

# 2010 HMSA *ANNUAL REPORT*

Health Care Reform & You

## HMSA



Blue Cross  
Blue Shield  
of Hawaii

An Independent Licensee of the Blue Cross and Blue Shield Association

## A MESSAGE FROM THE PRESIDENT AND CHAIR

Aloha,

We are in the midst of tremendous change within the health care industry, both nationally and here at home.

In March 2010, after months of debate, President Barack Obama signed the historic Affordable Care Act (ACA), ushering in a new direction in health care.

The debate about health care reform has sparked an important discussion. We all want affordable, quality health care for as long as possible. But the question remains: How do we pay for such a system as a nation and as individuals?



## CRITICAL JUNCTURE

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Every year, our nation spends more than \$2.5 trillion on health care – 17.6 percent of the U.S. gross domestic product (GDP). That number is expected to rise to 19.5 percent by 2017. The U.S. spends more on health care than other nations, yet health outcomes continue to lag. We cannot continue on this path.

## TOUCHING LIVES

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Beyond national concerns, health care touches our personal lives. It is heartbreaking to read about children with cancer in other parts of the country who don't get the care they need because their parents can't afford it. Seniors should not be forced to give up buying medication so they can buy groceries.

Here in Hawaii, we are fortunate to have a system that provides quality health care that most of us can afford. Hawaii has some of the lowest health care dues in the nation.

Still, we have our challenges. Health care costs continue to rise. Many people are not taking the necessary preventive steps to avoid costly chronic diseases, and Neighbor Island residents in remote areas have a hard time getting care.

## WORKING FOR YOU

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HMSA supports health care reform because it's in line with our long-standing history of working with providers, employers, and community partners to find solutions to health care issues.

Those solutions include the development of HMSA's Online Care and Mobile [hmsa.com](http://hmsa.com), which use the Internet to put our members in touch with doctors.

## LOOKING FORWARD

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HMSA's mission is to provide quality care at an affordable cost. We believe health care reform is a step in the right direction. But the work does not end here.

As we implement national health care reform provisions, we will continue to create innovative local approaches to contain costs and give our members the best value for their health care dollars.

That includes investing in long-term solutions that focus on prevention rather than spending money on short-term answers that often do not result in the most optimal care. HMSA supports reimbursing physicians, hospitals, and other health care providers for the quality of care they provide.

## WORKING TOGETHER

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We need a sustainable health care system, and that requires the cooperative effort of everyone in our community. It won't be easy, but it's the right thing to do if we want to have the best health care in the nation for ourselves and future generations.

Mahalo for your continued support.

**Robert P. Hiam**  
President and Chief  
Executive Officer

**Lisa M.K. Sakamoto**  
Chair of the Board

## HEALTH CARE REFORM AND YOU

The Affordable Care Act (ACA) is changing the way health care is delivered.

Health care reform aims to improve quality of care, expand access to health care, and lower cost for members. This is in keeping with our long-standing mission to ensure quality, affordable health care for our members.



HMSA supports health care reform provisions that:

- Expand access to providers.
- Provide preventive care at no charge.
- Extend coverage for young adults up to age 26.
- Create innovative solutions to lower costs.
- Pay physicians based on quality.

Throughout the past year, HMSA worked to implement many ACA provisions. Much work remains, but you can be assured that our members can continue receiving the care they've come to expect from HMSA.

Health care reform is in line with our long-standing history of providing our members with access to quality care at an affordable price.

We look forward to working with you to carry out health care reform and improve access to health care in Hawaii.

For a complete, detailed list of health care reform provisions, visit our website at [hmsa.com/reform](http://hmsa.com/reform).

Share your thoughts, concerns, and suggestions on Twitter @LetsTalkReform.



**STEVE THOMPSON WITH HIS FAMILY**

**HMSA MEMBER & PARENT**

■ Troy is 21 years old, majors in political science, and is doing an internship at the Legislature. My daughter, Carina, is 19 and studying communications on the Mainland, and my youngest, Trent, is a 15-year-old high school student.

Before the health care reform law, we had to document that Troy was a full-time student to make sure he would continue to have health insurance. Now the law allows us to keep our kids on our health plan until they turn 26 whether or not they're enrolled in school, living at home with us, or are dependents. You bet it provides me and my wife with peace of mind.

Troy and Carina are planning to go to grad school, and we don't want them to be uninsured. As parents, you worry about your kids whether they're home or away. And that doesn't stop even when they've graduated and on their own. So the new law allowing you to keep them on your plan is great.

## INNOVATIVE SOLUTIONS

Health care reform is not just about reacting to government policies and decisions made in Washington, D.C. It's about constantly adapting to the changing health care landscape here at home. That's been our practice throughout our long history.

