

COMMERCIAL PRODUCT STRATEGY VISION & OVERVIEW

Executive Summary and Discussion

February 2025

OBJECTIVES

- Share our vision for Product and why it matters
- Recommend potential shifts to strengthen internal collaboration
- Outline key building blocks of product development and how these enable segment specific strategies
- Highlight key decisions and trade offs
- Appendix

SETTING THE STAGE

Your input will be critical in shaping our vision for Product at BCBSMA and refining how we collaborate across business functions to drive impact

Why We're Here

- Share our Product Strategy Vision
- Discuss key opportunities for Product to drive competitive differentiation
- Gather feedback to enhance clarity, strategic alignment, and coordination between Product and other business areas

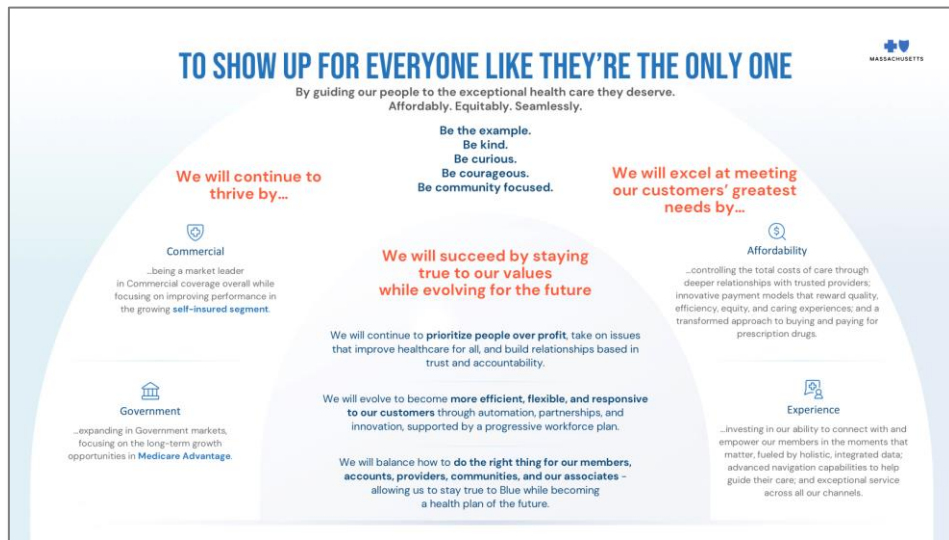
What's Next

- Continue to socialize the Product Strategy Vision & Overview with executive leaders and incorporate feedback
- Engage executive leadership to secure commitment to the vision and identify coordination points across business units

VISION

Our Product Strategy Vision builds from the foundation of our core enterprise and commercial strategies

Enterprise 5 Year Strategy



Product is the lynchpin between our internal operations and what we bring to market

Our Product Strategy Vision

To be a trusted leader, both internally and externally, in driving innovative, high-value product solutions that enhance affordability, drive exceptional member experiences, and support sustainable and profitable growth.

MARKET CONTEXT

To perform in a highly competitive market with significant affordability and margin challenges, we must deploy a transformative approach to Product

Key Market Trends Impacting BCBSMA Product Strategy **across Medical, Pharmacy, and Specialty**



Rising Cost Pressures

- Expanding Pharmacy Costs
- Margin Pressures
- Imperative for Affordability



Shifting Market Models

- Rise of Alternative & Self-Funding Models
- Network & Provider Partnership Elevation
- Broker / Producer Disintermediation



Regulatory and Competitive Dynamics

- Increasing Regulatory Demands
- Stiffening Competition



Consumer-Centric Transformation



- Scaling Care Navigation
- Expanding Virtual, Digital, & Hybrid Care
- Consumer-Centric Focus



Effectively adapting and staying ahead of the market requires us to enable Product as an agile, innovative leader within the broader organization

BUILD ON STRENGTHS, CONTINUE TO INNOVATE FOR THE FUTURE



The broader BCBSMA organization must build upon its established strengths while embracing innovation and adopting forward-thinking strategies



