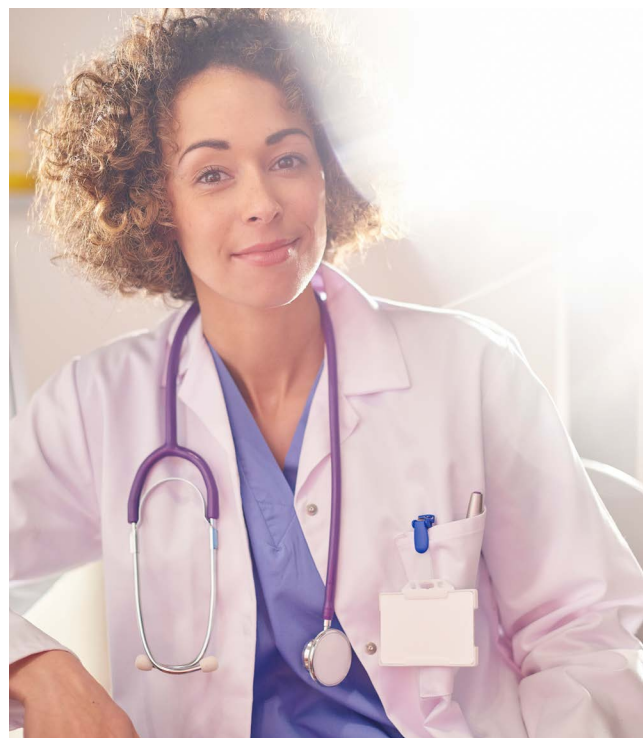




Committed to Communities

ANNUAL REPORT 2018



We Commit

A community thrives from relationships – the caring bonds between people who share one another's lives, experiences and celebrations.

At BlueCross BlueShield of Tennessee, it's our commitment to rally, join and support individuals, families, neighborhoods and communities across Tennessee.

In better health.

In times of need.

For brighter futures.

For healthier communities.

We commit to giving back.

It's always been a part of who we are, and how we demonstrate our mission of Peace of Mind through Better Health.

Thank you for making BlueCross a part of your life, your future, and your community. We join you in making a commitment to what matters most: Your health...and the health of Tennessee.



JD Hickey
President & CEO



Marty Dickens
Chairman of the Board

A Positive Impact that Takes Many Forms

For nearly 75 years, BlueCross BlueShield of Tennessee has helped finance and improve the health and health care of Tennesseans. In serving those needs, it's been a natural extension to commit to other ways to make a positive impact – which can take many forms.

Supporting our communities

Eighteen months ago, studying the impact of our charitable giving, we recognized that narrowing the focus could help us make an even bigger impact on the lives of our neighborhoods and communities. We worked to find the right cause – one where we could make a difference in both urban and rural communities and for people of all backgrounds.

So starting in 2018, we've channeled the majority of our BlueCross BlueShield of Tennessee Health Foundation's resources into a new strategic focus – the BlueCross Healthy Places program, creating active, healthy spaces across Tennessee that connect people and foster a sense of community.

We are nearing completion on the first BlueCross Healthy Place, a \$5.4 million revitalization of David Carnes Park in the Whitehaven neighborhood of Memphis. In under a year, the nine-acre park has been transformed to include a multipurpose field, playground, splash pad, obstacle course and walking tracks – with added communal space to gather and share meals.

More BlueCross Healthy Place announcements are set for 2019, each one a collaborative effort between local leaders, residents, and our BlueCross Foundation team.

Generating income for Tennessee

As a mission-driven, taxpaying not-for-profit organization, we're serving our neighbors – not shareholders. By being located right here in Tennessee, we've helped create jobs, increase household income and provide tax revenue to communities across the state.

We're a not-for-profit that pays taxes. Over the last 10 years, BlueCross has paid more than \$3.8 billion in taxes – helping pay for programs and services that help make our state a great place to live.

In fact, we typically pay more in taxes each year than we earn in net income.

