

HCSC  
Health Care Service Corporation

2021  
Annual  
Report



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**Maurice Smith**  
President and Chief  
Executive Officer



### **Our Core Values:**

Integrity  
Respect  
Commitment  
Excellence  
Caring

## Message from Our President and Chief Executive Officer

HCSC continues to advance its mission to expand access to quality, cost-effective care across the communities we serve. We create pathways to better health by offering a broad spectrum of products and services for individuals and families, employers of all sizes, and those in government programs.

We serve over 17 million members, with consumer coverage options in every county of our five core states of Illinois, Montana, New Mexico, Oklahoma, and Texas, supporting over a million members in Medicaid, expanding the markets we serve for Medicare Advantage, and maintaining leading employer customer retention.

Through our ongoing enhancements in technology and capabilities, including digital engagement and next generation core administration platforms, we are driving improved stakeholder experiences for our members, employer customers, and providers, making health care more accessible and easier to navigate.

We remain committed to impactful community health efforts through investments with nonprofit partners, providers and direct service with our CareVan® and Blue Door Neighborhood Center<sup>SM</sup> activities. Through the Vaccine Community Connectors program, over 2 million seniors were vaccinated for COVID-19 and \$1.3 million in funding was provided in local vaccine distribution efforts through state immunization programs.

And as ever, we remain true to our values as we continue to deliver against the mission of the company. HCSC is nationally recognized as an ethical company and for our accomplishments in the diversity, equity and inclusion space.

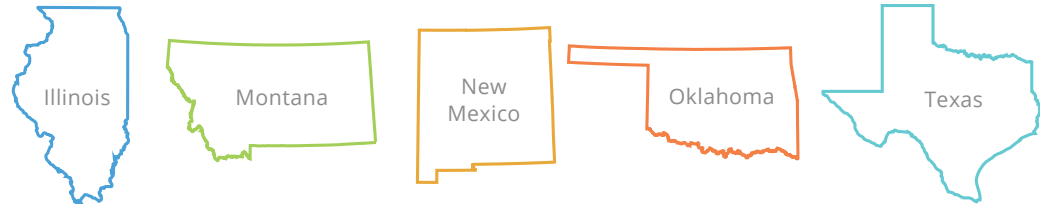
I invite you to learn more about how our employees help make the lives of our members and communities better every day. We look forward to making a difference in many more lives as we continue to expand access to health care to as many people as possible in 2022 and beyond.



## Making a Positive Impact

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. HCSC affiliates and subsidiaries offer group life, disability and dental solutions, as well as other individual solutions. The company, founded in 1936, serves more than 17 million members across five states and employs more than 24,000 people in over 60 local offices.

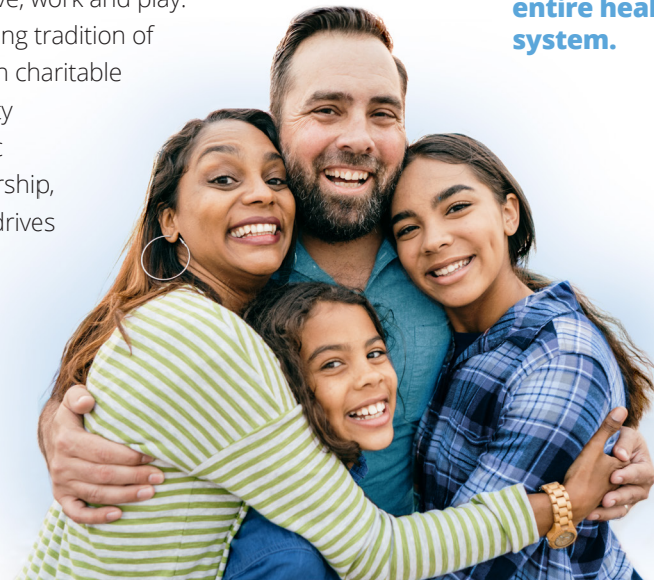
HCSC is dedicated to expanding access to high-quality, cost-effective health care and equipping members with information and tools so they can make the best health care decisions for themselves and their families. Our Plans were pioneers in their states, as they were the first to provide coverage for a number of 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 experience for patients and enable them to lead healthier lives.

