

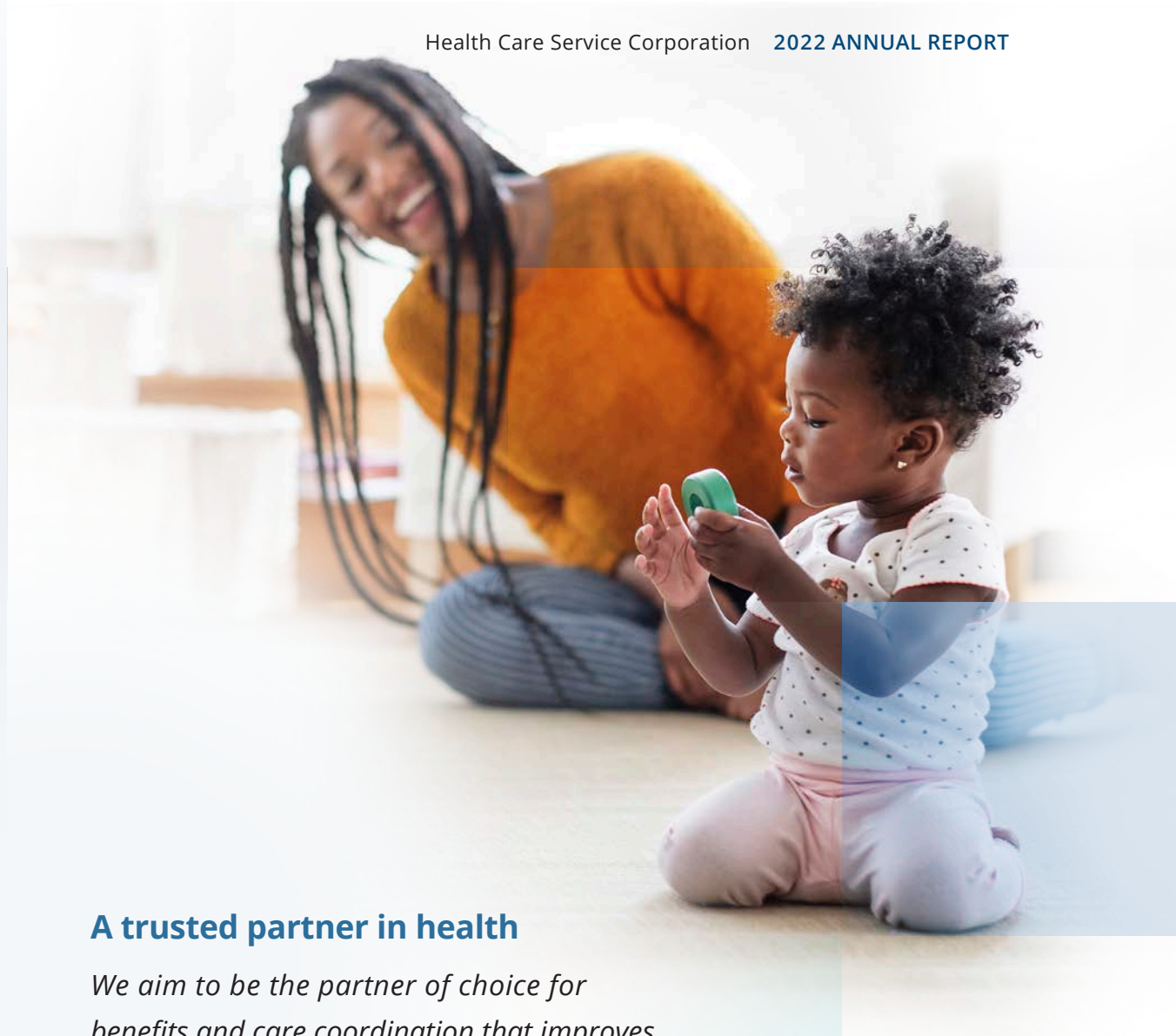
HCSC  
Health Care Service Corporation



2022  
ANNUAL  
REPORT

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### **A trusted partner in health**

*We aim to be the partner of choice for benefits and care coordination that improves people's health and well-being through all stages and phases of their lives.*

## Message from Our **PRESIDENT, CHIEF EXECUTIVE OFFICER AND VICE CHAIR**

As 2022 emerged from the complexities of the recent past, a new set of challenges remained. Inflation and monetary policy contributed to increased cost pressures and reduced growth expectation. The competitive landscape also shifted, with large companies focusing more on scale and capabilities and smaller companies retrenching. New mandates on payer processes also played a role in defining the year, which led to changes in certain components of payer operations and economic models.

Yet despite such an ever-shifting landscape, 2022 created new opportunities for HCSC to differentiate itself. We did so because of our healthy market position, strong financial standing, uniquely scaled platform, and willingness to evolve. Our steady growth represents perseverance through past difficulties of the pandemic and our ability to navigate successfully to the other side.

Our company's resiliency is also due to the commitment of our 26,000 employees

in over 60 offices across the five states we serve. They have never wavered in our collective mission to become the partner of choice of health benefits and care coordination for members of all ages across all reimbursement arrangements.

In moving forward, HCSC is focused on offering members high-value products and serving as the most trusted coordinator of health care for all our members. We also are intent on delivering superior support to our providers, brokers, and employers. These things are achievable if we keep our focus sharp on growth, affordability, and our operating model – Three objectives that we expect will amplify our growth in 2023.

I am also proud that HCSC is a nationally recognized leader in supporting community investments for organizations that advance equitable access to critical services. In doing so, we helped drive resources to neighborhoods that are in most need of products and services to improve health outcomes and address health disparities.



**Maurice Smith**  
President,  
Chief Executive Officer  
and Vice Chair

HCSC is dedicated to expanding access to high-quality, cost-effective health care and equipping members with information and tools so they can make the best health care decisions for themselves and their families.

In reading this report I hope you will see we are an ethical company that believes in closing equity gaps while expanding access to quality health care in every direction. Our employees come to work each day emboldened to better the lives of our members and communities. The strength of that dedication is embedded in every fiber of HCSC. Join me in learning about what got us to this moment, and where we go from here.

## ABOUT HCSC

Health Care Service Corporation, a Mutual Legal Reserve Company, is the largest customer-owned health insurer in the United States, operating through our Plans in Illinois, Montana, New Mexico, Oklahoma, and Texas. The company, founded in 1936, serves more than 17 million members across five states and employs more than 26,000 people in over 60 local offices. Every day our employees answer more than 43,000 phone inquiries from members, process 1.2 million claims, and administer our products in each county across our five states.

