

## Table of Contents

Healthier people.....	4
Healthier communities.....	6
Healthier economy.....	8
Healthier systems of care.....	10
Healthier environment.....	12
Healthier company.....	13
Board of directors.....	14
Subsidiaries .....	16
Financials CD .....	Inside back cover

As a resident of Gladstone in the Upper Peninsula, Greg Sudderth enjoys various outdoor activities to stay healthy, including biking, hiking and snowshoeing. He has served on the BCBSM Board of Directors since 1993 and became the chairman of the board in 2002.



There's more to getting healthy than just treating illnesses. It involves changing attitudes, outlooks and even lifestyles. We give Blues members the tools, resources and support they need to make choices that improve their current health, their future health and their overall peace of mind.

# heal

**B**lueHealthConnection® provides online tools and personalized support to help members achieve their health goals. Our team of registered nurses helps members with simple to complex health concerns to coordinate care, and to educate and motivate them on the path to good health.

“ My doctor told me I had three months to improve my health or he was going to put me on medication. That was the last thing I wanted, so when a nurse from Blue Cross called me, I was ready to make the changes.

Sue and I talked regularly over the phone, and she helped me set health goals, which was new for me. She taught me how to make simple changes to my diet. So I stopped adding salt and sugar to my meals, and I stay away from fried food. I eat more fruits and vegetables and lean meats like chicken and fish. She also got me started on an exercise routine. I didn't exercise at all before, and now I get on the treadmill or stationary bike three times a week.

She convinced me that I could reach my goals if I made simple changes, so I did. I lost a few pounds at first and that motivated me to keep going. So far I've lost 17 pounds, and my cholesterol and sugar levels have gone down. I feel great, but I know this is an ongoing process, and I'll keep working at it. She helped keep me off medication, and I'm really grateful for that.”

**Greg Woods**

*Blue Cross Blue Shield of Michigan member  
BlueHealthConnection success story  
Kalamazoo, Michigan*

## We go beyond

just helping Blues members. We work with our community partners to launch walking and weight-loss challenges throughout the state that help Michigan residents commit to healthy living.

**4,200** — The number of pounds lost by 462 of our customers' employees and 378 Blues employees during Win by Losing. We challenged our customers to begin the 12-week weight loss challenge in their offices to help their employees lose weight and improve productivity.

**At [bcbsm.com](http://bcbsm.com)**, our members can manage details of their health and their health care plan — from exploring their benefits, to reviewing financial information and using interactive features like health assessments and online health coaching.

# thier people

**Greg Woods' energetic grandchildren, Paris and Derrick Woods, help him stay active and young at heart.**



**Greg Woods**

**FACT:** In 2009, BlueHealthConnection helped avoid \$90.3 million in health care costs by assisting Blues members in pursuing or maintaining their health goals.

# healthier commu

Clara James and Washington Elementary students combine fitness and fun with HOPSports®. A portion of the Blues grant went to purchase HOPSports, which the school uses for physical education and community events.



Clara James

**FACT:** In 2009, the Blues gave Building Healthy Communities grants to 17 schools, benefiting nearly 6,000 children across the state.

# unities

Every community has its unique needs and challenges. Creating a culture of health in Michigan communities requires more than funding and volunteerism. It requires local knowledge and involvement. We are enthusiastically engaged with community-based organizations that share our vision of a healthier Michigan. Together we're making Michigan healthier — one community at a time.

Childhood obesity has reached epidemic proportions. Overweight children face a higher risk of heart disease, stroke, asthma and cancer later in life. Curbing childhood obesity can lead to a healthier adulthood and reduces potential health care costs. That's why we work with schools and community groups to support programs that get kids moving more and eating healthier.

“ I worked with Washington Elementary to apply for Blue Cross' Building Healthy Communities grant. It's so important for us as parents and mentors to give kids the education and opportunities they need to make healthy choices, and this program was a perfect way to do that.

With the funding we received, we were able to start exercise, nutrition and parent education programs. The kids are so excited and don't even realize they're improving their health. They're focusing on the fun of learning how to eat healthy and be physically fit.

I think the grant is successful because it's a comprehensive approach. The kids are given a message, and the teachers reinforce it every day in their lesson plans. The program also gets parents and the community involved, so the health message is reinforced outside of school.

