



2020 MISSION REPORT



CHAPTER 1: HEALTH REIMAGINED IN THE MIDST OF PANDEMIC



Paul Markovich

By Paul Markovich, President and CEO

This month marks a grim anniversary – one year ago the World Health Organization confirmed that we were in a global pandemic with COVID-19. By the time the news was official, it was already clear the world was changing quickly. The past year has been an unforgettable mix of courage and tragedy, frustration, and unsettling change.

As our 2020 Mission Report shows, the efforts by our employees were amazing. They jumped into action to support our members, our providers, and indeed all Californians. Our response to fight the virus still dominates our company's day-to-day activities, as we lean in to support access to lifesaving care.

And we did all this while taking swift and unprecedented action to move our employees to work from home and keep safe.

I am pleased to report that our commitment to our mission and our nonprofit status enabled us to do as much as we could – giving financial relief to members struggling to balance costs, to providers whose businesses were hurt by changes to the economy, and to community groups who were also coming to the aid of those afflicted.

While pursuing these important activities, our team managed to achieve our goals of improving our clinical quality scores, growing membership, enhancing our customer satisfaction scores, and maintaining our financial stability by trimming administrative expenses.

Living our values

The events of 2020 and early 2021 combined to provide a once-in-a-lifetime moment for the healthcare industry to bring about changes to the system – to respond to these challenges with action.

We are uniquely positioned to help improve access to healthcare and lower costs – and it gives me pride to show how we demonstrated that for the good of all Californians.

At the start of the pandemic, we joined the Governor's public-private [task force on testing](#). My colleagues and I jumped in to procure desperately needed testing supplies and helped establish new testing sites across the state. We exceeded our goals after three months, ramping up capacity to test more than 100,000 Californians per day by the end of June, up from 2,000 per day when we started in mid-March. Many of us worked seven days a week to get the equipment, people, and infrastructure in place to serve all communities in California.

We jumped in again in February 2021 to continue helping. We are [supporting California's efforts](#) to deliver the vaccine. It's a daunting challenge to vaccinate nearly 30 million adults—and do so fairly, equitably, and as fast as possible. We are providing our support to the state on an at-cost basis; as a nonprofit health plan we are not motivated by profits, but by advancing our mission to ensure all Californians have access to high-quality care at an affordable price.

The pandemic revealed the heroism of our front-line healthcare workers, first responders, essential workers, and our employees. But it has also shown the weaknesses and structural inequities that are features of the current system.

The virus hurt communities of color disproportionately hard – particularly Hispanics and Blacks—and the disparities these Californians face in accessing care compounded the dangers of COVID-19. None of us should find this acceptable, and all healthcare leaders should take responsibility for transforming a system that generates such disparate outcomes.

Click on the image below to view our interactive COVID-19 timeline, which highlights Blue Shield's efforts to save lives during the greatest public health crisis in a century.



New poll reveals Californians' opinions on health care

A Harris poll of Californians commissioned published by our External Affairs team asked 1,000 state residents last month to tell us how they feel about healthcare today, after living through the worst health crisis our lifetimes. A strong majority, 80%, said they like their health care, but a large number (41%) said COVID-19 made it harder to get care and 40% said they put off treatment for non-COVID-19 issues.



80%

of Californians are
satisfied with the health
care they receive

The poll also revealed that quality of care for some groups got worse: One in five Californians (26%) say the quality of care they have received personally has worsened since the pandemic; 61% said there's no change. Hispanics (32%), young adults, 18-34 years old (35%) and those making less than \$50,000 annually (31%) said quality of care has become worse.

This is why change matters – these numbers are too big to ignore.

Health Reimagined

Blue Shield of California is building coalitions with other health plans, healthcare providers, policy makers, patient advocates, and community-based organizations throughout the state to [make health equity a reality](#) for everyone,

The future is now. We need to bring healthcare into the digital age today; we need to remove barriers to equitable care; and we need to approach our work differently so we can be efficient, effective and be closer to our colleagues.

I am optimistic about where we are heading. And I know our team is energized to bring about meaningful change for our members and all Californians. I was moved and inspired by the inauguration poem by Amanda Gorman, who encouraged our nation to embrace change: "The new dawn blooms as we free it; for there is always light, if we are brave enough to see it..."



CHAPTER 2: SERVE MORE PEOPLE



Todd Walthall

By Todd Walthall, Chief Operating Officer

I believe when we are tested by crisis – either as individuals or as organizations – it reveals our character and the values we live by. And our extraordinary Blue Shield of California employees did not blink when faced with the threat COVID-19 posed to them, their families, and our entire company.

