

A photograph of two hikers on a rocky ridge. A man in a red shirt and khaki shorts is on the left, leaning forward and holding the hand of a woman on the right. The woman is wearing a white visor, a red tank top, khaki shorts, and a yellow backpack. They are both smiling. The background shows a vast mountain range under a blue sky with scattered clouds. The bottom of the image transitions into a light beige gradient.

SPIRIT of COLLABORATION

2010

Business Highlights and
Community Benefit



ROCKY MOUNTAIN
HEALTH PLANS®

We understand Colorado. We understand you.

SPIRIT of
COLLABORATION



President's Letter

Dear Friends and Colleagues,

2010 was a year of opportunities and challenges for health care, which saw the passage of the Patient Protection and Affordable Care Act. Preparing for the future has added to our responsibilities; however, it has not changed our core mission at Rocky Mountain Health Plans: improving the lives of our Members and the health of our communities.

Rocky Mountain strives to be part of the solution and to work with other community partners in providing better care in the most cost-effective way for our Members. We believe we have the right model with the right focus, at the right time. The cornerstone of our model is the partnership between Rocky Mountain, our providers, and hospitals that creates a stable, innovative system that rewards efficiencies and puts the Member at the center of all our decisions.

In 2010, Rocky Mountain Health Plans was honored to receive national accolades and recognition highlighting the fundamental soundness of our efforts and demonstrating

a high level of respect for the organization. I am proud we are a part of the Colorado Beacon Consortium, that we were selected by former Governor Ritter to administer GettingUSCovered, the federal high risk pool for Colorado, and that a Nobel Prize winner of Economics is set to study our system of care. All of these accolades serve as an example of effective collaboration among community-based, not-for-profit health care organizations and service agencies.

This coming year will bring new challenges and opportunities. However, I pledge we will continue to approach those challenges in the way we always have: putting the best interests of our Members as our top priority. It is, after all, that time-tested approach that has earned the confidence of those we serve. More than that, it is the right thing to do.

Sincerely,

Steve ErkenBrack
President and CEO

**We understand Colorado.
We understand you.**

Who We Serve

Founded in Grand Junction, Colo. in 1974, as a locally-owned, not-for-profit organization, Rocky Mountain Health Plans uniquely understands Colorado's health care consumers. We provide access to affordable, quality health care enabling our Members to live longer, healthier lives. Rocky Mountain believes receiving preventive care is key to maintaining good health, which is why it is included as a standard component in our benefit plans.

We are the only health plan in Colorado serving every market segment including employers, individuals, Medicare, Medicaid, and Child Health Plan Plus (CHP+) beneficiaries. We offer a wide range of health benefit plans, including PPO, HMO, and Health Savings Account-eligible plans. We provide valued expertise in health plan financing programs and in finding client-specific solutions in the areas of fully-insured, risk arrangement through shared funding, and self-funding.

BY THE NUMBERS

At year end 2010, Rocky Mountain Health Plans and our third-party administrator, CNIC Health Solutions, Inc. provided services to 189,243 enrollees, which included the following:

- › 3,566 fully-insured employer groups with 49,118 Members
- › 133 self-funded employer groups with 72,151 Members
- › 17,140 Individuals
- › 8,286 children under the Child Health Plan Plus program
- › 24,365 Medicare Members
- › 271 Medigap Members
- › 17,912 Medicaid eligible persons



Our Model of Care

Throughout the years, Rocky Mountain Health Plans has played a leadership role in striving to positively impact the well being of the Colorado community and the health and wellness of our Members. It is our continual pursuit of innovation and our philosophy all citizens should have access to quality health care which sets us apart. In our 37 year history, our mission has not wavered and our unique voice in the health care market continues to remain strong.

Rocky Mountain Health Plans is proud to be part of an exceptional health care delivery system in Colorado. We focus on our relationship with physicians, hospitals, and other providers to ensure Members get the care they need while improving quality and patient health. Ultimately, health care savings can be achieved as a result. Our community-based, community-focused approach to health care can be summarized as follows:

- › Collaboration results in Access.
- › Access results in Quality.
- › Quality results in Better Health.
- › Better Health results in Savings.