It's a long-term solution, and our partners at Blue Cross are there to help us every step of the way. Even when our grant period is over, we'll have the tools in place that we need to help the kids succeed. ”

**Clara James**

*Community Partner to Washington Elementary  
Sault Sainte Marie, Michigan*

**47** — The number of free or low-cost health clinics financially supported by the Blues. The clinics put health care in reach for uninsured residents who may otherwise delay seeing a physician because of the cost. Delay can lead to more expensive care in emergency rooms.

**30,000** — The number of children in low-income, working families covered by MIChild, a state government program subsidized by the Blues that has led Michigan to be among the leading states for insuring its children.

**More than \$450,000**

— The amount Blues employees donated to United Way. Corporate dollars brought the total Blues donation to nearly \$640,000.

A healthier economy in Michigan depends on the financial health of Michigan's businesses and the physical health of employees. We know that providing health care for employees presents cost challenges for business owners. We help businesses address this challenge by partnering with them and offering health care products that encourage employees to become healthier, and resources to keep them healthy and productive.

# heal

**T**o control their costs and still provide quality health care coverage to their employees, Boyne Resorts began offering a Blues consumer-directed plan with a health savings account. All eligible employees in Michigan opted for this plan in 2009.

The result? A 21 percent drop in the price of Boyne's health care premiums. Based on the positive results, Boyne Resorts intends to move to HSA plans exclusively at each of its North American locations by 2011 renewals.

“Our team members were using their health plans without knowing what things actually cost. By transitioning to a consumer-directed plan with a health savings account, we created a culture of personal accountability. Our team members are now more mindful of their personal health, and they're more responsible for how their health care dollars are spent.

At the same time, we began a company-wide wellness program. We host clinics to educate our team members about healthy behaviors and preventive care. We've seen tremendous improvement in terms of awareness. They're talking to their doctors more, and they understand the connection between behavior and cost.

A light bulb went off for me. Personal accountability is the key to keeping health care costs down. While health care costs are spiraling out of control for most companies, we're in a position where we're able to reinvest in our company. We can retain and attract employees because we offer a Blue Cross plan at a cost structure that nobody can match.”

**Stephen Kircher**

*President of Boyne Resorts, Eastern Operations  
Boyne Falls, Michigan*

**More than  
\$311 million**

— How much business we did with Michigan-based suppliers. More than \$94 million of this amount was spent with minority- and women-owned businesses.

**\$2,260,274** — The average amount per hour the Blues paid in health care benefits in 2009. That's a total of \$19.8 billion.



Almost 92 cents from every dollar we collect in premiums goes to pay for health care services.

Only eight cents is used to keep the Blues running.

# thier economy

Stephen Kircher (lower left) and the Boyne team have made wellness a priority. Team members Stephanie McKay and Steve Niezgoda enjoy tubing with Callie and Jacque O'Neill.



Stephen Kircher

**FACT:** By offering their team members a Blues health plan with a health savings account, Boyne Resorts achieves significant cost savings equaling \$1,400 for an average family per year.

# healthier systems of

Dr. Dhiraj Bedi's sons, Rehan and Vishesh Saharan, pay a fun visit to her Grand Blanc office.



**FACT:** In 2009, the Michigan Blues designated 1,200 primary care doctors as Patient-Centered Medical Home physicians — the largest medical home program in the country.

Dr. Dhiraj Bedi

# care

The Michigan Blues have unrivaled partnerships with doctors, hospitals and other health professionals to continuously improve the way health care is delivered. Together, we're improving quality and efficiency, lowering costs and saving lives.

**I**n 2009, the Michigan Blues launched the largest patient-centered medical home program in the country. Doctors earn the Blues' medical home designation by changing their approach to patient care. Medical home doctors have a holistic view of their patients' total health by becoming their health advocate, coordinating their care with specialists, monitoring prescriptions, providing 24-hour access, and managing chronic conditions. Their focus is where it belongs — on the patient.

“Blue Cross' Patient-Centered Medical Home designation promoted teamwork at my office. We're all here for the same reason, and that's our patients. We work with each of them to set health goals, and we provide them with the education and support they need to meet them. Our goal is to help them get their health conditions under control before they become serious and costly. And I'm more interested in my patients meeting their goals.

