



HEALTH REIMAGINED

Innovating to transform
our healthcare system.



**We are on a
mission to create
a healthcare system
that is worthy of our
family and friends and
sustainably affordable.**



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JOSE'S STORY

Blue Shield member Jose got a life-saving transplant with support from our community health advocates.

OUR PLAN FOR THE FUTURE

The COVID-19 coronavirus upended life as we knew it across the world at the beginning of 2020. The full scale of its impact and the timing of our recovery from it are still unknown, as we publish our 2019 Mission Report.

Our hearts go out to COVID-19 victims and their families. While we mourn their loss, we have also been inspired by the resilience, persistence, generosity, and innovation we have seen from so many across our state, our country, and the globe. We will get through this together.

Health Reimagined is Blue Shield of California's ambitious plan to transform the healthcare system.

While this outbreak is an acute crisis, we face a longer-term but no less important healthcare affordability crisis. That was a major focus for us in 2019, particularly with our Health Reimagined efforts.

It will continue to be our focus until we've created a healthcare system that is worthy of our family and friends and sustainably affordable for everyone. Therefore, we've dedicated much of our 2019 Mission Report to the many innovations we have pursued as part of Health Reimagined and the lives that it has already impacted, particularly that of Jose Herrera, who is highlighted in our feature story.

We believe that with Health Reimagined, we are on the precipice of transforming health care in a way that truly serves our nonprofit mission by lowering costs, improving quality, and enhancing the member and clinician experience. It is my sincere hope that after reading this report, you will share that point of view.



After 80 years of doing business from our headquarters in San Francisco, Blue Shield of California moved its head office to downtown Oakland.

A handwritten signature in black ink that reads "Paul Markovich". The signature is written in a cursive, flowing style.

Paul Markovich
President and Chief Executive Officer

HEALTH REIMAGINED

We are continually innovating to transform our healthcare system so all Californians can access the personalized, affordable, and high-quality care they deserve.

HIGH-TECH, HIGH-TOUCH SUPPORT FOR OUR MEMBERS

We believe in and support care that is safe, effective, and efficient. To that end, we are removing barriers, inefficiencies, and burdens from the healthcare experience.

Investing in next-generation care

We are a founding investor in Altas, a new company that empowers doctors to focus on what they do best: connecting with and treating patients. [Read more.](#)

Real-time claims

In October 2019, we launched a pilot program with OODA Health, Dignity Health, and Hill Physicians to make healthcare claims and payments happen immediately after patients receive care. [Read more.](#)

Partners in care

Our community health advocates are committed to helping our Medi-Cal members get the best possible care. Advocates put members in touch with vital community and government services, such as nutrition and housing, that are essential for good health. [Learn more by reading Jose's story on Page 10.](#)

Powering better health

Our Wellvolution® platform gives members [50+ digital tools](#) for improving their health – as well as access to more than 30,000 brick-and-mortar locations.



Claudia Miller after her work with Wellvolution.

 **27,000**
members enrolled

 **5%**
average weight loss

 **92%**
customer satisfaction

**“It changed everything.
Now, I feel like I could
live forever.”**

– Claudia, member who lost 45 lbs. and no longer needs diabetes medication after using Wellvolution. [Read Claudia's story.](#)

We have achieved early wins, with 75% of members in the pilot utilizing the new claims tool, and 92% reporting a good experience.





HOLISTIC HEALTH

We are helping people live their healthiest lives by connecting them to essential community services.

Removing barriers to access

We launched rideQSM, an innovative medical transportation program created in collaboration with Lyft, Blue Cross Blue Shield Institute, and Hill Physicians. Together, we're solving a common hurdle to accessing care. [Read more.](#)



More than 1,000 Blue Shield members with HMO or PPO health plans through their Sacramento-area employers are eligible for rideQSM at no additional cost.

Understanding risks and building solutions

Our community health advocates are using an innovative new tool called mySidewalk to help identify and address risk factors in their patients' communities. Risk factors can include food deserts, poverty, and educational attainment. With mySidewalk, caregivers can access more than 2,500 data indicators to create robust health needs assessments and connect patients to vital community resources.