Our economic impact in Tennessee is a significant \$1.6 billion in income for Tennessee businesses and families, along with more than 18,000 jobs for residents.*

In addition, we've given more than \$90 million in grants since 2005, and two-thirds of our 6,000-plus employees volunteer in their communities.

And as thousands of our employees work at our six office locations across the state, they're spreading the positive impact of our member-centric focus and TeamBlue volunteer efforts to benefit and strengthen hundreds of communities.

* Boyd Center for Business and Economic Research at the University of Tennessee, Economists at the University of Tennessee; 2017 figures

39%
BlueCross
reduction in opioid
prescriptions –
meaning 19 million
less pills in our
communities

Committed to healthier communities

Pharmacy and social efforts combine to combat the opioid crisis

BlueCross BlueShield of Tennessee is working with community partners to address the opioid crisis, with our efforts showing meaningful double-digit reductions in painkillers prescribed and abused.

Guided by an external advisory panel of doctors and medical professionals, measures such as prior authorization requirements and quantity limits have lowered the number of filled opioid prescriptions by more than 300,000 prescriptions – more than 19 million pills.

Prescription opioid claims have dropped more than 39 percent, while short-term opioid use has also dropped among BlueCross members, and lower strengths of opioids are being used instead.

It's a positive momentum that continues to grow with increased collaboration between government, physicians and community partners.

Teaming with physicians and medical professionals across the state

BlueCross has also worked closely with physicians, offering data-driven scorecards to help providers recognize how their prescribing patterns compare to peers, and providing notifications about patients who are at high risk for opioid abuse.

As the opioid crisis continues to impact communities across the state and around the country, BlueCross is implementing the next phase of clinical efforts to combat misuse and unintentional overuse, designed as a moderate and gradual approach that combines both clinical and social support measures.

The goal is to help ensure that BlueCross members – and eventually all Tennesseans – receive the appropriate amount of opioids for their medical conditions while limiting the potential for misuse and abuse.



Pain relief is important, but it's clear that both overprescribing and repeatedly extending periods of opioid use can increase the risk of addiction.

In addition to pharmacy initiatives, BlueCross has supported a variety of community-based efforts to address opioid abuse. Efforts began in 2013 with a focus on supporting babies with neonatal abstinence syndrome, and continued with \$2 million to support addiction treatment programs statewide. A \$2.7 million award from the BlueCross BlueShield of Tennessee Health Foundation to Count It! Lock It! Drop It! helped educate the public about the need to count pills regularly, lock them up and securely dispose of unused medications.



BlueCross works every day to mitigate fraud, waste and abuse to help manage health care costs on behalf of our members.

The U.S. spends nearly \$3 trillion annually on health care. Though the National Health Care Anti-Fraud Association estimates that only about 3 percent of that is lost each year to fraud, waste and abuse – that small percentage totals more than \$87 billion.

Each year, fraud and abuse activities result in an unnecessary cost to health care insurers and programs – an issue BlueCross works every day to prevent.

\$87B

Amount Blue Plans
work to prevent
each year lost
nationwide to
health care fraud,
waste and abuse

Committed to a safer system

Steering the fight against fraud and abuse

Two years ago, a BlueCross BlueShield of Tennessee member received an unsolicited prescription pain-relief cream in the mail, prescribed by a doctor she'd never seen. Suspicious right away, she called the BlueCross fraud hotline to report her concern.

That one tip ultimately led to the U.S. Department of Justice indicting four individuals and seven companies for orchestrating an elaborate nationwide telemarketing scheme. The ruse involved calling consumers to obtain their health insurance information, sending them pain creams and then billing their private insurers for continued use of the creams at exorbitant rates.

The case attracted national attention because it resulted in more than \$174 million in fraudulent claims for hundreds of affected insurers, including about \$2 million worth of fraudulent claims for BlueCross BlueShield of Tennessee.

BlueCross is committed to protecting the health information, identities and financial security of our members – working throughout our communities to detect and prosecute fraud and abuse.

