

A message from our Chief Financial Officer

For the past 80 years, we've been a trusted partner to our members and customers, and committed to providing them with affordable, innovative products that improve their care and health. Our ability to continuously innovate and offer high-quality products is possible because of our strong financial foundation.

In 2018, the Blue Cross Blue Shield of Michigan enterprise recorded strong financial performance. The company's financial performance was driven by a number of factors. We experienced new business growth and increased membership in Michigan; in a challenging investment year, we generated a positive investment margin within our conservatively invested portfolio. And profitability from our subsidiary companies, which includes AF Group, played a key role in our performance.

As a nonprofit mutual, Blue Cross aims to keep our overall profitability low, allowing us to build capital and reinvest in our business while promoting affordable, quality health care services for our members and customers. For 2018, the enterprise reported an operating margin of \$605 million on a GAAP basis on revenue of \$29.3 billion, which equates to a small positive margin of 2.1 percent.

Being a financially stable company has allowed us to navigate through times of significant change in health care over the past 80 years, and allows us to continue our good work of improving the health of Michigan's citizens and communities into the future.



Mark Bartlett

Executive Vice President and Chief Financial Officer
Blue Cross Blue Shield of Michigan



Historically, Blue Cross Blue Shield of Michigan has used generally accepted accounting principles, known as GAAP, for its annual report of financial results. GAAP is the accounting method used in this report. BCBSM also files a required financial report earlier in the year with the state regulators, who require use of statutory accounting principles, known as SAP. GAAP and SAP are both accepted methods but use different accounting rules for measurement and reporting. GAAP reflects our subsidiary operations and their investments — it's a full consolidation of parent and subsidiary financial results on an enterprise basis. SAP numbers reflect BCBSM performance only. SAP numbers also do not include the gross amounts for administrative service contracts revenue or benefit costs paid, but instead nets these amounts in the statement of revenue and expenses. GAAP and SAP also differ in the recognition of assets where certain assets that may not be easily converted to cash are partially or wholly disallowed for SAP accounting.