

Getting health
care right:

**Better
Health by
Design**



Dr. Bob Crossey, who
appears in a Highmark video
about the True Performance program

Our customers have been, and always will be, our moral and strategic compass. We believe they deserve a remarkable health experience, freeing them to be their best. In fact, that is our renewed mission as we enter the next phase of our transformation.

David L. Holmberg,
Chief Executive Officer
and President,
Highmark Health



Two women discuss living with autoimmune diseases in an AHN Women's Health video.

Creating a remarkable health experience, freeing people to be their best

A national health and wellness organization, Highmark Health and our affiliated companies serve millions of Americans nationwide with products and services that are transforming how health care is delivered, ensuring better experiences for customers along their health care journeys. The organization employs more than 40,000 people dedicated to our corporate mission — to create a remarkable health experience, freeing people to be their best.

Consolidated revenues grew to \$18.8 billion in 2018.

The Highmark Health organization is focused on getting health care right. We are transforming health care by connecting care and coverage through new models that deliver greater value and a better health care experience to our customers. We are boldly challenging the health care of the past and reinventing it in new ways that work better now and will be sustainable for generations to come — providing improved access, higher standards of quality and safety, greater affordability, and better health outcomes. Throughout the Highmark Health enterprise, our work is tied to a larger social mission to build stronger communities of healthier people. That same mission guides our organizational giving — totaling \$224 million in 2018.

Delivering value with a diverse portfolio of leading health care companies

Highmark Health's strong and diverse portfolio of businesses meets the broad spectrum of health care needs of consumers, business customers, and government entities.

- **Highmark Inc.** and its Blue-branded affiliates (Health Plan) proudly cover the insurance needs of millions of individuals, families and seniors, offering a variety of products and services to meet their health care needs.

- **Allegheny Health Network (AHN)** provides health care delivery, research, medical education, and wellness services through an integrated health care delivery network that includes eight hospitals; more than 2,300 affiliated physicians; six ambulatory surgery centers; a research institute; home- and community-based health services; a group purchasing organization; and four Health + Wellness Pavilions.
- **United Concordia Dental** delivers high-quality, cost-effective dental care through a network of nearly 127,000 dentists and more than 400,000 access points.
- **HM Health Solutions** combines cutting-edge technology and leading industry knowledge to deliver business solutions to health plan payers so they can run their organizations efficiently in a competitive and ever-changing market.
- **Visionworks** provides eyewear and eye care services, including exams, at over 700 retail optical stores in 40 states and the District of Columbia.
- **HM Insurance Group** works to protect businesses and their employees from the financial risks associated with catastrophic health care costs.
- **HM Home & Community Services** specializes in post-acute care management solutions for payers, providers, and patients.

Investing in the transformation of health care

Highmark Health delivered its second-best consolidated financial performance since its formation in 2013, with an excess of revenue over expenses of \$570 million and an operating gain of \$526 million driven by strong operating performances across

all of its business units. Total revenues improved over the prior year by more than \$500 million to nearly \$18.8 billion, while Highmark Health's balance sheet continued to strengthen with net assets of \$6.7 billion, an increase of \$200 million over the prior year driven by earnings, and cash and investments of \$8 billion as of year-end.

Coming off record earnings in 2017, the Health Plan again delivered strong financial performance across all segments in 2018 with operating results of more than \$500 million for the year ended December 31, 2018. Health Plan membership is stable with 4.5 million members in core markets of Pennsylvania, West Virginia, and Delaware. Highmark remains the commercial market share leader in western PA with a retention rate of 94 percent and membership of 2.3 million. We continue to offer key differentiators with client services and ancillary product offerings.

Allegheny Health Network (AHN) sustained its positive operating performance trajectory, reporting operating income of \$39 million, an improvement of \$10 million over prior year. AHN also reported total operating revenues of \$3.3 billion, a year-over-year increase of \$213 million, or nearly 7 percent, and a 5-year increase of 50 percent. Key investments in AHN in 2018 totaled nearly \$350 million. AHN experienced a 2.4 percent increase in combined total discharges and observations and a nearly 4 percent increase in physician visits compared to the previous year. It continues to see strong, consistent growth in its ambulatory footprint, nearing 23,000 annual surgical cases in 2018 as well as market share gains

driven almost exclusively through organic growth.

