CORPORATE ACHIEVEMENT REPORT

BlueCross BlueShield of North Carolina

BlueCross BlueShield of North Carolina

Our Mission

To improve the health and well-being of our customers and communities.

Our Vision

To be a consumer-focused health solutions company that leads the transformation of the health care system.

It has been said many times, but that doesn't make it any less true: Our health care system is vast and complex, and reforming the system will take decades. Many of the changes to our system will be incremental rather than seismic.

Yet 2014 proved that significant progress is possible in the short term. In the past year, Blue Cross and Blue Shield of North Carolina (BCBSNC) launched the BlueBenefits℠ Center, a private exchange to help employers control health care costs and offer employees more choices for personalized health insurance. Our collaboration with Wake Forest Baptist Medical Center – the new Center for Healthcare Innovation – will pilot new health care models designed to improve health care quality and the consumer experience while reining in costs. An Accountable Care Organization we created with WakeMed Key Community Care will provide greater value to BCBSNC members who receive care from the largest network of primary care physicians in the Triangle.

Other milestones included our bundled payment agreement with OrthoCarolina, which is expected to help our customers save 10 to 30 percent on knee replacement costs; our RedWhiteandBlueNC.com website, providing a variety of resources for veterans and their families, while also offering training opportunities to doctors and hospitals so they can better fulfill the unique health care needs of veterans; and our new customer service center in Fayetteville that will allow us to respond more immediately to phone calls and will add more than 100 full-time jobs to the region.

To better meet consumer needs in the new health care marketplace, we refreshed our corporate strategy with a more explicit consumer focus and implemented key organizational changes to support our direction.

There is no single problem that has resulted in a health care system that doesn't provide adequate value to consumers and there can be no single solution that will fix all that is wrong. We are a long way from our goal of better, more affordable health care. But when we do reach that goal, we will point to 2014 as a pivotal year on the reform journey.

J. Bradley Wilson
President & CEO
Blue Cross and Blue Shield of North Carolina

CORPORATE PROFILE

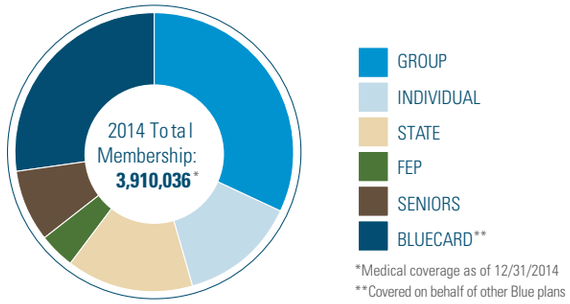
North Carolina is our home

Blue Cross and Blue Shield of North Carolina (BCBSNC) can trace its roots back over 80 years, to an era when few people had health insurance. In those years, in countless homes and businesses across the state, we were instrumental in introducing the concept to our customers and showing them the benefits of coverage. Those North Carolinians became the first members in what was then, and remains today, their home-state insurance company.

1 of every 3 people who call North Carolina home call us their health insurer

Our state's most trusted insurer[1]

At Blue Cross and Blue Shield of North Carolina, we are proud of that unique identification with our state and its citizens. Many of the customers we now serve are generations descended from those first members. We are building on an 80-year history that has led North Carolinians to say that they trust BCBSNC more than any other insurer.[1] Earning, and then maintaining, that level of trust is the only way we've become the largest health insurer in the state, serving more than 3.9 million customers. That means one of every three people who call North Carolina home also call us their health insurance company.[2]



*Medical coverage as of 12/31/2014
**Covered on behalf of other Blue plans

Strength in our nationwide association

BCBSNC is an independent licensee of the Blue Cross and Blue Shield Association. Offering health care coverage in all 50 states, the District of Columbia and Puerto Rico, the 37 Blue Cross and Blue Shield companies cover 105 million Americans.[3]

Corporate structure

Structurally, Blue Cross and Blue Shield of North Carolina is a fully taxed, not-for-profit North Carolina company. Total federal, state and local taxes incurred for 2014 were more than $266.7 million.[4]

A large provider network with coverage in all 100 counties in North Carolina[5]

BCBSNC customers have access to a network that includes more than 90 percent of medical doctors and 98 percent of hospitals in North Carolina.[6] When outside the state, our members have BlueCard® coverage with doctors and hospitals in all 50 states. They also are covered in more than 200 countries and territories around the world through BlueCard Worldwide®.[7]

An award-winning workplace culture

Blue Cross and Blue Shield of North Carolina has more than 4,700[4] employees. Our headquarters is in the Triangle and we have major operations in Winston-Salem, Fayetteville and Charlotte as well.