HMSA continues to create innovative solutions to best serve our members. We continually invest in online tools and technological advances to help our members receive the right care, in the right place, at the right time.



## MOBILE HMSA.COM

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We all lead busy lives with work and family. So we've created a convenient, easy way for HMSA members to find a provider on hmsa.com while on the go. Mobile hmsa.com is a Web tool that allows a quick search of HMSA's website with a smart phone or other hand-held device to locate physicians, dentists, pharmacies, hospitals, and other health care facilities.

Members can also find HMSA365 member discounts on health and wellness services across the state and locate HMSA phone numbers and office locations statewide. Mobile hmsa.com also allows users to connect with HMSA via blogs, Twitter, and YouTube.

## ONLINE PRESCRIPTION DRUG TOOL

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Proper use of prescription medication is an important part of keeping our members healthy. A new online prescription drug benefit tool launched in 2010 helps our members take greater personal responsibility for their health, manage their medications, and save money.

By visiting My Account on hmsa.com, members can compare drug prices, view drug information, find HMSA participating pharmacies, and order prescription refills from the convenience of their computer.

## NEW ONLINE CARE FEATURES

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Since 2009, HMSA's Online Care has connected Hawaii residents with doctors online or by phone.

New features were added in 2010 to enhance Online Care's user experience.

- The My Health page includes a comprehensive summary of a member's health information and a Health Measurement tracker, which allows them to record their blood pressure, weight, body mass index (BMI), health conditions, medications, allergies, and other important personal health information. This secure system helps them track their health goals and make decisions to avoid chronic conditions, such as diabetes and heart disease.
- New specialists were added, including psychologists, advanced practice registered nurses, optometrists, and podiatrists. And members can now speak with HealthPass health and wellness coaches at no charge.

## PAPERLESS RTMS

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As part of HMSA's ongoing commitment to contain costs and be more green, we no longer print and mail Report to Member (RTM) statements for medical and vision services for most of our members. Members can view their RTMs through My Account on hmsa.com.

Going paperless saves money, is good for the environment, and provides our members with timely, convenient access to their HMSA claims information.

## ELECTRONIC ENROLLMENT

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HMSA ENROLL enables employers to administer their employees' health plans online. Employers can process health plan enrollment activities, including new enrollment benefit elections, add new employees, make changes to existing enrollments, and make cancellations. It's convenient and easy to use, and can significantly save in administrative costs.

Electronic enrollment makes benefits easier to process and reduces the amount of paperwork.

## STAY CONNECTED

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HMSA uses social media accounts to stay connected to our members. Tell us what you think.

Follow us on Twitter:

**HMSA:** @AskHMSA. Access HMSA news and information.

**Health Care Reform:** @LetsTalkReform. Join in the conversation on health care reform.

**Island Scene magazine:** @HMSAislandscene. Comment on articles and suggest story ideas.

Like us on Facebook:

**Island Scene magazine:** [www.facebook.com/islandscene](http://www.facebook.com/islandscene).

## ENHANCING QUALITY CARE

HMSA reaches out to our provider partners to create quality programs that enhance our members' care.

We work together to make great strides in quality, patient safety, and cost savings that improve Hawaii's health care system. We look forward to making even more progress now that many of those goals are supported by provisions in the health care reform legislation.



**LYNDA DOLAN, M.D.**

**FAMILY PHYSICIAN  
THE FAMILY MEDICINE CENTER (HILO)**

■ Unfortunately, finances can be a huge barrier to both preventive and acute care. People wait and don't come to see us until they're sicker. Patients will not come in for their diabetes or hypertension checks, or do their mammograms because they can't pay their copayment. So I'm hopeful that health care reform and the preventive care coverage provision will encourage my patients to pay more attention to preventive measures and their overall health. Under health care reform, preventive care visits are a covered benefit now. That's really a big change for the better.

There's health care reform on a national scale, but we're also working with HMSA to reform health care locally. We worked with HMSA's HealthPass to set up a hypertension pilot program of six classes that educated our patients about hypertension, healthy cooking and meal planning, health maintenance, exercise, and ways their ohana can support them. Without HMSA, something like this never would have happened. This kind of health care reform can dramatically improve patients' awareness and get them to take a more active role in their health. Primary care doctors can use innovative programs like this to engage our patients in preventive health and maintenance. Physicians and physician organizations need to continue partnering with HMSA for a better, healthier community.

We have to realize that the United States has the most expensive health care in the world with less-than-stellar results. The current version of reform might not be exactly right, but it's a good start, and we all need to do our part and work toward solutions that make our country healthier overall. It's exciting.

## NATIONAL ACCREDITATION



HMSA's commitment to quality health care includes a voluntary and thorough evaluation by the National Committee for Quality Assurance (NCQA). NCQA's accreditation standards are set high to encourage health plans to continually improve their quality.