BlueCross investigates as first response

The Special Investigations Unit at BlueCross is staffed by professionals with investigative backgrounds in the Tennessee Bureau of Investigation, the Environmental Protection Agency and the Secret Service, among others. These investigators identify fraud and recover the financial loss on behalf of our members.

For the pain-relief cream case in particular, our investigators were on the ground immediately after they established the legitimacy of the lead, interviewing the doctor and discovering that he was approving prescriptions for a fee.

Once the depth of the scam became clear, BlueCross presented the investigation to the authorities to complete.

Health care is a massive, complex industry. As the pain cream case demonstrates, massive fraud can occur through something as innocuous as a telemarketing call or a simple medication received in the mail.



Tiara Simpson

Customer Service Representative
in the Senior Care division

How 30 minutes of kindness made a world of difference

Edith Costanza believes in positivity and helping others, whether through her work or her general outlook on life. When the BlueAdvantage member found herself in dire need of assistance with affordable prescription medication, she was relieved that BlueCross was committed to taking as much time as needed to answer her every question and provide her with options.

A Texas native and Nashville resident for the past 42 of her 70 years, Edith works as a navigator for Tennessee Reconnect. The statewide program connects people interested in obtaining a certification or associate's degree with a college advisor. She became a BlueAdvantage member in 2016, but has lived with Crohn's disease since

2000. The disease went into remission in 2003 but came back strong in 2018.

"I was recovering from a colonoscopy, I was tired from the Crohn's, and I have to admit, I was not in the best head space," Edith recalls.

After going to pick up her prescription medication, she received news that made her feel even worse. One of the medications was \$500. The other was \$75 a month. She was shocked that the medications cost that much – and debated just going without, no matter the consequences.

Tiara makes a connection

Needing help, Edith called BlueCross and was immediately connected to Tiara Simpson, customer service representative in the Senior Care division at BlueCross.



Edith Costanza
BlueCross member in a
Medicare Advantage plan

“Tiara made a huge difference – not just in my day – but in my attitude and my future.”

“Tiara was wonderful,” Edith says. “She could tell immediately how upset I was, and that I simply did not feel well on top of that. She listened to my story. She took 30 minutes of complete patience with me to look through the formulary and came up with a list of comparable substitute medications that I could discuss with my doctor.”

For Tiara, her experience with Edith reflects her own service philosophy: make a connection with someone, take as much time as necessary to meet their needs, and make them feel like family.

“Very often I’ll get on the phone with a BlueCross member, and their instinct is to apologize to me because they think they’re taking up too much of my time,” Tiara says. “I always say, ‘Don’t apologize to me! Let’s have a conversation. We’re not on a timer.’”

Edith’s struggles with affordability resonated with Tiara.

“A lot of seniors have trouble with their medications,” Tiara says. “I’ve had seniors tell me, ‘I have to choose whether I want to get my medications or eat.’ Whenever you go through those claims and look at those prices, you realize how expensive some of these medications are for people on limited incomes.”

Fortunately, a solution to Edith’s situation was achievable. And as a result, she called her doctor the next day to discuss medication options and landed on a more affordable treatment plan. Today she’s managing her Crohn’s through medication, improved diet and rest – as her energy levels keep improving.

“I’m grateful to the doctor, but more so for the experience with BlueCross,” Edith says. “It makes me trust that if I have to have surgery, or if things go wrong, I can turn to my insurer that I know will help me, and that’s important to me.”



Committed to Healthy Places

\$5.4M Investment in Memphis

The first project under the BlueCross BlueShield of Tennessee Health Foundation's new strategic focus broke ground in 2018 as the BlueCross Healthy Place at David Carnes Park, an expansive, revitalized public space.

In total, the foundation is investing as much as \$4.5 million in the Whitehaven neighborhood park for construction, along with a \$900,000 endowment for future maintenance.

The BlueCross Healthy Place program provides neighborhoods with communal spaces for healthy activities, improving the overall wellbeing of Tennesseans.