Highmark Health's Diversified Businesses delivered operating earnings of \$159 million, an improvement of \$56 million over prior year, due to strong performances in our dental and stop loss segments, reinforcing the value of Highmark Health's diversification strategy.

United Concordia Dental delivered operating earnings of nearly \$100 million, which is comparable to prior year and reflects a full year of servicing the TRICARE Dental Program contract and continued growth in network leasing partnership revenues.

Our stop loss business, HM Insurance Group, delivered a significant turnaround from a challenging 2017 performance with an operating gain of \$80 million in 2018, an improvement of nearly \$100 million over prior year driven by actions taken by management in 2017 and throughout 2018 to ensure improved operating performance and restore profitable margin levels.

Visionworks continues to deliver on its turnaround plan under its new leadership team. It reported an operating loss of \$21 million, an improvement of \$21 million over prior year, excluding the results of managed vision care.

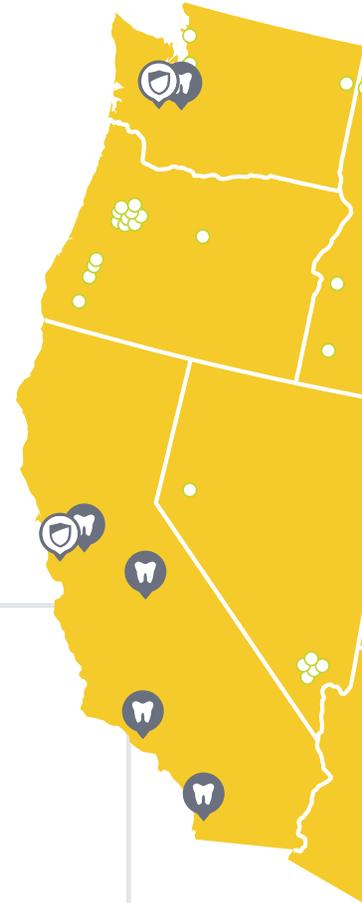
HM Health Solutions, our information technology services company, continued its stable financial performance, growing revenues to more than \$900 million. It completed the migration of two major Blues plans onto its platform, which now serves 10.3 million lives.

With clinical transformation we brought together physicians, clinical staff, actuaries, all the smart people at Highmark Health, and we've proven that we can take almost any health condition and make people healthier. We need to be proactive — we've proven that when you do that, health improves, experience improves, and the cost of care comes down.

Dr. Tony Farah,
Executive Vice President,
Chief Medical and Clinical
Transformation Officer

Putting customers at the center of everything we do — nationwide.

Regionally focused with a national footprint, the Highmark Health organization serves millions of Americans across all 50 states and the District of Columbia through a diverse portfolio of health-related businesses. Our Blue-branded health plan businesses serve nearly 4.5 million customers in Pennsylvania, West Virginia, and Delaware. Our integrated health care delivery network, led by Allegheny Health Network, serves patients in 29 counties in Pennsylvania as well as portions of Ohio, New York, and West Virginia. Our other affiliated businesses — including HM Health Solutions, HM Insurance Group, United Concordia Dental, Visionworks, and HM Home & Community Services — proudly serve customers and businesses across America.



Headquarters

- Health Plans*
- Retail Eyewear & Eye Care Services
- Dental Solutions
- Reinsurance Solutions
- Health Care Delivery
- Innovative Technology-Based Solutions
- Post-Acute Management Solutions
- Family Grieving Centers

Retail Locations

- Health Plans (13 stores)
- Vision (729 stores)