Our people demonstrated the values we hold dear – being human, honest, and courageous – and showed immense dedication and commitment to our nonprofit mission to serve our members, especially in times of greatest need.

Putting our members first

We expanded access to telehealth services and made [telehealth free of charge](#) for most members, and we waived all costs for COVID-19 testing, treatment, and vaccinations.

We intentionally worked to make our products more affordable for our members in 2021; our average rate increase dropped from a 4.4% increase in 2020 to a 1.8% increase in 2021. This includes a reduction in rates for Individual and Family Plan members on the Covered California exchange.

We also added new products to better meet our members' health needs, including Family Dental for Individual and Family Plan members, leveraging the largest dental network in California.

To meet the needs of more members, we focused on collaborations, including [joining with AAA of Northern California](#) to help our Medicare Supplement members with their transportation and health needs.

Our Blue Shield of California Promise Health Plan teamed up with L.A. Care Health Plan to jointly operate five Community Resource Centers in some of the most densely populated and ethnically diverse communities in Los Angeles. And we expanded community health services by offering [free Wi-Fi for telehealth appointments](#) at all our Resource Centers throughout Los Angeles County.

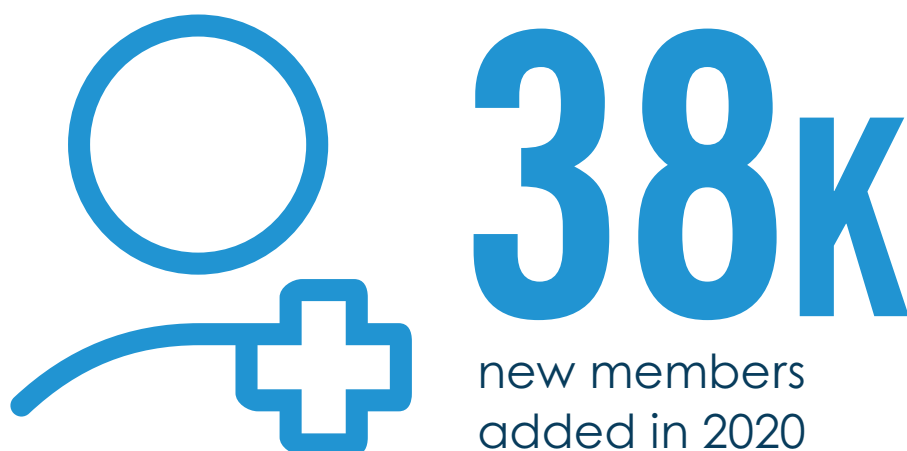


Supporting our communities

Blue Shield Promise also invested over \$2 million to support more than 100 community-based and provider partner organizations helping to build healthier communities. These organizations offer programs focusing on health education, mental health awareness, trauma due to violence, and food insecurity.

This was especially important during COVID-19, and Blue Shield Promise provided an additional \$100,000 in grants for food distribution during the pandemic, helping more than 5,000 families get the food they needed. While the Community Resource Centers were physically closed due to COVID-19, we continued to serve the community through free virtual programming, and a series of drive-thru food pantries, back-to-school backpack giveaways, and free drive-through flu-shot clinics.

Without a doubt, 2020 was an extraordinary year that brought challenges most of us never imagined. We were able to grow our membership and serve more people in 2020, adding 38,000 members to our overall membership.



And all the while, we continued to meet our strategic goals and lay the foundation to serve even more members in the future.

That's the true character of our workforce – no matter what challenges arise, we never stop striving to fulfill our mission to ensure all Californians have access to care that is high-quality and affordable. I could not be prouder to be a part of this team.

It's more important today than ever that everyone has access to care that is high-quality and affordable. And throughout this prolonged public health crisis we've all faced, I am inspired by the way our teams continue to meet these challenges and work tirelessly to ensure our members receive the services and care they need without any interruptions.



CHAPTER 3: STAND FOR WHAT'S RIGHT



Kimberley Goode

By Kimberley Goode, Senior VP of External Affairs

Stand for what's right: four words that capture the values of our company. Standing for what's right is both about doing the right thing and taking a stand on important issues that affect the health and well-being of our employees, members, and communities.

That includes our holistic focus on diversity, equity, and inclusion, the importance of social justice, and the advocacy work we do on behalf of our members and the communities we serve.