I also work more closely with my patients' specialists, which helps reduce unnecessary procedures and office visits. And I work with my 'health navigator' team of nurses to help patients reach their goals.

The biggest challenge is getting patients to understand the importance of preventive measures. We've always valued preventive care at my office, but there wasn't ownership on the patient's part like there is now. They're more aware of the big picture, and they know they have to be proactive. My patients are involved in setting their own goals, and are as much a part of the team as we are. They know that my office is their medical home, and we're going to do everything we can to help them.”

**Dr. Dhiraj Bedi, D.O.**

*Genesys Integrated Physician Group*

*Michigan Blues Patient-Centered Medical Home physician  
Grand Blanc, Michigan*

**1989** — The year the Blues launched one of the nation's first performance-based programs for participating hospitals. More than 20 years later, the award-winning program is stimulating health care quality improvements by evaluating Michigan hospitals on efficiency, safety and utilization.

**More than 8,000** — The number of physicians that champion 20 Physician Group Incentive Program initiatives. Their efforts saved more than \$9 million in 2009 and continue to improve the quality of care delivered in Michigan.

**3rd** — Michigan's rank in prescribing drugs electronically. E-prescribing helps reduce costs and errors, and helps identify potentially dangerous drug interactions. In 2009, the Blues received a Safe-Rx™ Award for our e-prescribing efforts with participating doctors.

# healthier environment

**E**very day, Blues employees across the state make decisions that are not only good for the company, they're good for the environment. In 2009, we created a culture of environmental responsibility that cuts costs, reduces waste and makes the Blues leaner and greener.

Our Blues Go Green<sup>SM</sup> efforts go beyond our employees. They address the wants and needs of everyone who expects us to run our business in a cost-effective way that benefits Michigan communities.

Green is the new Blue — a healthier way to do business.



## 48,000 square feet —

The amount of blooming sedum on top of our downtown Detroit parking structure. This living roof, along with a rain-catching infrastructure, made our parking deck one of the first to receive national recognition from the U.S. Green Building Council. The financial and environmental benefits include:

- Recycling rain water to irrigate the landscaping at our Detroit headquarters
- Lowering long-term maintenance costs
- Reducing storm water runoff
- Moderating the roof's temperature and the temperatures of buildings around it
- Reducing noise pollution

## 5 million —

The number of paper vouchers we didn't print because we're paying more health care providers electronically. Electronic payment reduces cost, paperwork and time, and provides faster access to funds for doctors and hospitals. In 2010, we estimate we'll save 670 trees by not printing 7.7 million vouchers.

## 60,000 —

Sheets of paper have been saved since late 2009, when we switched to electronic pay stubs. Each year, we expect to avoid printing and mailing 195,000 sheets of paper by giving our employees their pay stubs online.

# healthier company

**P**erformance Transformation is about making a strong company even stronger. Confronted with economic challenges and tough competitors, we identified the need for change and acted quickly. That sense of urgency allows us to remain focused on improving, even during adversity, and keeps us in a position to be there for our stakeholders when they need us most.

The entire organization made, and continues to make, significant improvements that change our culture, improve efficiency and create value. We're changing because we see Michigan as our home — not a market — and we're expected and determined to remain a financially and operationally strong organization that is ready to lead Michigan to a healthier future.

Our transformation to a healthier company does not have an end date. Instead, it's a shift in mindset across an organization that's constantly asking, "What can we do better?"

**7** — The number of Blues Cultural Belief Statements: Act Now, Reach Out, Own It, Let's Talk, Be Radical, Embrace Lean and Be Aligned. Our transformation will be sustainable because it addresses the essential element of creating a culture of accountability and collaboration across the company among all employees at every level.

**99.8%** — Our third quarter customer service score. Blue plans gauge performance on important customer service measures such as timeliness and accuracy of claims processing. This is just one initiative of many across the company to create efficiencies.

**\$158.6 million** — The cumulative value achieved in 2008 and 2009 through company-wide improvement projects. Teams across the organization work every day to identify and eliminate redundancy and avoidable cost.

