

Letter from the President

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Patricia Hemingway Hall
President and CEO
Health Care Service Corporation

As a pioneer in health insurance, providing financial security and peace of mind for Americans, HCSC and our Blue Cross and Blue Shield Plans in Illinois, New Mexico, Oklahoma and Texas have stayed true to our purpose since our founding. For more than 75 years, we have understood that there's nothing more important to us than doing everything in our power to stand with our members in sickness and in health. That purpose always has extended to making local communities better places for our members to live and work, especially during difficult times, when those in need are more vulnerable than ever.

For example, through community giving and employee volunteerism last year, we:

- Provided more than 215,000 free immunizations and other health services to children and adults at risk
- Volunteered more than 31,000 hours to support hundreds of local organizations; and
- Created safe places to play for nearly 12,000 children.

Additionally, through environmental sustainability, ethics and integrity, and diversity and inclusion initiatives, we:

- Recycled nearly 3,000 tons of paper;
- Received our 12th straight Compliance Best Practice Award; and
- Increased the diversity of our workforce to more than 35 percent.

On behalf of our more than 18,000 employees, I'm pleased to share our 2012 Social Responsibility Report. In it, you will see the many ways we continue to give back to our communities and live out the true meaning of our purpose.



Community Involvement

Healthy Kids, Healthy Families

Nutrition Education

Physical Activity

Disease Prevention

Disease Management

Safe Environments

Volunteerism

Volunteer of the Year

Employee Giving

Disaster Relief



Community Involvement

Our community support spans charitable investments with community partners, volunteerism, civic engagement, event sponsorship, employee giving and drives, and in-kind donations. In 2012, we invested nearly 80 percent of our community involvement in health, wellness, and human service activities. Through our investments, we formed strong partnerships to create sustainable improvements in the health and wellness of the individuals who live in our four states. We're pleased to share those successes within this report.

Major 2012 community highlights include:

- More than doubling our goal of impacting at least 1 million children through our Healthy Kids, Healthy Families initiative
- Volunteering more than 31,000 hours with hundreds of nonprofit organizations to improve our communities
- Providing more than 215,000 free immunizations and other health services to children and adults

We are very fortunate to see the programs we support impact our communities first-hand as we've found that investing in our nonprofit partners has a cyclical impact on everything around us. When we partner with community-based organizations to take action in creating positive change, we not only help those organizations become more sustainable, we also help the communities benefitting from those services. This often benefits our own employees, as we focus our efforts specifically within the communities where we live and work. Ultimately, this benefits our own organization with a motivated workforce.

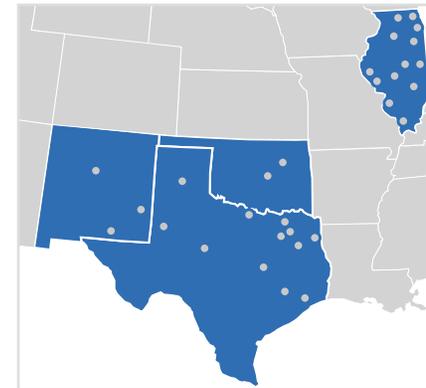
HCSC Office Locations and Employee Numbers*

NM Offices: 726

Albuquerque

Texas Offices: 5,597

Abilene, Amarillo, Austin, Beaumont, Corpus Christi, El Paso, Fort Worth, Houston, Lubbock, Midland, Marshall, Plano, Richardson, San Antonio, San Angelo, Tyler, Lacy Lakeview, Wichita Falls



IL Offices: 7,925

Belleville, Chicago, Danville, Waukegan, Downers Grove, Buffalo Grove, Jacksonville, Lombard, Marion, Mattoon, Naperville, Quincy, Rockford, Springfield

OK Offices: 921

Tulsa, Oklahoma City

*Employees of our wholly owned subsidiaries (approx. 3,500) are not reflected in these numbers

Creating Sustainable Change



Community Involvement

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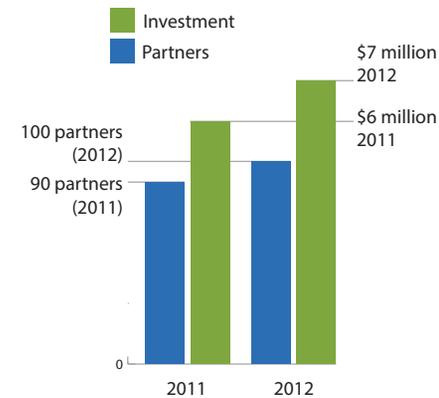
Healthy Kids, Healthy Families