HEALTH REIMAGINED ON A ROLL

We are piloting Health Reimagined in four regions across California – in the counties of Butte, Los Angeles, Monterey, and Sacramento.

In rural Butte County, we are helping [restore and enhance](#) healthcare delivery disrupted by the deadly Camp Fire. With the Paradise Medical Group, we provide health advocates with a virtual-visit tool through Teladoc. The tool allows patients who were displaced and dispersed by the fire to “visit” their doctor via phone, tablet, or personal computer.

“Blue Shield has given us the opportunity to reinvent the future of primary care in Paradise.”

– Richard Thorp, M.D.
President of Paradise Medical Group



Dr. Thorp surveys damage from the Camp Fire of 2018, which severely damaged the city of Paradise in Northern California's Butte County.



PERSONAL CARE

Our patient-centered care model is designed to enable and reward better-quality health outcomes.

Reinventing payment models

Through an alternative payment model that reduces financial and administrative barriers, emphasizes patient health, and rewards improved outcomes, we are empowering physicians to practice medicine that is best for patients and restoring their joy in practice.

Enabling shared decision-making

Through a collaboration with WiserCare, we are helping patients better engage with their physicians before, during, and after office visits. Outcomes are improved when patients work with their physicians to choose the treatments that are right for them.

To start, we are testing shared decision-making in Sacramento and Los Angeles counties. We plan to add more practices in Los Angeles and expand into Monterey County in 2020.

Delivering care at home

Blue Shield has a comprehensive suite of in-home care services designed to improve quality and access to home health care.

- Through Heal™, we offer on-demand doctor visits to PPO and Trio HMO members throughout much of California. Visits may occur in members' homes, offices, or hotels. [Read more.](#)
- Through Landmark, members with complex health issues and multiple chronic conditions have access to comprehensive home-based care that includes medical, behavioral, and social services, plus 24/7 access to in-home urgent care. [Read more.](#)
- Our home-based palliative care program offers an interdisciplinary team of doctors, nurses, social workers, and chaplains. [Read more.](#)



16,000 Blue Shield members received care in the comfort of their own homes through one of these programs in 2019.



JOSE'S STORY

Against the odds: How one man's determination gave him a new lease on life



A little more than a year ago, the odds of Jose Herrera living a long life weren't so good. It was October 2018, and Herrera had just learned he would need to receive a transplant of two healthy lungs, as he continued to battle complications from chronic conditions.

Unfortunately, doctors told Herrera he wouldn't be able to undergo a transplant unless he lost at least 40 pounds. This was particularly challenging for Herrera, because he could barely move due to advanced-stage pulmonary fibrosis, a hardening of the air sacs in the lungs. After a career of working in cabinet-making and construction, he could no longer work. Tethered to an oxygen tank, he was homebound and unable to perform simple tasks such as housework or walking down the street. So, exercise as

a means of losing weight was out of the question.

Herrera, 55, described his life with the disease as having "bad days" and "really bad days." He said, "A bad day was a good day. And on a really bad day, I couldn't get out of bed."

Health Reimagined

Patients like Herrera are prime candidates for support from community health advocates. Advocates were introduced in October 2018 as an extension of the social services team at our Promise Health Plan. Today, they help our Medi-Cal members get the best care possible by facilitating access to vital community and government services – such as nutrition and housing – that are essential for good health.

Most individuals with Herrera's form of the disease – idiopathic pulmonary fibrosis – live three to five years after a diagnosis. His prognosis was much shorter than that. Yet what he lacked in physical strength he made up for with determination. He also relied on a network of physicians, nurses, and social workers to help him get on track.

Accessing a community of care

Herrera met community health advocate Denise Oliva at a Blue Shield of California Promise Health Plan clinic. Oliva connected Herrera with Project Angel Food, a nonprofit organization that delivers nutritionally tailored meals to people battling serious illness. She also helped relieve stress on his family by helping Herrera's wife, Susana, to apply for paid time off as a caregiver. This provided some financial relief.

"There were resources I knew he could obtain, and I knew they would make his life a lot easier," Oliva says.

Herrera also had other help. His doctor, for example, slowly dialed back the steroids prescribed for his lung condition. Steroids help with inflammation, but they make it harder to lose weight.