HCSC is dedicated to contributing to the well-being of the communities where our employees and members live, work and play. We continue our longstanding tradition of community support through charitable investments with community partners, volunteerism, civic engagement, event sponsorship, employee giving, donation drives and in-kind donations.

**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

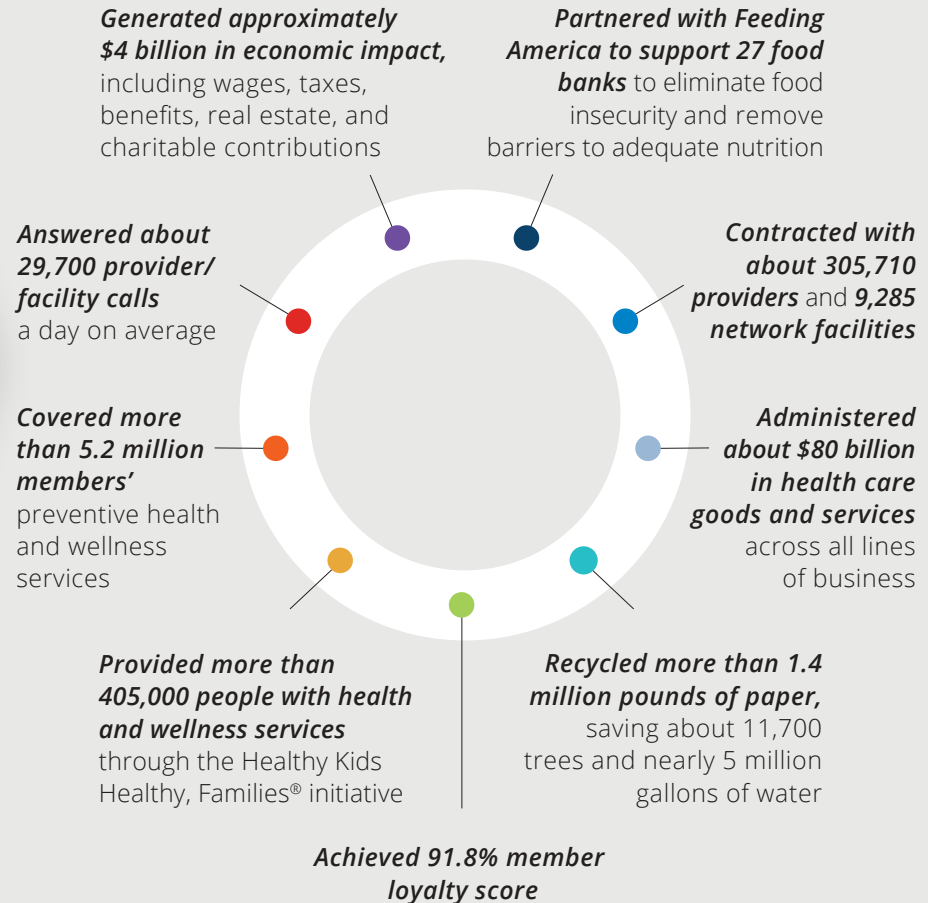


## Recognitions

- **Computerworld 100 Best Places to Work in IT**
- **The Civic50 by Points of Light**
- **Civic Federation Lyman J. Gage Award**  
(President and CEO Maurice Smith)
- **Modern Healthcare 100 Most Influential People in Healthcare** (President and CEO Maurice Smith)
- **World's Most Ethical Companies**  
by Ethisphere Institute
- No. 4 on **Diversity MBA's 50 Out Front Best Companies for Women and Diverse Managers to Work**
- Designated bronze status in **G.I. Jobs 2021 Military Friendly Employers**
- Awarded 100 percent on the **Human Rights Campaign Foundation's Corporate Equality Index** of best places to work.
- Recognized as a **Best Employer for Diversity and Best Employer for Women** by *Forbes*
- Awarded 100 percent on the **Disability: IN Disability Equality Index**

## A Well-Rounded Company

In 2021 we:



# History of HCSC

Health Care Service Corporation traces its roots to the development of the world's first hospital care prepayment plan in 1929 by Justin Ford Kimball, a vice president at the Baylor University School of Medicine in Texas.