Healthy Kids, Healthy Families (HKHF) was launched in 2011 as a three-year initiative designed to improve the health and wellness of at least 1 million children across our four states. HKHF invests in and partners with local and national nonprofit organizations that have sustainable and measurable programs that reach children and their families in these focus areas:

- **Nutrition Education**
- **Physical Activity**
- **Managing and Preventing Disease**
- **Supporting Safe Environments**

To date, more than 2.7 million children have been impacted by the Healthy Kids, Healthy Families initiative. We have received more than 850 funding requests since the program began.

In 2012 alone, we invested approximately \$7 million in more than 100 partnerships, bringing the number of outcomes-based programs we have supported to nearly 200, totaling more than \$13 million.



2.7 million children impacted after the first year of partnerships

93% of partners reported increased awareness of the services they provide

89% saw individuals and groups take action to address the health and wellness of the community

83% attracted key individuals or groups to further the organization's cause

82% collaborated with other organizations they had not previously partnered with



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Nutrition Education

Learning how to care for your body and health at a young age through proper and balanced nutrition can lead to a healthier adulthood. HKHF supports nutrition education programs that reinforce nutritious eating choices for our youth. In 2013, we will expand our focus to include access to food.

A few of our key partners to promote nutrition education are:

The **Greater Chicago Food Depository**, facilitates a food distribution and training center providing food for those in need while striving to end hunger in our community. Last year, the Food Depository distributed 64 million pounds of nonperishable food and fresh produce, dairy products and meat, the equivalent of 134,800 meals every day. Support is provided to the innovative Bring the Family to the Table program, a monthly family event at five Chicago Park District Wellness Centers that provides healthy meals, nutrition demonstrations and physical activities.

Marathon Kids learn to live an active and healthy lifestyle by running or walking 26.2 miles over six months, eating healthy food daily, and even learning to grow fruits and veggies! Children are challenged to complete a checklist of healthy eating by checking off their Marathon Kids Fuel Log®. The Fuel Log is a tool to encourage kids to try new fruits and veggies, drink plenty of water, and fuel their bodies with great food and drink choices.

We will be partnering with **New Mexico Appleseed** over the next three years to support the Ending Hunger and Obesity in New Mexico's Children program. The partnership's goal is to help decrease hunger, obesity and their collective effects on children. New Mexico Appleseed benefitted nearly 100,000 children in 2011 and, through the partnership with HKHF, plans to impact 120,000 children in 2013.

The Central Oklahoma American Indian Health Council Inc., partners with us to implement the Project POWER: Fitness initiative. The program covers many areas, and nutrition education is a main component of the program. Our partnership assists in expanding the number of regular family based educational activities, such as structured family visits to a local farmer's market, family cooking classes and family fun nights.



Nearly 35% of 2012 partners incorporated nutrition education in their programs



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Physical Activity

KaBOOM! is one of our key partners to help increase physical activity among kids, and we work with them to build community playgrounds and spread the word about the importance of play. In 2012, we built 11 playgrounds across Illinois, New Mexico, Oklahoma and Texas. Collectively, our 11 playground builds involved more than 2,800 volunteers comprised of our employees, community partners and community volunteers. The playgrounds will impact nearly 12,000 children annually.

Within four years, we have helped support the creation of 29 playgrounds across our four states, four protective playground shields in Texas to reduce heat and sun exposure for the playgrounds, and provided seven Imagination Playgrounds in Illinois and Texas to organizations that needed an indoor space for children to play. **To date, more than 67,000 children have been helped by our partnership with KaBOOM!**, and we look forward to building 10 playground builds in 2013, including an innovative playground to get adults moving as well!