HCSC's mission is to be the partner of choice for health benefits and care coordination for members of all ages across all reimbursement arrangements.

HCSC is dedicated to expanding access to high-quality, cost-effective health care and equipping members with information and tools so they can make the best health care decisions for themselves and their families. Our Plans were pioneers in their states, as they were the first to provide coverage for several procedures — ranging from heart and bone marrow

transplants to cancer treatments. Today, we are leaders in developing value-based care approaches to spur greater collaboration and accountability among various stakeholders to improve the health care outcomes for patients and enable them to lead healthier lives.

As HCSC continues to grow and support the needs of our members, customers, and other stakeholders, we also remain committed to investing in the communities we serve. Our dedication to supporting and strengthening relationships with local partners is engrained in our mission to create healthier communities, big or small, rural, or urban. Through community engagement and continuing investments, we operate with a deep commitment to the people we have the honor of serving. We act on that commitment by helping to expand access to quality, cost-effective care, promoting health education, and addressing hunger and nutrition challenges for communities experiencing on-going unmet needs.

As a customer-owned health insurer, we focus on member needs – not investor expectations – allowing us to seek long-term solutions benefiting the entire health care system.



## ABOUT HCSC

### Recognitions

- **Forbes Best Employers for Women**
- **Disability Equality Index Best Places to Work**
- **Corporate Equality Index 100% Score**
- **Military Friendly Employer Award**
- **Computerworld's Best Places to Work in IT**
- **World's Most Ethical Companies Award (Ethisphere)**
- **The Civic 50 Community-Minded Companies Award**
- **Health Ethic Trust's Best Practice Award**
- **100 Most Influential People in Healthcare**
- **Forbes Best Employers for Diversity & Inclusion**

## Delivering On Our Promise

### In 2022 we:



Supported  
1,811  
organizations



Processed over  
90% of claims  
through automation



Invested \$18.1 million  
in local  
communities



Served 17.7 million  
members



Processed over  
99% of  
claims accurately



Contributed 109,807  
in employee  
volunteer hours



Managed \$102.3 billion  
in managed  
medical spend



Contracted with a  
network of  
406,388 physicians/  
providers and  
9,246 hospitals/facilities



Processed over  
1.2 million  
claims per day

## HISTORY OF HCSC

Health Care Service Corporation (HCSC) is a pioneer in affordable health care insurance, having developed the first hospital care prepayment plan in the world.

The company's origins can be traced back to 1929 when Justin Ford Kimball, a vice president at the Baylor University School of Medicine in Texas, developed the first model for affordable health care insurance. At the height of the

Great Depression, a group of Chicago civic leaders, hospital officials, and physicians adopted Kimball's model and in 1936, they launched what was initially called the Chicago Plan for Hospital Care. The company's first health insurance policy became effective on January 21, 1937.

The concept of prepayment for hospital care caught on quickly in Chicago. The company, which was incorporated as Hospital Service Corporation, grew rapidly, enrolling 36,000 members in just the first six months of operations. The company adopted the Blue Cross symbol in 1939 and the Blue Shield symbol in 1947.

The Blue Cross Plan for hospital services and the Blue Shield Plan for physician services operated separately until 1975 when they were merged as Health Care Service Corporation. By 1982, all the smaller Blue Cross Plans in Illinois were also merged with the Chicago-based Plan, and the company operated as Blue Cross and Blue Shield of Illinois. The company's tremendous growth continued as other Blue Cross and

Blue Shield Plans joined HCSC: Texas (1998), New Mexico (2001), Oklahoma (2005), and Montana (2013).

### PIONEERING PLANS

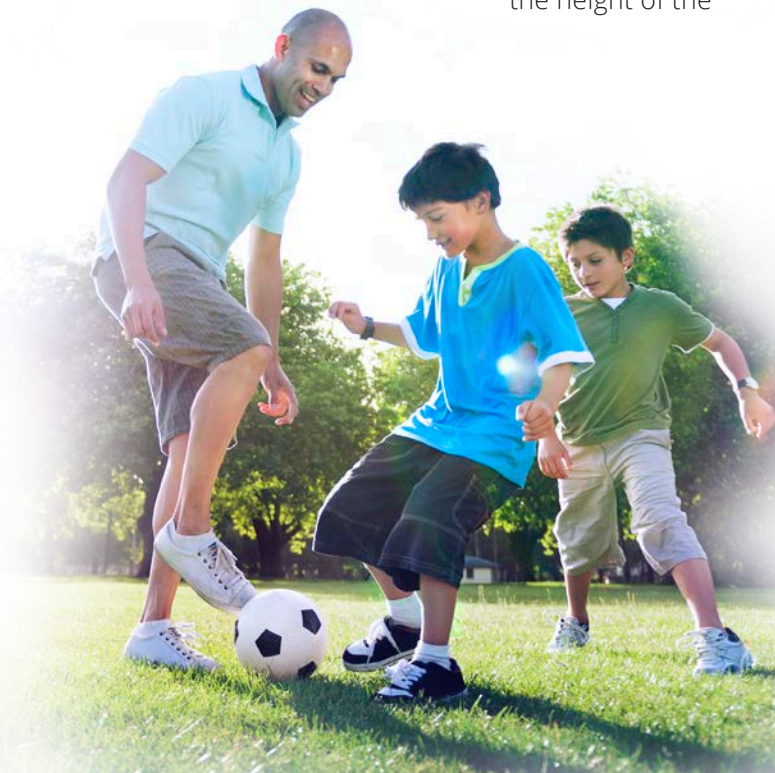
HCSC Plans were among the first health coverage companies in their states, and they pioneered many of the benefits used today.

**In Illinois,** we were the first to provide:

- Coverage for autologous bone marrow transplants
- Coverage for heart transplants
- Group health insurance to rural and small communities through county health improvement associations
- The nation's first mobile immunization program

**In Texas,** we were the first to provide:

- Coverage for cancer treatment, catastrophic illnesses such as polio, leukemia, and diphtheria
- Coverage for infants from birth and migrant farm workers





## HISTORY OF HCSC

**In New Mexico**, we were the first to:

- Offer PPO coverage
- Introduce point-of-service coverage
- Exchange electronic claims information with providers
- Provide a dedicated customer service unit for large group accounts
- Offer in-hospital medical coverage on a per visit basis

**In Oklahoma**, we were the first to:

- Create a mobile health screening unit and free visual, hearing, glaucoma, blood, and blood pressure screenings

**In Montana**, we were the first to:

- Offer a statewide mobile health unit to provide access to adult and child immunizations, health screenings, oral health services, and sports physicals

## State Spotlight on Our Commitment in Illinois

### Improving Maternal and Infant Health Outcomes with Fellowship, Care and Support

The U.S. has one of the highest rates of maternal death in the industrialized world. Receiving prenatal care late in a pregnancy increases risk of complications and death. Black women are three times more likely to die from a pregnancy-related cause than white women.

