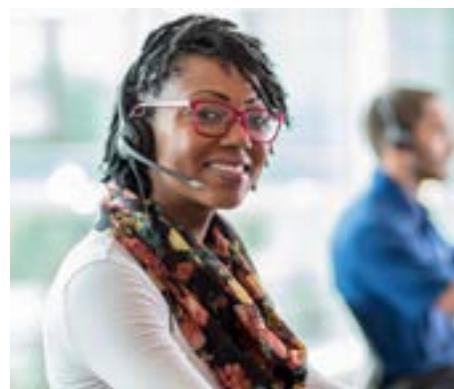




Company Overview

AUGUST 2019





Our mission

Peace of Mind through
Better Health®
for our members
for our customers
for our partners
for our communities

Tennessee is our home,
and our first priority is our
commitment to a healthier
life for the individuals,
families and communities
we serve.



Our commitment

We're a mission-driven company
that's right here for good in
Tennessee.

Here are the beliefs that guide
our daily decisions:

- Focusing on our members
- Responsible financial stewardship
- Ethical decision-making
- Contributing to our communities
- Building a workplace filled with engaged, diverse employees

Our people, living out these
values, make us who we are.
And they're helping us create a
healthier Tennessee.



acorporated

Hospital Services
incorporated under the
name "Hospital Service Co."
with the secretary of

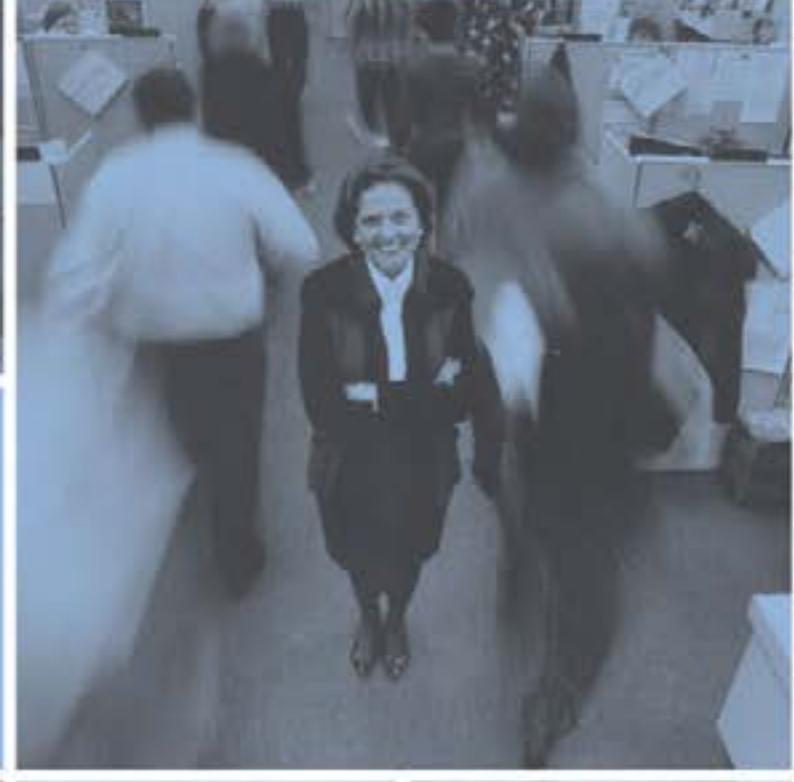
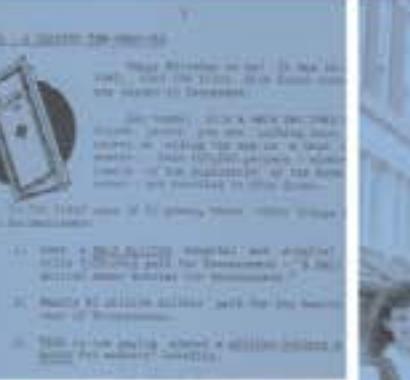
The association is to
administer and operate a
cooperative to supply
supplies to the affiliated
associations of Chapter
of 1945.
will be in Chanc-



**BLUE CROSS PLANS \$3 MILLION,
10-STORY BUILDING IN GATEWAY**

Board Chairman Roy McDonald Says New Construction Allows Potential of 20 Floors

Associated Press Photo
Courtesy of Blue Inc., Inc.



