



2019 Corporate Report



Reaching out to transform health care

For more than 87 years, the people of Blue Cross and Blue Shield of North Carolina (Blue Cross NC) have worked to improve the health and wellbeing of North Carolinians. And in 2019, we believe we did more to further that work than in any year before. From reducing rates for a second consecutive year to advancing our value-based Blue PremierSM payment model and integrating behavioral health care more closely with primary care, we’ve made tremendous strides.

This report provides a look at 2019 accomplishments. It also provides a glimpse forward – because, of course, there’s much more work to do. And all of us here at Blue Cross NC are committed to doing it, to transforming the health care system for the benefit of all North Carolinians.

Reaching out for our customers and communities

A message from our leadership team

The pace of health care transformation has accelerated dramatically in the past decade. But even in an era when every year brings remarkable change, 2019 was a standout year for our state’s health care system.

Working together, we – health care providers, consumers, policy makers, Blue Cross NC – made tremendous progress toward creating a health care system that offers not only better, more affordable care, but a greatly improved customer experience as well.

Amid the rapidly evolving health care landscape, we’ve stayed true to our mission: To improve the health and wellbeing of our customers and communities.

In 2019, Blue Cross NC continued to drive health care transformation with a string of achievements that brought us national attention as a leader in the move toward value-based care.

We started the year with the launch of Blue Premier, our new value-based payment system that helps improve care and lower costs by rewarding providers for more efficient, more

patient-focused care. By the end of 2019, we had signed seven of the state’s largest health care systems to Blue Premier – representing nearly half of our customers.

Further, Blue Premier helped us move forward on one of our most critical goals: lower premiums for our customers. The savings from Blue Premier and other value-based payment arrangements allowed us to reduce premiums for customers with Affordable Care Act plans by a statewide average of 5.5 percent for 2020 – the second consecutive year of lower rates.

Many in the health insurance industry and the media have talked about slowing the rate of cost increases. Few have had success in actually bringing costs down. At Blue Cross NC, we’re proud of the victories we’ve helped consumers gain in reducing costs.

And as we work to change how – and how much – we pay for care, we’re also broadening the scope of our role in improving the health of North Carolinians. A strong primary care system is essential to this effort, with an emphasis on

addressing the social and environmental factors that affect our health.

To help guide our initiatives on whole-person health, we added John Lumpkin, MD, MPH, as the company’s first Vice President for Drivers of Health Strategy. A proven leader, John is building a team of innovators to find ways for Blue Cross NC to help address non-medical issues like food security, housing, transportation and adverse childhood experiences.

In this report, you’ll see many more examples of our progress toward better, more affordable health care that provides an exceptional consumer experience. And while we’re proud of all the progress so far, we’re even more excited about what’s to come.

In the years ahead, we will continue to advocate for better health for our customers and for all North Carolinians.

Gerald Petkau

Danielle Gray

Fara Palumbo

Jo Abernathy

Lisa Cade

Mitchell Perry

Patrick Getzen

Rahul Rajkumar

John Roos

Bryony Winn



Our mission

To improve the health and wellbeing of our customers and communities

Our vision

To be the model for transforming our health system through unwavering commitment to quality, affordability and exceptional experience

Our values

Blue Cross NC has articulated a set of values that guide our work in service to North Carolina:

People First Bring positive energy, be the solution, make a difference

Every Customer Matters Understand and meet our customers’ needs

Think Data Balance intuition with data and insights to make decisions

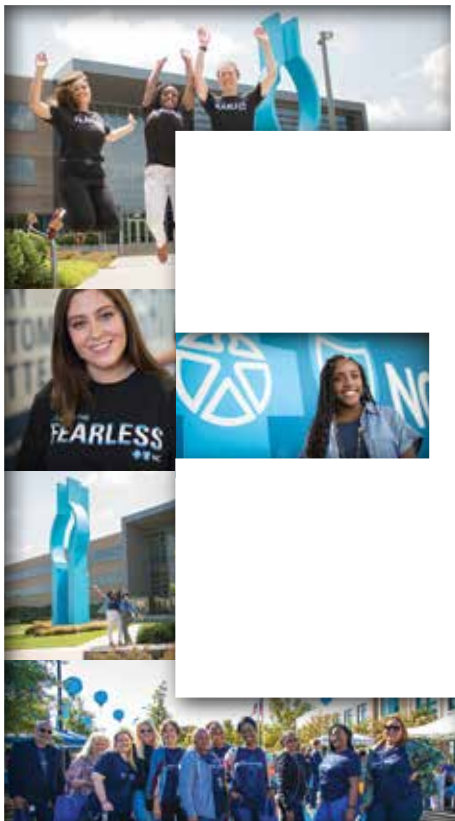
Innovate to Elevate Push boundaries, be curious, inspire breakthroughs

Show Grit Take chances, be courageous, speak the truth

As we were completing this report on our company’s accomplishments in 2019, the global COVID-19 (Coronavirus) crisis emerged. It’s a crisis that has made our mission – to improve the health and wellbeing of our customers and communities – all the more urgent.