BlueCross gathered feedback for the Memphis project through community and local leadership meetings to determine how to use the project to achieve one of the top priorities: creating a healthy, inviting public space for neighborhood residents.

The collaborative planning phase also included meetings

with community members to gather ideas and ensure the space is tailored to the needs of area residents.

The program's inaugural Memphis site was selected in partnership with the city and in response to community residents who previously expressed interest in having more resources for the park.

The project has included a partnership with PlayCore, a national play and recreation company, and contracts with local and diverse businesses.

BlueCross Healthy Places may include a number of elements, such as athletic fields, walking tracks, playgrounds and fitness areas. Additional competitive funding opportunities for future BlueCross Healthy Place projects across the state are announced annually.

Each year, the foundation awards more than \$7 million to fund BlueCross Healthy Places projects across the state. To qualify for funding, projects need to be free and open to the public, demonstrate a community benefit, and include community input.



Gives \$10+ Million in 2018

Support for public spaces, disaster relief, children's health and opioid abuse

BlueCross BlueShield of Tennessee charitable giving totaled more than \$10 million statewide in 2018.

Included in the company's annual giving tally are nearly \$10 million from the BlueCross Health Foundation, and \$500,000 from the Community Trust.

Beyond financial support, nearly 2,000 BlueCross employees participated in more than 150 volunteer opportunities across Tennessee, giving more than 7,000 hours of service to their local communities with an equivalent value of more than \$200,000.

The focus for the Foundation is creating BlueCross Healthy Places across the state. Focus areas for the Trust are charitable clinics, diversity and inclusion, disease management and youth development.

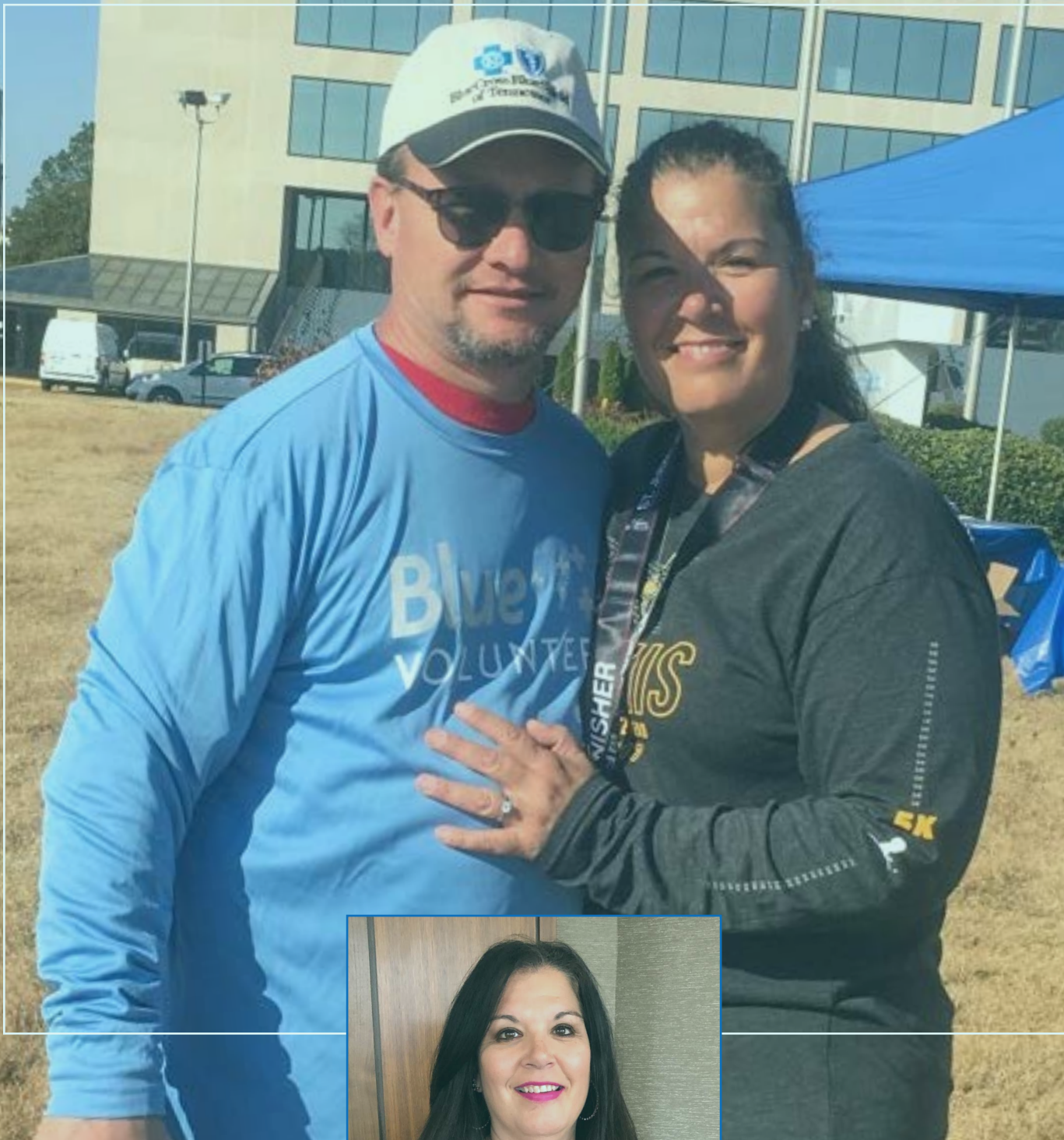
10,000+ Meals Donated in Neighbor to Neighbor Food Drive