HMSA's PPO and HMO plans have earned Excellent Accreditation from NCQA. "Excellent" is the highest level of accreditation for health plans. These HMSA plans include:

- Preferred Provider Plan
- Health Plan Hawaii
- CompMED
- Federal Employee Health Benefit Program
- State of Hawaii Employer Union Trust Fund Plan
- 65C Plus

HMSA remains the only plan in Hawaii with PPO and HMO plans that have earned the highest levels of NCQA accreditation.

NCQA is an independent, nonprofit organization dedicated to assessing and reporting on the quality of health care in the United States. More than 100 million Americans, or 70 percent of all health plan members, are covered by an NCQA-accredited health plan.



## URAC

The HMSA Plan for QUEST Members, a Medicaid managed care program that provides comprehensive medical and behavioral health benefits for eligible Hawaii residents, was awarded Health Plan Accreditation from URAC. HMSA was measured against national standards and underwent a rigorous evaluation to earn the award.

Originally called the Utilization Review Accreditation Commission, URAC is an independent, nonprofit health care accrediting organization that promotes health care quality through accreditation, certification, and commendation.

*"THE REFORM DEFINITELY HELPED SOME OF OUR EMPLOYEES HAVE PEACE OF MIND. THAT'S ONE OF THE GOOD THINGS ABOUT HEALTH CARE REFORM."*



**BARRY TANIGUCHI**

**PRESIDENT & CEO  
KTA SUPER STORES**

■ We're a small local supermarket chain on the Big Island. My grandfather founded the store in 1916, and we'll be 95 years old this year. Currently, we have five KTA Super Stores and the Waikoloa Village Market. We have the third and fourth generations of our family working here.

As far as I know, KTA has been with HMSA from the beginning, back in the 1940s when HMSA opened on the Big Island. Over the years, other health plans came and went, but we stuck with HMSA because we had confidence in HMSA and had questions about the viability of some of those other plans.

We always covered employees' dependents who went to college, up to age 24, but before the health care law passed, they had to be enrolled as full-time students. It's so difficult now for recent college graduates to get jobs. In Hawaii, because of the Prepaid Health Care Act, recent graduates get coverage if they get a full-time job. But a lot of young people can't find full-time jobs, so they work part-time and aren't able to get coverage. Naturally, if you're a parent, you worry about your son's or daughter's well-being.

The health care reform law allows coverage of dependents up to age 26, and parents can keep their adult children under their coverage whether they're in school, working, or not working. I know the law helped Glenn Kodama, our vice president of human resources, who was able to cover his 23-year-old son. The reform definitely helped some of our employees have peace of mind. That's one of the good things about health care reform.

## PARTICIPATING PROVIDER NETWORK

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HMSA members have access to the largest network of health care providers and HMO health centers in the state. More than 5,900 physicians, dentists, hospitals, pharmacies, and other health care providers are in HMSA's network.

HMSA's participating providers complete our credentialing process, meet specific criteria for providing care, file patients' claims, and agree to accept our members' copayment and HMSA's reimbursement as payment in full.

## WORKING TOGETHER

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Last year, 170 health care professionals volunteered their time and expertise to help ensure HMSA members can count on affordable access to care.

Physicians and hospital administrators who serve on HMSA's Board of Directors and provider advisory committees review and formulate policies related to health plan benefits, medical policy, and pharmacy guidelines, and discuss issues related to quality improvement, health promotion and prevention, and disease management. HMSA values the knowledgeable leadership these professionals provide.

## PAYING FOR QUALITY CARE

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HMSA believes providers should be rewarded for delivering efficient, quality care to our members.

In 2010, HMSA and the two largest health systems in the state, The Queen's Health Systems and Hawaii Pacific Health, reached new hospital agreements that move away from the traditional fee-for-service system that pays providers for the volume of medical procedures they perform. The new system rewards hospitals for the quality, safety, and efficiency of the care they provide.

This new direction aims at ensuring our members receive the right care at the right place and time. HMSA joins other health plans nationwide, including other Blue Cross and Blue Shield plans, in moving toward a pay-for-quality reimbursement model.

## QUALITY PROGRAMS

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In 2010, HMSA invested \$17.5 million in incentive programs to improve the quality of Hawaii's health care system so our members can receive the best care possible.

HMSA's Practitioner Quality and Service Recognition program rewards physicians who maintain a high level of patient care and service based on best-practice guidelines. In 2010, HMSA paid \$7.5 million to 2,400 practitioners through this program. Since 1998, Hawaii physicians have received \$99.5 million in payments for meeting program measures for health care quality, patient safety, patient satisfaction, and efficiency.