We remain proud of the work we did in 2019. We’re also proud of the way our nearly 5,000 employees have responded during the crisis this year. And we’re proud of the way the people and communities we serve have responded.

Of course, none of us can be sure of exactly what the rest of 2020 will bring. But there is one thing all of us at Blue Cross and Blue Shield of North Carolina are committed to: Continuing our work on behalf of all North Carolinians.



PEOPLE & CULTURE

Talented people driving better health

At Blue Cross NC, we believe in putting people first. After all, putting people first is really at the core of our company’s mission: To improve the health and wellbeing of our customers and communities. It’s a mission that demands great people – employees dedicated to making a positive impact on the health and wellbeing of those we serve. Creating a culture that empowers our employees to do great work for the people of North Carolina is one of our most important jobs.

Recognition of a thriving organization

For the fourth consecutive year, we earned certification as a Great Place to Work®. The Great Place to Work survey is a key indicator of our ability to attract and retain the best candidates in the marketplace, as well as a tool to identify areas of strength and opportunity within the company. We’ve garnered a host of other recognitions and awards. In 2019, *Forbes* recognized us on its America’s Best Employers for Diversity list. AARP has recognized us as a Best Employer for Workers Over 50. *Working Mother* has consistently named us among its 100 Best Companies for working parents. We’ve also earned honors from the Human Rights Campaign for LGBTQ equality, *Computerworld* for Best Places to Work in IT and *Triangle Business Journal* for Healthiest Employer. And each year since 2015, we’ve earned the Gold LearningElite Award from *Chief Learning Officer* magazine for the comprehensive scope and quality of our learning and development offerings for employees.

There’s no question our industry is constantly evolving. Today more than ever, it requires new and more sophisticated skills – along with an ability to adapt to changing technology, compete for talent and serve an increasingly diverse workforce. We remain committed to ensuring great people and a thriving culture are at the forefront of our strategic thinking.



Ensuring a strong culture

In 2019, we initiated several new programs that promise to maintain and improve our strong company culture. We implemented a candidate relationship management tool that allows us to proactively interact with candidates for current and future hiring needs; it’s also a tool that helps create an enhanced talent experience for candidates, and as a result helps us develop a stronger relationship with them. We launched Fearless Leadership training – which builds off our Live Fearless advertising and branding campaign – to educate company leaders on how we can embed our values in the course of everyday work. (In 2020, we’ll introduce Fearless Leadership to every Blue Cross NC employee.) We’re building new people analytics capabilities to give us new, deeper insights into our people and workforce, allowing us to make smarter decisions about our talent. We also worked with teams across the company to pilot a workforce planning framework to address future talent needs.

Putting people first

In 2019, we introduced our first Inclusion Challenge, a program to help employees recognize and address biases around race, gender and other factors. More than 1,000 employees learned inclusive behaviors to help create opportunities for dialogue and foster collaboration and innovation.

We launched new digital learning opportunities to address current and future needs. These flexible and personalized learning solutions help us meet the diverse preferences of today’s workforce. We also explored opportunities to leverage artificial intelligence within our talent acquisition processes, not only to improve the processes, but to improve the experience for candidates as well. Complementary to these efforts, we’ll launch a companywide Fearless for Our Customers campaign in 2020, underscoring our commitment to delivering exceptional experience for every customer at every touchpoint.

The combination of all this work positions Blue Cross NC as an employer of choice. It inspires a culture that puts people first and supports our collective work to improve the health of our customers and communities across North Carolina and beyond.



Among a host of other awards over the past several years, we earned certification as a Great Place to Work® for the fourth consecutive year.





DATA-DRIVEN INSIGHTS

Unlocking the power of data to drive transformation

Drawing on the power of the data we gather has always been a part of what we do. It's key to delivering greater value and better care. In 2019, we used data and analytics tools to do more for our customers and communities than ever before.

The value of our Data and Analytics (DnA) division's work can be seen in strategic initiatives across the enterprise. And that work leads not only to lower costs, but to helping our customers lead better, healthier lives as well.