When food bank shelves were running low on stock last summer, volunteers at BlueCross stepped up practically overnight to help out area residents and make sure no child went to bed hungry during the critical food shortage.

The BlueCross Neighbor to Neighbor food drive, organized by the company's TeamBlue volunteers, resulted in employee donations of nearly 7,000 pounds of food, the equivalent of 5,700-plus meals.

Employees also raised \$1,175 in cash donations used to purchase an additional 4,700 meals, bringing the drive's overall total to more than six tons of food – the equivalent of roughly 10,400 meals.

The meaningful mid-year project quickly replenished the food items necessary to help families and children who rely on free and reduced-priced meals during the school year.



When Michele Myers isn't volunteering, you might find her running for a good cause, as she was here at the St. Jude marathon.

“Being able to brighten up the day for parents and kids is such an amazing experience.”

TeamBlue Volunteer Gives Back to Memphis

For some children, the holidays bring joy – but also uncertainty. As the youngest of eight, Michele Myers knew her family struggled to make ends meet, and wasn’t always sure she’d find presents under the tree. Luckily, when times were lean, friends bridged the gap.

“One year when we didn’t have any money for gifts, our friends showed up with presents, a tree and decorations for us,” says Michele.

“When people ask why I give back, I think about how important that was for us: for people to show up,” she explains. “There’s a connection that’s made when you’re at a low point and look up to see someone you don’t know who just wants to help. We all need that.”

Michele shows up

Over Michele’s 24 years as an account executive with BlueCross, she’s shown up for a lot of people. She’s picked up trash around the city every Martin Luther King, Jr. Day, she’s helped out with the St. Jude Memphis Marathon, and she’s built playgrounds in underserved areas.

Around the holidays, her favorite thing to do is bring much-needed holiday cheer to Le Bonheur Children’s Hospital. It’s particularly poignant for Michele because she knows what it’s like to be the parent of a patient.

“When my daughter was 16, she had an accident and ended up having to see a neurosurgeon at Le Bonheur,” she recalls. “Everyone there was kind and caring, so being able to give the staff a treat – and to give those families some comfort – means so much to me.”

Forging new bonds

Volunteering through TeamBlue, Michele has been able to make connections with coworkers and with the people they’re helping, and to see the difference they’ve made at the end of a long day.