Hospitals & Health + Wellness Pavilions

- ⊕ Hospitals
- Health + Wellness Pavilions & Other Facilities

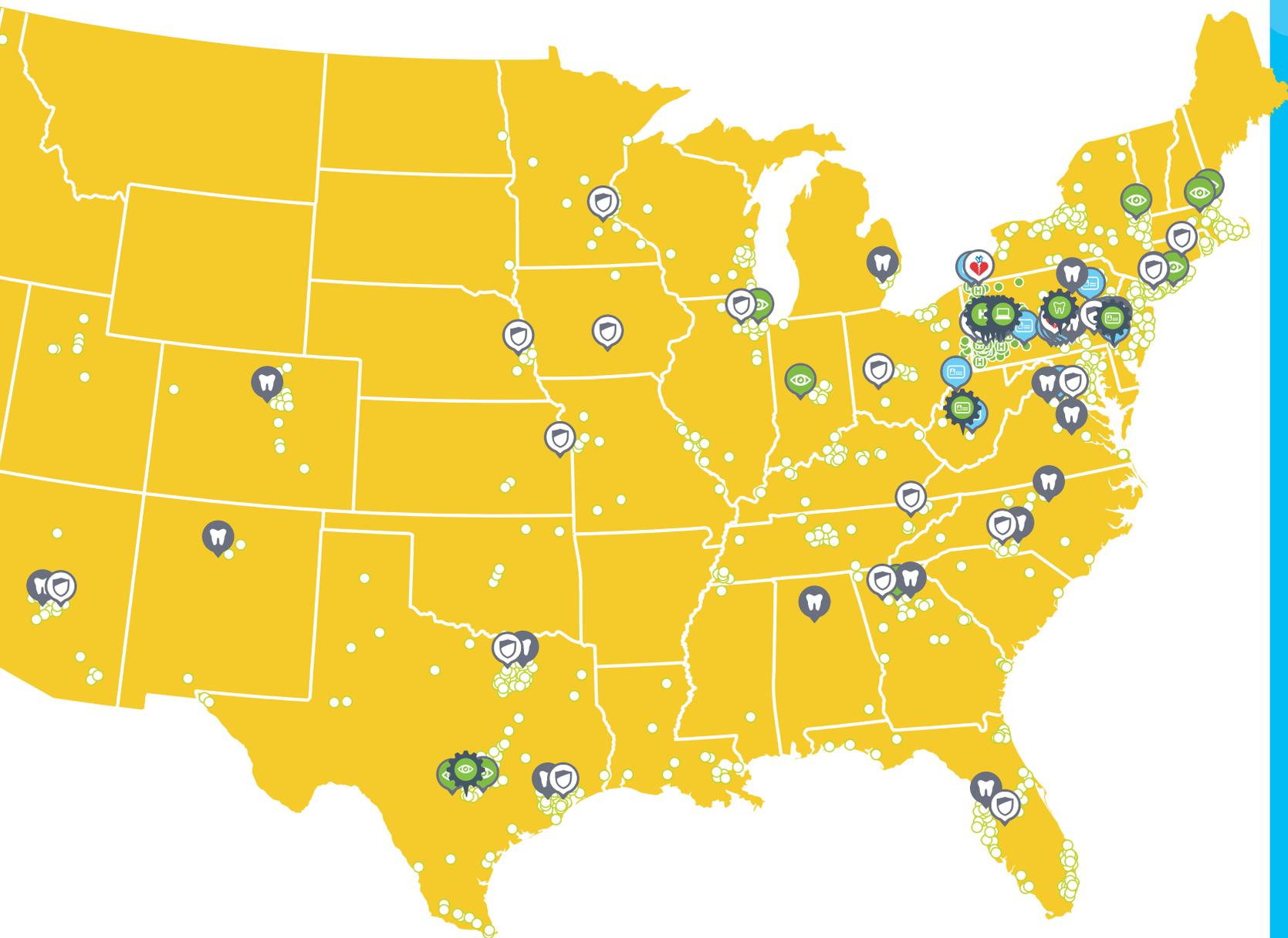
Other facilities (sales offices, data centers, manufacturing labs)

- 🗨️ Health Plans*
- 🦷 Dental Solutions
- 👁️ Retail Eyewear & Eye Care Services
- 🛡️ Reinsurance Solutions
- 👪 Family Grieving Centers

*Highmark Inc. and its affiliates offer health insurance products in Pennsylvania, Delaware, and West Virginia and are independent licensees of the Blue Cross Blue Shield Association. The companies' participation in the BlueCard® program offers members access to plans that include benefits through provider networks of other independent Blue Cross and Blue Shield plans nationally and worldwide. Most, but not all, plans include Blue Card benefits.

You can't do it all yourself — Highmark Health has been brilliant at strategically picking the partners that will move our organization forward, creating partnerships that help all parties. It's all about putting patients at the center of everything we do — if it's good for our patients, it's good for us.