Overview and history



Off The Cuff



My Doctor
HAD ME
TO MILITARY



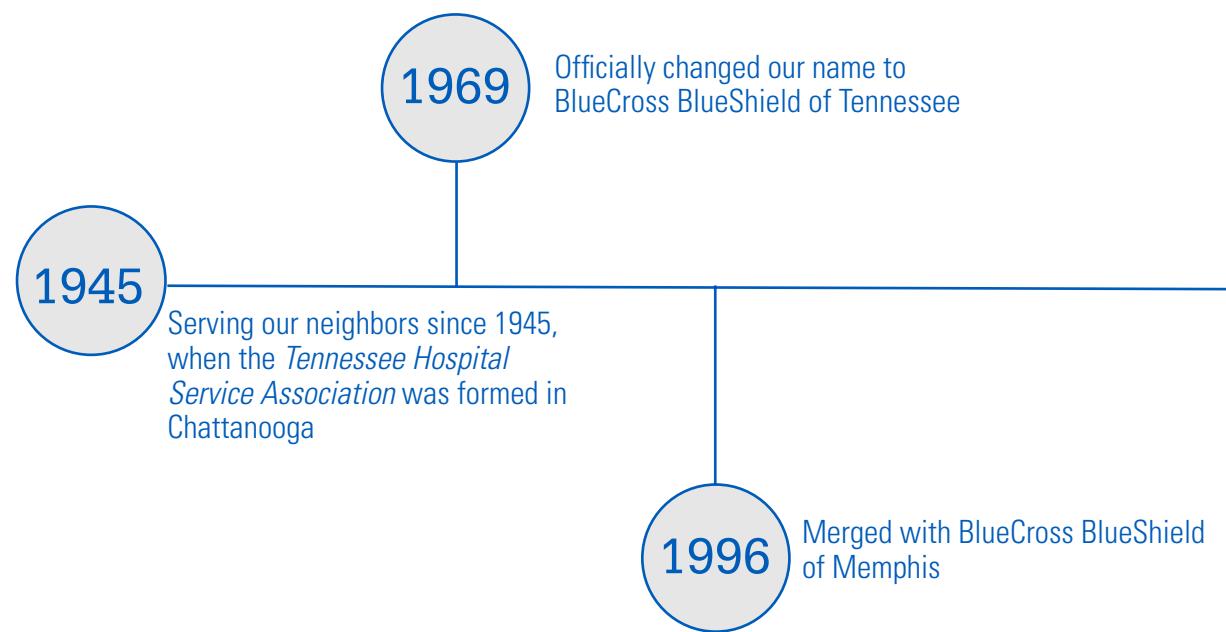
**Blue Cross Picks
Kinser To Follow
McGuff As CEO**



Thomas Kinser, executive vice president and chief operating officer of the Blue Cross and Blue Shield Association based in Chicago, has been selected as chief executive officer for the local Blue Cross and Blue Shield of Tennessee.

Mr. Kinser will succeed J. Roy McGuff, who will stay on as chairman of the board when he retires from his position after half a decade in





Our history

We trace our roots to 1945, when Roy McDonald of Chattanooga created the Tennessee Hospital Service Association to provide peace of mind for residents by helping them pay for hospital services.

Since then, we've always worked to provide affordable access to quality health care for our neighbors.

BlueCross has paid \$3.8 billion in taxes over the past 10 years, helping support programs and services that make Tennessee a great place to live.