At BCBSNC, we take pride in the outside recognition our progressive, family-friendly workplace has received. The company offers creative solutions to help employees balance family responsibilities, including elder care, backup child care, flexible work options, and New Mom and New Parent programs. We also proactively cultivate diversity in our workforce, our suppliers and our community. As a result, the Human Rights Campaign Foundation added BCBSNC to its 100% Corporate Equality Index.

Committed to communities statewide

GIVINGworks

In 2014, employees themselves contributed more than $750,000 through our annual employee giving campaign, GivingWORKS. Matching contributions from BCBSNC raised the total dollars invested in our community to over $1 million. Similar efforts have raised more than $14 million since 2000.[4]

communityWORKS

Since 1997, BCBSNC employees have volunteered more than 388,000 hours – time valued at more than $6.9 million.[4] Their efforts have benefited causes like Habitat for Humanity®, Ronald McDonald House®, Special Olympics and the Senior Games.

BlueCross BlueShield of North Carolina | Foundation

The company also supports and promotes the efforts of the Blue Cross and Blue Shield of North Carolina Foundation, a separate, independent, private, foundation with the mission of improving the health and well-being of North Carolinians. Since its founding in 2000, nearly $100 million[11] has been invested into North Carolina communities through more than 750 grants. To learn more, visit ***bcbsncfoundation.org***.

BlueCross BlueShield of North Carolina | THE POWER OF BLUE

Collectively, the locally-operated Blue Cross and Blue Shield companies across the nation provide leadership and funding in local communities – more than $363 million in 2013[12] – unrivaled by any other health insurer. To learn more, visit ***http://www.bcbs.com/about-the-association/in-the-community.html***.

Accreditation

BCBSNC is accredited by the National Committee for Quality Assurance (NCQA), a not-for-profit organization dedicated to improving health care quality. NCQA is the most widely-recognized accreditation program in the United States.[13]

For the fourth year in a row, BCBSNC was named one of the World's Most Ethical Companies by The Ethisphere Institute. Ethisphere recognized 132 companies spanning 21 countries and five continents. BCBSNC was one of only 13 nonprofit companies honored this year.[14]