# board of directors

Blue Cross Blue Shield of Michigan

As of March 24, 2010

## Public

**James G. Agee\***  
Laingsburg

**John M. Hamilton\***  
Business Manager and General  
Vice President  
*International Union of Operating  
Engineers Local 324*  
Bloomfield Township

**Teola P. Hunter**  
Detroit

**Emery I. Klein**  
Co-owner and General Manager  
*Klein Properties*  
Farmington Hills

## Providers

### Physicians

**John E. Bodell, D.O.**  
President  
*John E. Bodell, D.O., P.C.*  
Trenton

**Peter T. Muller, M.D.**  
Vice President  
*Center for Pediatric and Adolescent  
Medicine*  
Troy

**F. Remington Sprague, M.D.**  
Vice President and Chief Medical  
Officer  
*Trinity Health-Michigan,  
Mercy Health Partners*  
Muskegon

### Hospitals

**Brian M. Connolly**  
President and Chief Executive Officer  
*Oakwood Healthcare Inc.*  
Dearborn

**Spencer C. Johnson\***  
**Vice Chairman of the Board**  
*Blue Cross Blue Shield of Michigan*  
President  
*Michigan Health & Hospital  
Association*  
Lansing

### Registered Nurse

**Diane R. Goddeeris, R.N., B.S.N.**  
Registered Nurse – OB Informatics  
*Sparrow Hospital*  
Lansing

### Pharmacist

**James W. Richards, R.Ph.\***  
Professor Emeritus  
*University of Michigan College of  
Pharmacy*  
Ann Arbor

### Other

**Edwin D. Secord III, D.D.S., M.S.**  
Owner-Orthodontist  
*Private Practice*  
Dearborn

## Corporate Management

**Daniel J. Loepp\***  
President and Chief Executive Officer  
*Blue Cross Blue Shield of Michigan*  
Detroit

## Subscribers

### Large Groups – Labor

**M. Elizabeth Bunn\***

Secretary/Treasurer  
International Union, UAW  
Detroit

**Sarah W. Doyle**

Assistant Director, Social Security  
Department  
International Union, UAW  
Detroit

**Iris K. Salters**

President  
Michigan Education Association  
East Lansing

**James U. Settles Jr.**

Vice President  
International Union, UAW  
Detroit

### Large Groups- Management

**Thomas J. Hadrych**

Chrysler L.L.C. (Retired)  
Oakland

**Livio Mezza\***

Ford Motor Company (Retired)  
Livonia

**Janice K. Uhlig**

Executive Director – Global HR  
General Motors Corporation  
Detroit

**John VanderMolen**

Chief Operating Officer  
Michigan Farm Bureau  
Lansing

### Medium Groups – Labor

**William H. Black\***

Executive Director  
Michigan Teamsters Joint Council 43  
Detroit

**Patrick J. Devlin**

Financial Secretary/Treasurer  
Michigan Building & Construction  
Trades Council  
Detroit

**Mark T. Gaffney\***

President  
Michigan State AFL-CIO  
Lansing

**Calvin T. Rapson**

Vice President  
International Union, UAW  
Detroit

### Medium Groups – Management

**Jon E. Barfield\***

Chairman and President  
The Bartech Group Inc.  
Livonia

**Terry Burns**

Executive Vice President  
Michigan Automobile Dealers  
Association  
East Lansing

**Robert A. Patzer\***

Michigan Infrastructure and  
Transportation Association  
(Retired)  
Howell

**S. Martin Taylor**

DTE Energy Company (Retired)  
Grosse Pointe Farms

### Small Groups

**Gary J. McInerney\***

Owner  
McInerney & Associates  
Grand Rapids

**Gregory A. Sudderth\***

Chairman of the Board  
Blue Cross Blue Shield of Michigan  
President  
Executive Labor-Management  
Services Inc.  
Gladstone