From the beginning in Western Colorado, Rocky Mountain Health Plans and our founding provider partners have worked together to develop a model of care that centers on these unique principles:

- › Physicians and patients have the right to make medical decisions.
- › Health care professionals and organizations have an obligation to improve the health of the community, not just to provide and pay for sick care.
- › There will be a collaborative (not adversarial) relationship between Rocky Mountain Health Plans and providers.
- › Preventive care should be available to all through a medical home. Specialist care should be available on the basis of the patient's health care needs, not on the basis of their wealth or status.
- › Rocky Mountain Health Plans should be a not-for-profit organization, focused on providing a benefit to the community, not on maximizing returns to shareholders.



Our Mission

We take the initiative to improve the lives of our Members and the health of our communities by offering innovative health plans, providing excellence in service and care for our Members, and staying true to our tradition of putting people before profits.



Community leaders, including physicians, established Rocky Mountain Health Plans as a not-for profit health plan to coordinate the delivery of health care. Today, our focus remains on prevention and quality of care. The Member is at the center of every decision we make.

To keep health care affordable for our Members, we realize everyone has to work together collaboratively and use a variety of tools to keep our communities healthy. This includes covering as many of our neighbors as possible.

Our goal at Rocky Mountain Health Plans is to have all our Members, including Medicare, Medicaid, GettingUSCovered, and CHP+ beneficiaries have access to nearly every primary care physician in the community and to more than 90 percent of specialists in the area.

Our Collaboration Ensures Care and Improves Quality

In addition to offering our Members excellent access to high quality medical care, Rocky Mountain Health Plans collaborates with Mesa County Physicians Independent Practice Association and other area health care organizations to provide ongoing funding to support the Quality Health Network (QHN).

This non-profit regional health information organization is designed as both a communication

system to move and share information and a repository for storing information. QHN's primary goal is to improve patient outcomes through increased efficiency of the community's health care system by facilitating better provider access to data. QHN provides a commitment to quality health care by providing an electronic exchange of information resulting in reduced duplication, quicker diagnosis, and earlier treatment.

Health is more than an Office Visit

We realize health care doesn't happen in just the confines of a doctor's office or hospital. We believe the health and wellness of our Members and the communities we serve is our most important goal as a health plan.

A key to this model of success is ensuring a primary care physician and the patient make medical decisions and are supported by a health plan that is focused on coordinated care and innovation. This access directly results in more efficient and higher quality delivery of health care, not just for those covered by Rocky Mountain but for the entire community.

Three examples of how this works:

Hospital Care

There are no pre-set limits on hospitalizations. Rather, our nurses at Rocky Mountain work with physicians and their patients so that care coordination begins when the patient enters the hospital and continues after the patient leaves the hospital. The physician and patient make the decision on the appropriate length of stay.

Pharmacy

A similar approach applies to prescriptions. Rocky Mountain Health Plans encourages the use of generic drugs and utilizes a preferred drug list because we can negotiate lower prices for our Members with drug manufacturers. However, individuals can have unique reactions to drugs, and the decision as to what drug to prescribe is left to the discretion of the doctor.



OUR PROVIDER NETWORK

Rocky Mountain Health Plans offers one Colorado's largest provider networks which included the following:

- › 2,614 primary care doctors
- › 5,800 specialists
- › 4,059 non-physician specialty providers
- › 103 hospitals
- › 552 outpatient facilities
- › 870 pharmacies

December 2010

Disease and Care Management

Today, our organization works together with physicians to design and provide Chronic Disease Management programs for patients with diabetes, asthma, heart disease, transplants, and cancer. Coordination of health care is the core of these disease management programs.

Our care guidelines and treatment protocols are designed and approved by physicians. Providers not only follow them for their patients who are covered by Rocky Mountain Health Plans, but often do so for all their patients.