From

 **Responsive** to sales opportunities 

 **Fast-follower** to competitors 

 **Traditional, narrowly-scoped** insurance models 

 **Proliferation of product variations & reliance on manual systems** 

 **Consulted/informed** of other business areas' decisions impacting product 

Example

Product is often looped into discussions at the last minute, leaving little opportunity to provide input on design:

- × Rework and administrative back and forth
- × Misaligned roles and expectations
- × Lack of tie-in to the Product Strategy

Assert



Lead


Define



Productize



Orchestrate



To

 **Proactive** in delivering Voice of Stakeholder-driven innovation 

 **Market leader** for key priorities 

 **Innovative, comprehensive** partnerships 

 **Streamlined portfolio** with enhanced enterprise capabilities 

 **Orchestrate proactive** engagement across the organization 

Product has an early seat at the table, and can orchestrate discussions from the outset, enabling early alignment and:

- ✓ Streamlined workflows and communication
- ✓ Clearly defined roles and expectations
- ✓ Seamless integration with strategy

TODAY'S DISCUSSION

To deliver next-gen product innovation across Product Types and Commercial Segments, we must activate Internal (Product Enablers) and External (Product Chassis) Value Levers



Quadruple Aim: Quality, Access, Affordability, & Experience

Product Types

Commercial Segments



Product Enablers – Internal Value Levers

- Ways of Working
- Technology
- Process & Operations
- Go to Market
- Response to Regulatory Landscape
- Cross Functional Collaboration



Product Chassis – External Value Levers

- Foundational & Funding Arrangements
- Benefits & Policy Alignment
- Optimized Networks & Provider Partnerships
- Integrated Clinical & Whole Person Health
- Seamless Experience & Engagement



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VISION FOR PRODUCT-DRIVEN IMPACT

In a leading practice approach, Product serves as a center of excellence to “orchestrate” business areas through the end-to-end planning and implementation process

- ✓ **Proactively align teams** across the enterprise to create a unified approach for evaluating and prioritizing efforts
- ✓ **Guide end-to-end product development, implementation, and GTM activities** for smooth execution
- ✓ **Elevate the product portfolio** by maintaining, enhancing, and archiving existing solutions and driving innovation for new ones
- ✓ This approach **boosts efficiency, speeds time to market, and scales operations** by:
 - ✓ Avoiding duplicative functionality across vendors and internal tools
 - ✓ Increasing FTE efficiency across product and business areas with streamlined communications
 - ✓ Realizing returns of more effective Product launches and go-to-market plans



**Vision for orchestrating how we go-to-market (not intended to be an internal operating model)*

Product as the 'Orchestrator' can seamlessly unite the internal operations needed to shape our offerings and drive differentiation in the market



TOOL KIT TO ADVANCE THE QUADRUPLE AIM

Product –together with other business areas – can activate the right set of levers from the Product Chassis



Medical, Pharmacy, Specialty/TPA

Product Chassis Value Sub-Levers		Quadruple Aim Impact			
		Quality	Access	Affordability	Experience
Foundational & Funding Arrangements	Employer Defined Benefit/Contribution	✓	✓	✓✓✓	✓
	Employer Risk Tolerance to Claim Volatility	✓	✓	✓✓✓	✓
Consumer Facing Benefits & Medical Policies	Spend Transparency	✓✓✓	✓✓✓	✓✓✓	✓✓✓
	Cost Sharing and Benefits Limits	✓✓✓	✓	✓	✓✓
	Level of Utilization Mgmt; Medical Mgmt	✓	✓✓	✓	✓✓✓
Optimized Networks & Provider Partnerships	Optimized Networks & Tiering	✓✓	✓✓✓	✓✓	✓
	Value-Based Care & Elevated Partnerships	✓✓✓	✓	✓	✓✓✓
	National Network Coverage	✓	✓✓✓	✓	✓✓
Integrated Clinical & Whole Person Health	Virtual Care	✓	✓✓✓	✓	✓✓
	Clinical Programs – Core & Buy-up	✓	✓✓✓	✓✓	✓✓✓
	Clinical Point Solutions	✓✓	✓	✓	✓✓✓
	Bundling/Integration with Specialty	✓	✓✓	✓✓✓	✓
Seamless Experience & Engagement	Wellness Programs, Rewards & Discounts	✓	✓	✓	✓✓✓
	Customer Support & Tools	✓	✓	✓	✓✓✓
	Navigation/Decision Support	✓✓✓	✓✓	✓	✓✓✓