Using Kimball's plan as a model, a group of Chicago civic leaders, hospital officials and physicians met in the midst of the Great Depression to find a solution to the critical problem of affordable health care. In 1936, they pooled their own resources and 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 in 1998; New Mexico in 2001; Oklahoma in 2005; and Montana in 2013.

## Plan "Firsts"

HCSC Plans were among the first health coverage companies in their states, and they pioneered many of the benefits members use frequently 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
- Infants from birth
- Migrant farm workers

**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 the following free screenings:

- Visual
- Hearing
- Glaucoma
- Blood
- Blood pressure

**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
- Sports physicals



**These five essential values drive our decisions for our members each day.**

### Integrity

Always do the right thing.

### Respect

Everyone deserves it.

### Commitment

We keep our promises.

### Excellence

We drive extraordinary results.

### Caring

We put our heart into our work.

# Our Values





# Connection to Our Communities

We create long-term sustainable pathways to better health for all those in our communities. Through outreach and investments, focusing on both face-to-face engagement and our role as a force multiplier with local partners, we can realize what the power of collective action and community mobilization can do for our communities. For example, to address the needs of our communities in 2021, we opened additional community centers, continued the COVID-19 Community Collaboration Fund, volunteered over 93,000 hours at local nonprofits and community partners, and much more.

As the world faced a pandemic, we worked to close the gaps in health care and address health inequities and basic needs.

## **COVID-19 Community Collaboration Fund**

In 2021, HCSC provided more than \$4.1 million in grants to 207 local organizations to address

hunger relief, child care, provider support, senior care and access to care as part of our COVID-19 Community collaboration Fund.

## **Keeping Kids and Families Healthy**

HCSC is committed to the health and well being of the kids and families across all the states in which we operate. Throughout the year, more than 1 million people were impacted as a result of our investments in nonprofit organizations that offer sustainable, measurable programs in the areas of nutrition, physical activity, preventing disease, managing disease and promoting safe environments.

Since the inception of this program in 2011, we are proud to have invested more than \$7.6 million to support 169 nonprofit partners and provide more than 26 million in health services and resources.

Two examples of major partners and programs in our focus areas include **The American Lung Association** and **Feeding America**.

**Making an impact is more than immediate health care factors – it's inclusive of all social determinants of health.**


Through our over ten years of collaboration with the American Lung Association, we have engaged 236 health centers, reached an estimated 862,951 people and supported 3,751 community education and outreach activities.

HCSC partnered with Feeding America to support 26 food banks to eliminate food insecurity and remove barriers to adequate nutrition.

## **Ethics Connects Us**

HCSC is founded on basic principles of good business behavior, and each is applicable to all employees, including its Board of Directors. Among these principles is a commitment to comply with the laws and regulations that govern our business as well as the operations of our majority-owned subsidiaries. This compliance reinforces our company's status as a responsible corporate citizen. It also assures our customers, providers, employees and the general public of our honesty and integrity.





80% of a person's health outcomes are driven by wider environmental, behavioral and social factors.

80%

## Community Engagement

- **\$22 million**  
grants and sponsorships to community organizations
- **93,639**  
employee volunteer hours
- **\$2,672,464**  
cash equivalent of volunteer hours
- **2,002**  
nonprofits served
- **\$347,065**  
Matching dollars awarded to 353 community partners for direct volunteer hours
- **\$586,000**  
amount employees donated through annual giving campaigns

## Sustainability Efforts

- **Over 1.1 million pounds**  
of paper recycled
- **Nearly 4 million gallons**  
of water saved through recycling efforts
- **100% of our electricity**  
comes from renewable energy

\*\*One hour of volunteering has a \$27.20 cash equivalent, as calculated by Independent Sector from data provided by the U.S. Bureau of Labor Statistics (2020)

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.