Cynthia Hundorfean,
Chief Executive Officer
and President,
Allegheny Health Network



In addition to our willingness to make bold changes in the health care business model, I would say we have some cultural advantages. The collaborative mindset here is important — getting everyone aligned on the goal of creating value for the customer and then working together to achieve that goal. Collaborating leads to smarter change and faster change.

Deb Rice-Johnson,
President, Highmark Inc.

At-A-Glance



Headquarters: Pittsburgh, Pennsylvania

Description: Highmark Health and its subsidiaries and affiliates comprise a national health and wellness organization that employs more than 40,000 people and serves millions of Americans in all 50 states and the District of Columbia. The organization includes businesses in health insurance, health care delivery, retail eyewear and eye care services, dental solutions, health risk solutions, and innovative technology-based solutions. Highmark Health is the parent of Highmark Inc., Allegheny Health Network, HM Health Solutions, and HM Home and Community Services LLC.

Mission: To create a remarkable health experience, freeing people to be their best

Number of Employees: 40,000+ across the organization

Leadership: David L. Holmberg, President and Chief Executive Officer

2018 Consolidated Revenues: \$18.8 billion



Headquarters:

- Highmark Inc., doing business as Highmark Blue Cross Blue Shield in the 42 counties of western and northeastern Pennsylvania and as Highmark Blue Shield elsewhere in the state — Pittsburgh, Pennsylvania
- Highmark West Virginia Inc., doing business as Highmark Blue Cross Blue Shield West Virginia — Parkersburg, West Virginia
- Highmark BCBSD Inc., doing business as Highmark Blue Cross Blue Shield Delaware — Wilmington, Delaware

Description: An independent licensee of the Blue Cross Blue Shield Association, Highmark Inc., together with its Blue-branded affiliates, collectively comprise the fourth-largest overall Blue Cross Blue Shield-affiliated organization in the country based on capital. Highmark Inc. is the parent company of the following entities, which do not sell Blue Cross or Blue Shield products: Visionworks of America, Inc., United Concordia Dental, and HM Insurance Group.

Customers: Consumers, businesses, and government entities

Products and Services: Individual and group health insurance; Medicare Advantage plans for seniors

Brands Offered: Blue Cross Blue Shield and/or Blue Shield

Geographic Service Area: Pennsylvania, West Virginia, and Delaware

Number of Employees: 6,000

Leadership: Deborah L. Rice-Johnson, President, Highmark Health Plan, Highmark Inc.



Headquarters: Pittsburgh, Pennsylvania

Description: Allegheny Health Network is an integrated health care delivery network that includes eight hospitals; more than 250 clinical locations; more than 2,300 affiliated physicians; six ambulatory surgery centers; a research institute; home- and community-based health services; a group purchasing organization; and four Health + Wellness Pavilions. While AHN began operations in 2013, AHN's member hospitals share legacies of charitable care that date back more than 160 years.

Customers: Patients

Products and Services: Integrated health care delivery, health care research, medical education, wellness services

Brands Offered: Allegheny Health Network, Allegheny General Hospital, Allegheny Valley Hospital, Canonsburg Hospital, Forbes Hospital, Jefferson Hospital, Saint Vincent Hospital, West Penn Hospital, and Westfield Memorial Hospital

Geographic Service Area: Western Pennsylvania and portions of New York, Ohio, and West Virginia

Number of Employees: 20,000

Leadership: Cynthia D. Hundorfean, President and Chief Executive Officer



Headquarters: Pittsburgh, Pennsylvania

Description: HM Health Solutions (HMHS) delivers business solutions to health plan payers so they can run their organizations efficiently in a competitive and ever-changing market. By offering cutting-edge technology and leading industry knowledge, HMHS meets the many operational needs of health plan payers. A wholly owned subsidiary of Highmark Health, HMHS services 13 health plans serving 10.3 million members.

Customers: Health plans

Products and Services: Advanced, end-to-end health insurance solutions, including the Enterprise Health Solution and HM Document Solutions

Geographic Service Area: Global

Number of Employees: 3,500

Leadership: Karen Hanlon, President

highmarkhealth.org

highmark.com

ahn.org

hmhs.com



Headquarters: Pittsburgh, Pennsylvania

Description: HM Home & Community Services specializes in post-acute care management solutions for payers, providers, and patients.