Enabling our value-based care model

Much of what enables the savings and improved health outcomes of our breakthrough Blue Premier value-based care model is rooted in the work of DnA. By providing the foundational data analysis for Blue Premier, we are able to give health care providers the cost and quality standards that lead to reduced costs and better care. In addition, for the first time in our company's history, DnA (in collaboration with our IT group) completed an exchange of patient data in real time with UNC Health Alliance, one of our collaborators in Blue Premier. We were able to show that we can follow a patient's journey within the health care system as it happens. It's an essential step in realizing the tremendous value that Blue Premier can deliver.



Analyzing consumer touchpoints to create more efficient service

Whenever we interact with our customers, we collect information about that interaction, or touchpoint. By analyzing the data gathered across all Blue Cross NC touchpoints, we can identify insights for our customer service professionals (CSPs) via the Smart Desktop tool. These insights allow us to optimize the right information at the right time to help CSPs maximize their efficiency and effectiveness while they are assisting our customers. And that, in turn, results in a better experience and greater customer satisfaction.

Matching members with primary care providers

DnA played a major role in 2019 efforts to match plan members with primary care providers (PCPs). Having a PCP – a doctor, nurse practitioner or physician assistant who coordinates all of a person's health care – has proven to lead to better health outcomes. It has also proven to help reduce costs. Using insights from DnA, we've been able to help our members identify PCPs that will ensure the best combination of care and value.

Addressing drivers of health

When we combine traditional health care data, such as claims, care gaps and prescriptions, with data from the census and other third-party information, we are able to identify drivers of health that may not show up in a visit to a doctor. Factors such as not having enough food, lacking transportation and behavioral health issues can all have dramatic effects on overall health. In 2019, DnA – in collaboration with organizations like Cityblock, Nuna and Aledade – used data-driven insights to help identify key drivers of health in our member population and mitigate those factors more effectively than ever. The result? Lower costs, better health outcomes.

Eye on the future

In 2019, we also shifted from creating single-use analytics solutions to ones that are reusable and can support multiple customers. In other words, we're multiplying the power of DnA solutions – making it simpler and more efficient to understand and address future opportunities and challenges as they emerge. We are helping drive this transformation of the health care system by making sure our data is ready to share with our members and providers in real-time interfaces like phone apps or direct updates to their electronic health records. In the future, this will allow us to give our members and providers the right insights in real time to make decisions that lead to the highest quality care at the lowest cost. It all adds up to this: We're not only improving our response to current opportunities, we're getting a head start on future opportunities.



\$228 Million

That's the potential value our DnA group identified in medical and administrative expense savings over the next three years.



Smart Desktop

Data combined across all customer touchpoints provides critical insights that maximize our customer service professionals' efficiency and effectiveness.





VALUE, QUALITY & ACCESS

Building provider engagement, driving value and quality

Improving quality and increasing affordability are key elements in our vision of transforming the health system. In 2019, we took huge steps forward in both areas.

Blue Premier, the foundation of a better way

At the beginning of the year, we introduced Blue Premier, a new value-based model that fundamentally changes how we pay for care. It's among the most comprehensive moves to value-based payments in the nation. And it's drawn favorable attention not only from trade media such as *Modern Healthcare*, but also from national consumer and business media, including *The New York Times* and *The Wall Street Journal*. Blue Premier changes the way providers engage with our members and with Blue Cross NC – and it changes the experience that our members have in the health care system. Blue Premier providers are accountable not only for the quality of care they deliver, but also the total cost of care. Doctors and hospitals can earn more when they deliver high-quality care for our members. In other words, providers have incentive to provide care that's both more affordable and of higher quality.

By the end of 2019, seven of North Carolina's leading health care systems – including UNC Health Care, Duke Medicine, Atrium Health, Novant Health and Wake Forest Baptist Health – had signed on to Blue Premier. With these agreements, we're well on our way to having 50 percent of our members attributed to an accountable care provider in 2020, and 100 percent of our members in North Carolina by the end of 2023.



Greater value in prescription medicines

Prescription medications are another area in which we've helped drive greater value for members. In 2019, our pharmacy benefits management company, Prime Therapeutics, and Express Scripts entered into a three-year supply chain management agreement to leverage economies of scale and make prescription medications more affordable for members. In 2020 alone, the estimated savings for members are in the millions. And in addition to those savings, the agreement also makes it easier to close care gaps (when members fail to fill their prescriptions), which can, of course, mean better health outcomes.