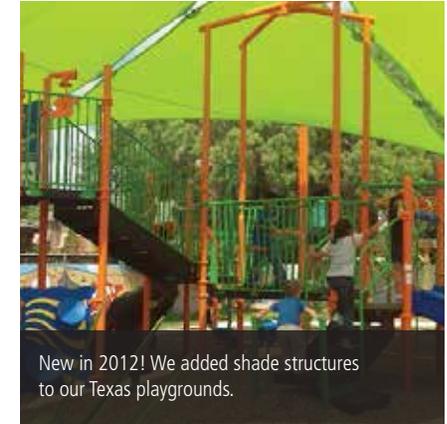
To ensure that our efforts are effective and are making a real impact, we partnered with KaBOOM! and Northwestern University to conduct a study on how communities are changed by being a part of the playground building process. The results of the study were extremely positive. Adult confidence in their own ability to change the community increased 29 percent after the build, and neighborhood pride and trust increased by 23 percent and 48 percent, respectively. Additionally, 96 percent of surveyed adults believe kids in the community are getting more exercise than before the playground was built.



KaBOOM!	2012
playground builds	11
Imagination Playgrounds	3
shade structures	4
children impacted	more than 32,000



NM volunteers gather to celebrate the completion of our Rio Rancho playground.



New in 2012! We added shade structures to our Texas playgrounds.



IL volunteers at the 100th build in Chicago move mounds of mulch to create a safe play space.



OK employees work hard to create pieces for a new playground in Tulsa.



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Disease Prevention

The Care Van programs are one of our key partners in the effort to prevent disease. These mobile health vans travel across our four states providing essential health screenings and immunizations for underserved children, in addition to some services geared toward adults. The Care Vans complement traditional clinics by visiting schools, health centers, health fairs, public housing and other locations easily accessible to children and their families.

In 2012, more than 110,000 clients were screened and nearly 110,000 immunizations were provided through the Care Vans. Additionally, 106,100 other health services were provided, which may include blood pressure screenings, body fat analysis, HIV testing, health education and dental services. Significant milestones were accomplished in 2012 as the Oklahoma Caring Foundation, Inc. vaccinated their 100,000th child aboard the Caring Van since their program began in 1999, and the Caring for Children Foundation of Texas surpassed 1 million immunizations since their program began in 1997. As we work to diversify and provide more services each year through our mobile vans, we saw an increase of more than 62,000 other health services provided in 2012 to meet the growing needs of our communities.



 110,665 clients screened

109,536 immunizations 

 106,100 other health services provided



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Disease Management

Did you know that asthma is the No. 1 cause of days missed from school and work?*

This is why we created an exciting new partnership in 2012 through our Healthy Kids, Healthy Families initiative. We teamed up with the American Lung Association of the Upper Midwest (ALAUM) to implement community-based interventions to improve the health outcomes of children with asthma in the communities where we live and work. The "Enhancing Care for Children with Asthma Project" is ALAUM's first major collaborative initiative with the American Lung Associations in New Mexico, Oklahoma and Texas. The partnership will span three years and engage 60 health centers that serve high-risk populations with the goal of improving pediatric asthma care to an estimated 480,000 children. The program aims to directly impact children with asthma and their caregivers, community leaders and educators, resulting in improved long-term care outcomes.

Through this project, five health centers will be recruited every year in each of our states over the next three years to form a cohort. The health centers in the cohort then meet monthly over the course of the year, focusing each month on improving one element of guidelines-based asthma care at their facility. Technical assistance, mentoring and training are provided by ALAUM. By the end of each one-year cohort, all levels of health center staff, from front office staff to clinic directors, and all stages of clinic care from intake to outpatient have been addressed. This results in a sustainable change in the primary care system, which produces measurable improvements in health outcomes for asthma patients.

*Source: Moonie SA, Sterling DA, Figgs L, Castro M. Asthma status and severity affects missed school days. J Such Health. 2006 Jan;76(1):18-24.



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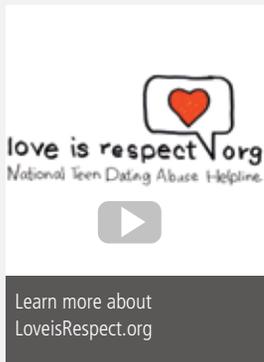
Safe Environments

Did you know that **33 percent** of adolescent girls experience dating violence at home, in school or in the community and that nearly **25 percent** of 14-17 year-olds know at least one student who is a victim of dating violence? Due to these startling findings, we kicked off an innovative partnership in early 2012 with LoveisRespect.org — a national partnership that works toward teen dating violence prevention. LoveisRespect.org is the ultimate resource fostering healthy dating attitudes and relationships with the most comprehensive expert-created content on the Web. Our support will help enhance the immediate, peer-to-peer assistance and other support services provided through LoveisRespect.org, in addition to creating tailored, on-the-ground, direct community outreach, education and training within our four states.