“My favorite things to do are the ones where, at the end, there’s a finished product or an obvious improvement because of us,” she says. “That happens every time at Habitat for Humanity.

“Being able to work with the owner, who is there participating, watching the pride they have in themselves, and knowing you have a hand in what’s being built for them — there’s nothing else like it in the world.”

Meet Our Leaders

Generations of strong leadership, and nearly 75 years of service to Tennesseans and the state have made BlueCross BlueShield of Tennessee the insurer of choice for thousands of Tennessee businesses. Today, industry-recognized professionals provide leadership and expertise to support the company's long-standing commitment to service, quality, innovation and value for our members and communities.



JD Hickey, M.D.

President & CEO



Scott Pierce

Executive Vice President
and Chief Operating Officer



John Giblin

Executive Vice President
and Chief Financial Officer



Anne Hance

Senior Vice President, General Counsel,
and Chief Privacy Officer



Andrea Willis, M.D.

Senior Vice President
and Chief Medical Officer



Karen Ward

Senior Vice President
and Chief Human Resources Officer



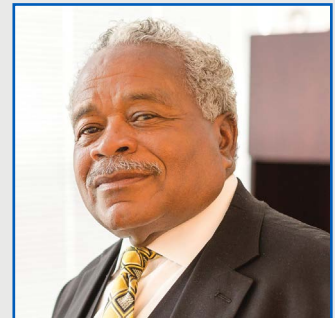
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and Chief Government Relations Officer



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Pinnacle Financial Partners

We commit to having a great workplace

We want BlueCross to be an employer of choice. And our commitment to diversity, inclusion, and making everyone feel a valued part of our company makes a positive impact – inside and outside our organization.



Our Family of Companies

BlueCross BlueShield of Tennessee works to improve the health of our customers and communities with innovative products and services that provide access to cost-effective, quality-based care.

Through our subsidiaries and affiliates, we provide a comprehensive range of group and individual health plan products, ancillary benefits, and health and wellness management services. Our health innovation initiatives, technology services, and charitable giving work together to improve the health of Tennesseans and drive health care system improvement. In 2018 our family of companies included:



Volunteer State Health Plan, Inc., doing business as BlueCare Tennessee, is a wholly owned subsidiary of BlueCross BlueShield of Tennessee, Inc. Founded in 1993 as Volunteer State Health Plan, the Chattanooga-based company focuses on managing care and providing quality health care products, services, and information for government programs. It was organized to participate, by contract with the State of Tennessee, as a managed care organization in the state's TennCare program, and has remained a valuable partner for more than two decades, providing innovative and cost-effective plan services to the State of Tennessee, and vital health care access and quality care to the residents of Tennessee. BlueCare Tennessee is a licensed HMO subject to regulation by the Tennessee Department of Commerce and Insurance and is licensed with the BlueCross BlueShield Association.



SecurityCare of Tennessee, Inc., doing business as BlueChoice Tennessee, is a wholly owned subsidiary of BlueCross BlueShield of Tennessee, Inc. BlueChoice Tennessee is a licensed HMO subject to regulation by the Tennessee Department of Commerce and Insurance and is licensed with the BlueCross BlueShield Association. BlueChoice Tennessee offers a portfolio of Medicare Advantage HMO products as authorized by the Centers for Medicare and Medicaid Services within the State of Tennessee.



Golden Security Insurance Company, Inc., doing business as BlueRe of Tennessee, is a wholly owned subsidiary of BlueCross BlueShield of Tennessee, Inc. BlueRe of Tennessee offers a portfolio of policies for specific and aggregate medical stop-loss coverage for the benefit of Tennessee businesses. It is licensed with the BlueCross BlueShield Association.



Group Insurance Services, Inc. (GIS), a wholly owned subsidiary of BlueCross BlueShield of Tennessee, Inc., provides the ancillary products necessary to complement any health benefit plan and provide a complete employee benefit package. GIS offers a full and comprehensive line of life, disability and long-term care insurance, as well as voluntary dental, flexible spending accounts, HR support and more.