ACTIVATING OUR PRODUCT STRATEGY

Across multiple product segments, we can determine when and how to pull on elements of the chassis to deliver our vision and meet market demands

Product Segments

1 **Merged Market** **2** **Muni / Labor** **3** **Comm. Self-Insured** **4** **Comm. Insured 51+**

Provide high-value medical care that is innovative, flexible, affordable, and customizable

5 **Dental** **6** **Vision** **7** **Ancillary**

Deliver an integrated, high-value specialty offering with seamless member experience and enhanced care

8 **TPA/BBA** **9** **Health Engagement** **10** **Stop Loss**

Drive self-insured growth, optimize client retention, and deliver a differentiated stop-loss offering

11 **Pharmacy**

Lead in Rx carve-in by delivering innovative, affordable pharmacy solutions

Illustrative Example

1 **Merged Market**

Segment Imperative: Affordability

High price sensitivity and aggressive price competition leads to a demand of lower cost alternatives, such as self-insured small groups and/or ultra low-cost innovation

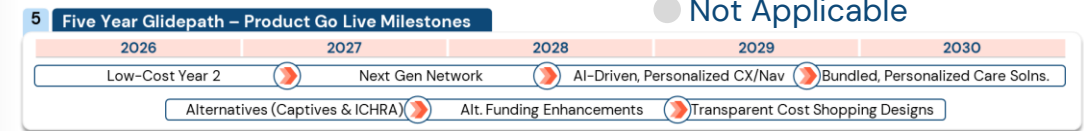
We pull on key levers to impact affordability, including:

- Network
- Virtual Care
- Provider Risk Sharing
- Digital Navigation
- Cost Sharing Transparency

Levers activated

Foundational & Funding Arrangements	Employer Defined Benefit/Contribution
Consumer Facing Benefits & Medical Policies	Employer Risk Tolerance to Claim Volatility
Optimized Networks & Provider Partnerships	Spend Transparency
Integrated Clinical & Whole Person Health	Cost Sharing and Benefits Limits
Seamless Experience & Engagement	Level of Utilization Mgmt; Medical Mgmt
	Optimized Networks & Tiering
	Value-Based Care & Elevated Partnerships
	National Network Coverage
	Virtual Care
	Clinical Programs – Core & Buy-up
	Clinical Point Solutions
	Bundling/Integration with Specialty
	Wellness Programs, Rewards & Discounts
	Customer Support & Tools
	Navigation/Decision Support

● Higher Impact ● Lower Impact ● Not Applicable





STRATEGIC PLANNING

To define our 3–5–year plan, we have considered key strategic questions for each segment



DEFINING OUR 3-5 YEAR PLAN

To better enable prioritization and innovation, we are taking a modular approach to segment-specific business planning and strategy refinement.

- Market Need by Segment:** What needs does this solution address, and which segments benefit most?
- Competitive Positioning:** Which strengths set us apart from competitors and what gaps need to be addressed?
- BCBSMA Value Story:** How does our solution uniquely position us to stand out in the market?
- Product Activation:** What needs to happen to activate this opportunity across external and internal value levers?
- Holistic Strategy & 3–5 Year Plan:** Does it align with broader enterprise objectives? How will we prioritize and sequence with other initiatives?