The Illinois Plan recently committed to help federally qualified health centers (FQHCs) and Indian Health Service clinics bring CenteringPregnancy, a nationally recognized program to pregnant women. CenteringPregnancy supplements individual patient care with health and prenatal education and social support.

Group facilitators lead discussions about breastfeeding, domestic violence and family planning options before participants meet their providers for their one-on-one health checkups. The groups provide a nonjudgmental environment. Women can share experiences

and information, ask questions, and find peer support. Research shows participation in the programs **decreases preterm birth risks, increases breastfeeding rates and improves perceptions of peer support.**

“By these women coming together and sitting together and having fellowship with other women that are in the same gestational age, they now have some sense of support — they have some level of hope,” says Dr. Rahmat Na’Allah, who directs three CenteringPregnancy programs in Peoria.



## OUR VALUES

### Integrity:

#### Always Do the Right Thing

- Always do the right thing in the right way, even when no one is watching.
- Model the Code of Ethics and Conduct.
- Be a team player, even when it's not the easy choice.

### Respect:

#### Everyone Deserves It

- Be thoughtful with our words and actions.
- Have honest conversations that encourage open communication.
- Be inclusive and welcoming of diverse perspectives.

### Commitment:

#### We Keep Our Promises

- Act with our members in mind.
- Manage our commitments and deliver on our promises.
- Lead by example in all that we say and do.

### Excellence:

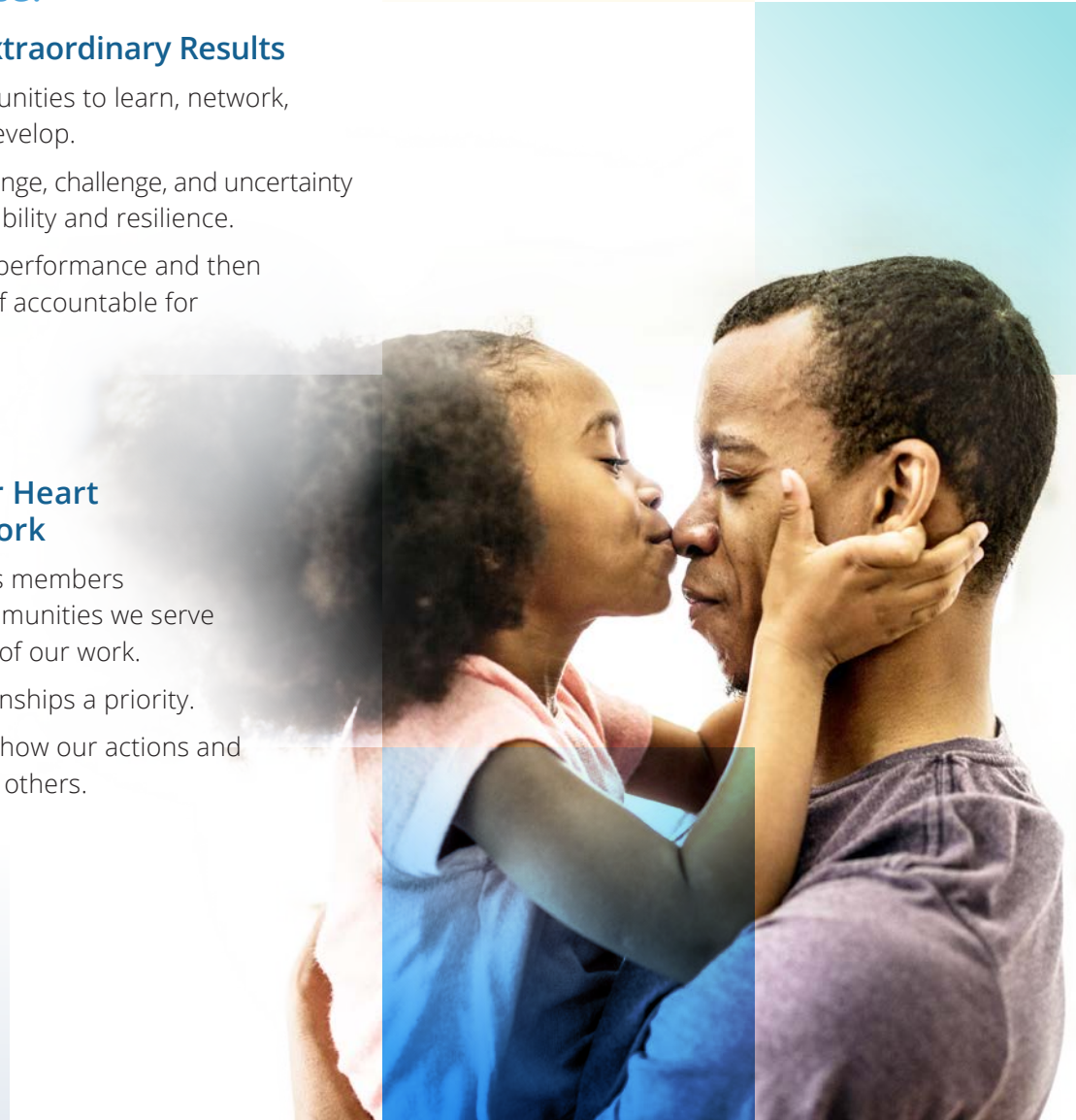
#### We Drive Extraordinary Results

- Seek opportunities to learn, network, grow, and develop.
- Embrace change, challenge, and uncertainty through flexibility and resilience.
- Define high performance and then hold yourself accountable for achieving it.

### Caring:

#### We Put Our Heart into Our Work

- Place HCSC's members and the communities we serve at the heart of our work.
- Make relationships a priority.
- Think about how our actions and work impact others.





We are passionate about the impact we make in the lives of everyday people of all backgrounds. We are committed to serving as stewards of their care by making it accessible and affordable especially for those who face challenges to both.