Shared Health, Inc., a wholly owned subsidiary of BlueCross BlueShield of Tennessee, Inc., provides all the tools needed to operate a successful Medicaid program. Shared Health specializes in providing technology and expertise to help health plans design and operate their Medicaid managed care programs. Shared Health has developed accurate and efficient software tools and mobile applications to ensure that care coordinators can focus on their members, rather than dealing with inefficient, time-consuming paperwork.



The BlueCross BlueShield of Tennessee Health Foundation is a public benefit not-for-profit Tennessee corporation that seeks to improve the health and quality of life of all Tennesseans.

The BlueCross BlueShield of Tennessee Health Foundation provides funding for the BlueCross Healthy Places program, which creates active, healthy spaces across Tennessee. The Tennessee Health Foundation is an affiliate of BlueCross BlueShield of Tennessee and is licensed with the BlueCross BlueShield Association.



The BlueCross BlueShield of Tennessee Community Trust is a not-for-profit Tennessee corporation that allows BlueCross BlueShield of Tennessee to offer generous support to organizations and communities to help improve the social welfare of Tennesseans. Contribution dollars support Tennessee communities, emphasizing healthy living and quality of life. It is an affiliate of BlueCross BlueShield of Tennessee, licensed by the BlueCross BlueShield Association.

More About BlueCross BlueShield of Tennessee

BlueCross BlueShield of Tennessee, Inc. is a not-for-profit corporation and the state's trusted leader in providing health coverage and wellness solutions. BlueCross BlueShield of Tennessee is taxed and regulated in a manner similar to other commercial insurance companies.

Founded in 1945, the company and its subsidiaries and affiliates provide a comprehensive range of group and individual health insurance plans, benefit products, and health and wellness services to more than 3.5 million people and thousands of Tennessee businesses. BlueCross BlueShield of Tennessee is an independent organization governed by its own board of directors, and it is responsible for its own obligations.

In 2018, BlueCross BlueShield of Tennessee paid more than \$15.2 billion in health care benefits on behalf of our members, while employing more than 6,000 people. In 2018, the company achieved a net gain of \$569.1 million. For the same year, the company incurred more than \$658.6 million in federal, state and local tax expenses, an increase of \$163.6 million over 2017.

In 2018, BlueCross BlueShield of Tennessee owned and operated several subsidiaries, including Volunteer State Health Plan, Inc., doing business as BlueCare Tennessee, a licensed HMO; Group Insurance Services, Inc., an insurance agency for ancillary and flexible benefit programs; Golden Security Insurance Company, Inc., offering policies for specific and aggregate stop-loss coverage, doing business as BlueRe of Tennessee; SecurityCare of Tennessee, doing business as BlueChoice Tennessee, a licensed HMO; Riverbend Government Benefits Administrator, Inc.; RiverTrust Solutions, Inc.; Southern Diversified Business Services, Inc.; BeneVive, Inc.; and Shared Health, a Medical and long-term care services support company. BlueCare Tennessee, BlueRe of Tennessee and BlueChoice of Tennessee are licensed with the Blue Cross Blue Shield Association.

BlueCross BlueShield of Tennessee operates two affiliates, the BlueCross BlueShield of Tennessee Health Foundation, a 501(c)(3) organization that promotes the philanthropic mission of the company, and the BlueCross BlueShield of Tennessee Community Trust, a 501(c)(4) organization with the purpose of improving the quality of health in Tennessee. They are both independent licensees of the Blue Cross Blue Shield Association and offer certain products and services under the Blue Cross and Blue Shield names.

BlueCross BlueShield of Tennessee owns a majority interest in Healthbox Nashville I, LLC, a venture capital company that provides early-stage capital and mentoring to high-potential health care technology startups in Tennessee. In 2018, BlueCross BlueShield of Tennessee owned 95 percent of Onlife Health, Inc., a population health management company. In 2019, BlueCross BlueShield of Tennessee completed a transaction to sell its remaining interest in Onlife.



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