In 2020, the disproportionate impacts of COVID-19 on communities of color and the escalation of systemic racism renewed awareness of health and economic inequities. "Social justice" surfaced as the rallying cause across the nation - and at Blue Shield of California - for

taking decisive actions so that all people have equal access to economic, social, political, health, and education opportunities.

As a nonprofit health plan spanning California, we are uniquely positioned to address the root causes of health inequity and drive meaningful and sustained change. This is how we remain true to our north star of creating a healthcare system that is worthy of our family and friends and sustainably affordable – for all Californians.

Here are some of the commitments we made in 2020:

Investing in youth mental health

Mental illness is the number one reason California children are hospitalized, and half of all lifetime cases of mental illness begin by the age of 14. That's why we expanded [BlueSky](#), our signature program that funds youth mental health services.

Seizing this moment to help youth, BlueSky collaborated with DoSomething.org in 2020 to launch "[New State of Mind](#)," a nationwide campaign for young people to contribute tips for coping with stress and anxiety during the pandemic. Nearly 75,000 tips from 48,000 students throughout the country poured in. Major themes were published in a digital mental-health guide.



Supporting communities where we live and work

Financial resources mattered - more than ever - to nonprofit organizations as they struggled to make ends meet and serve communities. Our response? Set all-time records for charitable giving across the enterprise.



Employee Giving: In the darkness of the pandemic, our employees were a beacon of light, producing the [most successful year](#) of employee giving in company history. Participating employees donated \$1.44 million to more than 1,600 nonprofits (including 2:1 company match during campaign). Employees generously contributed their time as well, volunteering more than 30,000 hours.

Corporate Giving: Totaling \$11.3 million¹ for the year, our corporate giving program provided a safety net for a wide range of nonprofits, including:

- Californians Dedicated to Education Foundation: \$200,000 to support Youth Mental Health First Aid
- Oakland African American Chamber of Commerce: \$100,000 for small businesses resiliency fund
- Environmental Health Coalition in San Diego: \$20,000 investment for environmental justice

Blue Shield of California Foundation: In 2020, the [Foundation](#) bestowed more than 100 grants totaling \$26.5 million. Among them were grants to 14 organizations helping Californians with increased health risks and financial hardships due to the pandemic. Other grants went to nonprofit organizations that support Black communities, offer domestic violence and childhood trauma prevention programs, strengthen the economic position of childcare workers and families who rely on them, and promote multisector collaborations that drive health equity.

Advocating for meaningful change

Addressing inequities continued to be a priority for Blue Shield's advocacy team in 2020. Here's a snapshot of steps taken:

- Blue Shield joined with California healthcare leaders to call on elected state and federal officials to preserve and further the gains achieved by the [Affordable Care Act](#) as the Supreme Court heard arguments about its constitutionality.
- As one of 18 Blue Cross Blue Shield Association plans, we joined with nonprofit [Civica Rx to challenge expensive drug pricing](#) and bring to market low-cost generic medications by early 2022. The Association provided \$55 million to achieve this ambitious goal.
- To help tackle California's homeless crisis and promote reforms to Medi-Cal, [Blue Shield made a \\$20 million contribution](#) to the California Access to Housing and Services Fund, which is funding the Project Homekey initiative.
- We continued to support [Manifest MedEx](#), a nonprofit health information network that aggregates patient records so providers across the state can quickly access patient's history in real time.

Environmental Sustainability

We achieved [Carbon Neutral certification](#), a key milestone that offsets carbon emissions equal to taking 6,300 cars off the road each year, for the first time ever. We met three of our four sustainability goals²:

- 30% renewable energy use
- 30% reduction in greenhouse gas emissions
- Mixed recycling at owned facilities

We remain focused on achieving our goal of reducing water usage by 25% and have invested in a landscaping retrofit project at our Lodi office to help us drive progress. In 2021, these goals are being replaced by our next generation sustainability goals which we anticipate will dramatically accelerate our climate journey.

To stand for what's right in good times and tough times is one of the things that makes Blue Shield a great place to do meaningful work, and it's one reason I am very proud to be Blue.

¹ This excludes certain funds given as part of Blue Shield of California's 2% pledge.

² The footprint is based on the electricity, natural gas, and water consumption at our main office locations; this is consistent with our 2012 (baseline year) methodology and ensures the figures are comparable. We estimate it covers 75% of our total electricity consumption, above 95% of our total natural gas consumption, and 56% of our total water consumption. A complete greenhouse gas inventory (including scope 3 emissions) in line with the latest guidelines will be utilized for our next goal period starting in 2021.