Putting a focus on primary care

Another key to driving value and quality is a focus on primary care. Primary care providers (PCPs) – such as doctors, nurse practitioners and physician assistants – are at the core of health care. Ultimately, it's these individual providers who can have the greatest influence on a person's journey through the health care system.

In 2019, we also helped empower independent PCPs with more information and more data to help them become more effective in their critical role with our Blue Premier program. In collaboration with Aledade – and its innovative technology, data analytics and workflow processes – we help support hundreds of independently owned and operated primary care clinics across North Carolina. Together we support physician-led accountable care organizations (ACOs) tailored specifically for these independent PCPs and the communities they serve. It's the kind of support that helps

these independent practices improve the quality of care and outcomes for their patients – and ultimately reduce overall health care costs. What's more, practices joining in these ACOs can earn enhanced reimbursement rates and share in a portion of the cost savings generated from the improved quality of care – which can also help primary care practices remain financially independent.

Integrating behavioral health

Research has shown that increasing access to outpatient behavioral health care can lead to 9 to 17 percent savings in total medical costs. The key to achieving these savings: Better integration of behavioral health with physical health and improved coordination with primary care providers.

Whether it's substance use disorder or a mental illness, behavioral issues can have a profound effect on overall health. That's why, in 2019, we worked with Quartet Health to help integrate mental health care more effectively with overall health care. The company helps connect members to appropriate care faster and helps reduce the cost of that care. We also collaborated with Eleanor Health to expand outpatient treatment for substance use disorders. With these organizations and others, we work to improve patient behavioral health and quality of life, as well as reduce cost of care.

Together, we give doctors the data and resources they need to make behavioral health care not only more accessible, but thoroughly integrated in patients' overall care. And that integration, in turn, leads to both higher quality care and greater affordability.



100%

We're on track to have 100% of eligible members matched with Blue Premier accountable care providers by the end of 2023.



Millions in Savings

The supply chain management agreement between Prime Therapeutics and Express Scripts shows promise in delivering significant savings for our members.



VALUE, QUALITY & ACCESS



OPERATIONAL EXCELLENCE

A stronger infrastructure means greater value

Behind every step we take in transforming the health care system are the steps we take to improve our business processes. It's those processes at the heart of our operations that help us drive gains in affordability, customer experience and value. In 2019, we made changes that help maximize efficiency and effectiveness across the enterprise. The scope of operational excellence is virtually unlimited; a majority of our company's employees are focused on operational excellence almost every single day. While that makes it tough to select successes from 2019 to focus on, here are a few standouts. There are many more where these came from – and many more to come in 2020 and beyond.

Digital process automation – getting things done better and faster for less

Since kicking off early in 2018, our digital process automation (DPA) initiative has launched more than two dozen process automation tools – with an expected return of about \$17 million in savings and revenue generation over three years. DPA tools currently at work help manage workloads for case managers, pull together medical records for review by our medical directors, check enrollment information for discrepancies and much more.



A prime example of DPA work in 2019 was the development of “Tammie-bot.” In selling plans to smaller employer groups, our salespeople and agents faced challenges in getting prospects all the information they wanted on a timely basis. For example, if prospects wanted choices beyond standard options, our team had to start a time-consuming, manual information pull. Too often there were delays that caused us to miss an opportunity to retain or win business.

In collaboration with enterprise business process solutions, IT, actuarial and underwriting, our sales team created Tammie-bot (named after the sales executive who inspired its development), a tool that can pull the needed information together and generate alternate quotes in minutes. Early estimates indicate that Tammie-bot could increase our small-group sales by 30 percent, resulting in an additional \$1 million in revenue per year. It’s also expected that Tammie-bot will save thousands of work hours per year in generating proposals. That alone will save nearly \$100,000 per year.

And Tammie-bot is just one DPA solution of many in 2019. Expect many more in 2020. The DPA program allows for quick development and deployment of new bots – sometimes in just weeks from the start of design to an efficient and effective solution.

Process improvement everywhere you look

Business process improvement in the cause of operational excellence is woven into the fabric of our enterprise.

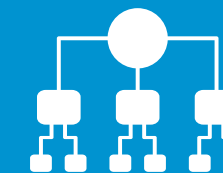
The competitive landscape demands it. And in 2019, our employees responded to the challenge as never before.

Our information delivery team worked to improve and streamline the data exchange process between Blue Cross NC and its providers. The team created a standard to develop a more robust data exchange for requesting, receiving, storing, retrieving and using clinical documents obtained from providers. As a result, we expect to see significantly increased provider satisfaction.