HCSC recently launched a new health information platform through **Epic** — which will give us the ability to securely exchange comprehensive clinical and claims data with providers at the point of care using Epic's electronic health record system, which is used by more than two-thirds of providers in the U.S. It will also help identify gaps in care, assisting patients make smart care choices that will help reduce personal health care costs.

### Value-Based Care

**HCSC is focused on creating holistic, value-based care models that address the gaps and fragmentation in health care.**

This increases access to coordinated, high-quality care and improves outcomes for members.

Working closely with doctors, hospitals, and other health care providers, we can get a 360-degree view of members' entire health care journeys and can develop products and solutions that are more responsive to their diverse health care needs.

Our range of options include:

- **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.

# Partnering with Providers





- **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.
- **Capitation-Based Reimbursement**, which gives primary care physicians a budget for health care service to their patients to control costs.

## Bringing Innovation

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.





# Enhancing Health and Wellness

**Our well-being activities and transparency tools help members take charge of their health.**

## Engaging Members with Information, Incentives and Personalized Programs\*

In addition to receiving health care coverage, our 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.



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

**Finding Providers:** Members can find in-network doctors, hospitals and urgent care facilities through our tool that finds providers. 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.

**Member Rewards:** This innovative program uses a powerful reward — cash — to encourage employees to shop for high-quality, lower-cost health care options. Members use this transparency tool for 135 elective services. 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.

**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.

**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.

\*These are examples of products and services that are available under some benefit plans.



**In one year, our  
Member Rewards  
program saved  
members \$2.3 million.**



## Bringing Innovation

Living well with diabetes can be a struggle. It means balancing diet, exercise, medications and fingersticks. Through several of our benefit plans, members can 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.

## 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 market and expanded its Medicare Supplement, PDP and Medicaid offerings as a way 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, and we now serve over 1 million Medicare members across our five states. 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 2021, HCSC increased its footprint in the Medicare Advantage market to serve more than 90 new counties, increasing access to new coverage options for more than 1.1 million

additional Medicare-eligible individuals. This is the company's largest service area and product expansion in its history, particularly in rural and underserved areas.

HCSC is also proud, as it has since the inception of the Affordable Care Act, to continue to offer a retail product in every ZIP code in all of our states.

## 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 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** — 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.

## Leveraging Technology

We use integrated technology to help employers and members better identify, navigate, understand, and pay for health care services that meet their evolving needs. And we prioritize protecting our data to provide our members with peace of mind.

For example, our new collaboration with **Collective Health** will deliver a seamless digital platform that helps make health care more accessible, affordable, and simpler for our members by offering more user-friendly services, including making benefits administration easier for employers. At the same time, this will help individuals get connected with the care options that can best meet their needs, when they need it.

**We remain  
committed to  
making care and  
coverage more  
affordable for all.**

# Affordability and Access



# 80%

**More than 80% of our members' premium dollars are spent on medical costs. We strive to get them the most value for those dollars.**

## DigitalNEXT

Our multiyear DigitalNEXT initiative aims to transform our members' health care experience to make it easier for them to navigate their health care journey. We're focused on creating accessible pathways to care by enhancing our digital platforms and leveraging data to help improve health outcomes and drive member value.



# Our Employees

Our greatest asset is our workforce of more than 24,000 employees. They are the ones standing with our members in over 60 local offices. Every day, they answer more than 36,000 member phone inquiries, process 960,000 claims and administer our products in each county across our five states.

Our employees also include **170 doctors and over 2,200 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

marketplace, we established an internal learning and development university. This school offers employees **access to more than 100,000 learning activities**, ranging from leadership development to instruction on how to code.