Full Spectrum of Care



At Rocky Mountain Health Plans, the basis of our health coverage is built on our Full Spectrum of Integrated Care. This program blends preventive care, chronic illness treatment, and acute care management into an approach that promotes wellness, not just payment for illness. Proactively, we are improving the health of our Members by providing quality services and health management programs.

The components that make up our full spectrum of integrated care include:

Health & Wellness

We believe we have the responsibility to take a lead in wellness and health-related activities and serve as a model our Members, employer groups, and communities can emulate.

Preventive Care

Preventive care is key to maintaining good health, which is why it is included as a standard component in our benefit plans. This includes routine preventive health exams and recommended age-related health screenings, such as mammograms and colonoscopies.

Chronic Illness Management

Our chronic illness management program assists Members with conditions such as diabetes, asthma, cardiac disease, and comprehensive back pain. The goal is to assist these patients in receiving the most efficient and optimal care from their numerous health care providers.

Care Management

Our customized care management delivers the best care at the right time for our Members experiencing serious illnesses. The Member, his or her physician, our nurse case manager, and any other appropriate health care professionals develop a care plan together based on state-of-the-art, evidence-based guidelines.

End of Life Care

Rocky Mountain Health Plans works with our Members nearing the end of life to provide hospice and palliative care and supportive services to meet the physical, psychological, social, and spiritual needs of the Member and their family.

Quality of Care

We maintain our tradition and commitment of constantly looking for ways to improve the quality of care we provide to our Members. We understand health care is personal and we take our responsibilities for providing access to care very seriously.

Helping Our Neighbors Get Coverage

It is our continual pursuit of innovation and our philosophy that all citizens should have access to quality health care which sets us apart. We understand when our neighbors can't get health coverage, through no fault of their own, we need to work toward solutions that allow them to access the system. In July, our unique voice got stronger as Rocky Mountain Health Plans and CoverColorado were named the administrators of Colorado's high risk pool – GettingUSCovered.

GettingUSCovered was developed through a partnership between Rocky Mountain Health Plans, CoverColorado, the State of Colorado and the U.S. Department of Health and Human Services.

Members can choose their own doctor from the Rocky Mountain Health Plans provider network. Benefits also include a prescription drug plan, coverage for preventive care, mental health and maternity care.

Coverage for enrollees began in September and will continue for up to 4,000 uninsured Coloradans through 2014, when the Patient Protection and Affordable Care Act takes full effect.



Rocky Mountain Health Plans Covers Children

We know health begins at day one. Rocky Mountain Health Plans is committed to making access to health care available for everyone in our community. Rocky Mountain stands out as the only state-wide health plan to continuously offer individual health plans to children in 2010.

The new health care reform law required all children have access to insurance even if they have preexisting medical conditions. In response, all national, for-profit health plans in Colorado simply stopped offering individual plans for children. However, Rocky Mountain felt a commitment to continue to cover the children of Colorado.



Mesa County Call First

Receiving care in the appropriate setting is vital to everyone. With non-emergent Emergency Room visits on the rise in Mesa County, Rocky Mountain Health Plans partnered with the Mesa County Physicians Independent Practice Association, and four urgent care / after hours facilities to create Call First.

This community outreach campaign designed to educate Mesa County citizens about the importance of calling their primary care physician first to determine the appropriate setting for care whether it be an urgent care / after hours facility, an office visit during regular office hours, or the emergency room.

In 2010, Call First received a Silver Leaf award from the Colorado Healthcare Communicators for Best Ongoing Community Relations Program.

