Blues CEOs Collectively Cleared $102M In 2014, but Salary Gains Remained Flat

Thirty-three people who served as the CEO of a Blues plan for some or all of 2014 collectively earned more than $26 million in salary and about $102 million in total compensation, which includes bonuses, 401(k) retirement contributions and other incentives, according to data supplied by state regulators in response to The AIS Report’s Freedom of Information Act requests and other inquiries. While some top executives saw substantial overall compensation increases, salary levels remained relatively flat in 2014 compared with prior years (see table, p. 7).

Across all health plans, CEO compensation levels were fairly consistent between 2013 and 2014, and didn’t move much in 2015, according to Donald Gallo, a leader in Towers Watson’s health insurance team in its executive compensation practice who works closely with Blues plans. From 2014 to 2015, base salary among all not-for-profit health plan CEOs increased 2.6%, total cash compensation grew 2.9% and targeted total direct compensation was up an average of 4%, according to Towers Watson data.

Other C-level positions had larger gains in total direct compensation between 2014 and 2015. Chief operating officers had an average increase of 13.5%, while chief financial officers saw an average 10.8% increase. Compensation for health plan chief medical officers (CMOs) grew 5.7%, but Gallo says he’s surprised it wasn’t more. Hospitals and health systems, which tend to pay CMOs less than insurers, are trying to catch up as they become more involved in risk-based payment models.

“That is going to be one of the more significant trends, particularly on the provider side, but it will have implications for the insurer side,” Gallo explains. “Providers are going to be looking to insurers for executive talent that will give them the ability to effectively enter and sustain the risk business for their own insurance health plan businesses.”

continued on p. 9

Blues Plans Have Been Slow to Move to Medicare, but Growth Opportunity Remains

Blues plans have been slow to move into the Medicare Advantage (MA) space and they remain relatively small players compared with publicly traded carriers such as UnitedHealth Group and Humana Inc. But a growing acceptance of MA coverage among younger seniors and stable pricing mean there continues to be a growth opportunity for Blues plans.

Blue Cross and Blue Shield of Kansas City on Sept. 23 said it would make two MA HMO options available in nine counties in Kansas and Missouri this year. The Blues plan intends to partner with Lumeris, a population health management solutions company that operates Essence Healthcare, a 4.5-star rated MA Prescription Drug plan.

On Sept. 3, Blue Cross and Blue Shield of Louisiana said it would enter the MA market through its subsidiary, HMO Louisiana, Inc. The new MA plan, Blue Advantage HMO, will be offered in 14 parishes of the Acadiana, Baton Rouge, Greater New O-
For health insurers, the managed Medicare market offers “undeniably strong growth prospects,” says Joe Marinucci, senior director at the ratings firm Standard and Poor’s. “We expect the managed Medicare market to expand significantly due to demographics and because the product remains relatively affordable — it continues to offer a meaningful value proposition relative to traditional options” such as Medicare supplemental products.

Of the 17.6 million people enrolled in an MA plan, just 2.8 million (about 16%) are in one administered by a Blues plan. Of Blues plans that sell MA coverage, three carriers — Anthem, Inc., Blue Cross Blue Shield of Michigan, and Highmark Inc. — had nearly half of Blues plans’ overall enrollment (see table, p. 3).

But there is still time for Blues plans to get into the market. Twenty-eight parent organizations that entered the MA market between 2012 and 2015 still participate in the program today. Health Care Service Corp. (HCSC), which operates Blues plans in five states, left the MA space in 2010, but reentered in 2013.

“What you’re seeing in MA across the board are new plans and new types of plans entering the market,” says Elizabeth Carpenter, a vice president at the consulting firm Avalere Health, an Inovalon company. The percentage of Medicare beneficiaries enrolled in MA is expected to grow, and more health plans are looking to take advantage of the opportunity to compete with fee-for-service Medicare. For Blues plans, there is an opportunity to enter the MA market “and deliver real value” to beneficiaries, she says.

**CMS Unveils Stable MA Premiums**

While health coverage for individuals and employers will generally be more expensive in 2016, retirees covered by an MA policy won’t see much of a change, according to data released Sept. 21 by CMS. The agency also projects that enrollment in MA plans will increase to a new “all-time high.” CMS estimates monthly MA premiums in 2016 will average $32.60, down 31 cents from the average price paid this year. The majority of MA enrollees (59%) won’t face an increase in premiums. Marinucci says the stable premiums will help improve the popularity of the marketplace overall.

In addition, in 2016, more MA plans will offer supplemental benefits for enrollees, such as dental, vision and hearing coverage, according to CMS. Enrollment for 2016 is projected to increase to 17.4 million — nearly one-third of the Medicare population. The Annual Election Period for Medicare health and drug plans begins on Oct. 15 and ends Dec. 7, 2015.

Blues plans traditionally have been focused on commercial group and individual markets. That experience allowed them to become dominant players in the Medicare supplemental market and the public insurance exchanges. “They are increasingly acknowledging the opportunity to diversify and establish a presence in a growth market where other players — large and small — have been able to establish a sustainable competitive presence,” Marinucci tells *The AIS Report*.

In July, Avalere released a “snapshot” overview of the MA market. It noted that insurance carriers that price their MA plans below Medicare’s fee for service benchmark receive a percentage of the difference as a rebate, which they must use to provide extra benefits, such as dental or vision coverage and cost sharing reductions, to enrollees. Moreover, plans that receive a star rating of 4 or higher receive a bonus payment on top of the benchmark and also receive a higher rebate percentage than MA plans with lower ratings. According to Avalere, the proportion of MA beneficiaries enrolled in plans with four or more stars climbed from 38% in 2014 to 60% in 2015. That trend is prompting carriers to work to boost their ratings.
Some Blues Struggle With MA

But several Blues plans are struggling with MA. Pennsylvania-based Highmark, for example, shed more than 40,000 members this year. The carrier is in an MA contract dispute with rival UPMC (University of Pittsburgh Medical Center). The state Supreme Court is slated to hear arguments on Oct. 6. UPMC has tried to block in-network access to providers for enrollees on Highmark’s MA plans starting Jan. 1, The Pittsburgh Post-Gazette reported Sept. 9.