The Innovation Garage, our technology idea lab, worked with nine separate divisions across the enterprise to deliver innovative technology solutions in 2019. The Garage developed cutting-edge technologies with groundbreaking work in artificial intelligence, machine learning and more. Our Innovation Garage also provides resources for rapid prototyping and ideation when business leaders need to quickly explore solutions to complex problems.

Cutting build time for servers is another example of operational excellence in 2019. Using Ansible, an automated provisioning tool, we built more than 500 servers within five business days for a large rehosting effort, a task that would have taken months in years past. The result was \$900,000 in savings.

It’s efforts like these – and countless other smaller successes – that help drive the transformation of the health care system.



\$17 Million

That’s how much our digital process automation initiative is expected to save over three years through more than two dozen process automation tools.



5 Days, 500 Servers

Using an automated provisioning tool, we built more than 500 servers in five business days, a task that used to take months. The result: \$900,000 in savings.





EXCEPTIONAL EXPERIENCE

Shaping a better customer experience leads to better health care

In 2019, we brought to life an array of programs aimed not only at enhancing our customers' experience with our company, but with the broader health care system as well. The goal is to create a seamless engagement model for customers – one that presents a consistent voice for our enterprise across all customer touchpoints and leads to the best possible experience for each Blue Cross NC member at every interaction. And the best possible experience helps lead members to the best possible health care.

Examples of our work to provide an exceptional member experience follow. These are examples from 2019, but this is work that never really ends – you can expect more in 2020 and beyond.

Driving value and engagement

In 2019, the Omni-Channel program, which is focused on increasing member value, understanding and engagement across all channels, made dramatic improvements in its capabilities. The key to the improvements was the greatly enhanced ability to share and analyze data across internal platforms on member interactions with our company. We captured data on more than 58 million new interactions – across digital and non-digital channels – during 2019.



And we can use that data to help members with future interactions, no matter on which channel the interaction takes place. In other words, through the Omni-Channel program, we're making the member experience better than ever by leveraging member data more effectively. What's more, the effective capture and analysis of the member perception data and feedback across all channels enables constant improvement of the member experience and Omni-Channel program. So, as we move forward, we'll continue to expand upon the insights drawn from member interactions to develop new solutions and take advantage of new opportunities.

Creating clarity and simplicity

Another essential element in creating an exceptional experience for members is our One Voice initiative. Its goal is to provide a consistent voice of the enterprise across all communications and all channels. Ultimately, this work will help increase understanding and brand trust by minimizing the amount of information members have to sift through in their interactions with our company.

We are also examining member touchpoints across channels, segments and departments. Findings help enable tools – like our customer service Smart Desktop – that create a better member experience and help develop our analytic capabilities.

A clearer look at the consumer experience

In 2019, our Voice of Consumer team consolidated our member survey efforts into a single, self-service survey platform. By centralizing the data gathered, we capture a more complete picture of the entire member experience. This, in turn, leads to the opportunity for richer, more relevant personalization of the member experience. The coordination and efficiency of centralizing surveys also leads to more streamlined reporting of the resulting data.

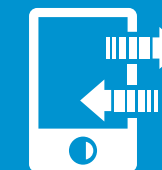
Welcome to a better Medicare experience

In 2019, we also took big strides in creating an exceptional experience for Medicare beneficiaries. We launched a new Medicare welcome experience which is designed to provide new Blue Cross NC Medicare Advantage members with a warm, personalized welcome and cohesive onboarding experience across channels. It can be tough to understand the ins and outs of Medicare. Our goal is to help set these members up for success as they begin to use their plans. A foundational component of the welcome experience is a Blue MedicareSM Health Planner, which outlines how members can make the most of their plan including information on what to do first, ongoing management of the plan, pharmacy benefits, selecting a primary care provider and more. The experience also includes a welcome phone call to new members to confirm they had received their ID card and Blue Medicare Planner, as well as to remind them of key benefits of their new Blue Medicare AdvantageSM plan, like the no-cost gym membership program and the secure Blue ConnectSM website for handling just about every aspect of their plan. Member feedback on the new welcome experience has been overwhelmingly positive.



Increased Trust

A new platform for tracking and analyzing customer interactions helps us provide a consistent enterprise voice across all channels – it helps increase trust in our brand by reducing the amount of information members have to sort through.



58 Million+

Interactions focused on increasing member value and engagement, our Omni-Channel program captured data on 58 million+ customer interactions.