HMSA's Hospital Quality and Service Recognition program recognizes hospitals for delivering efficient, quality care that focuses on patient safety and physician and patient satisfaction. In 2010, 15 participating hospitals received \$5.0 million through this program. Since 2001, Hawaii hospitals have received \$56.7 million in awards for meeting program measures.

HMSA's HMO Quality and Performance program evaluates the quality of care and service delivered in HMSA's HMO plans. Last year, 20 HMO health centers received \$5.0 million through the program. Since 1998, health centers across the state have received \$39.3 million.

## HEALTH PLAN CHOICES

At HMSA, we realize each of our members has different health care needs and financial circumstances. That's why we provide a variety of health plan options.

While each health plan is designed differently, they all have the same dependable features.

That's why generations of Hawaii's families have come to know and trust HMSA.



Last year, HMSA health plans provided access to health care, service, and support for 676,800 people.

The greatest number of HMSA members comes from our employer groups. In 2010, 15,100 employer groups provided coverage for 506,800 members. More than 380,600 employees were in one of HMSA's free choice plans and 126,200 were in HMO plans.

In 2010, 54,200 members were covered by an HMSA individual plan for people who were not eligible for coverage through employer group plans. HMSA provided coverage for 36,300 senior citizens, 2,600 students, 2,600 children, and 12,700 self-employed members.

In our 16th year of participation in the statewide Hawaii QUEST program, a managed care program for Medicaid beneficiaries, 115,800 HMSA members were covered under The HMSA Plan for QUEST Members.

Most of our members also receive supplemental benefits through HMSA health plan riders. In 2010, 514,400 members were enrolled in a prescription drug rider, 412,800 in a vision rider, 71,800 in a chiropractic rider, and 4,400 in a complementary care rider for alternative health services. In addition, more than 193,000 members received dental coverage through our preferred provider dental plan and HMO dental network.

HMSA also contracts with self-insured employer groups to process claims. Through these arrangements, HMSA paid 2.6 million claims in 2010, totaling \$377.6 million in benefits for 150,300 members.

## HMSA AKAMAI ADVANTAGE

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In October 2010, HMSA began offering a new Medicare Advantage plan called Akamai Advantage to expand Medicare benefits of our members who are eligible for Medicare, including those who are 65 and older. Akamai Advantage offers great benefits and lower monthly premiums than HMSA's 65C Plus. Plan options include a zero-premium plan. Akamai Advantage also features prescription drug coverage for most plans and an out-of-pocket maximum for financial protection.

With a Medicare Advantage plan, the government pays HMSA a set amount every month. Sound management of these funds allows HMSA to provide additional benefits and services for Akamai Advantage members that go beyond our 65C Plus plan.

## COVERAGE THAT TRAVELS WITH YOU

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HMSA members can be assured of medical coverage while traveling outside Hawaii. HMSA belongs to the Blue Cross and Blue Shield network of health care providers in the U.S., Puerto Rico, and the U.S. Virgin Islands. HMSA is the only health plan in Hawaii that offers nationwide provider networks for preferred provider and HMO programs.

All HMSA plans cover emergency care services; our Guest Membership program covers HMO plan members temporarily living on the Mainland. With 253,300 primary care physicians, 412,900 specialists, and 5,300 facilities nationwide, HMSA members can rely on the BlueCard program for access to the nation's largest network of providers for care outside Hawaii. In 2010, the BlueCard program saved our members \$85.2 million in out-of-pocket expenses.

## HEALTH & WELLNESS

There's more to good health than  
just treating illness.

It involves changing attitudes,  
outlooks, and lifestyles. HMSA  
provides the tools, resources,  
and support to help our  
members make smart choices to  
improve their health.



## HEALTH PROMOTION

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Every person has unique health care needs and challenges. HMSA's health promotion programs give our members choices to personalize their action plans.

### Health Risk Assessment

The online health risk assessment is an easy-to-use questionnaire that evaluates an individual's health and identifies health risks. The program generates a health profile and personal wellness action plan tailored to help members improve their health. Last year, 30,000 members completed the health risk assessment.

After completing the assessment, eligible members can take advantage of HMSA's HealthPass screening and lifestyle-management programs at no additional cost.

### Health Education Programs

HMSA members have access to a variety of health education classes and workshops that teach participants how to establish and maintain healthy lifestyles. The programs are offered at convenient locations statewide and made available on site at some employer locations.

In 2010, 8,700 people took part in one or more of HMSA's health education programs:

- **Body Power Enhanced**, which teaches the basics of fitness.
- **Engaging in Aging Plus**, which explores the physical changes during aging, exercise opportunities, and the importance of a positive attitude.
- **Meditation for Health**, featuring stress-reduction strategies.
- **Real-World Nutrition** to help incorporate healthy eating into any lifestyle.
- **Stress Master 3.0**, which teaches simple breathing exercises that benefit your mind and body.
- **Strong, Straight and Steady** to help protect against fall-related injuries.