## CONNECTION TO OUR COMMUNITIES

Supporting access to quality, cost-effective care is at the heart of everything we do. In 2022, we continued to expand coverage options, close gaps in preventive care, and invest in organizations that advance equitable access to critical services. Our efforts helped:

- Bring resources and services directly to communities with neighborhood centers and mobile health clinics.
- Providers focus on early cancer detection, immunizations, diabetes management, cardiovascular care, behavioral health, and maternal and infant health.
- Community organizations improve health outcomes and address health disparities with targeted local grants.

### BRINGING CARE AND EDUCATION TO COMMUNITIES

HCSC is an ally to its strong networks of community doctors, hospitals and other providers who deliver care to 17.5 million members covered by our plans. We employ



about 3,400 clinicians — including doctors, nurses, social workers, and pharmacists — who help members get the care they need. Part of their work involves using claims data and other information to identify members in need of recommended services and screenings and facilitate a variety of interventions.

For example, HCSC offers kits at no cost to targeted member populations in need of colorectal cancer screening, allowing

**HCSC is an ally to its strong networks of community doctors, hospitals and other providers who deliver care to 17.5 million members covered by our plans.**

## CONNECTION TO OUR COMMUNITIES

them to complete an at-home test. Last year, more than 92,000 kits were mailed to eligible members, and more than 14,000 returned them, leading to about 715 recommendations for follow-up care.

Not everyone in our communities has the same access to important preventive health care and education, so we've made long-term investments to bring resources to the places where people live, work, shop and go to school. For example:

- Our three neighborhood centers within Chicago offer both in-person and virtual health and wellness programming. This allowed visitors to engage with us in ways most comfortable for them while the centers followed local and state requirements for the COVID-19 pandemic. These centers used location-specific population health data to customize their programming. In 2022, there were 32,500 in-person visits and 6,100 virtual visits to the three locations.



## State Spotlight on Our Commitment in Montana

### Building Access to Behavioral Health Care Across Montana to Address Suicide

Suicide has plagued Montana for decades. The state has had the troubling distinction of having **one of the five highest suicide rates** in the nation for 30 years.

Becoming more strategic in coordinating access to life-saving services for members throughout the state — particularly in its most isolated areas — is critical. For example, residents in tiny Wibaux in Montana's far eastern plains should be able to access care closer to home rather than choose between traveling 250 miles to Billings, 170 miles to Bismarck, N.D., or forgoing treatment altogether.

To improve access, Montana Plan leaders worked with providers and policymakers to develop care models that will keep members closer to home and reduce obstacles to care. Expanding telehealth services is part of the solution.

The effort is part of a larger initiative to create more medical and behavioral health access and better care management for members no matter where they live.

In less than six months the Plan identified ways to revise internal credentialing of providers of substance use disorder treatment, potentially increasing access to more intensive outpatient centers statewide. Steps also have been taken to increase access to care for members with eating disorders.



## State Spotlight on Our Commitment in New Mexico

### How Partnering with Paramedics Improves Member Care

Not long ago, the New Mexico Plan started a Community Paramedicine program as a pilot with Albuquerque's ambulance services. The Plan wanted to improve health outcomes for Medicaid members at risk of repeated emergency room visits.

The program targets members with chronic medical conditions such as diabetes and congestive heart failure. These people also may face social roadblocks to better health, including unstable

housing, unreliable transportation, or lack of nutritious foods.

Using real-time hospital data, the Plan identified participants. Emergency medical workers then contacted the members up to 72 hours following an ER visit or hospital discharge.

After making contact, paramedics assessed health and home safety and checked vital signs and medications. They educated members about medical conditions, medications, and appropriate follow-up care. Paramedics also alerted the Plan if members needed behavioral health or social services.

Since the launch, ER visits among program participants dropped at least 40%. The 30-day hospital readmission rate hovers near 12%. The approach is still considered an evolving strategy in emergency medical response.

## CONNECTION TO OUR COMMUNITIES

- Our mobile health programs in Illinois, Montana, New Mexico, Oklahoma and Texas team up with public health departments and nonprofit organizations to deliver no-cost immunizations, screenings, dental care, chronic disease education and other services. In 2022, 28 vans served more than 69,000 clients and provided more than 51,000 immunizations and 95,000 other health services.
- The Oklahoma program partnered with the Spero Program in Oklahoma City to provide immunizations to refugee children from Afghanistan.
- In Montana, the mobile health van traveled with Smiles Across Montana to the Blackfoot Indian Reservation, holding 17 dental clinics at elementary and high schools.
- A three-way collaboration in 2022 with the Permian Strategic Partnership and Texas Tech University Health Sciences Center in Odessa provided immunizations and other services for uninsured and underinsured populations in rural West Texas.



## CONNECTION TO OUR COMMUNITIES

### COMMUNITY IMPACT

Through our community investments, business choices and support for employee volunteers, we strive to create pathways to health. For example, regular physical activity can help people reduce the impact of several chronic illnesses, improve mental health, and reduce their overall health care costs.

HCSC committed \$850,000 to bring 35 outdoor fitness communities across Illinois and Texas in collaboration with National Fitness Campaign. The initiative is providing free access to exercise



space and structures designed for use by people of all ages and ability levels.

### ADDRESSING HUNGER AND NUTRITION

Recognizing the essential role of nutritious food in all aspects of life, HCSC supported 27 food banks in Illinois, Montana, New Mexico, Oklahoma and Texas through an investment in Feeding America, the nation's largest domestic hunger-relief organization. The partnership is designed to eliminate food insecurity and remove barriers to

adequate nutrition by addressing the complex challenges that increase families' risk of food insecurity, such as building cultural competency among frontline staff to more successfully meet the health and nutrition needs of communities.

HCSC's \$650,000 investment is helping these critical front-line organizations hire and train staff, source protein and fresh produce, implement healthy eating guidelines and build intercultural competency so they're able to meet the food needs of their neighbors.

### Through community engagement efforts, HCSC:

- Served **1,811 organizations**
- Produced **109,807 volunteer hours**
- Generated **\$3,288,720**, the cash equivalent of volunteer hours\*
- Awarded more than **\$370,000** in matching dollars to **356 community partner organizations**

\*One hour of volunteering has a \$29.95 cash equivalent, as calculated by Independent Sector from data provided by the U.S. Bureau of Labor Statistics (2022)

## CONNECTION TO OUR COMMUNITIES

Our plans and employees in Illinois, Montana, New Mexico, Oklahoma and Texas helped people facing hunger with additional grants and volunteer work:

- In Texas, Nourish program at the University of Texas Health Science Center at Houston is showing people how to grow, prepare and promote food that supports lifelong health and well-being.
- In Illinois, the Little Village Community Foundation's Cocina Rx received a grant to distribute medically tailored meals via home delivery, retail stores and other channels.
- Global Gardens in Tulsa, Oklahoma, received a grant to advance its work aimed at transforming generational eating habits.