Nobel Prize Winner to Study Grand Junction's Model of Care

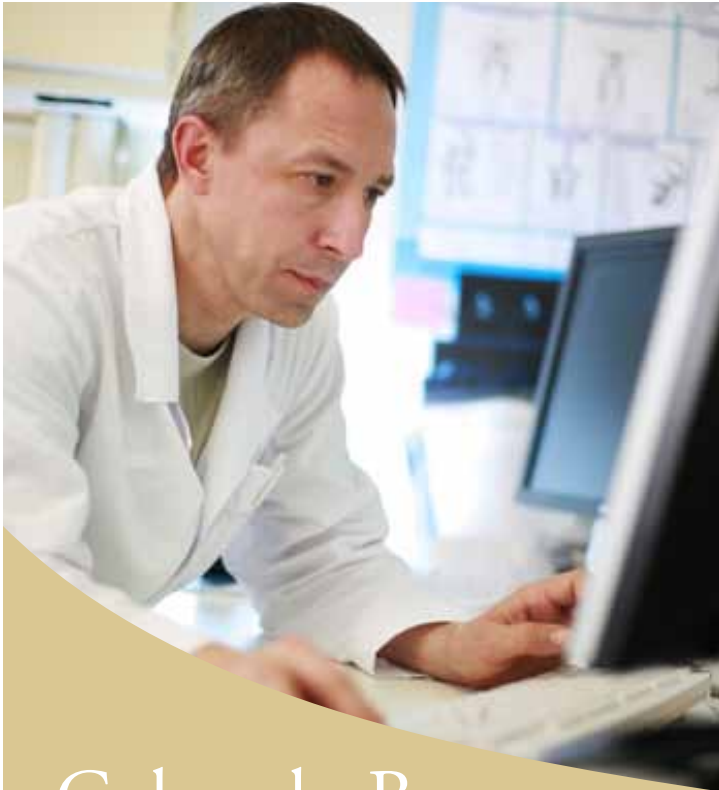
Beginning in 2011, Elinor Ostrom, the 2009 Nobel Prize winner in economics, will head a research team to explore health care systems in Grand Junction and three other locations. The hope is her analysis can help Americans become healthier while paying lower, and more sustainable, costs for high-quality health care.

The Rippel Foundation will fund the 18-month project that will include in-depth studies of four diverse regions, Grand Junction, Cedar Rapids, Iowa, and Bloomington and Bedford, Indiana. Each of these communities has differing experiences with collaborative models of health care systems.

Among the project's outcomes will be insights into new economic models, as well as surveys, assessments, and other measurement instruments that can be used in regions across the country.

Grand Junction was selected for the project because of its reputation for the delivery of Medicare services at the nation's lowest costs with the highest positive outcomes as well as the collaborative system of care. The Dartmouth Atlas of Health Care reported in 2006, average Medicare spending per capita was \$5,900, about 30 percent lower than the national average of \$8,300 and only one-third that of high-cost areas such as McAllen, Texas.

Colorado Beacon Consortium



The Colorado Beacon Consortium was awarded nearly \$12 million by the U.S. Department of Health and Human Services to participate in a three-year health care information technology demonstration project in Western Colorado.

The Colorado Beacon Consortium will use the grant to help primary care physicians transform their practices to a new level of patient care using evidence-based quality improvement techniques and cutting-edge health information technology.

As one of 17 Beacon communities nationwide, Western Colorado has the opportunity to demonstrate how to make our health care system work more efficiently and effectively by improving the health of our community and the quality of health services, and reduce the cost of care to patients, employers, and taxpayers. The Colorado Beacon Consortium will positively impact more than 300,000 lives in Western Colorado.

