

BLUE CROSS AND BLUE SHIELD OF VERMONT PROPOSAL TO AFFILIATE WITH BLUE CROSS BLUE SHIELD OF MICHIGAN

August 29, 2023

OVERVIEW OF THE PRESENTATION

Review the statutory criteria for evaluating the proposed affiliation

Discuss Blue Cross VT's commitment to Vermonters and current challenges impacting the plan

Understand the evaluation process

Review the key terms of the proposed affiliation

Discuss the value to Vermonters

Understand how we will work with BCBSM to deliver value

Next steps in the process

CRITERIA FOR EVALUATING THE PROPOSED AFFILIATION UNDER CHAPTERS 123 AND 125 OF VERMONT TITLE 8 REGULATIONS

The Commissioner must find that the proposed transaction meets the general good of the state. Factors for the Commissioner to consider shall include:

- 1** Blue Cross VT's ability to continue to satisfy requirements of its enabling statutes after the transaction
- 2** Whether the transaction would substantially lessen competition or create a monopoly
- 3** Whether the financial condition of the parties might jeopardize Blue Cross VT's financial stability or prejudice subscribers
- 4** Whether the transaction contemplates any material change to Blue Cross VT's business or corporate structure or management that would be unfair or unreasonable to subscribers
- 5** Whether the competence, experience and integrity of BCBSM or Blue Cross VT are such that it would be (or would not be) in the public interest to permit the transaction
- 6** Whether the transaction will promote cost-effective, high-quality healthcare in Vermont
- 7** Other factors that the Commissioner deems as relevant to the transaction

INTRODUCTION

BLUE CROSS AND BLUE SHIELD OF VERMONT HAS A LONG HISTORY OF SERVING OUR STATE

Since our founding over 40 years ago, Blue Cross VT has had a deep commitment to serving Vermonters and driving meaningful change in the Vermont healthcare system

We serve all Vermont market segments



Blue Cross VT insures Vermonters' health plans:

- Individual
- Small Group
- Large Group
- Self-funded
- Medicare Advantage & Supplement

~220K

Members as of mid-2023

We deliver excellent customer experience



We have strong connections with both our members and providers and are dedicated to providing personalized customer service

90%

Member satisfaction rate

92%

Provider satisfaction rate

We are Vermont's local health plan



- We are community focused and work in partnership with the state, the legislature, and regulators to support healthcare policy and reform
- We helped to stand up Vermont Health Connect

377

Locally employed Vermonters

We partner with local organizations



We partner with over 100 local institutions and organizations:

- Vermont Collaborative Care (VCC): best-in-class, holistic mental health and substance abuse support
- Wellness Revolution: supports women to build confidence, wellness and community through road biking

We operate solely for the benefit of our members and the State of Vermont

THE HEALTHCARE ENVIRONMENT HAS CHANGED, CREATING ISSUES THAT ARE INCREASINGLY DIFFICULT TO SOLVE AS AN INDEPENDENT PLAN IN A SMALL STATE

Challenges We Need To Solve



Economies of Scale

- Vermont is a small state, and our members deserve the same advanced capabilities and experiences that leading health plans in the Blue System provides their members
- However, we cannot charge Vermonters the amount needed to provide the services and technology capabilities they deserve