CHAPTER 4: A GREAT PLACE TO DO MEANINGFUL WORK



Mary O'Hara

By Mary O'Hara, Chief Human Resources Officer and Senior VP,
Internal Communications

Across California – and across the globe – we are all experiencing the impact of the COVID-19 pandemic. While it has affected our lives in different ways, one thing remains certain: we are all in this together.

At Blue Shield of California, it's about taking care of one another, because when our employees feel safe and well, we know they can provide top-notch care to our customers and business partners.

Leading through the pandemic

Our company is playing a critical role in the fight against COVID-19, so we continue to prioritize the well-being, health, and safety of the 7,500 people who choose to work here. Being a great place to do meaningful work – during the pandemic and beyond – means engaging with our employees, listening to what they need, and balancing those needs when making decisions.

Here are some of the ways that we prioritized employee wellness in 2020, with many of these commitments continuing into 2021:

- **Supporting remote work:** In March 2020, we transitioned nearly all our workforce to work remotely. As remote work stretched from weeks to months, we enhanced caregiver benefits for both child and elder care, provided at-home ergonomic assessments and support, and continued to enhance communications and technology tools.
- **Boosting mental health:** Working from home for so long can be challenging and isolating, so we've renewed our commitment to support employees' mental health and well-being. We have encouraged employees to use Teladoc mental health supports, as well as our Employee Assistance Program, which offers counseling to address anxiety, depression, and other stressful issues.
- **Enhancing two-way communications:** During the pandemic, we've worked hard to filter out noise and communicate facts. We've opened new, two-way communications channels, solicited questions from employees, and requested feedback often. We have also built a robust digital library with tips for balancing work and home life, resources to support mental health, and mental health webinars.
- **Maintaining flexibility:** Looking ahead, once it is safe to return to our offices, we are giving staff the option to continue teleworking through 2021 to make the transition easier for them and their loved ones.

The [feedback from our colleagues](#) has been affirming:



92%

of employees said Blue Shield
is a Great Place to Work

Embracing diversity, equity, and inclusion

We are committed to cultivating a diverse, equitable, and inclusive environment where all employees can be their authentic selves and fully contribute to meet the needs of colleagues, members, and the communities we serve. Ultimately, our goal is to make Blue Shield of California a great place to do meaningful work for all employees.

We are championing diversity by accelerating career growth for our diverse employees; recruiting, hiring, and retaining diverse talent at all levels; and maintaining our zero pay-ratio gap by both gender and ethnicity.

To foster an inclusive work environment, we continue to ensure all employees have a voice and feel heard, while maintaining a learning posture and turning feedback into meaningful action. We provide inclusive leadership training and provide open and equitable access to learning opportunities. While we still have much work to do, we are proud of our accomplishments so far.



We have seven vibrant employee resource groups (ERG), representing women, veterans, Black, Hispanic, Asian, disabled, and LGBTQ+ employees and their allies. ERG members help us create an inclusive culture and improve employee experience. Plus, they build relationships with diverse suppliers, partners, and members, and volunteer with nonprofits in our communities.

As we reflect on 2020, I'd like to offer appreciation to our dedicated employees for rising to meet the challenges of the pandemic and for being unwavering in their efforts to ensure all Californians have access to high-quality, sustainably affordable health care that's worthy of our family and friends.



2020 Awards & Recognition

Certified as a Great Place to Work®

Best Place to Work for LGBTQ Equality by Human Rights Campaign

#1 on DiversityInc's Top Regional Companies list

100% on DisabilityIN's Disability Equality Index

Diversity Champion by the National Diversity Council

Leading Disability Employer by National Organization on Disability

Military Friendly Employer by militaryfriendly.com

Top Veteran Friendly Company by U.S. Veterans Magazine

Best Companies for Women to Advance by Parity.org

World's Most Ethical Companies by Ethisphere Institute

Deloitte U.S. Best Managed Companies



CHAPTER 5: BE FINANCIALLY RESPONSIBLE



Sandra Clarke

By Sandra Clarke, Senior VP and Chief Financial Officer

The year 2020 will be remembered for the unprecedented challenges it brought to everyone. Our company and our 7,500 employees worked to address the COVID-19 pandemic to ensure our members continue to receive the care and services they need. I'll also remember the inspirational way our teams and my colleagues rose to meet these challenges while staying true to our values.