**We have accelerated opportunities to drive engagement and inclusive experiences for our employees, members, customers, and communities.**

- Our New Mexico employees delivered \$20,000 in food to tribal communities in Navajo Nation, the largest Native American reservation in the U.S. Each of the nearly 1,000 food bags contained an assortment of healthy, non-perishable items to help with food insecurity during the colder months.

## WORKFORCE AND SUPPLIER INCLUSION

At HCSC, our efforts to be representative while being laser-focused on inclusion are a key priority. Inclusion — with its core tenets of belonging, value and appreciation — aligns fully with our purpose, mission and core values of integrity, respect, commitment, caring, and excellence. We have a long-standing commitment to embed these values into how we manage and interact with each other, our members, and suppliers while being reflective of the communities we serve.

In 2022, we advanced our commitment to:

- Cultivating an equitable environment for employees and members.
- Addressing systemic barriers that may create disproportionate advancement opportunities for people of color.

- Evolving our supplier diversity practices to improve our utilization and spend with diverse suppliers across all areas of the organization.

By embedding an inclusive environment across our business and processes, we have accelerated opportunities to drive diverse engagement and inclusive experiences for our employees, members, customers, and communities.

## SUSTAINABILITY EFFORTS

At HCSC, commitment to sustainability is at the core of our business practices. We operate in accordance with the triple bottom-line theory, which calls for the pursuit of actions that support people, the planet and prosperity.

We're committed to reducing our emissions in measurable ways. Five of our 2022 energy efficiency projects resulted in a reduction of about 170,000 kilowatt hours in electricity usage across the enterprise — roughly equivalent to the amount of carbon sequestered by approximately 2,000 tree seedlings growing for 10 years.



## In 2022, HCSC demonstrated its commitment to sustainability by:

- Recycling nearly **3.7 million pounds** of paper.
- Recycling **145,000 pounds** of electronic equipment.
- Combined, these efforts translated to saving about **36,300 trees, 13 million gallons** of water and **6,200 cubic yards** of landfill space.
- Offsetting **100% of our electric power usage**-related emissions with the purchase of Renewable Energy Credits.
- Diverting nearly **71,000 pounds** of organic waste from landfill through composting.
- **Hosting 400,000 honeybees** on site at our Montana, New Mexico, and Texas buildings.
- **Earning two certifications --** Fitwel and WELL Health-Safety Rating – **at all five headquarter locations.**

## CONNECTION TO OUR COMMUNITIES

### ETHICS AND COMPLIANCE

Our company's commitment to operating with ethics and integrity is reflected in many of the external recognitions we receive. That's why we were proud to be named one of the 2022 World's Most Ethical Companies® by Ethisphere® for the seventh straight year.

This designation recognizes a broad range of initiatives focused on culture, compliance practices, governance, environmental and social impacts, leadership, and reputation. In addition to this global recognition, our toolkit designed to assist managers in navigating employee concerns was named a "best practice" by Health Ethics Trust. These honors recognize our ability to sustain a robust compliance program even during times of change.

Through it all, we maintain a strong ethical culture by leaning on our core values of integrity, respect, commitment, excellence and caring, which form the foundation of our codes of conduct.

## PARTNERING WITH PROVIDERS

Care is best delivered through close relationships between physicians and their patients. One of the main reasons we can help our members access high-quality, affordable health care is because of our strong networks of community providers in our states. We make it easier to do business with us, allowing providers to spend more time in the exam room and less on administrative activities.

Our provider partnerships range from establishing primary care clinics in communities where care is needed to investing in and assisting physician and other provider groups maintain their independence and improve the quality and affordability of their services.

### ANALYSIS AND REPORTING

In health care, data has the power to help improve quality, reduce costs, and make the experience of getting and paying for care easier for patients and their doctors and other providers.

The Health Data Exchange (HDE) with connectivity through Electronic Medical Record platforms Epic and Athena,

has significantly improved Healthcare Effectiveness Data Information Set (HEDIS) gap closure rates resulting in improved quality of care and outcomes for our members. Across all lines of business, there has been a year-over-year improvement in the rates of preventive screenings, immunizations, controlling blood pressure and diabetes largely the result of data sharing in real time through the HDE rather than waiting up to 90 days for claims processing. This enables both providers and HCSC quality and care management teams the ability to focus on closing real gaps in care instead of chasing paper charts. Improvements in quality outcomes resulting from the health data exchange fosters collaboration with physicians caring for our members while reducing provider abrasion and the overall cost of care.

### VALUE-BASED CARE (VBC) AND PROVIDER ENABLEMENT

HCSC is focused on creating holistic, value-based care models that address the gaps and fragmentation in health care. Through our value-based payment models and investments in provider enablement

We make it easier to do business with us, allowing providers to spend more time in the exam room and less on administrative activities.

solutions, we strive to drive accountable care, address affordability, and partner to achieve systemic transformation that increases access to coordinated, high-quality care and equitable





## PARTNERING WITH PROVIDERS

outcomes for our members. Our three-pronged approach is:

Continue advancing, offering, and improving on our broad portfolio of VBC payment models that are aligned to clinical care models.

- Since the passage of the Medicare Access and CHIP Reauthorization Act (MACRA) in 2015 that established value-based payments and provider performance, HCSC has worked closely with doctors, hospitals, and other health care providers. We take a data-driven approach to identifying key levers and clinical areas that can be positively affected by VBC contracts, which we align to clinical best practice care models and care delivery transformation goals.
- Our programs span quality-focused only, to shared savings and risk, to full capitation, with both primary-care and specialty care models; depending on the market need, business case, and provider maturity, we leverage these models to drive value for our members and providers.



## State Spotlight on Our Commitment in Oklahoma

### Outreach Specialists Offer Retinal Exams to Help Prevent Vision Loss

Living with diabetes can present numerous challenges to everyday life, including vision health.

Diabetic retinopathy is a condition caused by damage to the blood vessels in the tissue at the back of the eye. It is a leading cause of blindness in adults. But it can also be prevented with early diagnosis.

One way the Oklahoma Plan is trying to help are diabetic retinal exam (DRE) cameras. Community outreach specialists travel throughout the state, attending community events, meeting with Oklahomans and offering DRE exams to help catch the disease sooner rather than later.