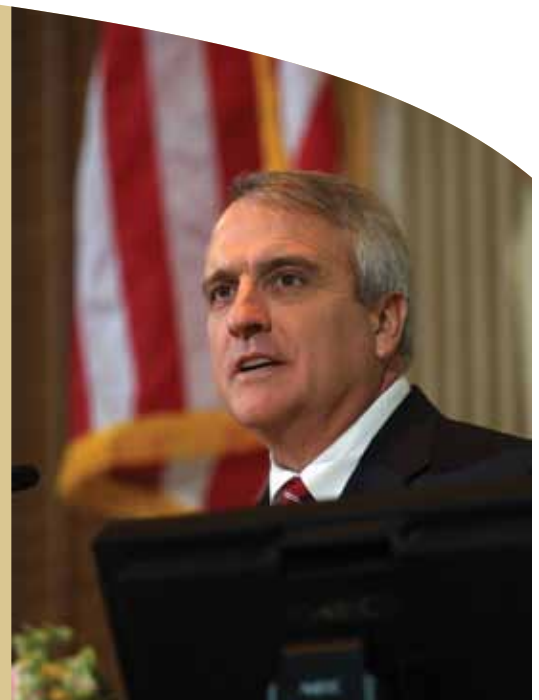
Colorado Beacon Consortium Partners include four mission-driven, not-for-profit, Western Colorado-based organizations, all of which have a nationally-acknowledged track record of coordination to achieve superior outcomes. They include Mesa County Independent Physicians' Practice Association, Quality Health Network, Rocky Mountain Health Plans, and St. Mary's Regional Medical Center. A member from each organization, along with a consumer representative-at-large, sits on the Executive Committee.

Colorado Beacon Consortium Day

Former Colorado Governor Bill Ritter proclaimed December 9, 2010 **Colorado Beacon Consortium Day**.

In announcing the proclamation, the Governor said, "Western Colorado has built a national reputation as an innovative pioneer that serves as an ongoing example of effective collaboration among not-for-profit, community-based health care organizations, physicians, and service agencies."

"The Western Colorado approach has received significant recognition around the state and across the nation. I'm proud to support the continued work being done here through the Colorado Beacon Consortium project, a community collaboration which is implementing the meaningful use of health information technology to reduce health care costs and improve quality."



Our Foundation

Since 1997, the Rocky Mountain Health Plans Foundation has expanded our organization's mission by bringing quality care to Coloradans, including individuals outside the health plan's membership. The mission of the Foundation is to generate philanthropic support for innovative health care approaches that improve the health of Coloradans. When a health care need or gap is identified, the Foundation finds collaborative partners, creates a new solution, and then obtains financing through grant opportunities.

Medical Support Fund – Donated by Rocky Mountain Health Plans

Rocky Mountain Health Plans generously donated \$20,000 in 2010 in support of the Foundation to provide assistance to people who are experiencing a health crisis. The one-time gifts from the Foundation are given to individuals or families who face difficult and often hopeless situations. These gifts have prevented people from becoming homeless, prevented further complications in their health, or provided immediate assistance with medications they could not otherwise afford.



Baby & Me, Tobacco Free



Smoking during pregnancy is the single most preventable cause of death and illness in infants. In 2008, the Rocky Mountain Health Plans Foundation received a grant from the Colorado Health Foundation to launch the Baby & Me, Tobacco Free, a program to help women stop smoking both during and after their pregnancy.

This statewide program offers coaching, carbon monoxide testing, and monitoring. Mothers who stay smoke-free receive free diapers for up to one year after the baby is born.

Pregnant smokers can be referred to the program by their physician, clinic, or health department. Women complete cessation counseling and carbon monoxide testing at the site. After giving birth, they return monthly for carbon monoxide monitoring. For every month the mother remains tobacco-free, she receives a \$25 diaper voucher.

During the program more than 1,500 women enrolled throughout Colorado, with more than 95 percent of the women being low-income. The cessation rates of the women have been positive – 66 percent of the women who have enrolled have stayed with the program and are smoke free by their fourth prenatal cessation.

As of January 2011, Baby & Me, Tobacco Free is offered in 53 Colorado counties statewide, these counties will continue to offer the program through other sources of funding. Rocky Mountain Health Plans Foundation will continue to provide diaper vouchers as funds remain.

The Colorado Health Foundation is a nonprofit organization working with others to make Colorado the healthiest state in the nation.