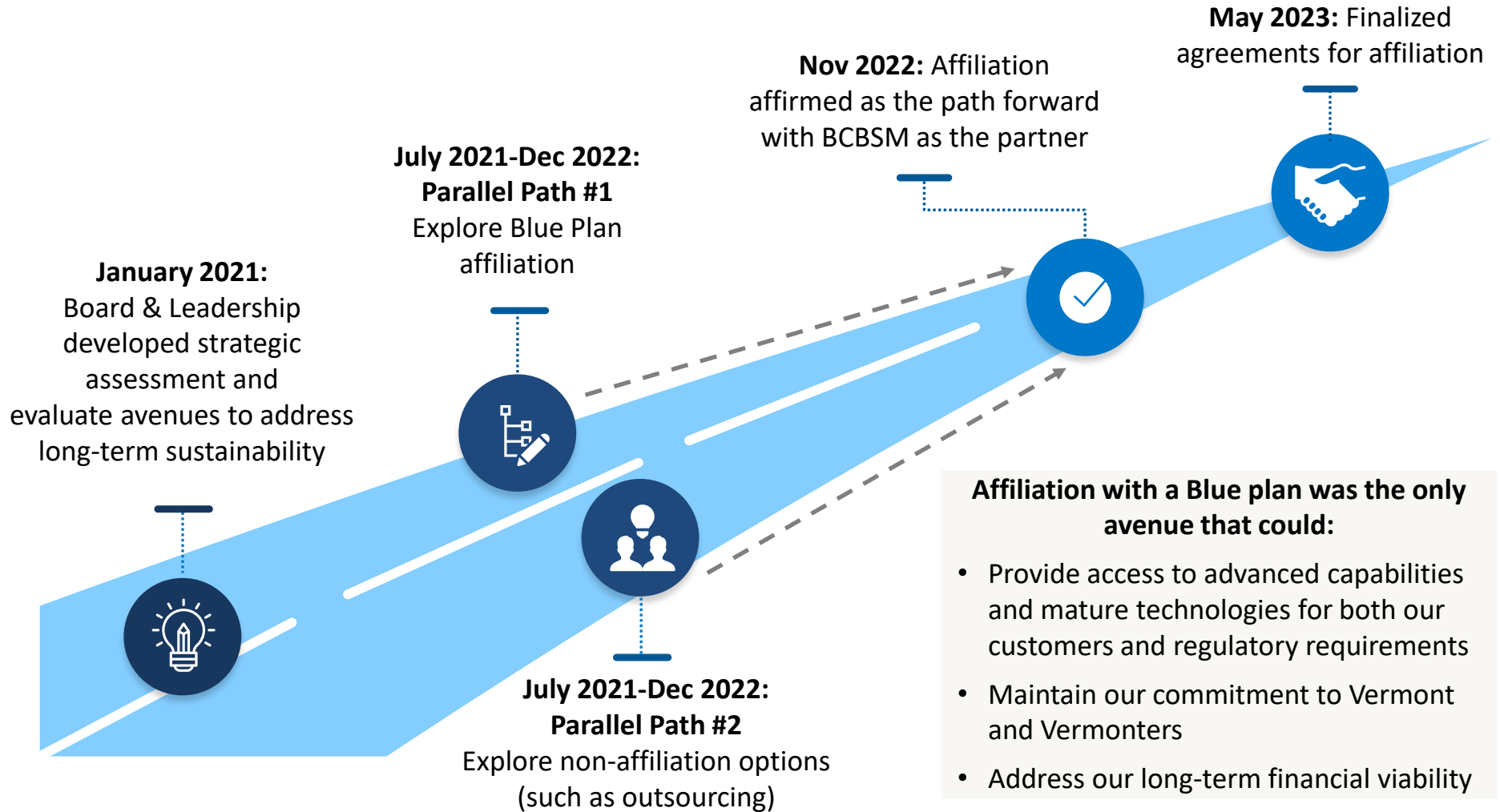


Technology Investment

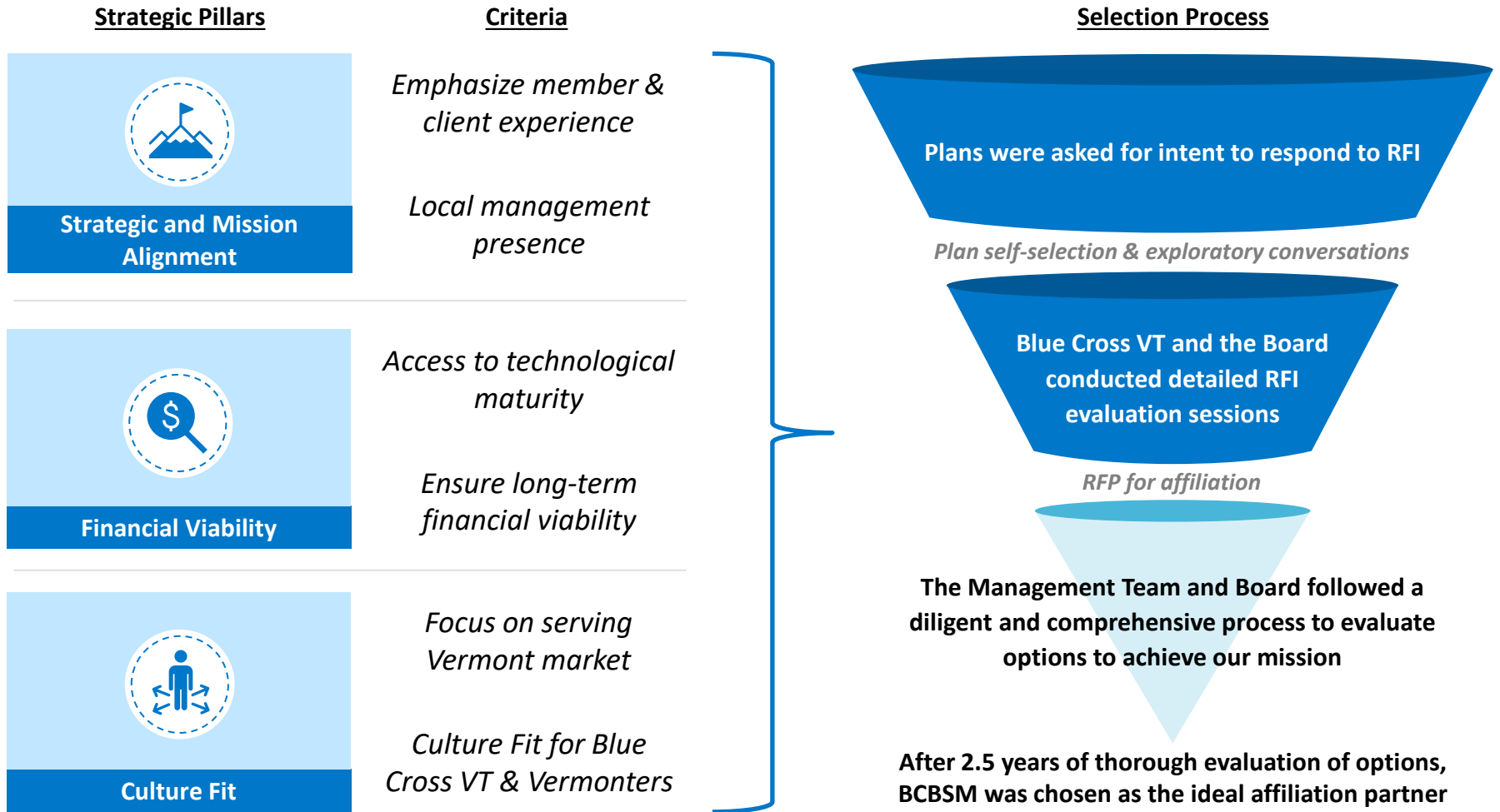
- We have a long list of critical technology investments needed to better serve our members and comply with regulatory requirements (such as price transparency)
- Without scale, the cost of those necessary investments exceeds what our members can afford

Given the size and scale of Vermont and Blue Cross VT, we cannot fulfill our customers' needs and achieve our mission and vision

OVER THE PAST FEW YEARS, WE EVALUATED MULTIPLE PATHS TO ADDRESS THESE CHALLENGES AND ELECTED TO PURSUE AFFILIATION

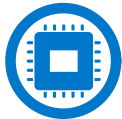


BLUE CROSS VT'S MANAGEMENT AND BOARD DEVELOPED STRATEGIC PILLARS AND CRITERIA FOR THE PROCESS TO MAXIMIZE VALUE FOR VERMONTERS



BCBSM WILL HELP US BETTER SERVE OUR MEMBERS

With BCBSM Affiliation...