Uniquely positioned to put members first

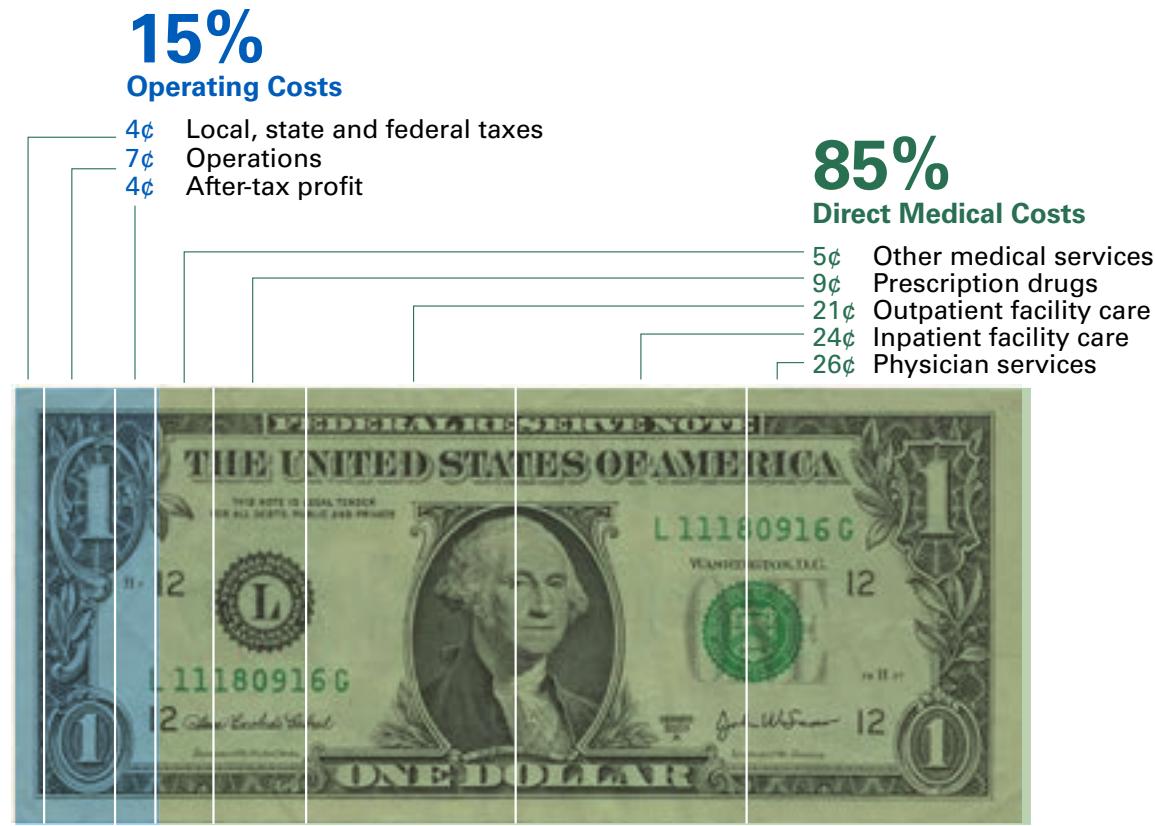
We are a **taxpaying, not-for-profit company** focused on serving Tennesseans, not on maximizing profits.

Our customers pay less because we work hard to manage operating expenses, and because we target lower margins than our competitors. But we still have to earn some margin to be sustainable.

Over the past five years, our average net income was 2.1% of gross revenues.

- We typically pay more in taxes than we earn in net income.