The DRE camera catches potential medical issues that have not been identified by normal routine health assessments. Outreach teams can take and send retinal scans



to an ophthalmologist for review. The report is then sent to the member's primary care physician. The process identifies any possible eye issues the member has due to complications with diabetes.

"Catching problems early may literally save the member's vision or give an indicator that they need to make more lifestyle changes to improve their health," says Richard Trussell, outreach specialist manager.

## PARTNERING WITH PROVIDERS

- Quality Bonus Programs, which reward providers for quality performance and quality reporting data.
- Patient Center Medical Home, which provides each patient with an ongoing relationship with a primary care physician who coordinates a team to handle patient care.
- Intensive Medical Home, which helps high-risk members with complex and chronic conditions receive greater attention to their care, while reducing avoidable complications and related treatment costs.
- Accountable Care Organizations, which bring together a group of doctors, hospitals and other health care providers to enhance the coordination and quality of patient care.
- Episodes of Care-Based Reimbursement, which compensates providers with a single negotiated payment for all services related to a specific episode of care to better control costs.
- Comprehensive Primary Care Initiative, which is a multipayer program to help primary care practices deliver higher quality, better coordinated care.



## PARTNERING WITH PROVIDERS

Achieving our vision for VBC requires us to focus on capabilities and offerings that will improve quality, enhance access, optimize costs, and elevate the member experience.

- Capitation-Based Reimbursement, which gives primary care physicians a budget for health care service to their patients to control costs.
- Continually improving provider engagement and insight through enabling analytics and platform solutions that promote care collaboration.
- We have evolved our VBC provider support services over the past few years, particularly by making investments in enhanced insights and reporting

capabilities. The expansion of our VBC programs has increased our focus on data, analytics, insights, and bi-directional connectivity required for providers to be successful in VBC. Our wholly owned subsidiary Innovista Health Solutions creates long-term partnerships to enable providers to better engage, support and manage populations in new value-based savings and shared-risk models.

- Increasing investments in advancing primary care to support care delivery and practice transformation

In the next few years, we anticipate continued increased investment and alignment to primary care practices, the migration of care from facilities to offices, and increasing adoption of virtual-first or virtual-enabled care to manage population health. This strategic transformation in value-based care spans people, processes, and technology to increase investment in advancing primary care and practice transformation.

To achieve this strategy, we must create sustained reform and value realization, by breaking away from institutionalized

fee-for-service (FFS) approaches and invest where we can improve provider alignment and accelerate VBC capabilities. This will require increased investment in advanced primary care to move more care to the home, virtual settings, physician offices, and out of hospitals and acute care facilities. Alignment across the health care ecosystem, including member benefits, member engagement, and data transparency, are critical components to achieving these outcomes.

We also anticipate an increase in demand from our employer group clients looking for narrow, tiered, and customized networks. Moving effectively towards advanced primary care will require a strategy that focuses on the key intersections between reimbursement models, network optimization, and member benefit design to ensure that value-based care models are effectively delivered to the market. Achieving our vision for VBC requires us to focus on capabilities and offerings that will improve quality, enhance access, optimize costs, and elevate the member experience.

## ENHANCING ACCESS TO HEALTH, WELLNESS RESOURCES



In addition to receiving health care coverage, HCSC members can access a variety of programs that help them lead their healthiest lives. These personalized experiences aim to motivate them to choose healthy behaviors no matter where they are in their health journeys.

Our transparency tools also help members make more informed decisions when they need to access care. Whether online or by phone, these tools help members cut through the confusion to easily find

information they need to take control of their health and related expenses, highlighting differences in cost and quality among providers.

**Advocacy Solutions:** With this concierge product, our health advocates help members navigate the complex health care system and answer their benefits and care related questions. Advocates provide the customer service and clinical support members need to holistically manage their conditions at every stage in their care journey.

**Benefits Advisors:** These specially trained advisors provide personalized education and navigation via phone, and they simplify complex benefit options, so members use their benefits more wisely and get better value.

**Virtual Primary Care:** Members engage with primary care providers via phone or video, enabling the coordinated care experience they prefer without the requirement of an in-person visit. Virtual Primary Care increases access to care for members with limited time, mobility, or resources in their geographic location.

Our suite of wellness offerings engages members no matter where they are on their health journeys.

**Behavioral Health:** Through programs like Digital Mental Health and the Employee Assistance Program (EAP), members have access to cognitive behavioral therapy resources when they need them most. Online or in-person programs and services address mental health concerns like depression, insomnia, anxiety, and substance use.

**Finding Providers:** Members can find in-network doctors, hospitals and facilities through our online tool that displays highest quality, lowest cost providers for members. They register and log in to our digital member portal on their phone, tablet, or desktop to conduct a personalized search based on their health plan and network.

## ENHANCING ACCESS TO HEALTH, WELLNESS RESOURCES

**Member Rewards:** This innovative program uses a cash reward to encourage members to shop for high-quality, lower-cost health care options. If they decide to receive care from a designated lower-priced provider, they can receive a check ranging from \$25 to \$500 depending on the service and the provider's price.

**Wellbeing Management:** This program provides a holistic approach using a comprehensive team to manage ongoing member care. It also uses the communication method members prefer — telephone, email, or mobile digital app — to help them become more engaged in their health.

**Wellness Offerings:** Our suite of wellness offerings engages members no matter where they are on their health journeys. Our wellness solution provides members and employer customers with a more robust way to experience wellness that involves member rewards, mobile apps, personalized wellness communications, nutrition coaches and fitness memberships.

## Being Part of the Solution

**Musculoskeletal:** From preventing an injury to addressing acute or chronic pain to providing rehabilitation support after surgery, Hinge Health pairs a complete clinical care team with advanced technology to deliver an all-in-one solution. Wearable sensors are combined with customized exercise therapy for real-time feedback. Members that experience chronic pain can be sent Enso, a wearable device that sends high-frequency components to skin as an alternative to invasive or addictive pain management options.

**Diabetes Management:** Living well with diabetes can be a struggle. It means balancing diet, exercise, medications and fingersticks. Available through several of our benefit plans, Livongo helps members access programs that use advanced technology to help living with the disease easier. After completing a quick enrollment process, a member can register to receive glucose-monitoring supplies and coaching at no extra cost.

