
Highmark Health Year-End 2022 Financials

For Public Release



March 20, 2023

Highmark Health Overview



Our mission is to create a remarkable health experience, freeing people to be their best.

Our vision is a world where everyone embraces health.

>27 million lives under contract nationally



*Highmark Inc. and its affiliates offer health insurance products in Pennsylvania, Delaware, West Virginia, and western and northeastern New York, 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.

Strategy in Action: Delivering on our Promise



- Introduced **Well360 Motion** (powered by Sword Health), a virtual physical care program, and **Well360 Diabetes Management**, enabling better chronic condition management, improved health outcomes, and reduced costs
- Initiated **online self-scheduling** for AHN primary care and certain specialty appointments
- Launched integrated payer-provider platform for AHN patients with **Cedar**
- Introduced **My Highmark** – a digital platform developed with Google Cloud and League that provides seamless care navigation, shared care plans, virtual/digital health, and cost transparency



- Partnership with **CivicaScript** to manufacture and distribute affordable insulin
- Launched **Synergie Medication Collective** alongside other BCBS organizations, aiming to improve affordability and access to costly medical benefit drugs
- Partnered with **Free Market Health** to lower specialty prescription drug costs
- **Stellar Health** expanded value-based care initiative with Highmark Inc.
- **Bridges Health Partners** and Highmark Blue Cross Blue Shield announced value-based agreement



- **US News & World Report** named **AHN West Penn a top maternity hospital** (#1 in Pittsburgh, #2 in PA, #31 in US)
- Marked 5-year joint venture with **Penn State Health (PSH)**; opened **PSH Lancaster Medical Center** in fall 2022
- Opened **AHN Seneca Valley Outpatient Center** and **AHN Montour Health + Sports Medicine Center**
- AHN announced **>\$92 million workforce investment**, with significant portion allocated to direct-care nursing wages and benefits
- Expanded AHN's **The Chill Project** to over 30 schools, partnering with the **Pittsburgh Pirates** to launch Chill Mobile RV, and helping students, teachers and parents identify, discuss and manage mental health concerns

Supporting our social mission through community outreach

Community support >\$300M through charity & uncompensated care and corporate giving enterprise-wide

- Created a **high-performing social care network** to compensate non-profits addressing social determinants of health
 - Launched **First Steps and Beyond**, tackling health and well-being of African American parents and infants during delivery and through the first year after birth
 - Introduced **Highmark Bright Blue Futures** focused on improving equitable access to care, quality of life, and economic resilience in the communities the enterprise serves.
 - **Highmark W&NE NY** increased spending in the region, including supporting relief efforts and food insecurity following the mass shooting at Tops Supermarket and Say Yes Buffalo for scholarships and other Buffalo Public School student support.
 - Highmark BCBS Delaware funded 78 grant awards through **BluePrints for the Community**.
 - Highmark West Virginia **Charitable Fund for Health** committed to improve the health, well-being, and quality of life for individuals who reside in West Virginia, including funding substance use disorder program grants.
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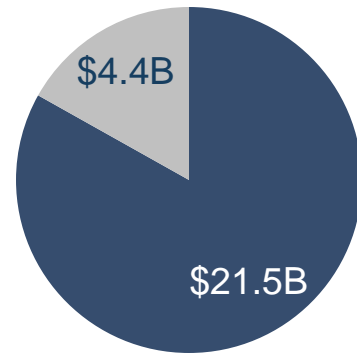


Highmark Health Year-End 2022 Financial Overview

Financial Results

~\$26B
Operating
Revenue

\$440M
Operating
Margin



■ Insurance
■ Provider

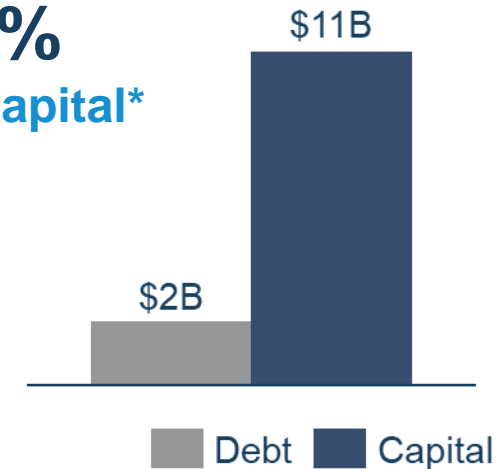
(\$346M)
Net Income

~\$47M
Net Income
excl. Unrealized Investment Impact

Balance Sheet

~\$11B
Cash and Investments

~19%
Debt-to-Capital*



*Debt-to-Capital ratio excludes line of credit utilization

Highmark Health Membership Diversity

Highmark Health Plan remains the **largest health insurer** in Pennsylvania, Delaware, West Virginia, and western New York.

- **Core Health Plan and BlueCard** membership rose 2.5% year-over-year to 7 million.
- **United Concordia Dental** is the **6th largest dental company** in the United States with **>9M members** and licensed in **every state, the District of Columbia, and Puerto Rico**
- **HM Insurance Group** is the **9th largest stop loss business** in the United States and licensed in every state and the District of Columbia
- **enGen** platform provides IT and customer support services to numerous Blues plans



Business model diversity supports ongoing success



- **Highmark Health Plans:** Operating gain >\$500M
- Positive performance driven by improved care management, more affordable options, and improved outcomes
- Membership enrollment grew 2.5% year-over-year

• Allegheny Health Network:

- EBITDA* **\$19M**
- EBITDA (excl. unrealized investment impact) **\$107M**
- Operating revenue **\$4.4B**
- Addressing cost pressures related to labor shortage, supply chain, and inflation
- Inpatient discharges and observations flat, outpatient registrations up **▲8%** (excl. YOY vaccination registrations), physician visits up **▲3%**, ER visits up **▲7%**, births up **▲5%** vs. FY 2021



Diversified businesses strengthen Highmark Health

Diversified businesses contributed >\$200M of combined operating earnings.



- **\$1.6B net revenue**
- **\$137M operating margin**
- Signed 7-year, ~\$900 million renewal contract with **Active-Duty Dental Program (ADDP)**



- **\$906M net revenue**
- **\$65M operating margin**
- Introduced **new product line**



- **>\$1B technology related revenue**
- **Strong operating margin** while making investments in platform capabilities

Key Takeaways

- Building a diverse model to **deliver on our promise** to build a health, coverage and care ecosystem that works better for everyone and to play a leading role in strengthening the health and economic resilience of the communities we serve.
- Equity portfolio performance, supply chain challenges, inflation and high labor costs remain headwinds for organization.
- Our strong financial performance supports our strategy, strengthens our remarkable member experience and allows us to invest in our Living Health model.