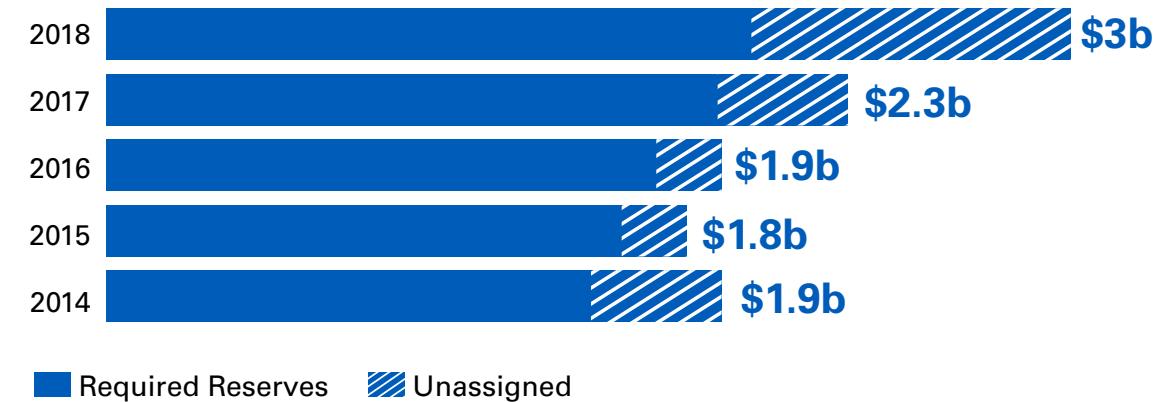
We use the vast majority of our members' premiums to pay for their medical care



Our financial strength protects our members and our state

Any net income we retain either goes into our reserves, which are a safety net in case of unexpected circumstances (like an epidemic disease or natural disaster), or they're invested back in the business to enhance the services we offer to our members.

We're required to maintain a certain level of reserves based on how many members we have and how much we have to charge in premiums. Our reserves as of Dec. 31, 2018 included the required \$2 billion and an additional \$1 billion.



In 2018, we made **\$15.2 billion** in payments to doctors, hospitals and drug companies to cover medical treatments for the members we serve.

The majority of our reserves are required by the state. We have \$267 per member in total reserves. That would cover our members' claims for 88 days. Our required reserves would only cover claims for 60 days.



Our inclusive, Tennessee-based workforce

We're proud to live and work alongside the people we serve. Our people are passionate about our mission, which translates into a workplace culture where every person is valued and respected for who they are.