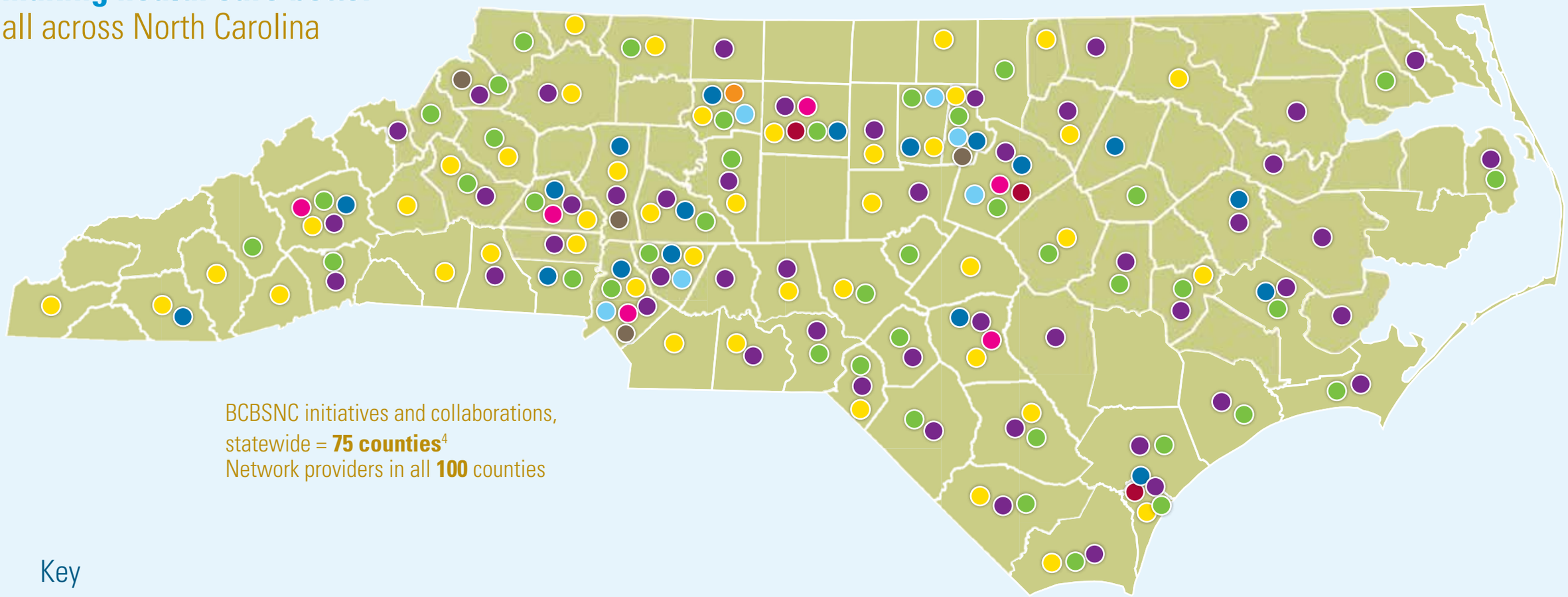
Our financial strength

In 2014, BCBSNC added more than 86,000[4] new customers and continued making important investments to implement health care reform. Thanks to conservative financial management and a focus on reducing costs, we remain a financially strong company. Our Weiss Ratings financial strength rating is A+.[15]

FINANCIAL METRICS	2010	2011	2012	2013	2014
Revenue	$5.2B	$5.5B	$5.7B	$6.4B	$8.0B
Consolidated Net Income (loss)	$167.7M	$177.1M	$57.7M	$92.6M	($50.6M)
Net Income Ratio	3.2%	3.2%	1%	1.4%	(0.6%)
Taxes Paid	$159.9M	$160.2M	$92.1M	$118.3M	$266.7M
Percentage of Premium Dollar Spent on Claims and Medical Expenses	86%	85%	87%	86%	87%
Months in Reserve (Claims and Operating Expenses)	4.5 months	4.5 months	4.7 months	4.9 months	3.6 months

During 2014, BCBSNC spent more than 87 cents per premium dollar on the medical care of its customers. Most of the remainder of the premium dollar went toward customer service and information technology.[4]

BCBSNC INITIATIVES THAT ARE **making health care better** all across North Carolina



BCBSNC initiatives and collaborations, statewide = **75 counties**[4]

Network providers in all **100** counties

Key

Accountable Care Organizations
4 provider groups
BCBSNC has teamed up with leading health care providers to focus on common goals, shared data, cost-effective care and better-quality outcomes for our members.

BCBSNC On-site Support Teams
13 health care facilities
BCBSNC currently has more than 40 on-site service and claims professionals working to resolve issues quickly and maintain a member-focused relationship with hospitals.

Blue Distinction® Centers
28 hospitals
This initiative gives patients and their doctors an objective look at medical facilities within six specialty areas. Designation is a rigorous process based on input from expert physicians and medical organizations. There are two designations: Blue Distinction® Centers and Blue Distinction Centers+℠.

Blue Quality Physicians Program℠
106 practices
This program recognizes and rewards physicians who demonstrate a strong commitment to patient-centered care, clinical quality, administrative efficiency, and cost efficiency.

Bundled Payment Initiatives
7 programs
This model is proven to reduce potentially avoidable complications, improve patient outcomes and reduce cost.

Program to Advance Technology for Health
85 practices
Also known as NC PATH, this collaboration is bringing electronic health records to practices and free clinics statewide. BCBSNC and NC PATH subsidize 85% of the cost over a 5-year term.

Retail Stores
7 locations
As they continue to open across the state, BCBSNC's retail stores provide another resource for navigating health care reform and give customers a place to seek face-to-face help with questions about plans or benefits.

Value-Based Incentive Facilities
63 providers
These providers have incentives that reward them for performance-based quality.

MAKING HEALTH CARE
more quality-driven

At Blue Cross and Blue Shield of North Carolina, we are leading the way to a system focused on paying for quality and outcomes of care, not just the amount of visits or tests performed. And we are making progress. Thanks to our many initiatives, as much as 40 percent[16] of the payments BCBSNC now makes are through alternatives to the standard fee-for-service model.

Here are just a few of the challenges we are taking on:

+ The lack of transparency in health care drives up costs by more than $100 billion each year.[17]
+ One reason for the rapid rise in medical costs is waste – things like duplicate tests, medical errors and limited use of electronic information systems.[18]
+ Each year, the U.S. wastes 1 out of every 3 dollars spent on health care.[19]
+ Chronic conditions caused by Americans' unhealthy lifestyles cost as much as 2012's federal deficit to treat.[20]

Taking the mystery out of health care costs

BCBSNC is bringing more transparency to health care by giving consumers the information they need to comparison shop based on cost and quality. Our breakthrough transparency tool, at ***bcbsnc.com/healthcarecost***, is available to everyone – whether they have BCBSNC coverage or not. It shows the cost of more than 1,200 non-emergency procedures and providers statewide. Our new tool is so innovative, it drew the attention of *Forbes* magazine.[21]