EXCEPTIONAL EXPERIENCE



COMMUNITY HEALTH

Working where good health begins: our communities

At Blue Cross NC, we believe that our responsibilities go far beyond health insurance. They extend not only to our customers but to all the communities across North Carolina. The fact is, communities face a host of non-medical factors that can have a profound impact on health. Income levels, housing, availability of healthy food, transportation and access to health care itself – they all play a role in the overall health of a community. As the largest health insurance company headquartered in North Carolina, we’re dedicated to making a positive impact and helping individuals and communities address these critical issues.

Raising awareness of food security issues

Far too many families and children in North Carolina face hunger far too often. That’s why at Blue Cross NC, we’re doing more than ever in the fight against food insecurity. In 2019, we made a new commitment: Blue Cross NC will provide support over the next three school years to help the No Kid Hungry® North Carolina initiative provide healthy meals for kids in need. We’ve continued an array of other efforts. Over the past two years, we helped distribute nearly \$750,000 to nonprofit organizations working to increase food security in North Carolina – benefiting groups like the Food Bank of Central and Eastern North Carolina and Meals on Wheels of Wake County. In 2019, we again sponsored the Thrive NC Festival and added the Thrive NC Service Series to provide educational and meaningful service projects that address food security in North Carolina communities. In addition, through Thrive NC ticket sales, we distributed \$150,000 into other community efforts to fight hunger. It all adds up to a wide range of efforts having a positive impact on this critical issue across North Carolina.



Embracing our communities

We supported a wide range of community organizations and community-building efforts in 2019. All are a part of our outreach to build stronger, healthier communities. Two hundred Blue Cross NC employees participated in Sort-A-Rama, a statewide program to help supply meals during summer break for children who depend on free and reduced lunch during the school year. Blue Cross NC employee volunteers also completed KaBOOM! playground builds to help two low-income communities recover from the devastation caused by Hurricane Florence – by bringing balanced, active play back into the daily lives of all kids, particularly those growing up in poverty. We helped support Out Teach, a teacher-development program working to equip teachers with the power of outdoor experiential learning to ensure that all students, no matter their resources, have access to an engaging, hands-on education. We assembled more than 400 bikes during our 2019 USO Bike Build – supporting our North Carolina military families and bringing joy to what can be challenging times in their lives.

All of these efforts are just a fraction of the work we're doing to address health issues in North Carolina communities. It's work that's essential to our mission of improving the health and wellbeing of our customers and communities. It's work that's a huge part of who we are as a company. And we're committed to doing even more.

In the years ahead

When a community lacks access to basic needs, such as healthy food, reliable transportation, affordable housing or a safe living environment, the health of people in the community suffers. In 2019, Blue Cross NC worked harder than ever to improve access to these basic needs. And going forward, we're building on that work. We support health care and human services organizations across the state in the effort to develop coordinated, community-oriented, person-centered approaches for delivering care in North Carolina. The aim is to provide better coordination and investment in the non-medical drivers of health, like safe, affordable housing and well-paying jobs. It's through work like this – and other ongoing programs – that we not only address community and individual drivers of health, but also increase access to care and ultimately improve health and lower health care costs. All of us at Blue Cross NC – as an organization and individually – are committed to a healthier future for North Carolina.



116,000 Hours

Since 2011, Blue Cross NC employees have volunteered more than 116,000 hours – time valued at over \$2.3 million.

GIVINGworks

\$1.4 Million+

In 2019, our employees contributed more than \$1.4 million through our annual employee giving campaign, GivingWorks.





PROFITABLE GROWTH

Driving the business of better health

Blue Cross NC continued its profitable growth in 2019 – growth based on commitment to providing customers with great value and an exceptional experience. And that growth came across a number of areas, all of which lead to better health outcomes and lower costs.

Bringing Medicare front and center

In 2019, for the second year in a row, we made significant improvements in our Medicare Advantage offerings. We cut rates, increased benefits, and offered all members a \$0 premium plan with prescription drug coverage. The rate cuts averaged 31 percent for an average savings of \$426 per year per member. We were also able to add new benefits such as dental and vision coverage allowances and \$0 primary care copayments – while continuing to offer no-cost gym memberships and coverage for hearing exams and hearing aids. With the rapidly growing senior population in North Carolina, our company is poised to further grow its Medicare business.

In addition to our Blue-branded Medicare efforts in 2019, we also entered into a joint venture with Duke Health to create a new company, Experience Health, a separate insurance company offering an HMO Medicare Advantage product. Blue Cross NC is providing the system infrastructure and capabilities, back-office support and administrative services. Through teamwork across the enterprise and in conjunction with Duke Health, Experience Health launched successfully in 2019 – and helped us expand our Medicare business in a new and innovative direction.