Highlights of the partnerships will include:

- 1,000 toolkits distributed within our four states to schools, youth organizations and domestic violence service providers
- Interactive curriculum on dating abuse prevention and safety
- 25 agencies/schools per state to participate in the program
- Youth leaders, teachers and parents will be selected to attend training institutions and become ambassadors of the program within their own school and community
- Trainings to target educators/school employees and domestic violence service providers
- Environments that are better prepared to assist teens, schools, parents and communities in becoming aware and responding to this growing issue

*Source: LoveisRespect.org



KNOW THE STATS

33% of adolescent girls experience dating violence at home, in school or in the community

25% of 14-17 year-olds know at least one student who is a victim of dating violence

33% of teens have actually witnessed such an event

81% of parents either believe teen dating violence is not an issue or admit they don't know if it's an issue



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Volunteerism

At HCSC, we are proud of our strong heritage of volunteerism. We organize several corporate sponsored volunteer events throughout the year in each of our four states for our employees. We encourage employees to volunteer on their own time by rewarding nonprofit organizations for the employee's time. Through our Blue Corps Employee Volunteer Program, every hour that an HCSC employee spends with one of our community partners, we contribute \$20 per hour to the organization, up to an annual contribution of \$2,000.

We also developed a new resource in 2012 to help our employees learn how they can make a difference in our communities not only by volunteering their time, but also by donating goods or money to a worthy cause. Our internal employee portal site Time, Money, Things is a one-stop shop that promotes volunteer opportunities and educates employees on when employee giving campaigns and donation drives will occur throughout the year.



Volunteerism by the Numbers

Volunteers: 2,087

Employee Hours: 31,100

Organizations: 371

Matching Dollars Awarded: \$179,370



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Volunteer of the Year

Each year, we recognize volunteers from each of our states for meaningful contributions to their communities. Thank you and congratulations to our 2012 Blue Corps Volunteers of the Year winners and to all of our employee volunteers for their dedication and commitment to improving our communities.

HCSC

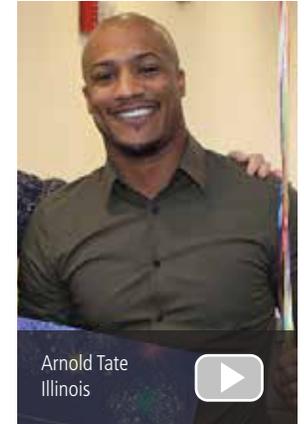
HCSC's 2012 Blue Corps Volunteer of the Year is Rhonda Baxter, an administrative specialist in our Jacksonville, Ill., office. Rhonda raises awareness for needs in the community by coordinating multiple fundraisers and activities for such organizations as Big Brothers, Big Sisters, Camp Courage and Salvation Army. Rhonda has organized food, coat and blood drives for her office as well as Angel Trees to sponsor families at Christmas, and she also serves as the local Blue Bear coordinator, ensuring that our health and wellness ambassador, Blue Bear, shares our wellness messages in the community whenever possible. Rhonda serves as the encouraging voice for her co-workers in the Jacksonville office and local community members to get involved in worthy causes.

Illinois

Arnold Tate is a client technologies specialist in the Chicago headquarters and has logged close to 200 hours since beginning his career with HCSC. He is a leader of our in-house United Way Celebration of Caring Committee and recruits volunteers each month to cook and serve breakfast to clients of Inspiration Corporation, an organization in Chicago that helps hundreds of homeless and low-income individuals gain life skills to increase self-sufficiency and succeed in the workforce. Arnold volunteers with the Kelly Hall YMCA, ASPIRE and Association House and is also an active participant in the Chicago Cares Serve-a-Thon, YMCA Healthy Kids Days and KaBOOM! playground builds throughout the state. He loves to recruit co-workers, family members and friends to join him in volunteering to make a difference.