"There were resources I knew he could obtain, and I knew they would make his life a lot easier."

– Denise Oliva
Community Health Advocate

By May, Herrera had lost 55 pounds. The weight loss prompted Deborah Chapman, a Blue Shield complex care manager assigned to Herrera, to apply once again to have him put on the transplant list. Lower weight makes it easier to find a donor for a patient, because the organs need to come from



Herrera just after he underwent his double lung transplant in September 2019.

someone of roughly the same size. A lower weight also increases the chances of a successful transplant.

"Jose's case is a great example of a team working together," said Terry Gilliland, MD, executive vice president, Healthcare Quality and Affordability at Blue Shield. "This is about long-term relationships and helping people through a journey, making sure Jose and Susana had all the right support so he could get to a place where he was physically and medically cleared to go through the transplant process."

In September, Herrera underwent transplant surgery. He was on a ventilator for less than a week and was discharged from the hospital in two weeks. His rehabilitation continued at home. At first, he just walked inside the house, then down the street, then twice down the block on the same day. He started doing laundry and other tasks, all without an oxygen tank.

"I'm just feeling like a new person, totally new," said Herrera, who now goes to the gym regularly and is grateful for his new lease on life. "I'm really happy. I'm more independent, and I feel the freedom. I can go anywhere I want."

LEADING CHANGE

Blue Shield of California is working to bring comprehensive, real-time data to California. We advocate for public policy that is in the best interest of our members and communities.

Health information exchange

We continue to work with Manifest MedEx, a digital health information exchange that aggregates patient records to ensure providers across the state can quickly access a patient's history. [Read more.](#)

Statewide provider directory

We invest in Symphony, a statewide provider directory launched in January 2019. The directory enables all Californians to find doctors and other providers in their plan network. [Read more.](#) The Integrated Healthcare Association, which operates Symphony, aims to achieve participation by at least 80% of plans and providers in California by 2023.

Promoting comprehensive affordability

In his 2020 budget announcement, Governor Gavin Newsom expressed his intention to [create](#) a new California Office of Health Care Affordability. Its goal is to bring healthcare cost growth in line with increases in paychecks. Supported by Blue Shield and a diverse group of stakeholders, this groundbreaking approach would set cost and quality targets as well as accountability for achieving affordability goals.



In 2019, Manifest MedEx grew to 17 million patient records, with both clinical and claims data shared among seven health plans, three national laboratories, and more than 500 healthcare organizations including 90+ hospitals.

Bringing competition to drug pricing

Blue Shield of California, along with 17 other Blue Cross Blue Shield Association plans, is working with nonprofit Civica Rx to provide low-cost generic medications by early 2022. [Read more.](#)

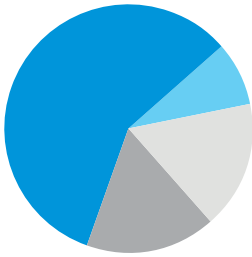
Tackling homelessness

We have committed \$20 million to support Gov. Newsom's California Access to Housing and Services fund. The fund aims to reform Medi-Cal to better integrate physical and behavioral health, as well as helping to solve the state's homeless crisis. [Read more.](#)

SERVING OUR MEMBERS

Blue Shield's total membership grew to
nearly 4.4 million members in 2019.

We work every day to keep our members and BlueCard® members at the center of everything we do. Blue Shield of California and its affiliates provide health, dental, vision, Medicaid, and Medicare healthcare service plans to more than 4 million members.



OUR MEMBERS AT A GLANCE

- Employer plan members 2,567,333
- BlueCard members 365,130
- Individual and Family Plan members 726,407
- Medicaid/Medicare members 738,607
- Total members 4,397,477***

* Data as of December 31, 2019.