## HMSA365

HMSA365 is a discount program to help HMSA members live healthy at prices they can afford, 365 days a year. Members statewide save money on a variety of health and wellness products and services, such as exercise classes, weight management programs, acupuncture, massage therapy, LASIK surgery, and much more.

New products and services are continually added as the program grows. For a complete list of businesses participating with HMSA365, visit HMSA's website at [hmsa.com/hmsa365](http://hmsa.com/hmsa365) or call 1 (866) 520-6362 toll-free.

## PREVENTIVE CARE

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HMSA programs help identify high-risk factors for members, prevent potentially serious diseases, and offer the best opportunity for early detection and successful treatment.

### HealthPass

HealthPass is HMSA's award-winning health promotion and disease prevention program that provides members with information and education on health and personal risk factors. HealthPass staff measures members' blood pressure, cholesterol, blood sugar level, and body fat percentage. They guide members through a review of their current lifestyle, health habits, and family medical history. They also create personal health action plans to help members reduce their risk for diseases.

An HMSA plan benefit for eligible members, HealthPass is conveniently offered statewide at employer worksites, at six HealthPass offices, and through Web-based and telephonic tools. In 2010, HealthPass helped 29,000 HMSA members and delivered services at 230 worksites across the state.

## Flu Shot Clinics

To prevent the flu, HMSA provides free seasonal flu shots to members at community clinics and in workplaces on Oahu, Maui, Kauai, and Hawaii Island. In 2010, 23,000 flu shots were administered through this program. Flu shot reminders are also sent to members who are at increased risk of developing complications from the flu.

HMSA also supports Protect Hawaii's Keiki: Stop Flu at School in collaboration with the Hawaii Department of Health, community agencies, and public and independent schools statewide. The program provides flu vaccines to schoolchildren ages 5 to 13, faculty, and staff at no cost to help reduce illness and prevent the spread of the flu virus.

## The Good Pregnancy – *He Hapai Pono*

*He Hapai Pono* offers prenatal care education for HMSA members. Expectant mothers receive a complimentary pregnancy or infant care book, phone access to OB-experienced registered nurses, guidelines for recognizing early warning signs of complications, and information on risk factors to help them have a safe, healthy pregnancy. In 2010, *He Hapai Pono* offered assistance to 3,900 expectant mothers.

## HEALTH IMPROVEMENT AND SELF-CARE

HMSA's health improvement programs raise our members' awareness of their health status and encourage them to make smart health decisions.

### Ready, Set, Quit!

HMSA's personalized smoking cessation program helps members become smoke-free through supportive telephone counseling, information, and strategies to help them kick the habit. In 2010, 190 members enrolled in the Ready, Set, Quit! program.

## DISEASE MANAGEMENT

HMSA's disease management programs provide education, support, and encouragement to help members manage their chronic diseases or conditions. Coordinated health interventions and communications give them the motivation and support to make positive, lasting lifestyle changes.

### Care Connection

HMSA's Care Connection program provides members with support and disease management tools to manage their chronic conditions.

Care Connection does not replace a physician's care, but helps members understand their condition better and follow their doctor's treatment plan.

Last year, 141,400 members received support for:

- Asthma and chronic obstructive pulmonary disease.
- Behavioral health conditions, such as stress, anxiety, depression, or substance abuse.
- Diabetes.
- Heart disease.
- Chronic kidney disease.

### Integrated Case Management Services

Certain medical conditions require ongoing care after a hospitalization or to prevent unnecessary hospitalization. The staff of HMSA's Integrated Case Management Services works with hospitals and physicians to help members get the care they need.

Assistance for members and their families include:

- Understanding health care and coverage options.
- Finding the appropriate care providers.
- Accessing additional community resources.
- Coordination of care.
- Palliative/comfort care coordination services.

## HEALTHY LIFESTYLE PROGRAMS AND EVENTS

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HMSA is a health plan that focuses on making long-term investments in building safe, healthy communities.

### **HMSA Kaimana Awards & Scholarship Program**

Promoting physical fitness at an early age is a long-term investment in the health of Hawaii's young people. The HMSA Kaimana Awards & Scholarship Program recognizes all-around accomplishments of high schools, rewards individual student athletes with scholarships, and supports coaches' education.

In 2010, three student athletes received \$3,000 distinguished scholarships and 18 students received scholarships worth \$2,000 each. In addition, 10 high schools won Kaimana Awards and received a \$1,500 bonus for achieving the highest program scores in their league and division.

HMSA is pleased to partner with the Hawaii High School Athletic Association, which administers the program.