For me, the economic impact of the pandemic really hit home when my teams started modeling and planning for the possibility of a recession with a 30% unemployment rate across California. That was something I had never imagined in my career and it was a sobering moment to look at a worst-case scenario in which millions of families could lose their livelihoods. At the same time, I was encouraged by

Blue Shield of California's solid financial footing and grateful that our commitment to being financially responsible over the years put us in position to weather the storm and use our resources to help others do the same.

Throughout all the difficulties this pandemic has put us through as individuals, families, and as a society, the resiliency shown by Blue Shield employees and our business has inspired me. The commitment to healthcare transformation and innovation that is essential to our company's mission enabled us to decisively respond to the most challenging health crisis in a century while making lasting changes for the future of the entire healthcare system. Here are some highlights from the past year:

- **Operating responsibly:** Blue Shield of California generated \$21.8 billion in revenue from premiums and other revenue sources in 2020, and we paid nearly \$18 billion to healthcare facilities and providers for our members' medical care – approximately 83% of total revenues. Additionally, I am pleased to share that Blue Shield achieved \$71 million in administrative savings for 2020. [Click here to view our 2020 Consolidated Financials.](#)
- **Supporting healthcare providers:** In April 2020, we made available [\\$200 million in support to providers and hospitals](#). By supporting struggling providers in our network with advance payments, we could use our resources to ensure our members had a robust network for their care when the stay-at-home orders were lifted. Hundreds of small and independent providers received support through this program to help them maintain their operations and staffing after elective and non-emergency care dropped precipitously during the pandemic. In addition to advance payments, we restructured contracts for select providers so they could receive reliable monthly revenue for caring for Blue Shield members.
- **Supporting our members:** We leaned in to help members who felt the brunt of the economic impact of the pandemic by making access to telehealth provider Teladoc free-of-charge and [by providing over \\$50 million in premium relief](#).
- **Committed to our nonprofit “2% pledge”:** In 2020, we adopted a new process and we now use a three-year average for calculating the pledge amount. This aligns with the approach we use for calculating our contributions to Blue Shield of California Foundation and will increase the consistency of our pledge amounts compared to the previous method of calculating the pledge each calendar year.
- **Enhancing innovation:** [As part of our Health Reimagined initiative](#), we set out to transform the medical-billing and payment process to offer transparency and choice for patients, while reducing administrative burden on providers. The results from our pilot program showcased that members experienced faster, simpler, and more transparent billing.
- **Advancing diversity, equity, and inclusion:** Our Global Business Services team continued to increase company purchases from businesses owned by women and people of color. Our [supplier diversity program](#) spend has continuously grown this year to 5.6%, up from 4.7% in 2019. In 2020, women-owned businesses represented 57% of our diverse supplier spend. Notably, DiversityInc ranked Blue Shield #1 on its Top Regional Companies list in 2020 for supplier diversity spend, leadership accountability, and management practices.
- **Investing in our communities:** Over the last three years, we invested \$120 million in California communities through the [Blue Shield of California Foundation](#). During the pandemic, we contributed to regional relief funds, including \$500,000 to support Oakland COVID-19 emergency fund. And our 2:1 match during the Shield Cares giving campaign helped inspire a record \$1.4 million in employee giving (with company match). Additionally, we supported our providers [by distributing 3,500 PPEs](#) such as face masks, gowns, and sanitizers to seven clinics that primarily serve Medi-Cal beneficiaries in the Los Angeles area.