Blue Shield Promise Health Plan launches community resource centers

In conjunction with L.A. Care Health Plan, Blue Shield Promise Health Plan will operate 14 community resource centers across Los Angeles County. The centers will offer communities a wide variety of exercise, nutrition, and health management classes in a safe, fun, and inclusive space. [Read more.](#)

Improving healthcare quality

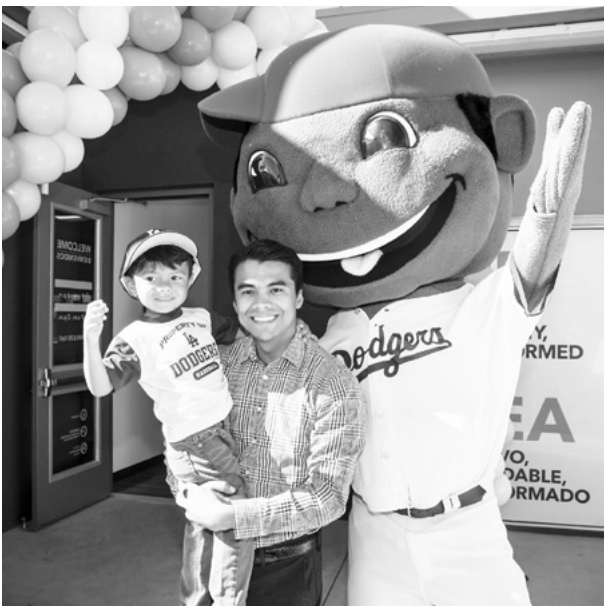
Blue Shield works with providers to create accountable care organizations (ACOs), which share accountability for both the costs and quality of care for members served by our Trio plan.

2019 ACO numbers

67
total number of ACOs (HMO and PPO)

692,000
Blue Shield members served by ACOs (HMO and PPO)

\$839 MILLION
cost of healthcare savings since 2010 (HMO)



Blue Shield Promise Health Plan and L.A. Care Health Plan celebrated the grand opening of our first community resource center in Pomona.



Our new community resource centers offer services and resources to our members and the community that will keep them active, healthy, and informed.



458,376 Medi-Cal and Medicare members were served by Blue Shield Promise Health Plan in 2019.

MEMBER SATISFACTION

Exceptional quality and member satisfaction are essential to advancing our mission.

Improving customer experience

In 2019, we received a Forrester Customer Index Score of 66.0, placing us in the top tier of the health insurance industry. Over the past few years, our score has increased faster than those of our peers and the industry as a whole.

Medicare ratings

Every year, Medicare evaluates plans based on a 5-star rating system. In 2019, we maintained our 4-star rating for Medicare and 3.5-star rating for our Promise Health Plan. We're working hard to improve our ratings in 2020 and beyond.

CARING FOR OUR COMMUNITY

We donate millions of dollars each year and are committed to operating our business in a sustainable way to help make California the healthiest state now and into the future.

BLUE SHIELD OF CALIFORNIA FOUNDATION

Our Foundation is an independent, nonprofit organization with a mission to make California the healthiest state and end domestic violence.

Highlights from 2019 include:

- Helped launch a Gender Justice Funder Collaborative group
- Supported a restorative justice domestic violence initiative
- Invested in initiatives to ensure a complete Census count in our state



Blue Shield has contributed more than \$120 million in funding to the Foundation during the past three years, including \$45 million in 2019.

In 2020, the Foundation will expand efforts to prevent domestic violence across multiple generations by addressing intimate partner violence and protecting children from the long- and short-term impacts of violence in the home. It will promote strategies that improve health by stabilizing and improving household economic security, a key determinant of health. In addition, it will increase support for community health and domestic violence prevention in all corners of the state.

[Read more.](#)

BLUESKY: SUPPORTING STUDENT MENTAL HEALTH

This past December, we launched a statewide, multiyear initiative called BlueSky. The initiative brings together leading community organizations to provide mental health resources for middle and high school students.

By February 2020, BlueSky engaged mental health specialists to provide 2,500+ counseling sessions in San Diego and Bay Area schools. [Read more.](#)



“Positive adult relationships, peer-to-peer support, and mental health services are critical to helping young people heal. This collaboration is truly about the intersection of education and health.”

– Dr. Nadine Burke Harris
Surgeon General of California

OUR ENGAGED EMPLOYEES

One of the most powerful ways we can make a positive impact in our communities is through hands-on service. Blue Shield has one of the most robust citizenship programs of any company our size.

In 2019, Blue Shield was named a recipient of the San Francisco Business Times' Beyond the Check Award, which is given to a handful of companies that go beyond cash donations.