Giving Back

As a not-for-profit organization, we are deeply committed to our social responsibility and community involvement. Rocky Mountain Health Plans works diligently toward affecting change resulting in positive health outcomes for our Members and the Colorado community as a whole. Every year we financially reinvest into the communities we serve through contributions and our charitable foundation, the Rocky Mountain Health Plans Foundation.



In 2010, Rocky Mountain Health Plans provided funding and services to a broad array of charitable foundations, programs, and events, including the following:

American Diabetes Association

Major sponsor of Step Out to Fight Diabetes Walk which funds research to prevent, cure, and manage diabetes.

Girls on the Run

Title sponsorship of this not-for-profit program helps prepare girls ages eight through 14 for a lifetime of healthy living.

Grand Valley Health Fair

Contribution as a major sponsor helps to provide the necessary funding for this key community health screening and awareness event.

LiveWell of Mesa County

Provided to funding to help promote healthy eating and active living in Mesa County.

Marillac Clinic Prenatal Dental Care Program

Provided funding to ensure dental care is available for pregnant women, which helps to prevent premature births and low birth weights.

Mesa State College Nursing Program

Provided grant funding to expand the college's nursing program in an effort to increase enrollment resulting in a higher availability of licensed nurses.



Mesa State Names Rocky Mountain Health Plans Lecture Hall

Rocky Mountain Health Plans knows the importance of nurses – they are a source of comfort and reassurance for patients and help the doctor provide the best possible care. We are committed to being a part of the development of quality health care providers.

This effort begins in the classrooms, which is why Rocky Mountain has supported the Mesa State College nursing program for several years. We

have supported the expansion of the Bachelor of Science Nursing program, provided matching monies for numerous grants, and support the expansion of graduate programs for nursing.

In August, Mesa State College recognized our support by naming a classroom The Rocky Mountain Health Plans Lecture Hall in the Maverick Center. It is the largest and primary classroom used by nursing students.



Financials

The Rocky Mountain Health Plans 2010 reserves met and exceeded the Colorado Division of Insurance (DOI) minimum requirements for meeting the needs of our Members. In addition, Rocky Mountain has a comprehensive agreement with HCC Re, a large national reinsurance company, which serves as a back-up to ensure the financial strength of Rocky Mountain Health Plans in the case of large unexpected catastrophic claims.

For more than 35 years, Rocky Mountain Health Plans has remained a strong and stable health plan in Colorado and a trusted part of the communities we serve. As an independent, not-for-profit organization, Rocky Mountain is not driven by shareholder demands to make excess profits. We aim for a modest operating margin that allows us to maintain enough reserves to satisfy the DOI, to reimburse providers for the cost of their services, and to stay financially sound.

Rocky Mountain Health Plans is sensitive to the rising cost of health care and makes every effort to minimize the impact

on our Members. We strive to keep premium costs as low as possible while continuing to deliver quality health care services. Our commitment to this balance is reflected in the ratings we have earned from the following agencies:

Weiss Ratings – America’s Consumer Advocate for Financial Safety

Because of our financial strength, Rocky Mountain has been rated as an “A+” by Weiss Ratings, referencing “Excellent Financial Strength”. This is the highest rating received and places us in the top 3.8 percent of the industry, an elite group of 22 health insurance companies.

A.M. Best Company – The Insurance Information Source

Rocky Mountain Health Plans is a financially strong and stable organization and has received A.M. Best Company’s highest rating for a health plan of our size. Their rating of Rocky Mountain Health Plans is a B++ referencing a “Stable” financial condition.

2010 Financial Report

This 2010 Financial Report for Rocky Mountain HMO (RMHMO) and Rocky Mountain HealthCare Options (RMHCO) has been compiled using the audited statutory financial statements filed with the Colorado Division of Insurance.