In May, a court ruled UPMC hospitals and doctors had to continue seeing Highmark’s 182,000 Freedom Blue and Security Blue members on an in-network basis until the state Supreme Court hears UPMC’s appeal of the lower court ruling, The Pittsburgh Business Times reported Sept. 11.

Between 2013 and 2015, Blue Cross Blue Shield of North Carolina says its overall enrollment grew from 3.84 million to 3.91 million, and revenue soared from $6.4 billion to $8.0 billion. At the same time, the company says net income plunged. The company blames some of the loss on its Medicare Advantage (MA) plans. While the Blues plan declined to specify the size of its MA losses, in September 2014, the insurer said it would cancel MA plans in 11 counties for 2015, affecting 50,000 members, one-third of its MA enrollment.

Similarly, HealthNow New York, the parent company of BlueCross BlueShield of Western New York and BlueShield of Northeastern New York, ended 2014 with a $53 million loss, which the company blames on fewer members, higher medical claims and more administrative costs. The company cited inadequate reimbursement for government programs like Medicare and Medicaid as a major source of the losses.

For more information on the premiums and costs of 2016 Medicare Advantage and Part D plans, visit www.cms.gov/Medicare/Prescription-Drug-Coverage/ PrescriptionDrugCovGenIn/index.html.

Some Blues Plans Rely on Subsidy Calculator for Leads, Outreach

An online tool created to help consumers determine federal premium subsidy amounts is being used by more than a dozen Blues plans to generate sales leads or to test the effectiveness of outreach and marketing campaigns.

The subsidy calculator, developed by Chicago-based Stonegate Advisors LLC, can determine a person’s eligibility for health coverage sold through a public exchange, calculate federal premium tax credit amounts and display coverage options along with the user’s expected post-subsidy premium. It also gives health plans the option to collect contact information for follow up and outreach. “That was an unintentional benefit,” says Dustin Eggers, a principal at Stonegate, “but it generates hundreds of thousands of leads a year…and they are very qualified leads.”

Since making it available in 2013, prior to the first open-enrollment period for the exchanges, the calculator has become an integral part of the online shopping experience, says Paula Sunshine, vice president of sales and marketing for consumer business at Philadelphia-based Independence Blue Cross. “Folks need to know how much money they’re shopping with,” she explains.

After clicking on the calculator, users enter each family member’s age and income, which is checked against criteria for federal exchange eligibility and the state’s Medicaid eligibility. Health plans have the option to require an email address or telephone number. But even if

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**Top 10 BCBS Entities by Medicare Advantage Enrollment, 2015**

<table>
<thead>
<tr>
<th>BCBS Entity</th>
<th>State(s)</th>
<th>Medicare Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anthem, Inc.</td>
<td>AL, AZ, CA, CO, CT, FL, GA, IL, IN, KY, MA, ME, MI, MO, NC, NH, NJ, NM, NY, NY, OH, OR, PA, SC, TN, TX, VA, WA, WI</td>
<td>580,912</td>
</tr>
<tr>
<td>Blue Cross Blue Shield of Michigan</td>
<td>AL, AR, AZ, CA, CO, CT, DC, DE, FL, GA, HI, ID, ID, IL, IN, KS, KY, LA, MA, MD, ME, MI, MN, MO, MS, MT, NC, NJ, NM, NV, NY, OH, OK, OR, PA, SC, SD, TN, TX, UT, VA, WA, WI, WV</td>
<td>389,950</td>
</tr>
<tr>
<td>Highmark Health</td>
<td>AL, AR, AZ, CA, CO, CT, DE, FL, GA, ID, IL, IN, KS, KY, LA, MA, MD, MI, MN, MO, MS, NC, NE, NJ, NM, NV, NY, NY, OH, OK, OR, PA, SC, TN, TX, UT, VA, WA, WI, WV</td>
<td>294,787</td>
</tr>
<tr>
<td>Blue Cross and Blue Shield of Minnesota</td>
<td>AZ, FL, MN, ND, SD, TX, WI</td>
<td>169,959</td>
</tr>
<tr>
<td>Blue Cross and Blue Shield of North Carolina</td>
<td>NC</td>
<td>126,581</td>
</tr>
<tr>
<td>Blue Cross and Blue Shield of Florida, Inc.</td>
<td>FL</td>
<td>120,588</td>
</tr>
<tr>
<td>Excellus BlueCross BlueShield</td>
<td>FL, NC, NY, PA, SC</td>
<td>117,070</td>
</tr>
<tr>
<td>Triple-S Management Corporation</td>
<td>CT, FL, IL, NY, PA, PR</td>
<td>116,036</td>
</tr>
<tr>
<td>Blue Shield of California</td>
<td>AZ, CA, NV</td>
<td>101,485</td>
</tr>
<tr>
<td>Independence Blue Cross (IBC)</td>
<td>DE, NJ, PA</td>
<td>97,742</td>
</tr>
</tbody>
</table>

contact information isn’t required, users tend to supply it because they usually want to talk to someone about their options, Eggers explains.

To generate more leads, Sunshine says the calculator has been made available beyond the company’s website. Through IBX Wire, the company’s secure texting platform, sales staff can send text messages to members and prospects with a link to the calculator. “We can say, ‘tap here for a calculator that’s going to tell you how much of a subsidy you’re entitled to,’” she explains.

Agents and brokers install the calculator on their phones so that they can determine subsidy amounts at community outreach events. And people who call the company’s telesales department are prompted to press a number if they want the calculator texted to their phone while they wait for a representative.

“We wind up with a lead, and the person ends up with a better idea about how health insurance might fit into their life,” Sunshine says.

**Tool Is Used to Tweak Outreach**

Like Independence, New York-based Excellus BlueCross BlueShield launched the subsidy calculator to coincide with the debut of public exchanges in 2013. “From a lead-generation standpoint, it was very successful for us that first year,” says Susie Hume, manager of digital marketing at Excellus BCBS. Since then, Stonegate has customized the tool so that potential customers remain on the insurer’s website after the subsidy is calculated. They then receive a list of appropriate Excellus BCBS options and the expected cost once the subsidy is applied. “Being able to provide that kind of value to people when they’re shopping makes it easier to convert on leads and sales,” says Hume.

She says about 90% of people who shop for coverage on Excellus’ website click on the subsidy calculator when prompted to see if they qualify.