### **HMSA Teen Video Awards Contest**

HMSA believes in fostering the creative talents of Hawaii's young people. Each year, HMSA invites students from Hawaii's public and independent schools to create video public service announcements focusing on fitness/nutrition, social health, being drug- and tobacco-free, and preventing underage drinking. Last year, 157 videos were submitted.

Winners received cash awards to purchase video equipment and software for their schools. The winning videos aired on local TV and HMSA Now on YouTube.

HMSA, the Hawaii Department of Education, and Mothers Against Drunk Driving Hawaii sponsored the event in 2010. Special recognition goes to the Hawaii Meth Project for its collaborative support.



## COMMUNITY INVOLVEMENT

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As a kamaaina company, HMSA is an integral part of the communities where we live and work. Many of our employees serve on the boards of charitable organizations and volunteer in community activities. We dedicate our time and efforts to worthwhile projects.

Above all, we share the vision of making Hawaii a better place for our children to grow up, for businesses to thrive, and for communities to come together and flourish.

### Community Giving

In 2010, HMSA gave \$270,300 in monetary contributions, sponsorships, donations, and in-kind services to 213 nonprofit and other community-based organizations. HMSA employees generously give their time and money to help these worthwhile causes.

### United Way

HMSA employees understand the importance of giving back to the community, and have supported United Way for more than 30 years. Last year, HMSA employees on Oahu gave more than \$250,000 to Aloha United Way through a pledge card drive, executive breakfast, silent auction, craft fair, bake sale, and flower sale. Neighbor Island employees also organized fundraisers to support United Way agencies on their islands.

### Blood Bank of Hawaii

Blood donations help save lives. That's why HMSA is a perennial supporter of the Blood Bank of Hawaii. In 2010, HMSA sponsored five blood drives at the HMSA Center, where we donated 350 pints of blood.

### Hawaii Foodbank

HMSA recognizes the important work of the Hawaii Foodbank to make sure Hawaii families don't go hungry. Last year, teams of HMSA employees on Oahu, Maui, Kauai, and Hawaii Island donated \$14,700 and nearly 5,000 pounds of canned goods and other nonperishable items to the Hawaii Foodbank for the holiday season.

## HMSA Foundation

Since 1998, the HMSA Foundation has committed \$16 million to strategic community investment projects that improve the health and welfare of our communities.

In 2010, the HMSA Foundation committed \$1 million to support 35 projects. The following are just a few of the grants the Foundation supported:

### Medical Mystery Festival (\$30,000)

Providing health education to Hawaii's youth will help them become healthier adults. The grant supports the Bishop Museum's Medical Mystery Festival, a traveling health education program.

### Hana Like Home Visitor Program (\$50,000)

The HMSA Foundation supports programs that create safe, nurturing families. The grant supports the Parents and Children Together's Hana Like Home Visitor Program to reduce risk factors and diminish potential for abuse and neglect.

### Hawaii Initiative for Childhood Obesity Research and Education (\$55,000)

Childhood obesity is a statewide health epidemic. The grant supports the Hawaii Initiative for Childhood Obesity Research and Education (HICORE), a program of the Department of Pediatrics at the University of Hawaii's John A. Burns School of Medicine.

### Native Hawaiian Men's Health Conference (\$10,000)

The grant supports the Aha Kane – Foundation for the Advancement of Native Hawaiian Males' 2010 Health Conference, which addresses issues of Native Hawaiian male leadership.

### Nurse Managed Health Clinic (\$35,000)

The grant supports the Establishment of a Nurse Managed Health Clinic at the Institute for Human Services, Inc., Emergency Homeless Shelter. The grant helps improve and expand access to health care for homeless men and provides learning opportunities for nurse practitioners and medical students.

### **Open Airways for School® Plus (\$25,000)**

The grant supports the American Lung Association of Hawaii's Airways for Schools® Plus, a school-based asthma education and management program for asthmatic children ages 8 to 11, parents, caregivers, and teachers.

## **MEMBER INFORMATION**

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HMSA provides our members with the information they need. We make it convenient for them to learn about HMSA through print, television, radio, Web, and social media vehicles.

### ***Island Scene***

*Island Scene*, HMSA's quarterly magazine, provides members with a variety of stories on health and fitness, healthy recipes, HMSA member news, and other timely topics. In 2010, *Island Scene* was distributed to 303,000 households each quarter. Its online companion, *Island Scene Online*, delivers access to new health articles, the current issue of the magazine, and searchable archives.

### **HMSA Now on YouTube**

HMSA Now on YouTube offers HMSA videos on a wide variety of health and health plan topics. HMSA Now enables people to easily access videos on customer service information and frequently asked questions, HMSA community events, Teen Video Award winners, HMSA commercials, and other video messages.