In 2019, 81% of our employees supported more than 250 community service projects – totaling over 44,800 hours.

Employee donations were approximately \$210,000, and Blue Shield–matched funds totaled another \$266,000.

OUR ENVIRONMENTAL SUSTAINABILITY GOALS

Blue Shield of California remains committed to operating our business in a sustainable way to help safeguard the health of Californians now and into the future.

ENVIRONMENTAL SUSTAINABILITY OUTCOMES ¹		
	2019	2020 GOAL
Renewable energy use	24%	30%
Greenhouse gas emissions	35% decrease	30% decrease
Water use	8% decrease	25% decrease
Recycling at owned facilities	100%	100%

REACHING OUR GHG REDUCTION TARGET EARLY

In 2019, we reduced our greenhouse gas emissions by 35%, thereby exceeding our initial target one year early. This is the equivalent of eliminating nearly 6 million miles driven by average passenger vehicles.

Sustainability at our new headquarters in Oakland

Our new home in Oakland is designed with sustainability in mind. The building's core and shell are both LEED Gold certified. Plus, we have water refill stations for reusable cups, bike parking, EV charging stations, and composting and recycling available.

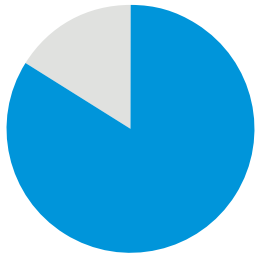
¹ The footprint is based on the electricity, natural gas, and water consumption at our main office locations; this is consistent with our 2012 (baseline year) methodology and ensures the figures are comparable. We estimate it covers 75% of our total electricity consumption, above 95% of our total natural gas consumption, and 56% of our total water consumption. We are working on a complete greenhouse gas inventory (including scope 3 emissions) in line with the latest guidelines for our next goal period starting in 2021.

INVESTING IN OUR PEOPLE

We take pride in being a great place to do meaningful work.
We are a mission-driven organization powered by
people who lead with purpose.

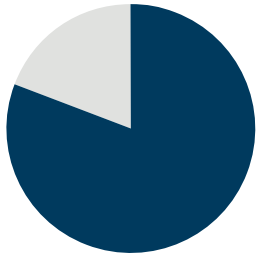
CREATING A GREAT PLACE TO WORK

To fulfill our ambitious mission, we need great people doing their best work. We invest in developing leaders at all levels of the company by providing opportunities for employees to learn and grow personally, professionally, and financially.



84%

of employees said Blue Shield is a Great Place to Work.



81%

of employees said their manager enables them to grow and develop through coaching and guidance.



In addition to our in-house leadership program, we offer full-time employees the opportunity to obtain free associate, bachelor's, or master's degrees at Ashford University.

- We are proud that Blue Shield of California has achieved a zero pay-ratio gap among men and women and minorities.
- We extended parental leave to 12 weeks to support growing families.
- Blue Shield received the Achievers' 50 Most Engaged Workplaces Award.
- We were named one of 2019 World's Most Ethical Companies by Ethisphere, the seventh year that we have received this recognition.
- The Human Rights Campaign named Blue Shield a Best Place to Work for LGBTQ+ employees, giving us a perfect score of 100% for the fourth year in a row.
- We ranked #1 on the Diversity Inc. 2020 Top Regional Companies List for Diversity.



Our Black Employee Network members proudly marched in the 35th Annual Kingdom Day Parade in Los Angeles.

EMBRACING DIVERSITY AND INCLUSION

For Blue Shield, diversity and inclusion are strategic imperatives. We make it a practice to seek diverse candidate slates when promoting and recruiting at all levels.

- 40% of our board of directors are ethnically diverse.
- Nearly 40% of our board of directors is female.
- More than 50% of our executives are women.

We leverage diversity through seven vibrant employee resource groups (ERG) representing women, veterans, Black, Hispanic, Asian, disabled, and LGBTQ+ employees and their allies. ERG members create an inclusive culture and improve employee experience. Plus, they build relationships with diverse suppliers, partners, and members, and volunteer with nonprofits in our communities.

Employee resource groups contribute to the rich cultural life at Blue Shield.