**Forbes | 2019
THE BEST EMPLOYERS for DIVERSITY**
POWERED BY STATISTA

**Forbes | 2018
THE BEST EMPLOYERS for WOMEN**
POWERED BY STATISTA

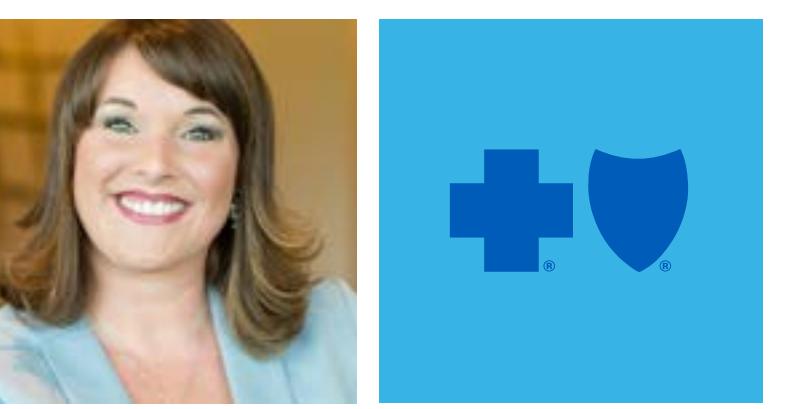
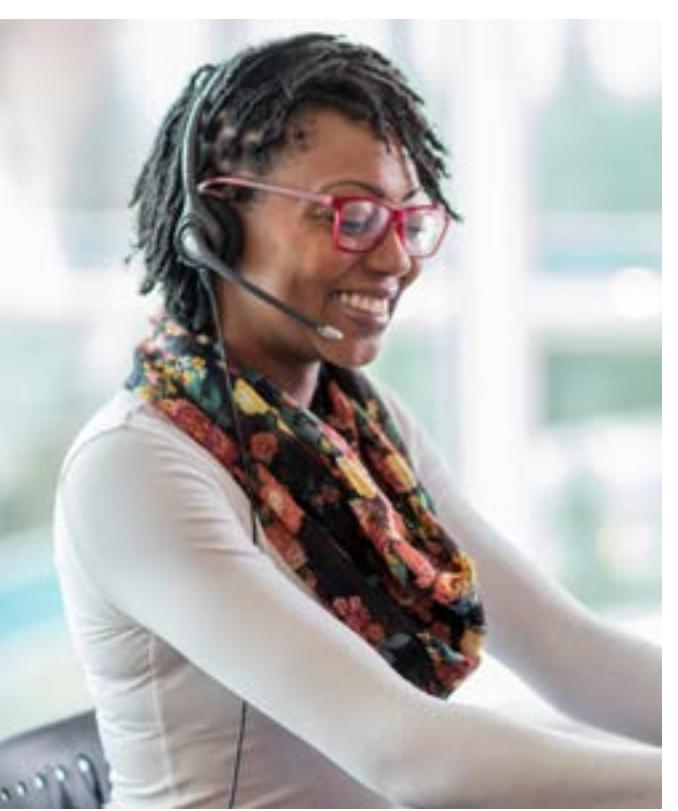
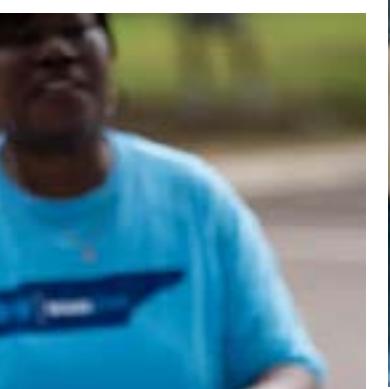
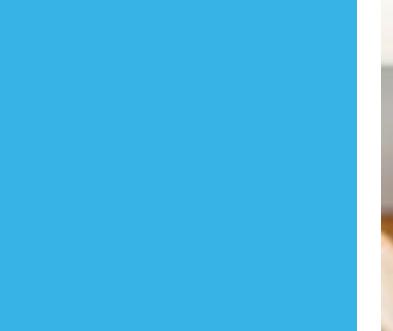
**Forbes | 2018
THE BEST EMPLOYERS for DIVERSITY**
POWERED BY STATISTA

We have around 6,500 employees serving 3.5 million members.

- 5,450 in Chattanooga
- 405 in Nashville
- 325 in Memphis
- 125 in Knoxville
- 105 in Tri-Cities
- 65 in Jackson

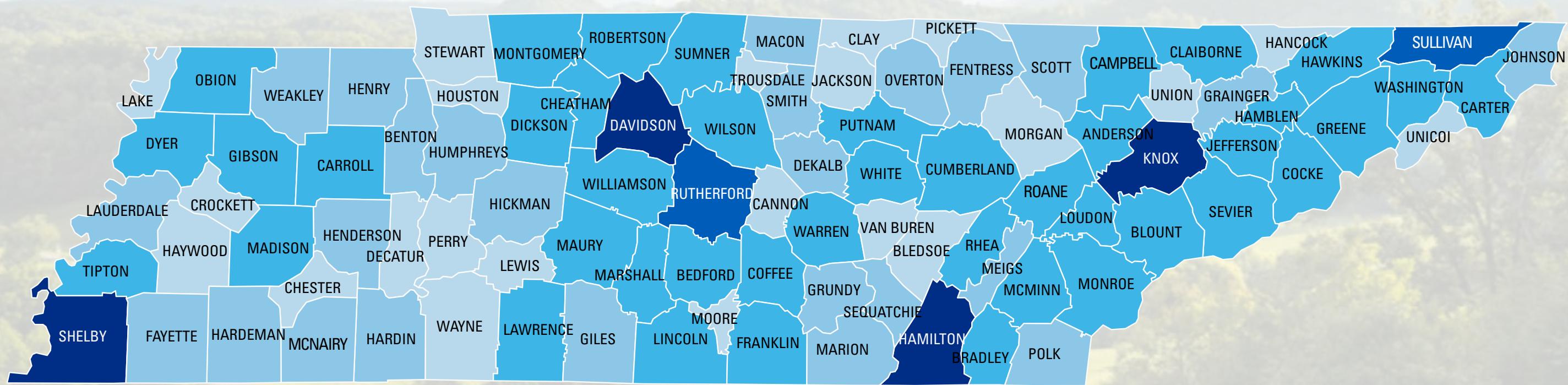
We are intentionally inclusive:

- Because it's the right thing to do
- Because reflecting – and understanding – the people we serve gives us a competitive advantage



Who we are





Our members and services

BlueCross BlueShield of Tennessee serves 3.5 million members.