Excellus now relies on the calculator to determine the effectiveness of its outreach and marketing efforts. Hume and her team can determine who has used the calculator, where they live and their income levels. That can help the company determine, by region, whether their outreach efforts are reaching the right people.

This year, Hume is optimistic that the calculator will help drive members to a new Basic Health Program (BHP) option. The BHP was outlined in the Affordable Care Act (ACA) as a coverage option that would sit between Medicaid and subsidized commercial coverage. Only New York and Minnesota will offer a BHP for the 2016 plan year through their state-based exchanges.

The New York Dept. of Financial Services on July 31 said the new option — dubbed the Essential Plan — will be available to people whose annual income is between 138% and 200% of the federal poverty level who are not otherwise eligible for Medicaid, the Children’s Health Insurance Program, other government programs or employer-sponsored insurance. Under New York’s BHP,
people who earn up to 200% of the FPL ($23,540 for an individual and $48,500 for a family of four) will pay no premium.

The Essential Plan will be similar to Qualified Health Plans (QHPs) sold through the state-run exchange, but will have no annual deductible and low copayments. A person who earns about $20,000 a year and uses moderate health care services, including an inpatient hospital stay, prescription drugs and doctor’s visits, will pay about $730 a year for premiums and out-of-pocket costs under the Essential Plan in 2016, compared to about $1,830 in 2015 if they were enrolled in a QHP, according to the New York Dept. of Financial Services.

Hume says the calculator has been updated so that people who qualify for the BHP receive information about the program and how to enroll through the New York State of Health exchange. Hume says the BHP could be a growth area for the company.

Subsidies Could Change Dramatically

Along with generating leads, the calculator can be used by existing customers to ensure eligibility hasn’t changed. Moreover, people who purchased health coverage through a public insurance exchange last year could see a dramatic change to their subsidy amount in 2016 if they remain in a plan that had a large premium increase. Many of them will be unaware of the change until after they receive their first statement from their carrier.

That could create a public relations nightmare for carriers, warns Eggers. “Someone who had close to a no-premium plan after the subsidy this year might wind up with a bill for $50 to $100 a month,” he says. “If you’re not informing your members about subsidy changes next year, you are decreasing your stickiness with those consumers. Carriers need to be proactive and encourage people to check their subsidies for 2016. That’s the conversation to have to maintain customer satisfaction and decrease the churn.”

Rate Hikes May Impact Subsidies

*Case in point:* In Maryland, premiums for CareFirst, Inc.’s exchange-based plans will increase by an average of 26%, the Maryland Dept. of Insurance announced Sept. 4. The Blues plan operator’s policies cover more than 95,000 out of 125,000 people who purchased coverage through Maryland’s state-run exchange for 2015.

Individuals who don’t switch coverage could wind up paying higher premiums in 2016 because subsidy amounts are pegged to the second-lowest-cost silver plan, which typically changes each year. Enrollees who didn’t reapply for 2015 coverage were passively re-enrolled in the same plan and received the same subsidy amount. This year, the subsidy will be recalculated, but will still result in bigger out-of-pocket costs if premiums increased substantially from the prior year, explains Elizabeth Carpenter, a vice president at Avalere Health, an Inovalon company.

Contact Carpenter at ecarpenter@avalere.com, Eggers at deggers@stonegateadvisors.com, Hume at susie.hume@excellus.com and Laura Hanes for Sunshine at laura.hanes@ibx.com.

**Highmark Launches New Tiered Narrow-Network Product for ’16**

Through a partnership with two dominant central Pennsylvania hospital systems, Highmark, Inc. on Sept. 16 unveiled a tiered narrow-network product for large employers in five central Pennsylvania counties. The Blues plan operator expects the low-cost product, dubbed Alliance Flex Blue, will be approved for small groups and individuals before the end of the year.

Alliance Flex offers two levels of in-network benefits through a collaboration with Penn State Milton S. Hershey Medical Center and PinnacleHealth, which are merging. The “enhanced value” tier covers services from primary care doctors, specialists and clinics affiliated with those two health systems. Out-of-pocket costs will be about 30% less than for the “standard value” tier, which involves a “low-to-moderate” level of member cost sharing, and has more hospital systems in the network, according to Highmark.

“Part of our strategy is narrow-network products, and with two well-known and high-quality providers, we think this will be an attractive option,” says spokesperson Leilyn Perri. Alliance Flex Blue is Highmark BlueShield’s second tiered-benefit plan in central Pennsylvania, joining the 21-county Community Blue Premiere Flex plan, which was launched in July 2013.

**Price Trumps Network**

While the HMO model of the 1980s faced backlash due to restricted provider choice, today’s consumers seem more willing to forfeit some choice in exchange for lower costs. What’s different this time around, Perri says, is that the network providers involved are known for high quality care. Both hospital systems include a large number of primary care physicians, specialists and clinics, he adds.

“This is a big change, and we’re anxious to see how it is accepted in the market. We think that with these well-known providers, this will be a popular product,” says Perri. The company hasn’t yet determined whether the new option will be sold through the state’s federally run insurance exchange, he adds.

continued
Highmark Has History With Systems

In 2007, Highmark announced a long-term deal with Hershey Medical Center and helped fund a new children’s hospital. Subsequently, the health system signed a 10-year contract with Highmark to provide coverage to its employees. Hershey Medical Center has about 7,000 employees and is one of Highmark’s biggest accounts.

In 2008, Highmark Inc. and the Blue Cross and Blue Shield Association designated 13 Pennsylvania hospitals as Blue Distinction Centers for bariatric care. These hospitals provide a full range of bariatric surgery care services, including inpatient and post-operative care, outpatient follow-up and patient education, according to the two organizations. The Blue Distinction program is intended to help members identify high-quality institutions with better overall patient care outcomes. The hospitals, including Milton S. Hershey Medical Center and the University of Pittsburgh Medical Center’s St. Margaret campus, met volume requirements for bariatric surgery, had documented policies and procedures for acute and follow-up care, and use ongoing quality management and improvement programs (The AIS Report 6/08, p. 11).

Contact Perri at leilyn.perri@highmarkhealth.org.

Merger Won’t Negatively Impact Competition, Says Anthem CEO

There is plenty of room for start-up health insurers to compete, even if one of the largest health insurers gets substantially larger, Anthem, Inc. CEO Joseph Swedish told a Senate Judiciary subcommittee Sept. 22 — the second congressional examination in September of his company’s pending $54 billion acquisition of Cigna Corp. Aetna Inc. CEO Mark Bertolini also explained his company’s proposed acquisition of Humana Inc. to the committee.