Customers: Health care organizations accountable for post-acute care spend, including integrated delivery and financing systems, health plans, accountable care organizations, hospitals, and health systems

Products and Services: HM Home & Community Services provides health care organizations that are accountable for post-acute spend with customized solutions for the entire episode following hospitalization. These solutions uniquely focus on collaboration, evidence-based pathways of care, big data, innovation, and pay-for-value incentives to improve networks of skilled nursing facilities and home health agencies, achieving a higher level of performance, lower cost, better health outcomes, and a better patient experience.

Leadership: Monique Reese, DNP, ARNP, FNP, Senior Vice President, Home and Community Care, Highmark Health



Headquarters: Pittsburgh, Pennsylvania

Description: HM Insurance Group companies work to protect businesses and their employees from the financial risks associated with catastrophic health care costs. With 23 offices across the nation, HM Insurance Group companies are among the country's top stop loss carriers.

Customers: Benefits brokers, consultants and third party administrators on behalf of group policyholders; providers; managed care entities

Products and Services: Stop Loss and Managed Care Reinsurance

Geographic Service Area: National

Number of Employees: 325

Leadership: Tom Doran, President, HM Insurance Group, and Dom Palmieri, Chief Operating Officer, HM Insurance Group



Headquarters: Harrisburg, Pennsylvania

Description: United Concordia Companies, Inc. and its subsidiaries — collectively referred to as United Concordia Dental — is a leading dental solutions organization that delivers access to high-quality, cost-effective dental care through its network of nearly 127,000 unique dentists at over 400,000 access points.

Customers: Consumers, businesses and government organizations

Products and Services: Dental care and oral wellness

Brands Offered: Smile for Health®, Concordia DHMO, UCVision®

Geographic Service Area: All 50 states, the District of Columbia, and Puerto Rico

Number of Employees: 1,000

Leadership: F.G. "Chip" Merkel, Chief Executive Officer and Chairman of the Board, United Concordia Dental; Tim Constantine, President and Chief Operating Officer, United Concordia Dental



Headquarters: San Antonio, Texas

Description: Visionworks is the sixth-largest specialty retail optical chain in the United States and a leading provider of eyewear and eye care services. Visionworks has over 700 retail optical stores in 40 states and the District of Columbia.

Customers: People of all ages and styles looking to maintain their eye health and find their perfect look

Products and Services: Prescription eyeglasses and contact lenses in stores and online; eyewear services, including exams

Brands Offered: Frames by Ray-Ban®, Nike®, Armani Exchange®, Penguin®, Lacoste®, Calvin Klein®, Vera Bradley®, Guess®, and Anne Klein®, plus exclusive brand frames, including Chelsea Morgan, Salsa, and Robert Mitchel. Lens brands include the family of Transitions® adaptive lenses and Coppertone® polarized lenses.

Geographic Service Area: 40 states and the District of Columbia

Number of Employees: 8,664

Leadership: Peter Bridgman, Chief Executive Officer, Visionworks



one mission

A national health and wellness organization, Highmark Health and its affiliated companies share one mission: **to create a remarkable health experience, freeing people to be their best.**



2nd largest

Highmark Health is the **second-largest integrated delivery and financing system** in the country based on consolidated revenue and premium equivalents.



\$224 million

Highmark Health and its affiliated businesses and charitable foundations contributed **\$224 million** to building strong communities of healthier people in 2018.



4th largest

An independent licensee of the Blue Cross Blue Shield Association, Highmark Inc., together with its Blue-branded affiliates, collectively comprise the **fourth-largest overall Blue Cross Blue Shield-affiliated organization** in the country based on capital.



80,000
in-network physicians

The Health Plan is supported by **80,000 in-network physicians**, and it processed **193 million claims** on behalf of customers in 2018.



\$350+ million

More than \$350 million was invested in new and improved Allegheny Health Network (AHN) care sites and capabilities in 2018.



7,700+
babies delivered

AHN's four labor and delivery units delivered **more than 7,700 babies** in 2018, capping a 60 percent increase in the number of births at AHN hospitals since 2013.



\$1 billion

In 2018, AHN closed on **\$1 billion in bond financing**, its first public, tax-exempt financing, with bonds assigned an "A" rating.



10.3 million
members served

HMHS serviced **10.3 million members** of separate health plans via the Enterprise Health Solution.



127,000
dentists

United Concordia Dental's network includes nearly **127,000 dentists at over 400,000 access points.**