- Almost 20% of employees are affiliated with at least one ERG.
- They spearhead more than 35 events each year.
- They help build pride in our company and help us make Blue Shield a great place to work.

OPERATING RESPONSIBLY

At Blue Shield of California, we operate in a way that is ethical and fair, acting with integrity while responsibly stewarding our company's financial resources.

ACTING WITH INTEGRITY

Blue Shield of California's Code of Conduct provides a framework for how we define doing business the right way, and guides how we work every day. Here are some of the ways we operate responsibly:

TRULY MISSION-DRIVEN



As a nonprofit health plan, Blue Shield has no shareholders – our most important goal is the fulfillment of our mission.



We're the only major health plan that gives back our income over 2% of revenue. Because of our strong performance in 2019, we will give back \$120 million to the communities we serve.



Blue Shield has been recognized for our diverse board of directors – 38.5% of whom are women.

COMMITTED TO ETHICS AND INCLUSION



Blue Shield has been named one of the World's Most Ethical Companies® eight times.



Blue Shield is a tax-paying nonprofit. We paid \$129 million in income taxes in 2019, as well as \$273 million in ACA taxes, premium taxes, and other fees.



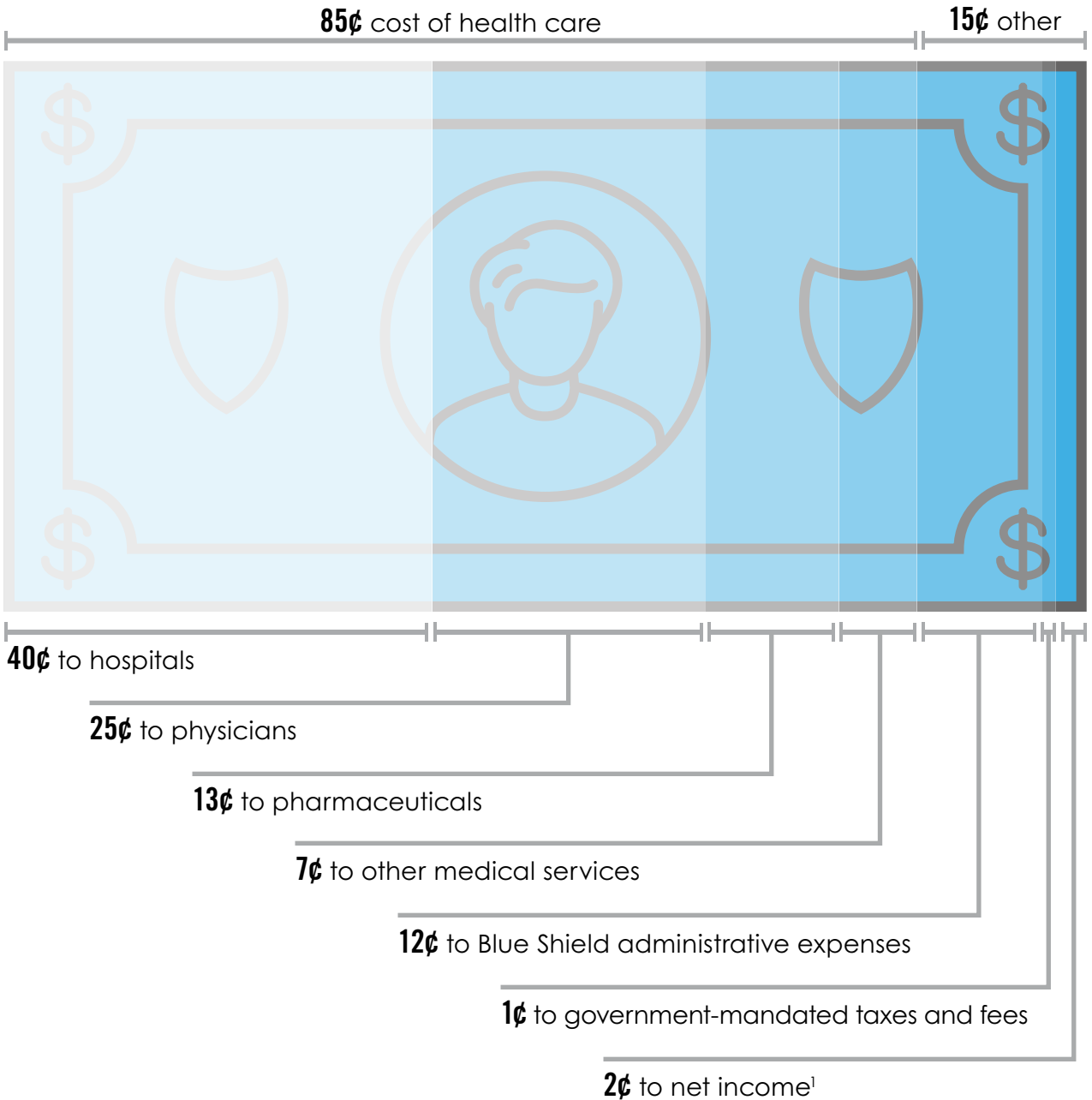
In 2019, we purchased \$40 million in goods and services from certified small businesses, as well as women-, minority-, veteran- and LGBTQ-owned businesses.