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Meet Our 2012 Volunteers of the Year



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Volunteer of the Year

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New Mexico

David Rodriguez, a claims examiner who telecommutes from our Albuquerque office, has logged more than 750 volunteer hours and was quick to begin volunteering when he first started with HCSC more than seven years ago. David is an active volunteer with Operation Back to School, Adopt-a-Family, Special Olympics, breast cancer awareness activities and health fairs. He is also a tutor and coach at a local high school and received an award from the Albuquerque Public Schools Education Foundation to continue his efforts in helping students succeed in all areas of their education. Additionally, David recently joined the Air Force National Guard to serve our country.

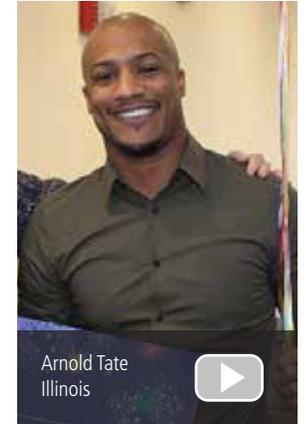
Oklahoma

Sandra K. Hughes is a customer advocate specialist in our Seasons of Life department in Tulsa. Sandra has logged more than 200 hours in Blue Corps, many of which were spent with Tulsa Court Appointed Special Advocates (CASA) as a volunteer advocate for children within the Oklahoma court system. Sandra's peers nominated her for this award because of her extensive and inspirational volunteer work with CASA, which involves preparing documents for court report and review, overseeing family and child visitations and communicating with the child's foster parents, teachers and medical professionals, among others, to provide safe, nurturing and permanent homes for children who have been abused or neglected. Without volunteer advocates, these children may otherwise not receive such personalized care and attention while in the court system. Sandra also volunteers her time with United Way and KaBOOM!, along with organizing in-house food and school supply drives.

Texas

Senior systems security manager Christy Zegub was nominated for her dedication and enthusiasm to volunteering with HCSC's Pride Alliance Business Resource Group. Christy was an instrumental leader in forming the group by developing the group's mission statement, goals and bylaws, and diligently recruiting members for the group. Her hard work has inspired other developing business resource groups to follow the same model and our offices in Abilene, Marshall and San Angelo now have their own chapters. Christy has organized "Lunch and Learn" opportunities to promote anti-bullying campaigns, and she's a strong supporter of our Corporate Challenge each year to raise money for Special Olympics. When she's not volunteering, she's always cheering on BCBSTX teams and encouraging her co-workers to get involved.

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Employee Giving

In 2012, our employees continued their long tradition of giving by donating nearly \$940,000 to an array of worthwhile organizations during our annual employee giving campaigns. Organizations impacted through this effort include the Caring for Children Foundation of Texas, Community Health Charities, Oklahoma Caring Foundation and United Way.

An incredibly important addition to our employee giving options in 2012 was the Blue Bear Employee Relief Fund. This fund provides short-term assistance to employees experiencing severe financial need due to unexpected and unavoidable emergencies. In 2012, \$75,792 was directed to this fund, and 139 grants were provided to employees in the amount of \$57,261. Employees pledged \$107,708 during our campaign in 2012, which will benefit the fund in 2013.

Here are some examples of events with which the Blue Bear Employee Relief Program has been able to provide assistance:

- Texas employee received funds to replace household items lost in home fire
- New Mexico employee received rent assistance after having unpaid time off work to care for spouse after medical emergency
- Illinois employee received funds to pay funeral home invoice after death of dependent
- Texas employee received funds toward a contractor invoice to repair major home damage due to tree falling on home

\$939,460

donated by employees and

\$107,708

pledged for 2013 to support our own employees



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Disaster Relief

During a disaster, you never know where you may end up. We understand that many of our members may be displaced after a disaster and without their critical health insurance documents.

Our crisis response team and formal response plan enables us to support the health care needs of our employer groups and members during disasters that impact their lives. The response plan is critical to addressing the physical and financial impacts of being displaced by a disaster. Our response for members includes:

- Explaining options for accessing care
- Helping to locate a network provider, hospital or dialysis center
- Assisting with lost ID cards or benefit information
- