



BlueCross BlueShield
Kansas

2019 Annual Report



A year of progress

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Statement of Licensee

Blue Cross and Blue Shield of Kansas is licensed by the Blue Cross Blue Shield Association to offer certain products and services under the Blue Cross and Blue Shield brand names within the company's own geographic service area—all Kansas counties except Johnson and Wyandotte.

Blue Cross and Blue Shield of Kansas is an independently licensed company governed by its own board of directors and is solely responsible for its own debts and other obligations. Neither the Blue Cross Blue Shield Association nor any other organization using the Blue Cross and/or Blue Shield brand names acts as a guarantor of Blue Cross and Blue Shield of Kansas obligations.

The Blue Cross and Blue Shield system of individual Plans is not a single entity, but rather an association of independent licensee companies.

“As we strive to do more challenging things for the people we serve, it won’t be a single person that transforms healthcare. It will be all of us.”



A message from our president

“I think when we grow and progress, whether that be personally or professionally, it shows that you truly care about something so much to see it transform into something greater.” This is a quote from an employee that I believe perfectly sums up 2019 – a year of growth and progress.

This year, we focused on our four pillars – Put People First, Invest in Healthy Communities, Pursue Affordability Relentlessly, and Prepare for Tomorrow.

To get where we want to be, we have to put people first. Starting with our people, we redefined values to live by – integrity, service, dependability, growth and progress, courage. They define who we are, ground the work that we do, and lead us to better serve our members.

Rooted in Kansas for more than 75 years, we invest in our communities through Blue Health Initiatives. We have a commitment to our neighbors to strengthen the health of Kansans. Through our Pathways to a Healthy Kansas, Trailblazers, and Healthy Lifestyles Initiatives, we made strides in this by helping to remove barriers to healthy foods, increase physical activity and create walking paths in communities across the state.

In our relentless pursuit of affordability, we rolled out the ResultsRx program which saved our members over \$7.2 million on prescription drug costs and provided protection against pharmacy fraud, waste and abuse.

We are always looking for new opportunities to grow and better serve our members – preparing us for a better tomorrow. With quick work and enormous collaboration, we launched a new Medicare Advantage product in 14 counties, answering a need from our members.

The work that’s been done is not by just one person. It’s always countless people working together. We are one team. As we strive to do more challenging things for the people we serve, it won’t be a single person that transforms healthcare. It will be all of us, moving forward together, as colleagues and Kansans.

Sincerely,



Matt All
President/CEO

“We are always looking for new opportunities to grow and better serve our members – preparing us for a better tomorrow.”

PEOPLE

PUT

FIRST



At Blue Cross and Blue Shield of Kansas, **we are committed to putting people first.**

Our members, our employees and the people of Kansas are our top priority.

To ensure we live up to this commitment every day, we decided to update and affirm our core set of values in 2019. This allowed us to maintain our already strong traditional values as well as focus on meeting the needs of Kansans today.

As part of the process, we surveyed the people who know us best: our employees. This invaluable feedback helped form the five values that drive and guide our company: integrity, service, dependability, growth and progress, courage.

These five values inspire all we do, from the choices we make for our members, to the strategies we pursue for the future, and how we treat our colleagues with respect and friendship. We use them to recognize great work and celebrate our successes. We strive to live them, every single day.

To celebrate employees who exemplify our core values, we created Together We Win. This recognition program gives employees an opportunity to acknowledge their colleagues who are living proof of our values. Since launching, nearly 1,300 employee recognition moments have been submitted. Read on for some of those stories highlighted here.

Integrity

Integrity resonated deeply with employees across the organization. It is intentionally stated first because without integrity, we are rudderless, adrift at sea. If we live and operate with integrity, we build trust among our members and each other. With integrity, we further our already strong reputation and are able to achieve accomplishments with pride.

But what does integrity mean within the construct of our core values? Matt All, president/CEO put it best, “It means telling the truth. It means doing the right thing, every time, even when it’s hard. It means having – and diligently following – a clear moral compass. And it means standing behind our word, no matter what.”

It also means treating our co-workers and customers with respect. It is an opportunity to continue to strive to be a better company in everything we do.



“Jeremiah received a couple of understated invoices from a vendor this week. Without hesitation, he let me know of the situation and his intent to inform the vendors so they receive the payment they’re due. It’s these sort of actions that re-inforce and sustain a culture of integrity. Thank you for exhibiting that value, even in the small things that might sometimes be easier to let “slide.”

— Jeff Bergman to Jeremiah Sisk

Service

Service means so many things to us. First, it means providing the absolute best service we can to our customers. It means treating them with respect and compassion and striving to give them the answers they need. We should never underestimate what kind of difference that makes for them, especially when they're going through the stress and worry of a major health event.

Second, service means serving our community the very best we can. Our company was built by the communities of Kansas decades ago, and those ties to our communities have remained vital and robust over the years. Few companies are as committed to improving the communities of Kansas, and to helping others in their time of need, as we are.

"As good as we are at these two things, true service means something more," stated All. "It is, at its core, how we relate to each other and the rest of the world, both as individuals and as a company. We see service, like integrity, as a singular opportunity to live and work the right way. It is a path to do work with real meaning and have the kind of success that brings true fulfillment."



"Jennifer, you rock!!! Yesterday you helped a member get the services they desperately needed. You are always compassionate, caring, and an advocate. Although you may think this is 'just your job', you made a world of difference to that member and family. Thank you."

— Toni Pierson to Jennifer Powers

Dependability

Dependability is a core value that we describe as "foundational" to our organization. Along with integrity and service, dependability grounds us and allows us to operate for our employees, our members and our communities.

Dependability means we will always be there to support all Kansans. When our members need us, they or a loved one are often sick and feeling vulnerable. In that instance, it is incredibly important for us to do exactly what the member needs and to be there to assist them and make life easier. But, it's just as important for us to be dependable when times aren't tough. We strive to remain consistent and dependable in every action we take.



"I cannot thank you enough for being willing to take on additional tasks without hesitation. Last Friday, you didn't know it, but everything in my world seemed to be going wrong all day long, and when I reached out to ask for your assistance in completing a work item for a co-worker, you gladly accepted it without asking any additional questions. In that moment, I told you that you were a lifesaver. You didn't believe me, but I truly meant it!"

— Kelly Markley to Hallie McCoy

Growth & Progress

Our fourth value, growth and progress, exemplifies what we are always trying to do as a company and as individuals. We strive to be better versions of ourselves and a better company than we were the day before. None of that can happen without a willingness to be better through consistent effort.

“We can strive to understand our members a little better,” vowed All. “We can serve them with a little more care and kindness. We can help make their communities a little healthier, so they can be healthier, too. We can find ways to serve more people and more communities. It’s those small things, done every day, that add up to true growth and progress. And it’s those small things that will allow us to do great things together for our members and our communities in the years ahead.”



“Erin, I would like to recognize you for implementing the brand new BCBSKS Medicare & You seminars. You have gone above and beyond to build this up from scratch and it has truly resonated with Kansans! Nice job! Additionally, you’ve helped us measure, adjust and look for continuous improvement to position Blue Cross as the experts in our area. Thank you!”

— Lena Hayden to Erin Sage

Courage

The final value that we established was courage. More than anything, courage represents our willingness to adapt and meet any situation.

“Courage is easily misunderstood,” explained All. “It’s not the absence of fear; it’s the ability and will to act in spite of one’s fear. It’s not rashly charging into harm’s way; it’s doing what’s right (and, frankly, what’s smart), even when it carries risks. And it’s not a virtue reserved only for people we usually think of as ‘heroes’; it’s something everyone can practice, even quietly, in their own way.”

Courage means being willing to tackle subjects even when they’re uncomfortable. It means continuing to push ourselves out of our comfort zones into a situation that may be unfamiliar.



“Not a whole lot of things in this world are more courageous than starting a new job! You not only dove into that headfirst, but you’ve shown all the other core values while adapting with us to the changing environment. I look forward to watching your development in customer service. Congratulations on completing Provider Benefits Training!”

— Matthew Volpert to Emma West

INVEST IN

HEALTHY COMMUNITIES



For more than 75 years, our culture has been based on **Kansans helping Kansans**. We exist to provide peace of mind and access to a better quality of life for our members and all Kansans. It was this commitment to our neighbors and communities that prompted us to launch our Blue Health Initiatives program in 2016.

The purpose of Blue Health Initiatives is to support research-based solutions that make Kansas a healthier place to live, work and play. For the past three years, we have taken a wholistic approach that focuses on policies, systems and environments that shape our lives to improve our communities. We believe that by working together, we can lay the foundation and create a healthier future for generations to come.

The three key pillars that comprise Blue Health Initiatives include Pathways, Trailblazers and Healthy Lifestyles Initiatives. We made significant strides in 2019 and are excited to share some specific stories from each initiative to highlight the real-life impact this program is having on the people and communities of Kansas.

Healthy Lifestyles

The Healthy Lifestyles Initiatives engage Kansas youth – and people of all ages – in promoting healthy habits and active living. Whether it's at school, at home or in the community, Healthy Lifestyles' grants and resources are inspiring healthy behaviors for life.

Holton is a small town in Northeast Kansas of more than 3,300 residents. The town has several parks and outdoor areas, but there aren't many paved paths or trails in the community. That changed in 2019 when Holton Middle School's Kansas Association for Youth (KAY) Club completed a paved fitness path for all residents to use.

This fitness path is a result of a Be the Spark grant from Blue Cross and Blue Shield of Kansas that was awarded to Holton's KAY club. Be the Spark is a program designed to increase teens' awareness

“We have sidewalks around town, but we haven't had sidewalks in a place where we can actually get out and have beautiful places to walk.”

— Grace Etzel, Holton Middle School KAY Club member

of the importance of leading an active lifestyle and challenges teens to engage their peers in a healthier lifestyle.

BCBSKS provided a two-year, \$150,000 grant to the Kansas Association of Youth Alumni Network (KAYAN) in 2017 and a second grant was provided in July 2019. Mini grants through this program help local KAY clubs, like Holton's, create and implement projects that provide their peers and future generations with access to fun ways to be physically active.

“We are thrilled with the number of KAY clubs that have seized the opportunity to participate in this exciting adventure,” said Cheryl Gleason, KAY state director and KSHSAA assistant executive director. “The results of their dreams and teamwork will leave a lasting impact on their school and community.”

Pathways

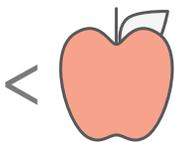
The Pathways Initiatives are helping Kansas communities to inspire long-lasting, community-wide health and well-being. This includes our Pathways to a Healthy Kansas initiative, which is the largest-ever grant program funded by our organization. Since the program began in 2016, we have provided more than \$6.5 million in grants and assistance to communities throughout Kansas.

In Northwest Kansas, 41% of adults reported consuming less than one fruit per day. A big reason for this statistic is the lack of access to fresh, affordable produce in these extremely rural communities. The LiveWell Northwest Kansas (LWNL) collaborative of Cheyenne, Rawlins and Thomas Counties wanted to change that.

After receiving a Pathways to a Healthy Kansas grant from BCBSKS, the Rawlins County Extension program partnered with Jamboree Foods of Atwood – a community of only 1,200 people – to create a produce basket program called “Simply Produce.”

The program increases access to healthy fruits and vegetables for local residents by allowing residents to bulk purchase 15 pounds of produce every two weeks at half the retail cost. In addition to the produce, customers receive a recipe highlighting food in the basket and educational materials on storage and produce handling. In the first week of the program, 95 produce baskets were ordered, and the program has only grown since then.

“Blue Cross and Blue Shield of Kansas is committed to the health of all Kansans,” said Virginia Barnes, director of Blue Health Initiatives. “We know that access to healthy fruits and vegetables is one important way to help people live healthy lives and reduce their risk of developing a preventable condition such as diabetes or heart disease. We are thrilled to be able to support communities as they find new ways to improve the health of their residents and strengthen food access in their communities through programs such as Simply Produce.”



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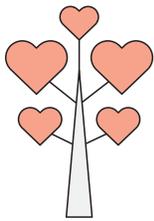


Pathways grant from BCBSKS allowed Jamboree Foods of Atwood – a community of only 1,200 people – to create a produce basket program called “Simply Produce.”

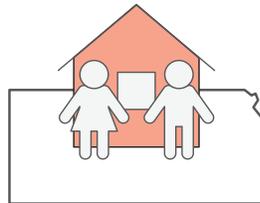


Simply Produce allows residents to bulk purchase 15 pounds of produce every two weeks at half the retail cost.

Our Pathways to a Healthy Kansas program is an initiative that provides 16 Kansas communities with the tools and resources needed to remove barriers and engage residents in ways that enable active living, healthy eating, and tobacco prevention. These three risk factors – physical inactivity, poor nutrition and tobacco use – lead to four of the leading causes of chronic disease resulting in 80% of the deaths in the United States. Through Pathways grant funding and resources, groups are able to create healthy, sustainable communities where people live, work, and play in a way that improves their quality of life for years to come. Each Kansas community participating in this program is eligible to receive up to \$500,000 in grants over a five-year period to help improve their community's quality of life.



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“This network will provide stronger collaboration, streamlined care coordination and access to existing healthcare contracts in the community.”

— Virginia Barnes, director of Blue Health Initiatives



Trailblazers

The Trailblazer Initiatives are customized, research-based solutions that are designed to break down barriers to health and access to healthcare in Kansas, where we face unique challenges as a largely rural state. Initiatives are selected in promising areas where proven strategies for success do not yet exist, so we can blaze new trails into a healthier future by improving the social determinates of health, increasing access to care and streamlining coordination of services.

We don't have all the answers for the future of healthcare. What we do have is a fierce desire and commitment to partner with organizations who share our goal of creating a healthier future for all Kansans. In 2019, we began building community partnerships and pilot programs to expand our Trailblazers initiative and break down the barriers to healthcare throughout Kansas. Our partnership with the United Way of Greater Topeka and Healthify is just one example of these community partnerships.

In 2019, we partnered with Healthify – a company focused on social health factors in the managed care space – to form the Northeast Kansas Community Network. This network consists of healthcare and social service organizations committed to transforming the current system of care and dramatically improving health outcomes in

Kansas. It plans to do so by closing the loop on referrals for social services and creating the infrastructure to seamlessly coordinate care across the care continuum.

Sponsored by Blue Cross and Blue Shield of Kansas, United Way of Greater Topeka and Stormont Vail Health have come together as founding partners of the Northeast Kansas Community Network. Through the network, healthcare providers and community resources are connected to provide whole-person care to the most vulnerable members of the community.

“This network will provide stronger collaboration, streamlined care coordination and access to existing healthcare contracts in the community,” said Barnes. “We are focused on continuing to build these community partnerships and pilot programs for Trailblazers, and we look forward to sharing stories about how this network is improving lives throughout Kansas in the years to come.”

Every program created in our Blue Health Initiatives is designed to invest in the people and communities of Kansas to create a healthier place for us to live, work and play. By working together, we can lay the foundation for a healthier future.

**PURSUE
AFFORDABILITY
RELENTLESSLY**

BETTER TOGETHER



At Blue Cross and Blue Shield of Kansas, **we promise our members we will do everything in our power to maximize value for them.** This includes saving money on their prescription drug costs, which can oftentimes be one of their biggest healthcare expenses.

In our relentless pursuit of affordability, we have created ResultsRx to help our employer groups and members better manage the impact of rising drug costs while providing the safe, effective drugs members need. Rolled out to members in 2019, ResultsRx is a managed formulary (a list of prescription drugs covered as part of a pharmacy benefit) provided by BCBSKS. Designed by the pharmacy benefits manager Prime Therapeutics, ResultsRx was specifically created to make an impact on savings while providing our members with the safety and effectiveness they expect in their generic or high-cost specialty drugs. This solution has resulted in better outcomes, a better experience and greater savings for our employer groups and our members.

Saving Our Members Money

During the past decade, drug prices have soared by double digits, costing our members more and more in out of pocket expenses every year. Through ResultsRx, we have been able to manage high-drug costs for greater discounts for our groups and members. We do this by considering several cost-savings strategies:

- Manage non-preferred drugs
- Standard drug exclusions
- Capitalize on over-the-counter availability
- Manage high-cost brands and generics
- Value-based contracting with pharmaceutical companies

“We’ve seen better than projected savings,” said Tiffany Liesmann, Pharm. D. BCBSKS clinical pharmacist. “With ResultsRx, every drug added to the formulary is purposefully selected after a thorough review of safety and effectiveness, whether it’s an inexpensive generic or high cost specialty drug.”

“ResultsRx makes sure the drugs placed on formulary are not only safe and effective but have the lowest net cost.”

— Tiffany Liesmann, Pharm. D. clinical pharmacist

Health First

Yes, providing cost savings for our members is important, but their health is our first priority. ResultsRx puts the health of every member first by allowing us to integrate pharmacy and medical data to provide more coordinated care and more timely interventions. We are able to provide better coordinated care through objective patient referrals, at-risk patient identification, targeted interventions, outcomes monitoring and coordination across care settings.

Protection Against Fraud, Waste and Abuse

In addition to providing members with cost savings, ResultsRx offers built-in protection against pharmacy fraud, waste and abuse. We have processes in place that allow us to identify and investigate fraud committed by members and prescribers. High-cost, low-value drugs that are often at the center of fraud investigations are not even included in ResultsRx, protecting our members from these types of issues before they can even happen. Through our partnership with Prime Therapeutics, we can provide superb analytics with integrated medical and pharmacy data to help identify where action is needed today and into the future.



Results

Not only has ResultsRx improved the overall health of our members, it has led to significant savings for members and employer groups. Since 2018, ResultsRx has saved our members more than \$7.2 million. For employer groups, we have seen cost savings from 17% up to 50%.

There is no doubt that our proactive approach to creating programs like ResultsRx is helping our members and employer groups save money, improve outcomes and provide an overall better experience. We are committed to creating and evolving programs like ResultsRx to better serve our members today and into the future.

Making quality healthcare affordable for our members is a priority, and we will continue to innovate and work creatively to help our employer groups and members gain efficiencies whenever possible.



\$7.2
million

The infographic features a large gold number '7.2' with a dollar sign, followed by the word 'million' in a smaller font. The number is flanked by horizontal lines that extend to the left and right, each ending in a small gold circle.

has been saved by our members due to ResultsRx.



50%

The infographic features a large gold number '50' followed by a percentage sign. The number is flanked by horizontal lines that extend to the left and right, each ending in a small gold circle.

Employer groups have seen cost savings from 17% up to 50%.

Making quality healthcare affordable for our members is a priority.

PREPARE FOR TOMORROW



As we prepare for tomorrow, we are focused on how best to meet the evolving needs of Kansans. This means that **we are constantly working to better understand the healthcare needs in our state**, as well as listening to our members to hear directly from them about what they need to live their best lives. This includes how best to serve seniors in our state who seek more affordable coverage options.

Growing demand

For more than 50 years, Blue Cross and Blue Shield of Kansas has offered Medicare-eligible Kansans access to a variety of Medicare supplemental plans. Our mission is to make Medicare an acknowledgement and celebration of everyday life, with plans to fit the unique needs of Kansans.

Driven by a desire to meet the needs of a growing senior population in Kansas and to provide more affordable plan options, we began offering Medicare Advantage in 14 counties across Kansas during open enrollment in 2019.

As Medicare Advantage has continued to grow in popularity over the years, we have heard directly from members that they are interested in having this plan option and the affordability it provides. As the largest insurer based in Kansas and with years of experience offering Medicare supplement insurance and prescription coverage, we want to be able to offer Kansans additional options from an insurer they know and trust backed by an excellent network of providers.

Medicare Advantage (Part C) is an “all-in-one” alternative to original Medicare (Parts A and B) that bundles Part A, Part B and usually Part D while offering a lower premium option. Many plans also offer extra coverage for vision, hearing, dental and/or health and wellness programs.

“Since 1966, we’ve offered Kansans age 65 and older the peace of mind that their out-of-pocket Medicare costs will be covered by their Plan 65 or Plan 65-Select plan, and those plans have been incredibly successful for our organization and members,” said Matt All, president/CEO.

“While we’ve considered offering Medicare Advantage in the past, our most recent market research and member input indicated that the time had come, and Kansans desired an alternative option.”

— Matt All, president/CEO

Team effort

The new offering followed 18 months of diligent work by all areas within our organization to make it a reality. This was the largest new offering we had launched in recent history and was truly a monumental effort. It required a level of cooperation, problem-solving and creativity across departments that truly pushed all of us to better collaborate as we worked to achieve our common goal.

In the end, offering this new product to seniors in Kansas brought tremendous pride to our more than 1,500 employees.

What's next

We will continue to do all we can to provide new plan options that meet the needs of all our members now and into the future. The feedback we receive from our members today is impacting the decisions we make tomorrow and how we design our future plan offerings, including the need for affordable care. By taking the time to listen and truly understand the unique needs of Kansans, we are preparing for tomorrow in all we do.

“In order to prepare for tomorrow, we will continuously invest in new technology, new products, new markets and new ways of doing business, so that we may serve our members and our communities in the decades ahead.”

“In order to prepare for tomorrow, we will continuously invest in new technology, new products, new markets and new ways of doing business, so that we may serve our members and our communities in the decades ahead.”

— Matt All, president/CEO



Blue Cross and Blue Shield of Kansas, Inc.

Condensed Consolidated Balance Sheet ^A

December 31, 2018 and 2019

| Assets | 2018 | 2019 |
|--|------------------------|------------------------|
| Cash and Investments | \$1,520,124,544 | \$1,734,698,922 |
| Premiums and Other Receivables | 118,200,346 | 133,586,265 |
| Property and Equipment, Net | 84,578,594 | 68,899,102 |
| Investments in Subsidiaries ^B | - | - |
| Other Assets | 189,002,432 | 194,192,908 |
| Total Assets | \$1,911,905,916 | \$2,131,377,197 |
| Liabilities | | |
| Claims Incurred and Unpaid | \$297,396,045 | \$338,421,883 |
| Premiums Received in Advance | 116,926,794 | 105,742,584 |
| Accounts Payable and Other Liabilities | 425,762,799 | 430,485,803 |
| Total Liabilities | 840,085,638 | 874,650,270 |
| Policyholders' Reserves | 1,071,820,278 | 1,256,726,927 |
| Total Liabilities and Policyholders' Reserves | \$1,911,905,916 | \$2,131,377,197 |

^A As derived from the audited financial statements of Blue Cross and Blue Shield of Kansas, Inc.

^B Investments in subsidiaries of \$117,899,900 and \$108,739,650 for 2019 and 2018 respectively, are eliminated for consolidated financial statements.

Corporate governance - Board of directors*

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CEO
Coffey Health System

James A. Klausman, Topeka

Vice-chairman

President/CEO
Midwest Health, Inc.

Angela N. Wilson, D.D.S., Lawrence

Periodontist
Edwards & Wilson Periodontics, P.A.

Carolyn R. Banning, Dodge City

CPA/PFS
Smoll & Banning CPA's, LLC

Cathy Mih Taylor, M.D., Chanute

Physician (OB/GYN)
Neosho Memorial Regional Medical Center

Diane L. Lee, Hutchinson

CPA, CSEP
Swindoll, Janzen, Hawk and Loyd, LLC

Gregory V. Binns, Hutchinson

President/COO
First National Bank of Hutchinson

Jeff D. Mullen, Wichita

Chief financial officer
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Vortex Corporation

Jena K. Lysen, SHRM-SCP, SPHR, Wichita

Vice president of human resources
Allen, Gibbs & Houlik, L.C.

Jennifer L. Brull, M.D., Plainville

CEO/Family Medicine Physician
Prairie Star Family Practice

Kenneth W. Winter, Dodge City

General manager
Lariat Feeders, LLC

Matthew D. All, Lawrence

President/CEO
Blue Cross and Blue Shield of Kansas

Megan L. Jones, Topeka

Founder/president
Jones Advisory Group

Rick C. Jackson, Topeka

Executive vice president and chief lending officer
Capitol Federal®

Steve W. Sloan, Pittsburg

President/CEO
Midwest Minerals, Inc.

*as of December 31, 2019

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