We will access innovative technology and improve the speed with which we can bring new programs to Vermonters, enabling us to better serve our members and meet our regulatory obligations



We are partnering with another plan that shares our commitment to culture and values, especially as it relates to maintaining local presence



We will continue our focus on serving Vermont, maintaining local autonomy and operating the organization locally



We will achieve financial sustainability at a lower cost by accessing BCBSM's scale and capabilities, allowing for improved future cost structure and lower program development costs



We will advance our mission and vision while maintaining and enhancing current relationships with our members, customers, and providers

WE ARE CONFIDENT BLUE CROSS BLUE SHIELD OF MICHIGAN IS THE RIGHT PARTNER

Evaluated multiple options and partners for strategic and culture fit

BCBSM shares our member-first philosophy, mission-driven culture, employee loyalty, and appreciation for the importance of local healthcare

Utilizing BCBSM's technology, programs, and advanced capabilities will unlock significant member and organizational value

Blue Cross VT and BCBSM already partner in several meaningful ways and share similar operational structures and vendor relationships

“The Blue Cross VT Board finds the proposed affiliation between Blue Cross VT and BCBSM is in the best interest of Blue Cross VT subscribers”

OVERVIEW OF PROPOSED AFFILIATION AGREEMENT

BLUE CROSS BLUE SHIELD OF MICHIGAN OFFERED AN INNOVATIVE PARTNERSHIP THAT WILL ADVANCE OUR STRATEGIC GOALS



We will remain a nonprofit Vermont hospital and medical service corporation, located in Vermont, operating under our existing Vermont statute, brand and name



We will maintain our local presence as Vermont's only locally-managed plan, with oversight by our VT state partners and regulators



We will become a subsidiary of Blue Cross Blue Shield of Michigan



We will have access to BCBSM's industry-leading technology, programs and services without having to build or acquire them ourselves



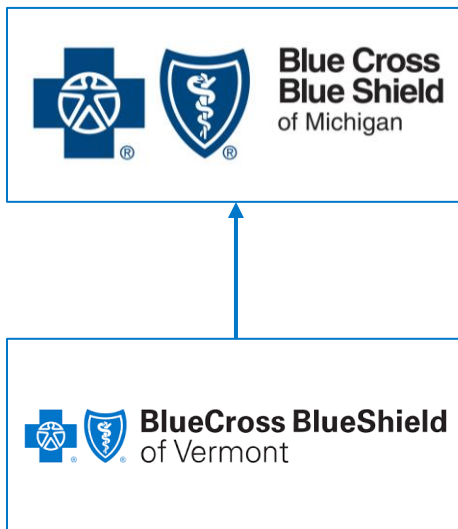
We will remain committed to improving the health of Vermonters, creating outstanding member experiences, and providing responsible cost management

BLUE CROSS VT WILL BECOME A SUBSIDIARY OF BCBSM BUT WILL REMAIN A NONPROFIT VERMONT COMPANY DELIVERING OUR LOCAL MISSION



Key Terms of the Agreement

New proposed organizational structure



- **There is no exchange of capital (non-cash transaction)**
- **Local Blue Cross VT leadership team will continue to:**
 - Maintain local relationships with all stakeholders
 - Maintain local operations (e.g., customer service, network, benefits and coverage, healthcare reform)
 - Maintain local decision-making, including budget and rates
 - Maintain Blue Cross VT member reserves in Vermont
 - Maintain Blue Cross VT level of employment in Vermont
 - Invest and support local communities
- **Majority of Board Members will continue to be Vermonters and subscribers**

VALUE TO VERMONTERS

AFFILIATION WITH BCBSM ALLOWS US TO DELIVER EXCEPTIONAL VALUE TO VERMONTERS DESPITE OUR SIZE

Blue Cross VT Mission:
We are committed to the health of Vermonters, outstanding member experiences and responsible cost management for all of the people whose lives we touch.