Increased cost transparency, increased savings

Improvements in our cost transparency tool on Blue Connect made our SmartShopper® program more effective than ever in 2019. The improvements made it easier for members to shop for a medical procedure (such as an MRI, a knee surgery or colonoscopy) based on cost and earn a reward for choosing the best value option. The resulting savings in claims for employer groups participating in SmartShopper grew to \$300,000 – a 180 percent increase year over year. And those savings are expected to continue growing as more groups participate and more members learn they can reap significant rewards by shopping for better value.

Narrow networks, high-performance networks

Narrow and high-performance networks are another area providing growth opportunities. By offering a narrow network, we can bring an employer group attractive rates by contracting with providers in a limited geography; our Blue Home with UNC Health Alliance offering is an example. Through robust data-sharing and quality measurement, we can identify providers who deliver the greatest value – quality care and lower costs – and create high-performance networks to help drive a substantial positive impact on health care spend for groups with members spread across large geographical areas.

Collaboration to deliver growth and greater value

We formed a host of new collaborations in 2019, all aimed at extending and enhancing our abilities to serve members while reducing costs and maintaining affordability. For instance, we engaged Quartet Health to help us better integrate behavioral health with primary care. We’re working with Eleanor Health on addiction and substance use disorder. We formed relationships with Iora, Cityblock and CareMore to deliver primary care that integrates services such as telehealth, transportation, home visits and palliative care to help ensure that the Medicare beneficiaries we serve get the care they need and deserve. In addition, we collaborated with Amerigroup to earn a contract to manage Medicaid for the state of North Carolina – a contract which will lead to a significant increase in the number of North Carolinians we serve. We look forward to helping this traditionally underserved market.

Blue Rewards

The Blue RewardsSM program – which rewards members with gift cards and other incentives when they engage in the program’s healthy activities – grew significantly in 2019. More groups participated than ever before. Nineteen new employer groups elected at least one Blue Rewards activity in 2019, bringing the total to 41 participating groups. Every activity had higher completion rates in 2019 than the year before; several increased by more than 100 percent. New sales materials helped increase program awareness, and an updated experience helped improve member satisfaction. But the program not only engaged more members and employer groups, it helped raise their awareness of the health issues behind the activities, and helped spur measurable health gains.

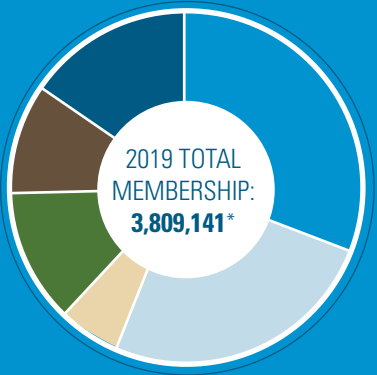
Strong results point to a strong future

In 2019, Blue Cross NC continued to show strong financial performance in an uncertain health care market. Our continued financial strength allows us to make significant investments in the health of our communities.

FINANCIAL METRICS*					
	2015	2016	2017	2018	2019
Revenue	\$8.2B	\$7.8B	\$9.4B	\$9.9B	\$9.9B
Consolidated Net Income (Loss)	(\$6.7M)	\$177.1M	\$734.0M	\$684.6M	\$492.0M**
Net Income Ratio	(0.1%)	2.3%	7.8%	6.9%	5.0%**
Taxes Paid	\$368.1M	\$473.8M	\$511.5M	\$670.0M	\$431.3M
Months in Reserve (Claims and Operating Expenses)	3.2 months	3.8 months	4.4 months	4.8 months	5.2 months

*Financial results, excluding months in reserve, are GAAP results.
**In accordance with new GAAP guidelines. Under previous guidelines, Net Income Ratio for 2019 would be reported as 4.1 percent. Net Income would be reported as \$387.6 million.