### **Information Center on [hmsa.com](http://hmsa.com)**

The Information Center on our website makes it easier for our members to get answers to common questions. Members can find information in categories such as "Manage Your Plan," "Using Your Benefits," "Important Member Documents," and "Prescription Drugs." New material is continually added. Our local customer service representatives are also available to answer members' questions over the phone.



## OPERATIONAL AND FINANCIAL STRENGTH

HMSA must maintain financial strength to fulfill our mission to our members.

We are a careful steward of the dues dollars entrusted to us by employers and members who depend on us to meet their health care needs. We work hard to manage our business responsibly and effectively to ensure that our financial foundation remains strong.



## HMSA OPERATIONS

Since our establishment in 1938, HMSA has operated as a not-for-profit health care service organization. We believe this financial structure best serves our members.

Our goal as a not-for-profit organization is to operate at a break-even level while providing members with a high level of health care benefits.

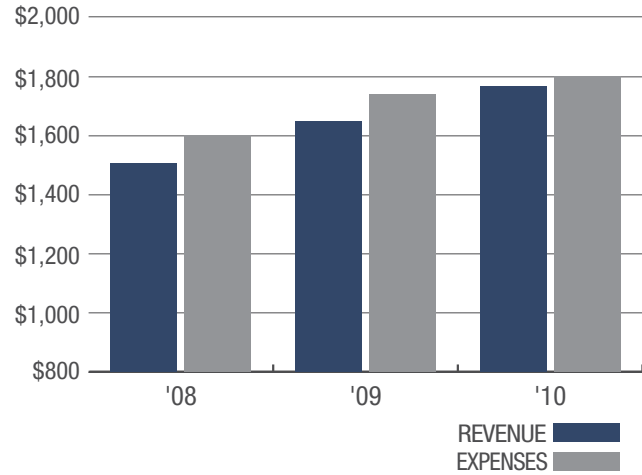
Throughout our long history, an average of 93 cents of every dollar paid to HMSA has gone directly to physicians, hospitals, pharmacies, and other health care providers to pay for our members' care. On average, only 7 cents has gone to run HMSA. This is one of the best benefit returns of any health plan in the nation.

Annual operating gains and losses should be viewed in the context of HMSA's long and stable financial history. This history of good years and bad years is described by insurance actuaries as the underwriting cycle.

In 2010, HMSA applied 95.8 percent of dues to member benefits, such as payments for physicians, hospitals, and prescription drugs; used 5.7 percent to cover general administrative expenses; and incurred a net operating loss of 1.5 percent.

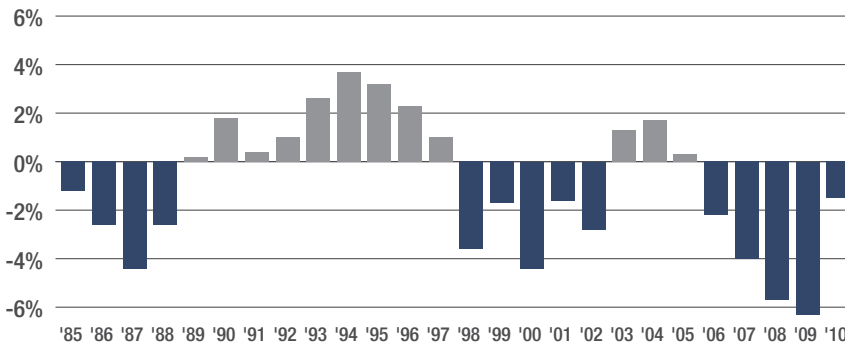
For all health plans, including self-insured groups, \$2.2 billion in benefits was paid, approximately \$8.7 million each working day. Of the total benefits paid, hospital costs accounted for 48.0 percent, 34.2 percent went to professional services, 15.7 percent covered prescription drug costs, and 2.1 percent went to dental, vision, and chiropractic costs.

**Revenue and Expenses, 2008-2010**  
(In millions)



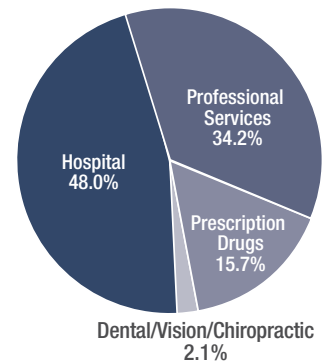
Based on Statutory Accounting Principles.

**HMSA Operating Gains and Losses, 1985-2010**  
(Percent of Revenue)



Based on Statutory Accounting Principles.

**Benefit Distribution, 2010**



### COMMITMENT TO EXCELLENT CUSTOMER SERVICE

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HMSA's knowledgeable Customer Relations representatives are devoted to providing timely, accurate service to help our members understand their benefits and coverage. In 2010, we responded to 25,600 walk-in visits, 3,600 written inquiries, 400 emails, and 1.4 million phone calls statewide.