Blue Cross VT



Blue Cross VT has successfully served members for over 40 years, but the limited size and scale of Vermont and our plan make it difficult to provide healthcare in the way Vermonters deserve



Blue Cross VT & BCBSM



Affiliation with BCBSM enables us to provide new & outsized value to enable our mission

OVER TIME, STAKEHOLDERS WILL SEE NOTICEABLE IMPROVEMENTS TO THEIR BLUE CROSS VT EXPERIENCE AS A RESULT OF AFFILIATION



Key value to subscribers and stakeholders

- ★ Offer enhanced **engagement & self-service tools** to subscriber, provider, and employer groups to improve experience
- ★ Drive better health outcomes through **enhanced health & wellness** management and innovative pharmacy solution programs
- ★ Enhance capabilities to support new **value-based reimbursement programs** through provider enablement programs
- Bring more value to our members and subscribers:
 - Slow the increases in **drug medical costs** through expanded discounts and rebates
 - **Maintain competitive pricing** for members, subscribers and self-funded groups
 - Provide **expanded offerings** for self-funded clients
 - Increase **implementation of new healthcare reform & regulatory mandates**

Value is focused on enhancing our technology – our core administrative systems for claims and benefits will not change!



OFFER NEW ENGAGEMENT AND SELF-SERVICE TOOLS, GREATLY IMPROVING STAKEHOLDER EXPERIENCES



Engagement & Self-Service Tools

We will work with BCBSM to identify opportunities to enhance engagement and self-service tools for all stakeholders, such as:



Subscribers engaging through a highly-rated mobile app, push notifications, and text messages



Providers receiving access to improved self-service tools with expanded integration with provider systems



Employers receiving proactive alerts from their health plan



PROVIDE PROGRAMS THAT CAN DRIVE BETTER HEALTH OUTCOMES FOR SUBSCRIBERS



Enhanced Wellness Support and Innovative Pharmacy Solutions

We will assess BCBSM's innovative digital health and pharmacy programs that enable subscribers to better manage their health journeys, such as:



Digital health tools that support members across a wide range of needs (e.g., wellness tools, chronic condition management)



Pharmacy solutions that provide better cost savings and support for members



EMPOWER LOCAL PROVIDERS WITH MORE SUPPORT IN INNOVATIVE ARRANGEMENTS, SUCH AS VALUE-BASED CARE



Provider Enablement Infrastructure

We will assess opportunities to adopt BCBSM's provider enablement infrastructure to better facilitate value-based arrangements, such as:



Leveraging BCBSM's advanced surround capabilities to bolster our core claims system and address current gaps



Utilizing additional BCBSM assets to provide support to providers implementing value-based arrangements

LOOKING AHEAD

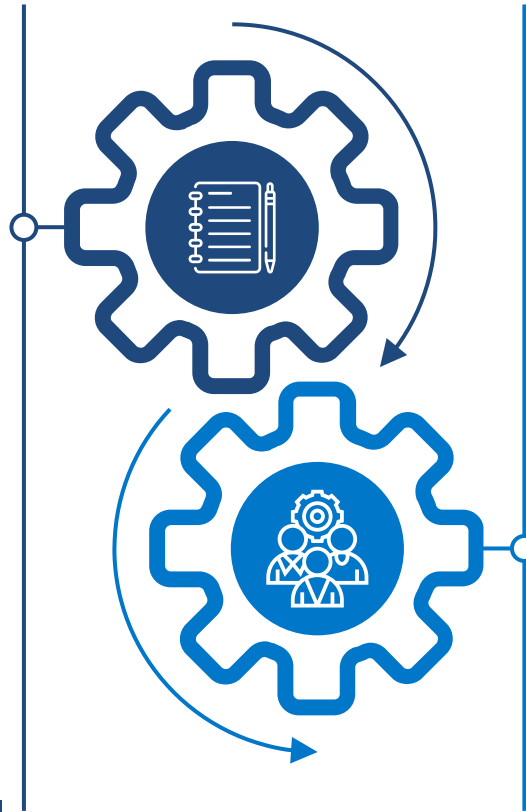
AFFILIATION WITH BCBSM NOT ONLY SATISFIES THE REGULATORY CRITERIA BUT ALSO POSITIONS US TO BETTER SERVE OUR SUBSCRIBERS FOR THE FUTURE