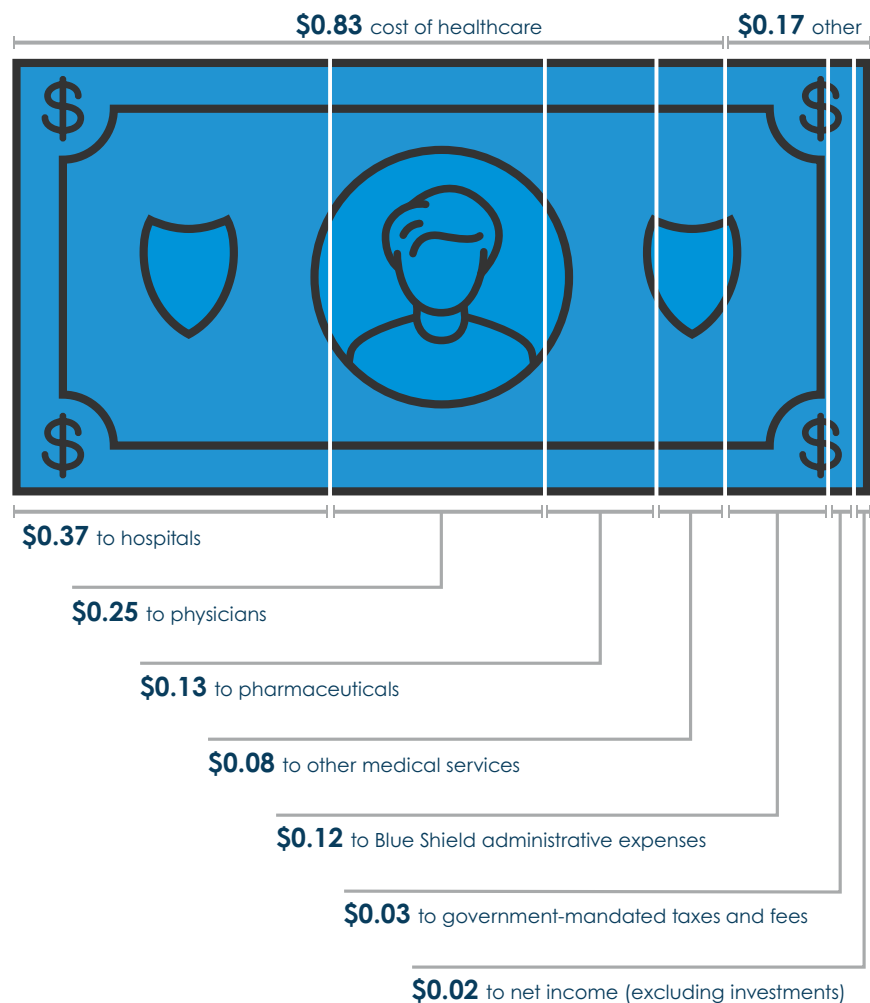
- **Strategic investments:** We also invested seed money in business initiatives that are transforming health care. We invested in Altais to help it continue to advance primary care reforms. And we [supported Seae Ventures](#), which builds and invests in early-stage healthcare companies founded by women and people of color.
- **Boosting efficiency and reducing costs:** We continue to make improvements and investments to enhance our efficiency and improve our services to our members. We championed the formation of a cross-functional team, which automated functions to speed up processing times and reduced manual labor. As a result, we now do our period financial close 40% faster and achieved costs savings of \$500,000.

Throughout the organization, we significantly reduced administrative costs which led to more than \$35 million in savings in 2019 and enabled us to deliver an additional savings of more than \$70 million in 2020 – resources we will apply toward transforming health care.

As chief financial officer of Blue Shield of California, one of the largest health plans in our state, I am proud to carry the flag for our mission to ensure all Californians have access to high-quality health care at an affordable price. Our company's north star is to help create a healthcare system worthy of our family and friends, and sustainably affordable. Based on our progress in 2020, I cannot wait to see what we accomplish in 2021.

Where do member premium dollars go?

Here's how a Blue Shield member's premium dollar is spent:



Blue Shield of California consolidated financials (\$ in millions)

	2020	2019	2018
Premiums, net and other revenue	\$21,806	\$21,086	\$20,632
less: medical expenses	\$17,985	\$18,006	\$17,250
Gross profit	\$3,821	\$3,080	\$3,382
Medical expenses as a % of premiums	82.5%	85.4%	83.6%
Marketing and selling	\$651	\$649	\$723
ACA taxes, premium taxes, and other fees	\$499	\$273	\$547
General and administrative expense	\$1,948	\$1,883	\$1,615
Total administrative expenses	\$3,099	\$2,804	\$2,885
Pre-tax operating income	\$722	\$276	\$497
Investment income	\$366	\$426	\$119
Income before taxes	\$1,088	\$702	\$616
Income taxes	\$408	\$129	\$203
Net income	\$680	\$573	\$413
Profit margin (net income as a % of premiums)	3.1%	2.7%	2.0%
2% Pledge amount	\$81	\$120	\$57
Social Impact Giving Contribution	\$46	\$45	\$45

Notes:

1. 2020 net income margin @ 2.6% after exclusion of unrealized equity gains
2. 2019 net income margin @ 2% after exclusion of unrealized equity gains
3. 2020 2% Pledge based on a three-year net income average excluding unrealized gains