We process around 56.4 million claims per year on behalf of our members. That's about:

- 4.7 million per month
- 217,000 per working day
- 27,000 per working hour

We process around 84 percent of claims within a day using our electronic system - requiring no additional information from members or providers.



We have members in all 95 counties of Tennessee.

And we have BlueCross employees in 80 counties.

Our lines of business

We serve health insurance members with three types of coverage:



Commercial plans

2.6 million members



Medicare plans

180,000 members



Medicaid plans

645,000 members

Our 2.6 million commercially insured members fall into one of these main categories:

- Fully insured groups:** BlueCross assumes the risk and pays the claims costs for covered members. These groups are typically small to medium sized companies.
- Self-funded groups:** The employer assumes the risk and pays their own claims, but uses BlueCross, for administration. They benefit from the same discounts we negotiate with health care providers, and our added-value services like care coordination. These groups are typically larger companies, with 500 or more employees.
- Individuals:** People buy their own health insurance apart from an employer. Most of these members buy their plan on the Marketplace established through the Affordable Care Act and are eligible for tax credits to help pay their premiums, but some purchase what are called "off-Marketplace" plans without subsidy assistance.

Through the **BlueCard program**, we serve "host" members of other Blue plans who live in Tennessee, while our sibling plans serve "home" BCBST members who live in the states where they operate. We have slightly more host than home members.

We also offer supplementary coverage, including dental and vision plans, for commercial members.





Our subsidiary, BlueCare Tennessee, has been a TennCare managed care organization since 1994 and serves 645,000 Medicaid members in these categories:

BlueCare: We provide traditional physical and behavioral health coverage for low-income children, pregnant women and disabled individuals. BlueCare assumes the risk for these members' claims, and TennCare pays us a per-member rate based on risk levels.

CHOICES: We provide long-term services and supports, including nursing facility and home-based care for elderly or disabled individuals.

Employment and Community First (ECF) CHOICES: We provide long-term services and supports for individuals with intellectual and developmental disabilities.

TennCareSelect: We administer physical and behavioral health coverage for specialty populations, such as children in state custody or foster care. This contract is similar to that of a self-funded group, where BlueCare provides administrative services and network pricing.

BlueCare Plus, DSNP: We administer coverage for individuals who are eligible for both Medicare and Medicaid. Members may be eligible for supplemental benefits including dental and vision.

CoverKids: We provide full health coverage for eligible children age 18 and under, as well as pregnant women, whose household income exceeds traditional Medicaid limits. This is funded through the federal Children's Health Insurance Program (CHIP).

We also serve around 180,000 members with two main types of Medicare plans:

Medicare Advantage: These plans, known as Part C, replace traditional Medicare Part A (hospital) and Part B (medical) coverage – and may add Part D (prescriptions) for members who choose them. Members get access to value-added services from BlueCross, including proactive care management.

Medicare Supplement: These plans add to traditional Medicare coverage, providing members with a higher level of financial protection against their medical costs.



Partnerships and impact

Our provider partnerships

One of our primary roles is providing our members with access to affordable, quality health care.

One way we do that is by contracting with 29,000+ providers — doctors, hospitals, clinics, etc. across Tennessee — to create health care networks. By agreeing to join, providers accept negotiated discounts from their standard billing rates. Every network is, then, a “value” network because it saves our members money.

Blue Network P offers the broadest coverage options

Blue Network S balances costs and choices

Largest Medicare network in Tennessee

Our members also have access to the largest national network of health care providers, through the Blue Cross Blue Shield Association, when they’re outside of Tennessee.