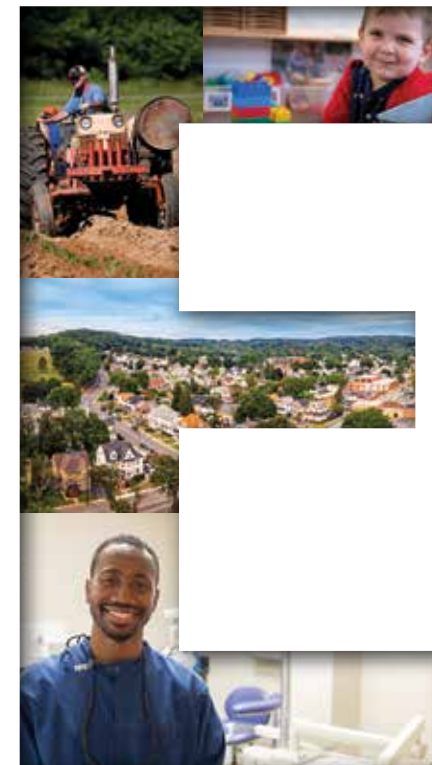
Corporate Profile



- BLUECARD®** 1,171,808
- MAJOR GROUP 975,507
- LOCAL GROUP 218,255
- INDIVIDUAL UNDER 65 468,394
- FEDERAL (MEDICARE & FEP) 392,962
- STATE OF NORTH CAROLINA 582,215

*Medical coverage as of 12/31/2019
**Covered on behalf of other Blue plans






BlueCross BlueShield of North Carolina

Foundation

Committed to a healthier North Carolina

The Blue Cross and Blue Shield of North Carolina Foundation is an independent charitable foundation. Its mission: To improve the health and wellbeing of everyone in North Carolina. Since its founding in 2000, the Foundation has invested nearly \$145 million – through more than 1,025 grants – in organizations and communities across North Carolina, leaving what it hopes is an indelibly positive mark on the health of our state.

Among the highlights from this past year are:

- + Surpassing the 1,000 grant mark, a milestone of 19 years investing in the health and wellbeing of North Carolinians
- + Welcoming 28 new grantees during the fiscal year that ended in June, while also managing a \$30M portfolio of 75 active grants
- + Expanding Community-Centered Health by working with six new groups across North Carolina to support collaborations between health care and community organizations, and local leaders to identify and address inequities that impact health
- + Growing the Foundation's commitment to the BUILD Health Challenge® and their newly added communities – including collaborations in the Gastonia and Greensboro areas that the Foundation has supported for several years through Community-Centered Health
- + Investing in NCCARE360, Nonprofit Finance Fund® and others to prepare human services organizations for the new financing models that accompany North Carolina's Medicaid Transformation and a broader shift to value-based health care
- + Supporting the NC Healthy Food Retail Task Force – and the publishing of its recommendations to broaden healthy food access in North Carolina – as well as the launch of the North Carolina Food Action Plan
- + Celebrating Be Active Kids® as they marked their 20th anniversary supporting children from birth to age five in child care and schools across North Carolina

- + Targeting investments in organizations led by people of color and the communities they serve through a pooled-funding initiative with the Triangle Capacity-Building Network
- + Increasing coverage of oral health issues impacting the state through ongoing support of *NC Health News*
- + Joining The Duke Endowment and the BlueCross BlueShield of South Carolina Foundation in committing \$35 million to support advances in oral health

Looking ahead

As the Foundation has continued to support organizations and communities throughout North Carolina, the organization has also been exploring answers to two important questions: What will it take for North Carolina to become one of the nation's healthiest states – where everyone has an opportunity to be healthy? And what will the Foundation's role be in this pursuit?

Among the answers to those questions are:

- + Continuing a long-time commitment to improving access to healthy, local food
- + Ongoing work to address oral health through innovations that increase access and improve outcomes
- + Continuing support of community-centered health approaches and strengthening multi-sector collaborations to address long-standing inequities
- + Fostering a new level of focus on early childhood development



\$145 Million

That's how much the Blue Cross and Blue Shield of North Carolina Foundation has invested in North Carolina organizations and communities since 2000.



1,000 Grants

That's a milestone the Foundation passed in 2019; it represents 19 years of investing in the health and wellbeing of North Carolinians.



All of us at Blue Cross NC are proud of our accomplishments in 2019. But we may be even more excited about what we'll accomplish in 2020 and the years ahead.

Our Blue Premier value-based payment model promises to yield greater savings and affordability moving forward. Continued integration of behavioral health with primary care holds tremendous potential for reducing costs and improving health outcomes. And programs aimed at enhancing member experience help ensure members' greater engagement in their health. In short, all signs point to a healthier future.

Priorities and market demands may shift continuously, but our focus on transforming health care for the better remains constant. Our dedication to improving the health and wellbeing of our customers and communities – and our commitment to quality, affordability and exceptional customer experience – never end.



**BlueCross BlueShield
of North Carolina**

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For more information visit | [BlueCrossNC.com](https://www.bluecrossnc.com)

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For more information visit | [bcbsncfoundation.org](https://www.bcbsncfoundation.org)

All results and statistics are drawn from
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