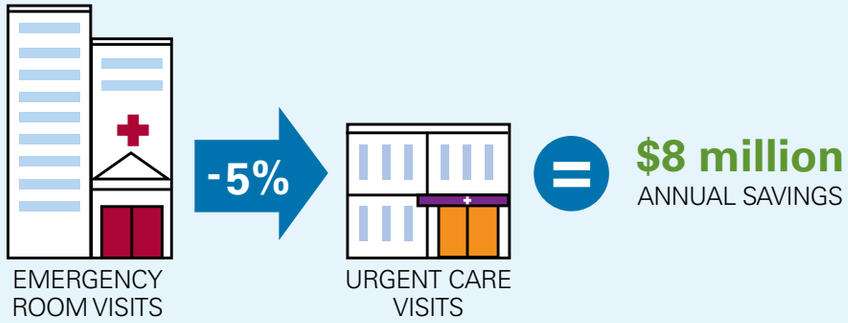
Launching Accountable Care Organizations

In 2014, we created our fourth Accountable Care Organization (ACO) with WakeMed Key Community Care. This agreement will provide greater value to BCBSNC members who receive care from the largest network of primary care physicians in the Triangle. The ACO agreement establishes a financial structure that focuses on paying for the value of health care – including quality and efficiency. BCBSNC also has ACO collaborations with Wilmington Health, Cornerstone Health Care and Cape Fear Valley Health System.

Spreading the word about the issues behind the cost of health care

Our ongoing "Let's Talk Cost" campaign has changed the conversation about health care costs in a way that helps consumers understand what we're doing about the issue. For example, BCBSNC is helping to rein in costs associated with non-essential emergency room (ER) use by sharing important data:

+ A visit to the ER can cost up to 10 times more than a visit to an urgent care center[22]
+ A 5% shift from ER use to urgent care centers could reduce medical spending by $8 million annually[22]
+ 95% of urgent care patients wait for less than one hour, while the average wait time in an ER visit is four hours[22]



Learn more at ***LetsTalkCost.com***.

Promoting Patient Centered Medical Homes

BCBSNC is collaborating with physician groups around the state to promote Patient-Centered Medical Homes (PCMHs). North Carolina has consistently ranked in the top three in the country for PCMH penetration. Benefits include fewer duplicated tests, fewer hospital admissions and improved overall quality of care. BCBSNC is also the state's first insurer to offer the Patient Care Summary (PCS) tool, which helps physicians better manage patient care.

Cost and quality incentives for primary care physicians (PCPs)

The Blue Quality Physician Program (BQPP) represents a major BCBSNC effort to make health care better by offering PCPs incentives and expertise to improve quality and efficiency in their practices. The program is based on objective, agreed-upon measures as determined by nationally recognized third-party organizations and BCBSNC.

Recognizing top-performing hospitals

The Blue Distinction® Center (BDC) program recognizes top-performing specialty doctors and health care facilities that meet strict national quality standards. BDCs are fully-accredited, have proven experience performing specialty procedures, and have demonstrated consistent high quality in delivery of care, patient safety, favorable patient outcomes and reduced complications rates.

MAKING HEALTH CARE
more consumer-focused

For Blue Cross and Blue Shield of North Carolina, being consumer-focused means giving our members what they need, when and where they need it. We are empowering them with a superior sense of stability and security in their lives.

Establishing new lines of communication

Blue Connect℠ is our enhanced, highly personalized member services home page. It provides a new way to engage customers in managing their health plan and their own health and well-being, all in one easy-to-access source. In addition to checking claims and account information, they can personalize their home page, access tools like Find A Doctor, and comparison shop using an expanded version of our cost transparency tool.

Engaging with consumers face-to-face

In the three-month Annual Enrollment Period, our mobile experiential unit brought the Live Fearless campaign to consumers at more than 100 events across North Carolina. With flat screen TVs, music, iPad kiosks, pop-up tents and games, the mobile unit became an attraction in and of itself.

Focusing on the health care needs of our customers

A new customer service center in Fayetteville, staffed by 100 full-time employees, supports our mission to improve the health and well-being of our customers and communities across North Carolina. These jobs were created in addition to our current service centers in Durham and Winston-Salem.