We aim to focus on 11 key areas across commercial segments and lines of business to plan and refine their strategies

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STRATEGIC VISION SUMMARY: MEDICAL MERGED MARKET

- Segment & Sub-Segment Market Needs**
 - Affordability is key to this segment, with highly price sensitive accounts and aggressive price competition leading to a shift to lower cost alternatives, such as self-insured small groups.
 - While most small employers continue to choose fully insured funding, vehicles such as level funding, self-funding, ICHRAs and Professional Employer Organizations have had some success in siphoning off favorable risk, however enrollment in these alternatives remains low in the Massachusetts market.
- Competitive Positioning**
 - National competitors are successfully picking off favorable risk accounts through level funded (LF) products and are evaluating levers such as narrow networks and alternatives like ICHRA.
 - Point32Health is our largest local competitor and is ~10% below BCBSMA on price.
 - Locals utilize their MassHealth networks to create lower cost Connector offerings.
 - BCBSMA market share has dropped However, BCBSMA remains the market leader in Small Group, and 26-50 membership has stabilized.
- BCBSMA Value Story**
 - Our brand, and the strength of our network is a selling factor in the market.
 - We offer a portfolio of plans that support sales objectives of small group growth and retention.
 - Our network design and tiering play a key role in providing more affordable offerings.
 - We offer and facilitate access to \$0 or low-cost coverage for a wide variety of care needs.
- Five Year Glidepath – Product Go Live Milestones**

2026	2027	2028	2029	2030
Low-Cost Year 2	Next Gen Network	AI-Driven, Personalized CX/Nav	Bundled, Personalized Care Solns.	
	Alternatives (Captives & ICHRA)	Alt. Funding Enhancements	Transparent Cost Shopping Designs	

5 Year Strategic Vision
Targeted growth and enhanced customer satisfaction by delivering innovative, affordable, and competitive products.

4 Product Activation

- Data reporting analytics to support business case development.
- Timely financial inputs and targets to define potential cost levers and achieve objectives.
- Business area partnerships to develop affordability levers (e.g., network) and align on risk tolerance.
- Broad support from internal stakeholders, operational areas and IT, including technical capabilities to achieve desired results.
- Alignment with regulators regarding approaches to address affordability that will enable differentiated low-cost solutions.
- Competitive pricing that balances revenue and affordability.
- Strong, long-standing stakeholder partnerships (e.g., providers, vendors, brokers).

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We've explored key strategic questions on value proposition, market need, competitive positioning, and how to activate our holistic strategy

By outlining key aspects of each product segment, we've assembled 5-year roadmaps and strategic visions

Please see appendix for Strategic Vision Summaries for each of the 11 product segments