| | | |
|---|--|--|
| 1 | Blue Cross VT's ability to continue to satisfy requirements of its enabling statutes after the transaction | <ul style="list-style-type: none"> Blue Cross VT will continue to comply with Vermont requirements and operate solely for the benefit of subscribers |
| 2 | Whether the transaction would substantially lessen competition or create a monopoly | <ul style="list-style-type: none"> The number of health insurers will remain the same, and we will be more competitive with for-profit national plans |
| 3 | Whether the financial condition of the parties might jeopardize Blue Cross VT's financial stability or prejudice subscribers | <ul style="list-style-type: none"> BCBSM is well-capitalized and will not jeopardize financial stability of Blue Cross VT Blue Cross VT's financial stability is only expected to improve given projected cost savings from affiliation |
| 4 | Whether the transaction contemplates any material change to Blue Cross VT's business or corporate structure or management that would be unfair or unreasonable to subscribers | <ul style="list-style-type: none"> There is no plan to liquidate any part of Blue Cross VT Affiliation will enhance Blue Cross VT's ability to support subscribers without sacrificing its local presence |
| 5 | Whether the competence, experience and integrity of BCBSM or Blue Cross VT are such that it would be (or would not be) in the public interest to permit the transaction | <ul style="list-style-type: none"> Local Blue Cross VT leadership team will continue to maintain local relationships, operations, and decision-making The management team, Board, and BCBSM are all committed to maintain the quality and integrity for which Blue Cross VT is known |
| 6 | Whether the transaction will promote cost-effective, high-quality healthcare in Vermont | <ul style="list-style-type: none"> Affiliation will greatly promote and improve cost-effective, high-quality care in the state by providing the only Vermont-focused health plan with the technology and scale necessary to modernize its offering Blue Cross VT will have more capacity to engage in VT healthcare reform |
| 7 | Other factors that the Commissioner deems as relevant to the transaction | <ul style="list-style-type: none"> Blue Cross VT has actively engaged with regulators during the process and will continue to provide regular updates to the DFR throughout |

WE WILL WORK WITH BCBSM TO DELIVER VALUE TO VERMONTERS DURING THE INTEGRATION PERIOD AND BEYOND

Together, Blue Cross VT and BCBSM have created guiding principles to use as our north star during and after integration:

- Focus on member, provider, and stakeholder experiences
- Act in the best interest of Vermonters to enable our mission and vision
- Leverage transparent communication and collaboration
- Preserve organizational strengths and deliver greater value



We will also continue to deliver new value to our stakeholders after the integration period ends

Our goal is to provide stakeholders with these enhancements without impacting their day-to-day experiences

We will continue to transparently and proactively work with DFR to ensure a smooth process

“Your calls will still come to us, and your mail will still come from us”

WE WILL CONTINUE TO OPERATE SOLELY FOR THE BENEFIT OUR MEMBERS, AND WITH BCBSM, WILL IMPROVE OUR OFFERINGS AND MEMBER EXPERIENCE

Future of the Organization



Blue Cross VT will remain:

- ✓ A Vermont nonprofit organization
- ✓ Under the existing Vermont statute, brand and name, with the same mission, vision, and values
- ✓ A locally managed plan with the same leaders as the local decision-makers
- ✓ Committed to improving the health of Vermonters and Vermont's healthcare reforms

...and will gain:

- + Scale that allows Blue Cross VT to sustainably serve Vermonters over the long term
- + Access to enhanced technology, programs, and services that benefit all Blue Cross VT stakeholders
- + Advanced capabilities that support improved subscriber health outcomes
- + Improved ability to enable our mission and vision

Vermonters will continue serving Vermonters

THANK YOU!