CREATING A CULTURE OF AFFORDABILITY

By increasing efficiencies throughout the organization, we are significantly reducing administrative costs. We saved more than \$50 million in 2018 and delivered additional savings of more than \$35 million in 2019 – resources we will apply toward transforming health care. Also, through our 2% Pledge, we gave back to the community in 2018 and 2019, \$57 million and \$120 million, respectively.

Where do member premium dollars go?

Here's how a Blue Shield member's premium dollar is spent:



¹ 2019 net income margin at 2% after exclusion of unrealized equity gains.

BLUE SHIELD OF CALIFORNIA CONSOLIDATED FINANCIALS (\$ IN MILLIONS)

	2019	2018	2017	2016
Premiums, net, and other revenue	\$21,086	\$20,632	\$17,684	\$17,598
Less: medical expenses	\$18,006	\$17,249	\$15,035	\$15,085
Gross profit	\$3,080	\$3,383	\$2,650	\$2,513
<i>Medical expenses as a percent of premiums</i>	<i>85.4%</i>	<i>83.6%</i>	<i>85.0%</i>	<i>85.7%</i>
Marketing and selling	\$649	\$723	\$685	\$631
ACA taxes, premium taxes, and other fees	\$273	\$548	\$261	\$451
General and administrative	\$1,884	\$1,615	\$1,541	\$1,398
Total administrative expenses	\$2,806	\$2,886	\$2,487	\$2,480
Pre-tax operating income	\$276	\$497	\$163	\$33
Investment income	\$426	\$119	\$142	\$169
Income before taxes	\$702	\$616	\$304	\$202
Income taxes	\$129	\$203	\$8	\$135
Net income	\$573	\$413	\$296	\$67
<i>Profit margin (net income as a % of premiums)</i>	<i>2.7%*</i>	<i>2.0%</i>	<i>1.7%</i>	<i>0.4%</i>
2% Pledge amount	\$120	\$57	\$0	\$0
Foundation contribution	\$45	\$45	\$39	\$34

*2019 net income margin at 2% after exclusion of unrealized equity gains.

Wellvolution is a registered trademark of Blue Shield of California. Wellvolution and all associated digital and in-person health programs, services, and offerings are managed by Solera, Inc., a health company committed to changing lives by guiding people to better health in their communities.

rideQ is operated by BCBS Institute.

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Blue Shield of California complies with applicable state laws and federal civil rights laws, and does not discriminate on the basis of race, color, national origin, ancestry, religion, sex, marital status, gender, gender identity, sexual orientation, age, or disability.

Blue Shield of California cumple con las leyes estatales y las leyes federales de derechos civiles vigentes, y no discrimina por motivos de raza, color, país de origen, ascendencia, religión, sexo, estado civil, género, identidad de género, orientación sexual, edad ni discapacidad.

Blue Shield of California 遵循適用的州法律和聯邦公民權利法律，並且不以種族、膚色、原國籍、血統、宗教、性別、婚姻狀況、性別認同、性取向、年齡或殘障為由而進行歧視。

WHAT WE STAND FOR SETS US APART