**Weight-Related Chronic Disease Prevention and Management:** Omada empowers people across the chronic disease spectrum to improve their whole health through sustainable behavior changes and technological integrations with the Omada mobile app. Their digital program includes sixteen weeks of interactive courses, ongoing support, and a wireless scale sent to the member for no additional cost that uploads data to the member's portal. Members can also connect their fitness trackers for a fully digital experience.



# AFFORDABILITY AND ACCESS

## EXPANDING ACCESS TO COVERAGE

We believe in access to care, and we don't prioritize one population over the other. Our goal is to provide individuals greater flexibility and choice in coverage, offering enhanced benefits and greater value.

In 2012, HCSC re-entered the Medicare Advantage (MA) market and expanded its Medicare Supplement, PDP, and Medicaid offerings to increase access and provide members with health care options at every stage of life. Since then, our market presence in all products has grown. As more Americans age into Medicare every day, HCSC continues to expand and enhance our product offerings to meet the needs of new and existing members.

In 2022, HCSC announced its largest-ever service area and product expansion planned for 2023, increasing health care coverage options for as many as 1.1 million additional

More than 80% of our members' premium dollars are spent on medical costs; so we are responsible to get them the most value for those dollars. Initiatives that impact the three primary cost drivers — unit cost, utilization management and claims.

Medicare-eligible individuals in more than 150 new counties across Illinois, Montana, New Mexico, Oklahoma, and Texas.

The expansion allows the company to offer Medicare Advantage Prescription Drug (MAPD) plans to 7.5 million people in more than 330 total counties across the states it services, which represents a more than 40% increase from 2022's record buildout.

## ADDRESSING THE RISING COST OF CARE

Cost of care in the U.S. is double the average of other industrialized nations. Cost for the same treatment in the same area can vary significantly — and paying more doesn't necessarily mean getting better quality care. As a result, our members continue to face challenges in deciding

where to receive treatment and how to lower out-of-pocket expenses.

More than 80% of our members' premium dollars are spent on medical costs; so we strive to get them the most value for those dollars. Initiatives that impact the three primary cost drivers — unit cost, utilization management and claims — cut waste during a member's health care experience, ultimately leading to more affordable care.

By using a multipronged approach to manage the cost of care, we can moderate the cost and offer products that meet our members' needs.

## AFFORDABILITY AND ACCESS

### MODERNIZING TECHNOLOGY

We are focused on strengthening our technology suite and integrating new, innovative capabilities to meet the evolving health care needs of our key stakeholders. HCSC's technology solutions help employers and members better identify, navigate, understand, and pay for quality, affordable health care. Protection of member and business data remains a top priority as we continue to defend, elevate, and maintain an industry-leading cybersecurity strategy.

Our technology strategy is closely aligned with HCSC's key strategic priorities to ensure our capabilities and investments support business operations and enable new growth opportunities across all lines of business.



## Improving the Stakeholder Experience

We are committed to delivering an easy, reliable, and personalized experience to all key stakeholders – members, providers, brokers, employees, employers, regulators – that proactively addresses their needs and fixes pain points. Accurate, reliable technology solutions, with a digital-first focus, strengthens these relationships and make it easy to do business with us.

## OUR EMPLOYEES

Our greatest asset is our workforce of more than 26,000 employees. They are the ones standing with our members in over 60 local offices. Every day, they answer more than 43,000 phone inquiries from members, process 1.2 million claims, and administer our products in each county across our five states.

Our employees also include 178 doctors and over 2,910 nurses, who help ensure our members receive the right care in the right setting at the right time.

To make sure our employees are equipped to adapt to an evolving workplace and

**Our employees love making a difference in people's lives, and at HCSC, they know they can be there for others during the best and worst times of their lives.**



marketplace, we established Blue University<sup>SM</sup>, an internal learning and development institution. Blue University offers employees access to more than 100,000 learning activities, ranging from leadership development to instruction on how to code.

HCSC also cultivates an environment where our employees are valued, respected, and recognized for their unique talents, perspectives, and differences. We promote a culture of inclusion that is purpose and values driven, welcomes



## OUR EMPLOYEES

the ideas and contributions of our employees, and connects them to the communities we serve.

Our culture of inclusion is reflected by our workforce. More than 40% of our employees are people of color and more than 60% of our management are women. Our employees champion diversity and allyship through our nine business resource groups, which contribute to enhancing community outreach efforts while supporting our business goals.

Health equity is core to our mission of providing access to quality, affordable health care for all the individuals and communities we serve. Identifying the barriers to high-quality health care in our communities will help improve lives and strengthen community bonds.

Our employees love making a difference in people's lives, and at HCSC, they know they can be there for others during the best and worst times of their lives.



## State Spotlight on Our Commitment in Texas

### Partnering With the March of Dimes to Reduce Pregnancy Complications

Almost all deaths of pregnant woman in Texas may have been preventable, according to a recent state report. Pregnancy and childbirth complications also increased, surging from 58 to 73 cases per 10,000 deliveries in Texas between 2018 and 2020, according to the **report from the state's Maternal Mortality and Morbidity Review Committee.**

Although avoidable, complications from pregnancy-related hypertension, called preeclampsia, often go unnoticed. That's because many women don't have the tools, education or empowerment needed to monitor, maintain, and advocate for their prenatal and postpartum health.



March of Dimes Texas received a \$45,000 grant from the Texas Plan to distribute hundreds of hypertension kits, including blood pressure cuffs, to maternal health providers. These providers teach patients to use the blood pressure cuffs as part of their home health care routines. The hypertension kits are an integral part of empowering pregnant woman to monitor their own health.

## Message from **FINANCE**

As a customer-owned health insurer, HCSC is not squarely focused on quarterly earnings or meeting shareholder expectations. Rather, we take an extended view on health insurance and make long-term investments in customers, providers, communities, and other stakeholders to make the health care system work better for everyone.

By late 2022, the macroeconomic environment became more challenging due to inflation and monetary tightening contributing to heightened cost pressures

**Today, HCSC is well positioned to differentiate in such an environment due to its scale, momentum, strategy, and collaborative approach.**

and reduced growth expectations. The competitive landscape changed, with smaller companies retrenching due to a more challenging financing environment and larger companies renewing their focus on scale and capabilities (including acquiring smaller companies). Finally, the regulatory environment became more complex due to new mandates on payer processes which is pressuring payor economics.

While these factors presented obvious challenges, they also created opportunities for HCSC. In this environment, capital, by itself, is not sufficient to drive growth and returns. It became imperative to execute with excellence and deliver value through coordinated strategies. Today, HCSC is well positioned to differentiate in such an environment due to its scale, momentum, strategy, and collaborative approach.