In 2016 we paid:



\$3.9 billion

to Tennessee physicians



\$5.5 billion

to Tennessee hospitals and facilities



Our pay-for-value programs

Every sector of the health care industry is in a state of transition as we work to find the right way to pay for medical services on the basis of quality or value. We have three main categories of pay-for-value programs:

- Quality incentives encourage physicians to follow evidence-based guidelines for care and reward them for making sure preventive services and screenings are a priority in their daily work.
- Patient-centered medical homes take a long-term view and apply a team approach to supporting people with chronic conditions like diabetes or asthma, with support from BlueCross-employed care coordinators.
- Total cost of care arrangements empower physicians to strive for value by delivering services more efficiently across a tightly integrated continuum of care while closely managing costs. BlueCross and the physician then share in any savings together.



80% of the primary care providers in our networks participate in at least one pay-for-value program.

41% participate in two or more.

Our economic impact

Beyond our daily efforts to deliver on our mission, our company also makes a positive contribution to the state's economy. A 2017 economic impact report found we:

Generated 12,000 jobs beyond our direct employees

Created \$1.6 billion in income for Tennessee business and families

- \$569.2 million in direct payroll spending
- \$312.2 million on goods and services from Tennessee companies
- \$714.6 million in secondary impact as those individuals spend their incomes around the state

Paid \$659 million in local, state and federal taxes



We produce jobs, household income and tax revenue that wouldn't exist in Tennessee if we were based elsewhere.



Our community impact

We have a responsibility to give back to the individuals, families and communities we serve. And giving back has always been a part of who we are.

- The BlueCross BlueShield of Tennessee Foundation and Community Trust have awarded \$90 million in grants and sponsorships across Tennessee since 2005. Our foundation is focused on building BlueCross Healthy Places — active spaces where people can come together, in communities across the state.
- Our foundation is focused on building BlueCross Healthy Places — active spaces where people can come together, in communities across the state.
- The BlueCross BlueShield of Tennessee Community Trust provides smaller-scale community support, including charitable clinics and youth programs.
- TeamBlue employee volunteers give thousands of hours each year to organizations in their own communities, from mentoring youth to delivering fresh food to the families of elementary school students.



Our employee volunteers donate thousands of hours each year to mentor students, collect food and supplies for those in need and support hands-on projects around the state.



Our BlueCross Healthy Place program

We're creating active, healthy spaces across Tennessee that connect people and foster a sense of community.

Tennessee is fortunate to have many great public spaces in cities and towns of all sizes. Over the coming years, we'll fund projects that create and improve them across the state.

We work with local communities to learn which types of facilities they need most, then help them create and build spaces that bring neighbors together. Each one will allow new connections to form, strengthening the bonds that form the backbone of our communities.

We recently opened our first BlueCross Healthy Place at David Carnes Park in Memphis.

\$5.4 million total investment from our foundation

Plans developed based on community input and feedback

Focused on multigenerational needs and communal activities

In 2019, we're starting work on three new BlueCross Healthy Places selected from community-driven proposals all over the state.

For more information, visit BlueCrossHealthyPlaces.com.



Connect with BlueCross

bcbst.com

bcbstnews.com

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 @bcbst

Practical Advice for Healthy Living

bcbstwelltuned.com

How We're Right Here for Good

bettertennessee.com

BlueCross BlueShield of Tennessee's mission is to provide peace of mind through better health. Founded in 1945, the Chattanooga-based company is focused on serving more than 3.5 million members in Tennessee and across the country. BlueCross BlueShield of Tennessee Inc. is an independent licensee of the BlueCross BlueShield Association. For more information, visit the company's website at www.bcbst.com.

BlueCross BlueShield of Tennessee
1 Cameron Hill Circle
Chattanooga, TN 37402

bcbst.com

BlueCross BlueShield of Tennessee, Inc., an Independent Licensee
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For ordering, reference:
19CCM454765
(4/19) Company Overview 2019