Our company embraces the values of diversity, equity and inclusion (DEI) because we believe everyone is unique, everyone should get the support they need no matter their station in life and everyone's contributions are valued. Our commitment to DEI helps us address health and economic inequities in the communities

we serve, the products and services we offer and the support we provide local organizations and providers making

a meaningful impact on the social determinants of health, including access to fresh food, housing, and safe communities.

With over 40% of our employees people of color and over 60% of management women, our diverse workforce is representative of our marketplace. Our employees champion their diversity through business resource groups — from African Americans in Motion to Women Improving the Strength of the Enterprise — to contribute to business goals and enhance community outreach efforts.

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





80,000

**Last year, employees  
logged over 80,000  
volunteer hours,  
benefiting more than  
2,000 organizations.**





## Message from Finance

**Our financial strength reflects people seeing value in our health plans and choosing us to provide their coverage.**

Financial strength is key to HCSC's ability to provide security and peace of mind to members today and into the future.

As a customer-owned health insurer, we are not 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.

In 2021, HCSC achieved positive business results, in part due to steady to strong membership growth — led by retention

and increases in our Medicaid market segment, continued financial improvement in the Medicare and Medicaid businesses, moderate medical cost trends, continued effectiveness of medical and clinical management activities, and corporate tax reform.

We 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 2021 while balancing the impacts and uncertainty of the COVID-19 pandemic. The company reported an underwriting gain of \$485 million for the fiscal year 2021. While the pandemic continued last year, HCSC strengthened its focus on doing what was best for our customers' health and well-being. The company took extra steps to help members get the care they needed while remaining financially stable and maintaining steady premiums for members. HCSC also continued to advance our strategic imperatives and make critical investments throughout the states in which we operate in support of valued community partners.

(in millions)	2021	2020
Premium revenues	45,900.1	44,116.5
Benefit expenses	40,919.3	35,962.6
Total administrative and other expenses	4,496.0	5,265.5
<b>Net Underwriting gain</b>	<b>485.0</b>	<b>2,890.6</b>
Net investment income	710.4	523.0
Net realized capital losses	(116.8)	(143.5)
<b>Income before federal income tax (benefit) expense</b>	<b>1,057.1</b>	<b>3,257.5</b>
Federal income tax (benefit) expense	(169.1)	(723.5)
<b>Net Income</b>	<b>1,226.1</b>	<b>3,981.1</b>

Source: Statutory Filings

# HCSC Leadership Team

## Corporate Leadership



**Maurice Smith,**  
President and CEO



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



**Jeffrey Tikkanen,**  
Executive Vice  
President and  
Special Advisor



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



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



**Thomas Lubben,**  
Senior Vice  
President, Chief  
Ethics, Compliance  
and Privacy Officer



**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



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

*Plan Presidents*



**Stephaniea Grober**, President, Oklahoma Plan



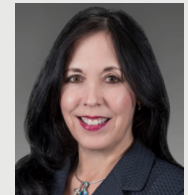
**Collette Hanson**, President, Montana Plan



**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 group life insurance, disability and dental solutions, as well as worksite and voluntary products. For example, Dearborn Group offers a broad selection of insurance products and services to help financially protect individuals and their families. Medecision, an integrated health management company, uses virtual care and digital health options to make the health care experience simpler and more accessible for more than 50 million consumers nationwide. Together, these companies advance HCSC's mission of helping Americans live healthier and more productive lives — no matter their station in life.

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

## Wholly Owned



HCSC ancillary benefits company, a wholly owned subsidiary that provides group life, disability, critical illness, accident, and vision products to its group insurance customers



Third-party administrator of HCSC dental programs

HCSC Insurance Services Company



Underwriter/administrator of certain HCSC Medicare and Medicaid business

Collaborative health care information exchange service

## Partially Owned



Pharmacy benefit management company for HCSC and other third-party companies



Health care clearinghouse and e-health information service



Technology solutions provider for employer health care