We continue to strive to make our products as affordable as possible while finding the right balance of consumer affordability and market certainty. As always, when we set our rates, we base them on several factors,

including anticipated health care costs of the market, which reflect the expected use of that care; the number of people who purchase coverage; anticipated local medical care costs; pharmaceutical costs and utilization; and other variables.

We have a long history of investing in, and advocating for, all people gaining health care access, regardless of their personal and economic circumstances or where they live in the communities we serve.

We focus on generating value for our members by consistently working in collaboration with providers, hospitals, and other health care professionals to improve affordability and outcomes in health care. HCSC's financial strength provides the foundation that allows the company to meet and exceed member expectations today, as well as innovate, thrive, and grow in the continually evolving health care environment.

## FINANCIAL RESULTS

HCSC maintained a strong, stable financial position throughout 2022 in a complex macro environment. The company reported an underwriting gain of \$964 million for the calendar year 2022. Growth and lower COVID claim severity contributed to stronger performance. The Company continued to navigate through a complex investment environment but managed negative investment portfolio performance above benchmarks for full year 2022.

HCSC continued its focus on doing what was best for customer health and well-being while maintaining steady premiums for members. HCSC also continued to advance strategic imperatives and make critical investments throughout the states in which it operates in support of valued community partners.

(in millions)	2022	2021
Premium revenues	49,304.0	45,900.1
Benefit expenses	42,845.2	40,919.3
Total administrative and other expenses	5,495.3	4,495.8
<b>Net Underwriting gain</b>	<b>963.5</b>	<b>485.0</b>
Net investment income	801.9	710.4
Net realized capital losses	(285.4)	(116.8)
<b>Income before federal income tax expense (benefit)</b>	<b>1,519.0</b>	<b>1,057.1</b>
Federal income tax (benefit) expense	50.3	(169.1)
<b>Net Income</b>	<b>1,468.7</b>	<b>1,226.1</b>

Source: Statutory Filings

# HCSC LEADERSHIP TEAM

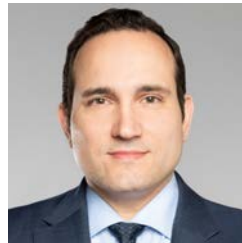
## CORPORATE LEADERSHIP



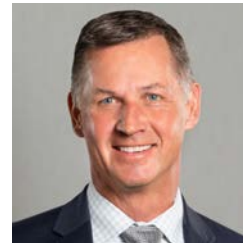
**Maurice Smith,**  
President,  
Chief Executive  
Officer  
and Vice Chair



**Opella Ernest, M.D.,**  
Executive Vice  
President,  
HCSC Commercial  
Markets



**Tom Boras,**  
Chief Ethics,  
Compliance and  
Privacy Officer



**Mike Frank,**  
Senior Vice  
President,  
Chief Operating  
Officer



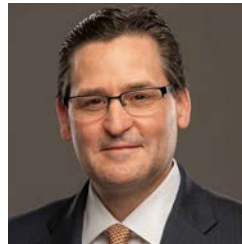
**Nathan Linsley,**  
Senior Vice  
President,  
Government  
and Individual  
Markets



**Catherine Nelson,**  
Senior Vice  
President,  
Chief Legal Officer  
and Corporate  
Secretary



**Arun Prasad,**  
Senior Vice  
President,  
Chief Strategy  
Officer



**James Walsh,**  
Senior Vice  
President,  
Chief Financial  
Officer

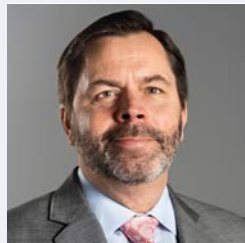


**Jill Wolowitz,**  
Senior Vice  
President,  
Chief Administrative  
Officer

**SEGMENT LEADERS**



**Monica Berner, M.D.,**  
Chief Clinical Officer



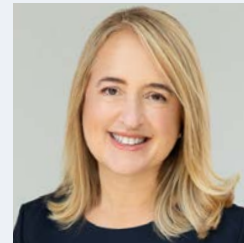
**Kevin M. Cassidy,**  
President,  
HCSC National  
Accounts



**Christine Kourouklis,**  
President,  
Medicare



**Lauren Macklis,**  
President,  
Individual and  
Family Markets



**Anne Rote,**  
President,  
Medicaid



**Manika Turnbull,**  
Senior Vice  
President,  
Chief Human  
Resources Officer

**PLAN PRESIDENTS**



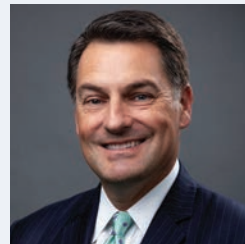
**Stephania Grober,**  
President,  
Oklahoma Plan



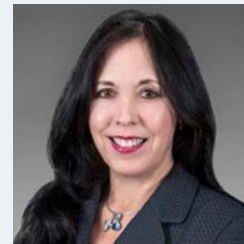
**Collette Hanson,**  
President,  
Montana Plan



**Stephen Harris,**  
President,  
Illinois Plan



**James Springfield,**  
President,  
Texas Plan



**Janice Torrez,**  
President,  
New Mexico Plan

## SUBSIDIARIES

In addition to its core health insurance offerings, HCSC is proud to serve millions of people through a diverse portfolio of businesses that provide adjacent products and services. These companies help advance HCSC's goal of expanding access to quality, cost effective health care to help people live healthier.

### Wholly Owned Subsidiaries



Dearborn Group is HCSC's ancillary provider of products and services, including life, disability, critical illness, and vision.



Dental Network of America, Inc. (DNoA) functions as a third-party administrator (TPA) for HCSC dental programs.

HCSC Insurance Services Company

HCSC Insurance Services Company underwrites and administers certain Medicare and Medicaid business.



Innovista Health enables physicians to engage, support, and manage value-based savings and shared-risk models.



Medecision is an integrated health management company supporting virtual care and digital health.



Trustmark Health Benefits is a third-party administrator of health benefits that designs and offers custom plans for self-funded customers that help manage costs through innovative solutions, data transparency and member-centric support.

### Partially Owned Subsidiaries



Availity, LLC, operates a health care clearinghouse and provides internet-based e-health information services.



Collective Health is a technology solutions provider for employer health care



Prime Therapeutics, LLC is a pharmacy benefit management company for HCSC and other third party companies.

*Please note that this is not a complete list of HCSC affiliates and subsidiaries.*