In his prepared remarks, Swedish explained that it would be “inaccurate and an oversimplification” to characterize Anthem and Cigna as two of five national insurers. “Health care is local….It is delivered and paid for locally, even when administrative functions are located elsewhere,” he explained.

The two CEOs touted New York health insurance startup Oscar as an example of a new carrier that is successfully competing against some of the industry’s most dominant players. In September, Oscar received a $32.5 million round of funding led by Google Capital. The company has raised more than $350 million since it was founded in 2013.

The deals to consolidate the upper echelon of national, publicly traded insurers have set off alarm bells in the provider world for fear these merged payers will have too much control in certain markets, something the feds are reviewing right now.

At question is whether the Justice Dept. will require the insurers to divest assets before approving the deals, which plans will pick up the divested lives, and whether these deals are indicative of wider competitive issues in the health plan marketplace.

At a House Judiciary subcommittee hearing Sept. 10, the American Medical Association (AMA) said the Aetna-Humana and Anthem-Cigna mergers would exceed antitrust guidelines in 97 metropolitan areas in 17 states and result in a significant absence of competition in 70% of metropolitan areas studied. The AMA cited a Justice Dept. guideline that “a merger enhances market power if it is likely to encourage one or more firms to raise price, reduce output, diminish innovation, or otherwise harm customers as a result of diminished competitive constraints or incentives.”

Will Mergers Rattle Market?

Representatives from America’s Health Insurance Plans scoffed at talk during the House hearing about market power and lack of competition resulting from consolidation. No health plan CEOs were present.

Thomas Greaney, professor of law at the St. Louis University School of Law, who testified at the House hearing, recently told Health Plan Week, The AIS Report’s sister publication, that traditionally, antitrust reviews in the health plan sector evaluate whether the deal will drive up premiums or lower quality. “So perhaps there are a lot of dimensions for quality in health plans, ranging from network design to appeals processes and all sorts of things, but that is the bottom line: is it likely to do so?” he said.

One challenge in assessing antitrust issues is identifying objectionable overlaps in markets in which both insurers operate.

Greaney says there could be sizable offloads of lives from one or both of these deals. But the tricky part, he says, is for the Justice Dept. to craft a solution to instances of market power. “The so-called ‘fix it first’ solution is where the department has historically demanded a suitable replacement candidate [to acquire the assets], and suitable being someone capable of performing in the divested company’s place at a level of quality and creditability such that it really replaces it in the market,” he explains. “And that obviously turns into how firm and how likely are the promises that it will be able to keep together its provider networks.”

Read Swedish’s testimony at http://tinyurl.com/peu8sck.
## 2014 Annual Compensation for Top Executives at Blue Cross Blue Shield Plans
And Parent Companies (Ranked by Total 2014 Compensation)

<table>
<thead>
<tr>
<th>Company</th>
<th>President/CEO</th>
<th>2014 Salary</th>
<th>2014 Bonus</th>
<th>2014 Other Compensation</th>
<th>2014 Total Compensation</th>
<th>Increase (Decrease) From 2013</th>
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<tr>
<td><strong>Publicly Traded, For-Profit Blues Plans</strong></td>
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<td>Anthem, Inc.</td>
<td>Joseph R. Swedish</td>
<td>$1,250,000</td>
<td>$0</td>
<td>$12,282,549&lt;sup&gt;1&lt;/sup&gt;</td>
<td>$13,532,549</td>
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<td>Triple-S Management Corp.</td>
<td>Ramón M. Ruiz-Comas</td>
<td>$821,682</td>
<td>$377,789</td>
<td>$3,014,989&lt;sup&gt;2&lt;/sup&gt;</td>
<td>$4,214,460</td>
<td>38.6%</td>
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<td><strong>Multistate Not-for-Profit or Mutual Blues Plans</strong></td>
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<tr>
<td>Health Care Service Corp.</td>
<td>Patricia A. Hemingway Hall</td>
<td>$1,251,052</td>
<td>$10,370,918</td>
<td>$61,020</td>
<td>$11,682,990</td>
<td>4.1%</td>
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<td>Wellmark, Inc.</td>
<td>John D. Forsyth</td>
<td>$967,115</td>
<td>$2,524,997</td>
<td>$95,378</td>
<td>$3,587,490</td>
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<td>Premera Blue Cross</td>
<td>H.R. Brereton Barlow&lt;sup&gt;3*&lt;/sup&gt;</td>
<td>$883,747</td>
<td>$2,215,228</td>
<td>$156,377</td>
<td>$3,255,352</td>
<td>-8.0%</td>
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<td></td>
<td>Jeffrey Edward Roe&lt;sup&gt;3&lt;/sup&gt;</td>
<td>$554,009</td>
<td>$369,510</td>
<td>$103,527</td>
<td>$1,027,046</td>
<td>63.0%</td>
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<td>CareFirst, Inc.</td>
<td>Chester Burrell</td>
<td>$933,846</td>
<td>$1,702,350</td>
<td>$39,732</td>
<td>$2,675,928</td>
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<td>Highmark Inc.</td>
<td>David Lynn Holmberg</td>
<td>$982,290</td>
<td>$863,618</td>
<td>$299,966</td>
<td>$2,145,874</td>
<td>33.0%</td>
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<td>Cambia Health Solutions, Inc.</td>
<td>Mark B. Ganz&lt;sup&gt;4&lt;/sup&gt;</td>
<td>$802,250</td>
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<td><strong>Single-State Not-for-Profit or Mutual Blues Plans</strong></td>
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<tr>
<td>Blue Cross Blue Shield of Michigan</td>
<td>Daniel Loepp</td>
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<td>Blue Cross Blue Shield of Kansas City</td>
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<td>$540,808</td>
<td>$1,799,108</td>
<td>$3,044,578&lt;sup&gt;6&lt;/sup&gt;</td>
<td>$5,384,494</td>
<td>203.3%</td>
</tr>
<tr>
<td></td>
<td>Danette K. Wilson&lt;sup&gt;5&lt;/sup&gt;</td>
<td>$494,430</td>
<td>$628,256</td>
<td>$27,554</td>
<td>$1,150,240</td>
<td>49.0%</td>
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<td>Richard L. Boals</td>
<td>$1,113,077</td>
<td>$3,703,952</td>
<td>$70,600</td>
<td>$4,887,629</td>
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<td>Horizon Blue Cross Blue Shield of New Jersey</td>
<td>Robert A. Marino</td>
<td>$848,048</td>
<td>$3,128,862</td>
<td>$406,489</td>
<td>$4,383,399</td>
<td>-1.7%</td>
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<tr>
<td>Independence Blue Cross</td>
<td>Daniel J. Hilferty&lt;sup&gt;7&lt;/sup&gt;</td>
<td>$1,248,152</td>
<td>$2,488,750</td>
<td>$50,013</td>
<td>$3,786,915</td>
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<td>Michael J. Guyette</td>
<td>$871,539</td>
<td>$1,380,000</td>
<td>$669,980&lt;sup&gt;8&lt;/sup&gt;</td>
<td>$2,921,519</td>
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<td>James Bradley Wilson</td>
<td>$947,862</td>
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<td>46.0%</td>
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<td>BlueCross BlueShield of Tennessee</td>
<td>William Morgan Gracey&lt;sup&gt;9&lt;/sup&gt;</td>
<td>$900,907</td>
<td>$1,771,264</td>
<td>$143,727</td>
<td>$2,815,898</td>
<td>46.3%</td>
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<tr>
<td>Blue Cross and Blue Shield of Nebraska</td>
<td>Steven S. Martin</td>
<td>$834,312</td>
<td>$1,693,388</td>
<td>$4,886</td>
<td>$2,532,586</td>
<td>16.2%</td>
</tr>
<tr>
<td>BlueCross BlueShield of South Carolina</td>
<td>David Stephen Pankau</td>
<td>$384,984</td>
<td>$1,401,044</td>
<td>$77,950</td>
<td>$1,863,978</td>
<td>18.1%</td>
</tr>
<tr>
<td>Excellus BlueCross BlueShield</td>
<td>Christopher C. Booth&lt;sup&gt;10&lt;/sup&gt;</td>
<td>$859,100</td>
<td>N/A</td>
<td>$988,047&lt;sup&gt;10&lt;/sup&gt;</td>
<td>$1,847,147</td>
<td>9.6%</td>
</tr>
</tbody>
</table>