With our large membership and variety of plan options, HMSA relies on skilled staff and current technologies to process claims accurately, efficiently, and promptly. Every working day last year, HMSA's claims system handled 69,300 claims. Overall, HMSA processed a total of 17.5 million member claims in 2010.

### ELECTRONIC CLAIMS PROCESSING

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Last year, 88.8 percent of HMSA claims were filed and processed electronically. This is just one example of how technology helps HMSA, our members, participating physicians, and employer groups keep pace with advances and changes in health care.

### SECURITY

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State law, the Blue Cross and Blue Shield Association, and other regulatory groups require HMSA to maintain an adequate reserve to help moderate dues increases, strengthen financial viability, and protect our members with sufficient financial resources in the event of sudden or unexpected health and economic challenges.

The HMSA reserve is the result of investment income generated since our founding in 1938.

HMSA members can take comfort in knowing that their health plan has adequate resources in times of emergency.

### FINANCIAL STATEMENTS

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HMSA is a mutual benefit society licensed by the Blue Cross and Blue Shield Association to offer a selection of health care products and services under the Blue Cross and Blue Shield brand names. HMSA is governed by a board of directors and is solely responsible for its own debts and obligations.

A complete audited financial report for HMSA is available upon request.

## CONDENSED HMSA BALANCE SHEET

### What HMSA Owns

Cash and short-term investments.....	\$130,293
Investments:	
Bonds.....	\$130,623
Mutual funds.....	264,678
Marketable equity securities.....	122
Real estate.....	38,493
Investments in subsidiaries.....	40,244
Other investments.....	<u>13,526</u>
Total investments.....	487,686
Receivables.....	84,463
Federal income tax recoverable.....	704
Deferred income taxes.....	8,214
Electronic data processing equipment, net.....	5,896
Other assets.....	<u>22,916</u>
Total assets.....	<u><u>\$740,172</u></u>

**Dec. 31, 2010**

Statutory basis  
(in thousands)

### What HMSA Owes

Estimated member claims outstanding.....	\$137,456
Membership dues collected in advance.....	34,563
Accrued expenses.....	106,425
Provision for experience rating.....	45,662
Drawings on line of credit.....	15,000
Other liabilities.....	<u>11,469</u>
Total liabilities.....	<u>350,575</u>

### Resources Available for the Protection of Members

Total resources available for the protection of members.....	<u>389,597</u>
Total liabilities and resources.....	<u><u>\$740,172</u></u>

## CONDENSED HMSA STATEMENT OF OPERATIONS

Member dues.....	\$1,763,549	100.0%
Member benefits		
Medical and hospital claims.....	\$1,622,388	92.0%
Claims adjustment expenses.....	<u>66,369</u>	<u>3.8%</u>
Total member benefits.....	1,688,757	95.8%
General administrative expenses.....	<u>101,177</u>	<u>5.7%</u>
Total expenses.....	1,789,934	101.5%
Net operating loss.....	(26,385)	-1.5%
Net realized investment and other income.....	<u>28,154</u>	<u>1.6%</u>
Income before tax benefit.....	1,769	0.1%
Income tax benefit.....	<u>3,503</u>	<u>0.2%</u>
Net income.....	<u><u>\$5,272</u></u>	<u><u>0.3%</u></u>

**Year ended**

**Dec. 31, 2010**

Statutory basis  
(in thousands)

# BOARD OF DIRECTORS

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Diocesan Finance Officer  
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Hawaii physician

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Service Association

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Oahu physician

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Business Representative  
Hawaii Carpenters Union,  
Local 745

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Oahu dentist

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Chief Administrative Officer  
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Terrence A.M. Watanabe**  
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St. Theresa Church

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Chief Executive Officer

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Chief Operating Officer &  
Assistant Treasurer

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Executive Vice President &  
Assistant Secretary

**Steve Van Ribbink**  
Executive Vice President,  
Chief Financial Officer &  
Treasurer

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Senior Vice President

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Senior Vice President

**Cliff K. Cisco**  
Senior Vice President

**Alfred J. Fortin, Ph.D.**  
Senior Vice President

**Gordon R. Hilton**  
Senior Vice President &  
Chief Information Officer

**Linda J. Katagiri**  
Senior Vice President

**Hilton R. Raethel**  
Senior Vice President

## MISSION STATEMENT

HMSA is a Hawaii-based health care services organization dedicated, for more than 70 years, to improving the health and wellness of individuals and our community. We will provide our customers real value and security by creating a broad range of products that gives them choices of health care plans, provider networks, prices, and other health care services, with a commitment to superior customer service.

**HMSA**



Blue Cross  
Blue Shield  
of Hawaii

An Independent Licensee of the Blue Cross and Blue Shield Association