**Gary H. Torgow**

President and Chief Executive Officer  
Sterling Group  
Detroit

### Nongroup

**Reneé C. Axt\***

President  
RCP Associates L.L.C.  
Detroit

**Melvin L. Larsen**

President  
Larsen & Associates Inc.  
Southfield

**Wallace D. Riley**

Grosse Pointe Farms

\*Member of Executive Committee

# subsidiary corporations

As of March 24, 2010

## **Accident Fund Insurance Company of America**

232 S. Capitol Ave.  
Lansing, MI 48933-1593

### **Elizabeth R. Haar**

*President and Chief Executive Officer*

**accidentfund.com**

## **BCBSM Foundation\*\***

600 E. Lafayette Blvd.  
Detroit, MI 48226-2998

### **Ira Strumwasser**

*Executive Director and  
Chief Executive Officer*

**bcbsm.com/foundation**

## **Blue Care Network of Michigan**

20500 Civic Center Drive  
Southfield, MI 48076-4115

### **Kevin J. Klobucar**

*President and Chief Executive Officer*

**MiBCN.com**

## **LifeSecure Insurance Company**

10559 Citation Drive  
Suite 300  
Brighton, MI 48116-6569

### **E. Lisa Wendt**

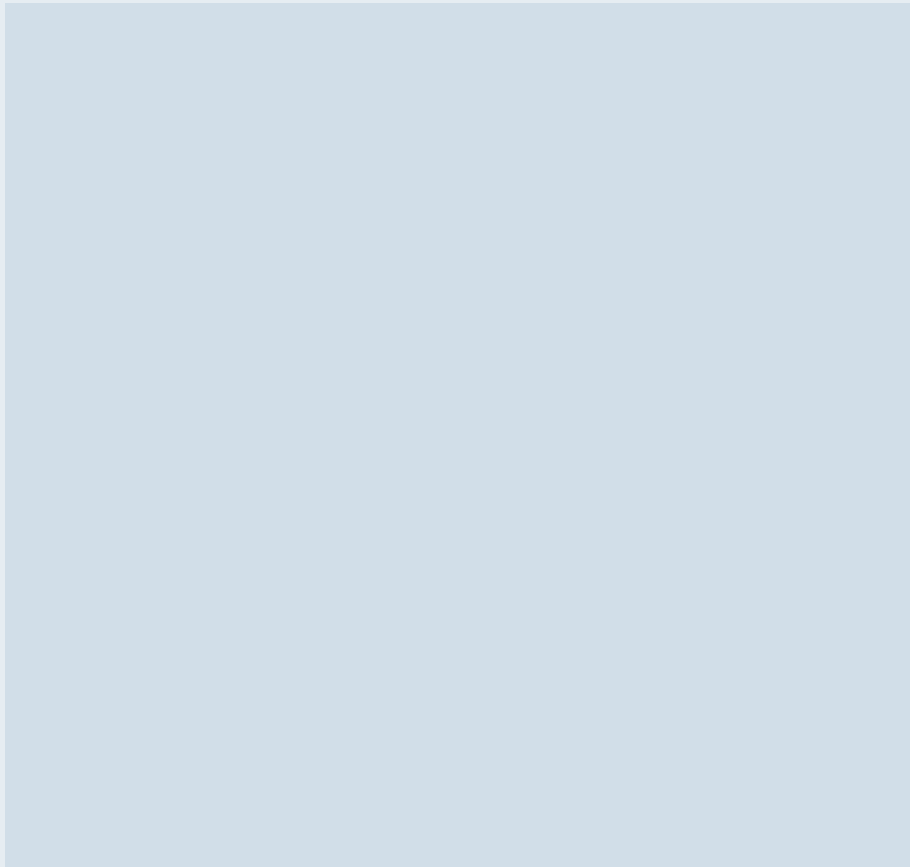
*President and Chief Executive Officer*

**yourlifefecure.com**

\*\*Subsidiary of Blue Care of Michigan Inc.

## **On the front cover:**

BCBSM employees and family members (left to right) Kristi Rauckis, Kristina Williams-Lee, Ashley David and Osborne David enjoy a day at the Boll Family YMCA in downtown Detroit.



To request a copy of Blue Cross Blue Shield of Michigan's most recent audited financial statement, please call BCBSM's vice president and general auditor at 313-225-9647 or go to **bcbsm.com**. To request printed copies of BCBSM's 2009 annual report, please call 313-225-6668.



**Blue Cross  
Blue Shield**  
of Michigan

A nonprofit corporation and independent licensee  
of the Blue Cross and Blue Shield Association

[bcbsm.com](http://bcbsm.com)



This paper contains a minimum of  
20% post-consumer recovered fiber

094144CCOM