continued
<table>
<thead>
<tr>
<th>Company</th>
<th>President/CEO</th>
<th>2014 Salary</th>
<th>2014 Bonus</th>
<th>2014 Other Compensation</th>
<th>2014 Total Compensation</th>
<th>Increase (Decrease) From 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blue Cross and Blue Shield of Massachusetts, <a href="http://www.bcbsma.com">www.bcbsma.com</a></td>
<td>Andrew Dreyfus</td>
<td>$987,162</td>
<td>$633,589</td>
<td>$64,494</td>
<td>$1,685,245</td>
<td>21.4%</td>
</tr>
<tr>
<td>Blue Cross of Northeastern Pennsylvania, <a href="http://www.bcnepa.com">www.bcnepa.com</a></td>
<td>Denise Cesare11</td>
<td>$762,881</td>
<td>$560,716</td>
<td>$2,962</td>
<td>$1,326,559</td>
<td>19.8%</td>
</tr>
<tr>
<td>Noridian Mutual Insurance Co. (parent of Blue Cross Blue Shield of North Dakota), <a href="http://www.bcbsnd.com">www.bcbsnd.com</a></td>
<td>Paul von Ebers12*</td>
<td>$176,526</td>
<td>N/A</td>
<td>$1,108,650</td>
<td>$1,285,176</td>
<td>124.4%</td>
</tr>
<tr>
<td></td>
<td>Timothy Huckle13</td>
<td>$331,630</td>
<td>N/A</td>
<td>N/A</td>
<td>$331,630</td>
<td>-21.0%</td>
</tr>
<tr>
<td>Hawaii Medical Service Association, <a href="http://www.hmsha.com">www.hmsha.com</a></td>
<td>Michael A. Gold</td>
<td>$777,692</td>
<td>$378,259</td>
<td>$5,183</td>
<td>$1,161,134</td>
<td>-9.7%</td>
</tr>
<tr>
<td>HealthNow New York, Inc., <a href="http://www.healthnowny.com">www.healthnowny.com</a></td>
<td>David W. Anderson14</td>
<td>$783,654</td>
<td>N/A</td>
<td>$350,896</td>
<td>$1,134,550</td>
<td>N/A15</td>
</tr>
<tr>
<td>Blue Cross &amp; Blue Shield of Rhode Island, <a href="http://www.bcbsri.com">www.bcbsri.com</a></td>
<td>Peter Andruszkiewicz</td>
<td>$624,582</td>
<td>$476,000</td>
<td>$6,863</td>
<td>$1,107,445</td>
<td>42.9%</td>
</tr>
<tr>
<td>Arkansas Blue Cross and Blue Shield, <a href="http://www.arkbluecross.com">www.arkbluecross.com</a></td>
<td>Paul Mark White</td>
<td>$610,252</td>
<td>$206,130</td>
<td>$38,914</td>
<td>$855,296</td>
<td>6.6%</td>
</tr>
<tr>
<td>Capital BlueCross, <a href="http://www.capbluecross.com">www.capbluecross.com</a></td>
<td>Gary St. Hilaire16</td>
<td>$298,909</td>
<td>$335,623</td>
<td>N/A</td>
<td>$634,532</td>
<td>6.4%</td>
</tr>
<tr>
<td>Blue Cross and Blue Shield of Vermont, <a href="http://www.bcbsvt.com">www.bcbsvt.com</a></td>
<td>Don George17</td>
<td>$587,206</td>
<td>N/A</td>
<td>$22,263</td>
<td>$609,469</td>
<td>7.0%</td>
</tr>
<tr>
<td>Blue Cross Blue Shield of Wyoming, bcbswy.com</td>
<td>Richard F. Schum, Jr.</td>
<td>$334,516</td>
<td>$168,747</td>
<td>$10,888</td>
<td>$514,151</td>
<td>-0.7%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$26,301,881</strong></td>
<td><strong>$50,345,243</strong></td>
<td><strong>$27,883,298</strong></td>
<td><strong>$104,530,422</strong></td>
<td><strong>N/A</strong></td>
</tr>
</tbody>
</table>

