



Steve ErkenBrack  
President and CEO  
Rocky Mountain Health Plans



March 14, 2011

An Open Letter to our Members and Stakeholders:

*The Denver Post* ran a story on Sunday, March 13, 2011, citing high cash reserves held by Rocky Mountain Health Plans and Kaiser Permanente.

Health plan surpluses and the need for significant reserves is a very complicated issue, especially in light of today's changing health care environment. The whole picture is difficult to explain in a single newspaper article. For example, 36 percent of our reserves have been generated from investment income, not premium dollars. Another 22 percent is a result of a legal settlement received in 2002.

We take our financial responsibility to our Members very seriously. That is why we ensure we have adequate dollars reserved to pay for the health care services they need. We believe our actions demonstrate good stewardship and are in the best interest of our Members.

As a not-for-profit organization, we do not pay dividends to shareholders. Instead, our reserves are held solely for our Members' future medical costs or for health improvement in the community to reduce costs for everyone. Our reserves may be used this year, next year, or five years from now. But, they can not be distributed as dividends, sent out of state for the benefit of others, or used for any private benefits.

If you look further into the report from the Division of Insurance, referenced by *The Denver Post*, you'll see the Rocky Mountain Health Plans underwriting income of 2.78 percent (over the past five years) is substantially below that of our major competitors.

For 2008-2010, our direct contribution to the community totaled \$1.9 million. During that time, we invested another \$331,000 into community health and wellness programs like the American Heart Association, Juvenile Diabetes Research Foundation, the Alzheimer's Association, March of Dimes, and others.

The health plan also intends to spend approximately \$1.5 million over the next three years to implement the Colorado Beacon Consortium, a health information technology expansion project that is helping physicians transform their practices and supporting them in delivering higher quality care. We will invest another \$1.5 million over the next 16 months to implement the Medicaid Regional Care Collaborative Organization, a program to improve health outcomes of Medicaid clients in 24 of Colorado's 64 counties.

It is our continual pursuit of innovation and our philosophy that all citizens should have access to quality health care which sets us apart. That's why we are committed to serving all lines of business including Medicare and Medicaid. Given the uncertainty of regulations and future funding of these government programs, our organization must be prepared for the possibility that we may need to make changes within these lines of business. It is likely that such changes would require a significant investment and would affect our cash reserves.

Our model of care, focusing on putting people before profits, has received national recognition as a community-based, collaborative model that works. Our Members place their trust in us and for 37 years, we have delivered. Our focus has always been, and will continue to be, offering comprehensive health care plans for the people of Colorado in a financially-responsible way.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve ErkenBrack', written in a cursive style.

Steve ErkenBrack