Blue Cross Blue Shield of Massachusetts Board of Directors' Public Statement Regarding Today's Report by Massachusetts Attorney General Martha Coakley

BOSTON — July 6, 2011 — The Board of Directors believes today's report by Attorney General Martha Coakley's Office regarding the compensation paid to former CEO Cleve Killingsworth demonstrates that it acted appropriately and its actions have been consistent with its fiduciary responsibilities.

Mr. Killingsworth's employment contract, established in 2005 when he became CEO, was the result of a thorough process that included comparative market data and independent consultants to ensure it was market competitive. In March 2010, after discussions that led to Mr. Killingsworth's departure from the company, the Board was legally required to fulfill the commitments made in the 2005 contract.

The Board appreciates the fact that in areas where the Attorney General's Office raised specific concerns, today's report acknowledges that the Board has already taken action. For example:

The Board has significantly modified the compensation and benefits for the CEO position.

The Board has redesigned and strengthened its process and policies for reviewing the performance of the CEO.

As the Attorney General's report points out, both of these steps reflect the company's sharper focus on improving the affordability of health care for the community.

In addition, based on conversations with the Attorney General's Office during this review, the Board has also decided to reexamine its existing recruitment and succession plans to promote and support both continuity and the consistent infusion of new talents, skills and ideas.

Finally, to put this issue behind the company and as a gesture of good faith to our customers and the community, the Board has decided to credit customers the $4.26 million severance paid to Mr. Killingsworth. The credit will appear on fourth quarter invoices and be paid to the applicable individual or group (employer).

Moving forward, the Board has directed President and CEO Andrew Dreyfus and the management team to remain focused on achieving the company's number one priority of making quality health care affordable for our customers and the community. Achieving this goal is possible if all stakeholders work together in a spirit of collaboration and shared responsibility. In conducting its business, BCBSMA will continually review and update its governance and compensation policies to keep the company at the forefront of market practices, transparency, accountability and good corporate governance.

The Board of Directors
Blue Cross Blue Shield of Massachusetts

Blue Cross Blue Shield of Massachusetts (www.bluecrossma.com) was founded 74 years ago and is now the largest private health plan in the state, providing coverage to nearly 3 million members. BCBSMA believes in working with physicians, hospitals, employers and the broader community to provide quality, affordable health care in Massachusetts. Blue Cross Blue Shield of Massachusetts is an independent licensee of the Blue Cross Blue Shield Association.

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