**N/A** = Not Available  
* Indicates person is no longer CEO  
1. Joseph Swedish's other compensation includes stock awards worth $7,500,081, option awards worth $2,499,931 and non-equity incentive plan compensation worth $2,141,625.  
2. Ramón Ruiz-Comas' other compensation includes stock awards worth $1,999,989 and change in pension value and nonqualified deferred compensation earnings worth $985,000.  
3. Herbert Randle Brereton (Gubby) Barlow retired on Sept. 30, 2014, and was succeeded by Jeffrey Edward Roe, former president of Premera Blue Cross.  
4. Compensation data for Mark Ganz includes payments allocated to insurance operations in Oregon, Utah and Washington state, but excludes payments allocated to those in Idaho.  
5. David Gentile retired in August 2014 and was succeeded by Danette Wilson, Blue KCs former group executive and chief marketing officer. Wilson served as interim president and CEO until Jan. 30, 2015, when she was appointed president and CEO.  
6. David Gentile's other compensation includes a severance payment of $2,977,201.  
7. Daniel Hilferty's compensation is the total annual compensation received for his service for Independence Blue Cross, Keystone Health Plan East, Inc. and QCC Insurance Company.  
8. Michael Guyette's other compensation includes a sign-on payment of $250,000.  
9. William Gracey's compensation is the total annual compensation received for his service for BlueCross BlueShield of Tennessee and Volunteer State Health Plan, Inc.  
10. Christopher Booth's other compensation includes gross bonus.  
11. Denise Cesare's compensation is the total annual compensation received for her service for First Priority Life Insurance Company, HMO of Northeastern Pennsylvania, Inc. and Hospital Service Association of Northeastern Pennsylvania.  
12. Paul von Ebers' other compensation reflects amounts previously accrued for retirement benefits from prior periods earned and payable to von Ebers upon separation.  
13. Timothy Huckle, COO of Noridian Mutual Insurance Co., was named interim president and CEO on May 5, 2014, replacing Paul von Ebers. Huckle was appointed president and CEO of Noridian on July 14, 2014.  
14. David Anderson's other compensation includes gross bonus.  
16. Gary St. Hilaire's compensation is the total annual compensation received for his service for Capital Blue Cross, Capital Advantage Insurance Company, Avalon Insurance Company and Keystone Health Plan Central, Inc.  
17. Blue Cross and Blue Shield of Vermont's filing lists only total compensation for 7 unnamed officers, and does not cite Don George by name.

**NOTE:** New York does not collect separate figures for bonus and all other compensation. Alabama, Idaho, Kansas, Louisiana and Mississippi do not disclose compensation data for specific executives at health insurance companies. California does not require health insurance companies to disclose compensation data.

**SOURCES:** Individual Blue Cross and Blue Shield plans, state insurance department documents and U.S. Securities and Exchange Commission filings, compiled by Atlantic Information Services, Inc. September 2015.
Some Blues CEOs Saw Big Pay Bumps

continued from p. 1

He notes that the information not-for-profit health insurers are required to file with state insurance departments might not always reflect the entire corporate enterprise. An insurer with multiple subsidiaries, for example, might only be required to report information related to the insurance business. Reporting requirements vary by state.

Swedish Sees 20% Compensation Drop

Not surprisingly, the top executive at Anthem, Inc., which operates Blues plans in 14 states, had the biggest compensation package in 2014 with $1.2 million in salary and more than $12 million in other compensation. However, Joseph Swedish’s total package in 2014 was 20.3% lower than in 2013 when he was awarded $3.8 million to replace compensation he forfeited when he left Trinity Health Corp. (The AIS Report 2/13, p. 1).

Top executives at Wellmark, Inc., which operates Blues plans in Iowa and South Dakota, saw substantial bonuses in 2014 compared with prior years. While CEO John Forsyth’s salary ticked up a modest 5.2% to $967,000, he received $2.5 million in bonuses. A year ago, his bonus was just $60,000.

Several other Wellmark executives also received far larger bonuses in 2014 than they did the prior year, according to information filed with the Iowa Insurance Division. Executive Vice President Laura Jackson’s $553,540 bonus surpassed her salary, which was just shy of $500,000 in 2014. Her bonus in 2013 was $9,344.

Due to impending tax changes in 2013, the company’s board of directors decided to pay out certain variable compensation amounts in December 2012 rather than the following March. The decision resulted in a $1.8 million tax savings to the company, according to spokesperson Traci McBee. It also created significant variability in the insurance filing for 2013 and again in 2014. “This variability is due to the timing of payments, not due to significant changes in direct compensation for executives. We made this decision to save our company and ultimately our members $1.8 million,” she tells The AIS Report.

Health Care Service Corp. (HCSC) President and CEO Patricia Hemingway Hall, who will retire at the end of the year, earned $1.25 million in salary and $11.6 million in total compensation in 2014 — a 4.1% increase from 2013. She has headed HCSC, which operates Blues plans in five states, since 2008, and has been with the company for 23 years.

CEOs from 22 single-state Blues plans collectively earned about $57 million in 2014. Daniel Loepp, CEO of Blue Cross Blue Shield of Michigan, received $7.4 million in total compensation last year — up 11.3% from 2013, and double the $3.8 million in compensation he received in 2012. Chief Financial Officer Mark Bartlett received $2.8 million in total compensation in 2014 including a $753,000 salary. In 2012, he received $1.5 million in total compensation.

Florida Blue CEO Patrick Geraghty’s 2014 compensation was $7.3 million, which was 8.2% less than the prior year. David Gentile, who retired as CEO of the Kansas City Blues plan in August 2014, saw a 203% increase in compensation due to a nearly $3 million severance payment.