Breaking the old rules of selling insurance with retail stores

In the past two years BCBSNC has opened seven agent retail stores, staffed with customer service professionals ready to answer questions for members or individuals shopping for coverage. In-store kiosks at shopping malls in Wilmington, Durham, Winston-Salem and Greenville further expanded our retail presence. Another 100 agent-staffed "store-in-stores" helped us serve even more customers during AEP.

Cutting red tape with on-site customer service teams

We were the first insurer to place our employees in North Carolina hospitals; more than 40 BCBSNC professionals now work on-site at 13 health care facilities.[4] Carolinas HealthCare System, WakeMed, Duke, UNC Hospitals, UNC Faculty Physicians, and Wake Forest Baptist Health all host dedicated BCBSNC claims professionals. They work side-by-side with billing staff to address claims inquiries, so patients can focus on getting well, instead of on paperwork.

MAKING HEALTH CARE
more collaborative and innovative

BCBSNC is committed to making the health care system in North Carolina better – but we know we can't do it alone. We work with doctors, hospitals and other organizations to bring our customers innovative solutions that simplify the health care system, improve efficiency and outcomes, and help rein in costs.

Moving away from the one-size-fits-all model of health insurance with Blue Benefits℠ Center

The Blue Benefits Center private exchange offers businesses and their employees more flexibility and choice, and will help employers stabilize the amount they spend each year on health care. Participation in private exchanges, such as the Blue Benefits Center, is anticipated to grow from 1 million in 2014 to 40 million by 2018.[24] Approximately 70 percent of employers with more than 50 employees expressed interest in using a private exchange to provide health insurance for employees.[25]

Pilot testing new health care models – the Center for Healthcare Innovation

BCBSNC and Wake Forest Baptist Medical Center have created the new Center for Healthcare Innovation, which launched with a pilot program designed to reduce costly hospital readmissions. Patients leaving the hospital who are at the greatest risk of being readmitted are paired with nurse practitioners and other medical providers who conduct home visits for follow-up care. The partnership is designed to change the model of care in an attempt to improve outcomes and reduce costs.

Reaching out to those who have served – Red, White & Blue NC℠

Nearly 74 percent[26] of North Carolina veterans seek treatment at non-Veterans Affairs facilities. Recognizing that service men, women and their families have unique health care needs, we're doing our part to ensure that veterans receive the tools, knowledge and care to tackle many common issues they face. ***RedWhiteandBlueNC.com*** shares trusted resources and tools for veterans and their families. Red, White & Blue NC also offers free training to the health care professionals across North Carolina, to ensure that veterans receive the best care possible.

Red, White & Blue NC received special recognition from the White House

Bundled payments could save 10-30% on knee replacements[4]

BCBSNC is joining forces with doctors and hospitals, including Novant Health and Triangle Orthopaedic Associates, to reduce costs and improve patient care through a bundled (or flat-fee) payment program. In 2014, BCBSNC announced a bundled payment agreement with OrthoCarolina, one of the nation's leading orthopedics practices with more than 130 surgeons and over 25 locations.[27] This program gives patients a guaranteed cost for an entire range of care for knee replacements and other complex procedures.

BlueCross BlueShield of North Carolina

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BlueCross BlueShield of North Carolina Foundation

For more information visit | **bcbsncfoundation.org**

1 BCBSNC Brand Image and Advertising Tracking; Vision Critical; March 2014
2 Source: US Census Bureau 2011 estimated population. BCBSNC internal records as of 1/31/12. Includes self-funded groups and customers served on behalf of other Blue Plans.
3 Blue Cross and Blue Shield Association, *http://www.bcbs.com/about-the-association/*
4 BCBSNC Internal Data, 2014
5 Blue Cross and Blue Shield of North Carolina (BCBSNC) Internal Data, 2011. Percentage indicated represents BCBSNC's PPO network
6 Consortium Health Plans, Inc., MarketQuest Network Compare, April 2013
7 Blue Cross and Blue Shield Association, *www.bcbs.com/already-a-member/living-or-traveling-in-the.html*
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21 *http://www.forbes.com/sites/danmunro/2015/01/15/could-this-pricing-tool-for-consumers-disrupt-healthcare/*
22 BCBSNC data, 2012. Total average charges are $130 for a FastMed Urgent Care clinic visit compared to the $1,500 average cost of an ER visit. Out-of-pocket costs vary according to a patient's insurance plan.
23 BCBSNC internal data; and www.ncqa.org
24 Accenture. "Are You Ready? Private Health Insurance Exchanges Are Looming." Research completed in March 2013.
25 Deloitte. Results of Deloitte's 2013 Survey of U.S. Employers. Responses collected in June 2013.
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27 *www.orthocarolina.com/community/our-mission*

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