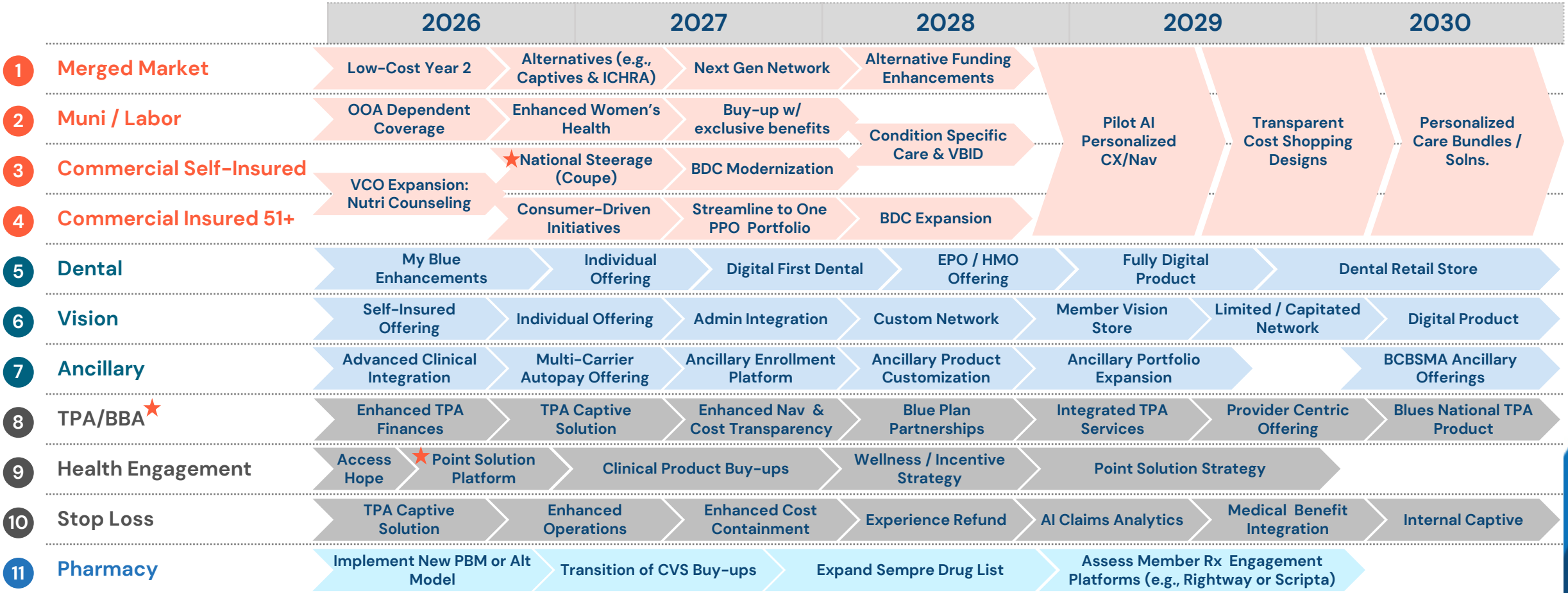


5-YEAR SUMMARY ROADMAP

Looking ahead to 2030, we have a range of initiatives expected to launch and expand upon across product segments



Years consider 1/1 Effective Dates – Effort to launch occurs in the year prior






Key: ★ 2025 FOC SI Priorities

To achieve these ambitious targets, we need to optimize BCBSMA's performance by enabling product to play a more active 'orchestrator' role

DISCUSSION

We'd like to discuss and align on several dimensions where we might shift our approach to achieve objectives in 2025 and beyond

Strawman for Discussion
(Yes / No / Maybe)

	We believe ...	This could mean BCBSMA would ...
 <p>Financial Sustainability</p>	<p>... BCBSMA should prioritize margin and financial sustainability through productization of our offerings and optimization of our portfolio</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Decline to deliver specific account desires and/or transition them to streamlined portfolio offerings <input type="checkbox"/> Define margin 'floor' for sales and renewals, even at risk of account attrition <input type="checkbox"/> Invest in upfront, in-depth business planning to increase confidence in margin and market impact <input type="checkbox"/> Rationalize the portfolio to remove unused or under-performing products
 <p>Competitive Positioning</p>	<p>... BCBSMA should selectively shift our historically defensive market positioning, to take targeted big-bets in anticipation of future market opportunity</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Invest in systematic and sophisticated market sensing to build confidence in market leading perspectives and strategically select where to play ahead of market, and where to follow competitors <input type="checkbox"/> For selected opportunities, commit to product development despite potentially unproven business case
 <p>Culture</p>	<p>... enhanced ways of working, orchestration, and decision rights that can enable a Product-Driven market facing impact</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Enable increased structure, communication, and clarity of end-to-end processes for new and existing product solutions <input type="checkbox"/> Align leaders across business areas around refined ways of working; potentially align and streamline related processes

NEXT STEPS

- Continue to socialize the Product Strategy Vision & Overview with executive leaders and incorporate feedback
- Engage executive leadership to secure commitment to the vision and identify potential coordination points across business units
- Outline specific recommendations and tactics to establish Product as a Center of Excellence that can orchestrate end-to-end planning and implementation; seek stakeholder input and alignment



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