Blue Shield of Calif. Keeps Lid on Pay

Blue Shield of California hasn’t yet disclosed its 2014 executive compensation to regulators. In 2012, the non-profit carrier increased executive compensation by $24 million — up 64% from 2011, The Los Angeles Times reported Sept. 1.

continued

PEOPLE ON THE MOVE

Anthony Tardugno joined Blue Cross and Blue Shield of Louisiana as senior vice president and chief information officer and security officer. He will lead information technology investment and transformational efforts. Tardugno previously was senior vice president and chief information officer at AvMed Health Plan. Prior to that, he worked at Excellus BlueCross BlueShield. …Gretchen Fierle, the top female executive at BlueCross BlueShield of Western New York, has left the company. She joined the Blues plan in 2010 and most recently served as senior vice president for marketing and community relations at HealthNow New York, the insurer’s parent company….Paul Eddy joined Wellmark Blue Cross and Blue Shield as vice president and chief information officer. He previously was group vice president and chief information officer at Walgreens Boots Alliance. …Brian Griffin, president and chief executive of Empire BlueCross BlueShield, was promoted to executive vice president and chief executive of Anthem, Inc.’s commercial and specialty business. Anthem is the corporate parent of the New York City health plan. He will replace Ken Goulet, who is retiring. …Scott Pierce was named executive vice president and chief operating officer for BlueCross BlueShield of Tennessee. He succeeds J.D. Hickey, who recently was named president and CEO.

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The company’s former public policy director, who left this year and has become its top critic, said former CEO Bruce Bodaken received about $20 million as part of his 2012 retirement package, on top of his annual pay, according to the newspaper. Blue Shield of California came under fire early this year when it was learned that the state had revoked the company’s tax-exempt status in August 2014. The Blues plan also has been criticized for boosting premiums despite holding $4 billion in financial reserves (The AIS Report 4/15, p. 1).

SEC Rule May Influence Formula

On Aug. 5, the Securities and Exchange Commission approved a rule that will — beginning in 2017 — require publicly traded companies to disclose the ratio between CEOs and the median pay of their employees. The rule does not limit the level of compensation, but instead is intended to make the formula more transparent.

“It’s going to be a bad number for a lot of companies and will force them to rethink how compensation is formulated,” says Charles Elson, director of the John L. Weinberg Center for Corporate Governance at the University of Delaware. While the rules don’t apply to not-for-profit companies such as most Blues plans, it could influence the way they determine compensation for their top executives.

“Compensation is like a giant pool, and anything you throw in the water creates ripples. Blues compensation is related to the compensation [paid by] for-profits, and for-profit compensation will be influenced by these regulatory factors,” he explains. “The use of the peer group is going to be a problem for some companies. For-profits will move away from it, and the non-profit Blues will be forced to do the same thing.”

For at least the past 25 years, most large companies, including Blues plans, have benchmarked against other companies to determine CEO compensation levels. But that strategy has caused acceleration in compensation increases and a separation of pay from the rest of the organization, says Elson (The AIS Report 9/14, p. 1).

Board members of not-for-profit insurance companies often include executives from publicly traded firms. Those members bring that governance perspective to the not-for-profits.

“A lot of what happens in publicly traded companies influences the not-for-profits…We need to see how it plays out within those companies and the media before

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Blue Cloud Will Store Data on Billions of Medical Claims

An immense cloud-based medical claims repository — which could rival CMS’s vast Medicare claims database — was unveiled by the Blue Cross and Blue Shield Association (BCBSA) Sept. 24. The association’s 36 independent Blue licensees, including Anthem, Inc., have contributed claims data on more than 2.3 billion procedures from more than 20,000 health care facilities and 540,000 physicians. The aggregated data, which represent $350 billion in annual claims, touch every U.S. ZIP code, according to the association.

The Blues database, dubbed BCBS Axis, has been in the works for the past two years after BCBSA’s board recognized that the vast claims data held by its licensees could help drive innovation, reduce cost disparities and improve the quality of care, according to BCBSA Chief Strategy Officer Maureen Sullivan.

“Data is at the core of our ability to drive innovation in the future and to transform care and make it more affordable,” she tells The AIS Report. “It is the foundation of our future.” National claims data, she adds, could be used to develop national provider networks and benchmarks. And it could help providers improve care management by benchmarking against their peers.

The data also will be used by Blues plans in developing and enhancing products and in creating financial incentives to drive better outcomes and prices with providers. Employers will be able to access the data to help determine the most appropriate health coverage and provider networks for their workers.

“Employers are always interested in fine-tuning their benefits…and what better way to do that then with data,” says BCBSA Chief Information Officer Doug Porter.

“The new era of benefit design is being able to leverage data in a way that can be tailored to the needs of your workforce. BCBS recognizes that and is making the investment,” says Sullivan.

In June, Acting CMS Administrator Andy Slavitt said the agency would make federal Medicare data available to entrepreneurs and other private-sector innovators in hopes of spawning more health care innovation.

To learn more about BCBS Axis, visit http://www.bcbs.com/axis.

Contact Robert Elfinger for Porter and Sullivan at robert.elfinger@bcbsa.com.
we know if it will filter down to the not-for-profits,” says Gallo. It typically takes about five years for trends to filter down from publicly traded companies to the not-for-profits, he adds.

**Most Salaries Stay Below $1 Million**

Across all industries, CEO salaries have increased an average of about 4%, while employee salaries have grown about half that percentage, says Paul Dorf, chairman and founder of Compensation Resources Inc., a consulting firm in Upper Saddle River, N.J. Total compensation among some CEOs, however, has gone up substantially as companies emerge from the recession.

Only a handful of not-for-profit Blues plan CEOs had a base salary in excess of $1 million. Section 162(m) of the tax code limits the amount of deductible compensation that a company can pay to the CEO and top four other most highly paid officers to $1 million annually. Exceptions include performance-based compensation.

Dorf has come up with a CEO compensation formula he calls GRATE — Greed, Regulation, Accounting rules, Tax rule minimizing and Ego (to be compared to peers) — based on the forces that most influence company boards in setting CEO compensation. Board members “watch those things very carefully and they all have an impact on the company,” he says.

Some Blues plans have retroactively adjusted non-salary compensation amounts for previous years so that it lines up with 2014 and future years. Beginning with 2014, the National Association of Insurance Commissioners requires carriers to include defined contribution plans such as 401(k) retirement plans as compensation. Such contributions often weren’t included because the amounts aren’t counted as taxable income and are not paid to employees.

Contact Gallo at donald.gallo@towerswatson.com, Dorf at prd@compensationresources.com and Elson at charles.elson@healthsouth.com. 