BALANCE SHEET	RMHMO	RMHCO	COMBINED TOTAL
ASSETS			
Cash and Investments	\$32,162,000	\$6,178,000	\$38,340,000
Accounts and Notes Receivable	20,700,000	1,156,000	21,856,000
Prepayments and Others	1,400,000	173,000	1,573,000
Long Term Investments	89,605,000	21,998,000	111,603,000
Property and Equipment - Net	11,909,000	-	11,909,000
TOTAL ASSETS	155,776,000	29,505,000	185,281,000
LIABILITIES			
Medical Claims Payable	17,686,000	14,078,000	31,764,000
Accounts Payable	17,381,000	1,261,000	18,642,000
Prepaid Premiums	4,911,000	4,318,000	9,229,000
TOTAL LIABILITIES	39,978,000	19,657,000	59,635,000
RESERVES	115,798,000	9,848,000	125,646,000
TOTAL LIABILITIES AND RESERVES	\$155,776,000	\$29,505,000	\$185,281,000
STATEMENT OF OPERATIONS			
PREMIUM REVENUE	\$301,107,000	\$130,344,000	\$431,451,000
Medical Expense			
Ambulatory (Physicians and Other Providers)	117,569,000	31,841,000	149,410,000
Hospital	80,446,000	64,507,000	144,953,000
Pharmacy	48,584,000	11,532,000	60,116,000
Home Health	2,207,000	-	2,207,000
Stop-Loss Claims	-	3,575,000	3,575,000
Other	1,296,000	1,199,000	2,495,000
TOTAL MEDICAL EXPENSE	250,102,000	112,654,000	362,756,000
Administrative Expenses	36,947,000	23,871,000	60,818,000
TOTAL EXPENSE	287,049,000	136,525,000	423,574,000
INCOME FROM OPERATIONS	14,058,000	(6,181,000)	7,877,000
Other Income and Expense, Net	1,918,000	1,070,000	2,988,000
NET INCOME (LOSS) - BEFORE TAX	15,976,000	(5,111,000)	10,865,000
Federal & State Income Tax Expense	N/A	1,894,000	1,894,000
NET INCOME (LOSS)	\$15,976,000	\$(3,217,000)	\$12,759,000
NET INCOME AS A % OF PREMIUM REVENUE	5.31%	-2.47%	2.96%

Leadership Team



Steve ErkenBrack
President & Chief Executive Officer



Laurel Walters
Chief Operating Officer
and Chief of Staff



Mark Carley
Vice President of Front Range Operations,
Medicare Sales, Provider Network Management



Pat Duncan
Chief Financial Officer



Mike Huotari
Vice President, Legal and
Government Affairs



Kevin R. Fitzgerald, M.D.
Chief Medical Officer



Jan Rohr
Vice President, Human Resources
and Corporate Services



Neil Waldron
Chief Marketing Officer and
Vice President, Strategic Initiatives



Jim Swayze
President and Chief Executive Officer,
CNIC Health Solutions, Inc.

RMHP Board of Directors



Michael (Mike) Blackburn

Owner, Callahan-Edfast Mortuary



Pamela Hanes, PhD

President and CEO,
Colorado Health Institute



Corinne M. Johnson

Attorney and Executive Director,
Colorado Health Facilities Authority



William (Bill) Kelley, MD

Practicing pulmonologist



William J. (Bill) Kirven III

Attorney and insurance consultant.
Former Commissioner of Insurance,
State of Colorado



Gary Knaus, MD

Practicing family physician



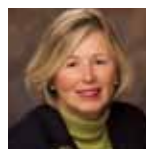
Chris Launer

President, Bank of Colorado



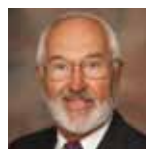
Arthur Curtis Robinson

Retired CPA



Diane Schwenke

President and CEO,
Grand Junction Area
Chamber of Commerce



Dennis Stahl

Founder and retired CEO,
Hilltop Health Services Corporation



David Terry, DO

Practicing family physician



Jay Want, MD

Internist, Denver, CO



Anne Warhover

President and CEO,
Colorado Health Foundation



Robert G. (Bob) Wilson

Retired Vice President and
Chief Financial Officer,
Rocky Mountain Health
Management Corporation



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