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**NEWS IN BRIEF**

- **Excellus BlueCross BlueShield** is facing a proposed class-action lawsuit following a data breach the insurer disclosed Sept. 9 that exposed up to 10 million records, according to court documents filed on Sept. 18. Plaintiffs Matthew Fero, Shirley Krenzer and Erin O’Brien accused Excellus of negligence and breach of contract, focusing on what they say is a risk of medical identity theft and a lack of protection for dependents under the age of 18. Excellus told the Central New York Business Journal that it doesn’t comment on litigation. Read the complaint with your PACER login at http://tinyurl.com/noufdvy.

- **Blue Cross Blue Shield of Illinois** signed a deal to cover diagnostic services from Cancer Genetics, Inc. The agreement gives the Blues plan’s members access to “the full range of oncology-focused proprietary tests” from the manufacturer, whose tests focus on hematological, urogenital and human papillomavirus-associated cancers that are difficult to diagnose. Contact Cancer Genetics’ Marie-Agnes Patrone-Michellod at (201) 528-9200.

- **Blue Cross & Blue Shield of Rhode Island** now covers Cologuard, a screening test for colon cancer manufactured by Exact Sciences Corp. As of Sept. 15, the Blues plan, which has more than 500,000 members, is making the test available to its commercial and Medicare Advantage plan members by a prescription from their physician, but it is not requiring a copayment or coinsurance. Contact Exact Sciences’ Cara Tucker at ctucker@exactsciences.com.

- **The Blue Shield of California Foundation** donated $4.4 million to 26 organizations dedicated to improving health care and domestic violence services, the nonprofit said on Sept. 15. The grants stem from the state’s Accountable Communities for Health (ACH) initiative, which is part of the California State Health Care Innovation Plan. The Foundation’s money will be used to integrate behavioral health into primary care, prevent domestic violence and find solutions for the state’s uninsured population. Visit http://tinyurl.com/q5vkddt.

- **Non-subsidized Blue Cross and Blue Shield of Vermont** individual customers who enrolled through the state’s health exchange will be able to re-enroll directly through the insurer, Vermont Business Magazine reported on Sept. 22. The health plan is encouraging members to give them a “heads up” through its website if they plan to use BCBSVT instead of Vermont Health Connect for renewals. Non-current members interested in enrolling through BCBSVT can do so after Nov. 1. Visit www.bcbsvt.com/headsup.

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NEWS IN BRIEF

Blue Cross and Blue Shield of Minnesota will offer dental plans in 16 through United Concordia Dental, the insurer said on Sept. 15. United Concordia is a subsidiary of Highmark, Inc. Blue Cross Dental will encompass a selection of PPO products available to both individual and employer clients. The Minnesota Blues plan said the products and pricing are subject to regulatory approval and that further details will be available in the fall. Visit the Newsroom at www.bluecrossmn.com.

Blue Cross Blue Shield of Michigan (BCBSM) is launching a pilot program that pairs pharmacists with patient care teams to improve medication adherence, the insurer said Sept. 14. The Michigan Pharmacists Transforming Care and Quality (MPTCQ) program links clinical pharmacists with patient-centered medical homes to focus on diabetes, high blood pressure and high cholesterol. The program initially will include 10 provider organizations, but BCBSM said it will phase in the rest of its 46 network physician organizations after the first year. Visit http://tinyurl.com/nqazq2w.

Horizon Blue Cross Blue Shield of New Jersey, six New Jersey health systems and a multispecialty physician group on Sept. 10 said they have created a statewide collaboration called the OMNIA Health Alliance. Horizon said the value-based care arrangement is “committed to radically altering how health care is financed and delivered in New Jersey.” Providers in the new alliance are: Atlantic Health System, Barnabas Health, Hackensack University Health Network, Hunterdon Healthcare, Inspira Health Network, Robert Wood Johnson Health System and Summit Medical Group. Horizon said it would launch new insurance products via OMNIA for 2016. Visit http://tinyurl.com/qzbktva.

Regence BlueShield is altering its mental health billing policy, the Puget Sound Business Journal reported on Sept. 9. The insurer created two separate reimbursement rates for 45-minute and 60-minute therapy appointments, effectively cutting rates during what the Journal says is a shortage of mental health providers across the state of Washington. The Cambia Health Solutions, Inc. unit said it made the change because of a 1,400% increase in the use of certain billing codes since 2013 — a result of coding changes — and that it would continue working with patients to ensure access to care. The Washington State Psychological Association has filed a complaint with the state’s Office of the Insurance Commissioner, saying the move violates parity laws. For more information, visit http://tinyurl.com/nwlhweu.

Des Moines, Iowa-based Wellmark Blue Cross and Blue Shield on Sept. 4 said its Accountable Care Organization (ACO) Shared Savings model saved more than $17 million during 2014. The insurer’s eight participating ACOs also improved their overall quality scores by 8%. The eight ACOs cover more than 424,000 members. Wellmark said savings were driven by an almost 11% reduction in hospital admissions, an 8% drop in readmissions and a 10% decrease in emergency department visits. Visit http://tinyurl.com/qab7yo2.

Blue Cross Blue Shield of Alabama has acquired Insurance Management Administrators, Inc. (IMA), a Louisiana-based third-party administrator, according to Cain Brothers, a firm that advises the Blues plan on potential targets. The acquisition was announced Sept. 24, but terms of the deal were not disclosed. IMA’s sister company, Access Health, builds onsite or near-site medical clinics for employers. The Alabama Blues plan has 2.9 million members, according to AIS’s Directory of Health Plans: 2015. Contact Cain Brothers’ Ed Fishman at efishman@cainbrothers.com.

Former Highmark Inc. CEO Ken Melani, M.D., is suing the insurance company for roughly $32 million, alleging that his 2012 firing was not warranted and there was no just cause for his sudden dismissal. Highmark fired Melani on April 1, 2012, after a bizarre incident a week earlier in which he was arrested for simple assault and defiant trespass after getting into a fight with Mark Myler, the husband of Melani’s mistress Melissa Myler. A Sept. 3 article in the Pittsburgh Post-Gazette reported that Melani filed the wrongful termination suit in a Pittsburgh court and demanded $25 million in severance pay and an additional $6 million in liquidation damages. The newspaper said Melani argues “that he was let go after he refused to fire the woman with whom he was having the affair who worked as a business analyst.” Highmark said it would defend the lawsuit. Melani now is president and owner of KRM Group LLC, a health care consulting group. Visit http://tinyurl.com/nsfwhl9.

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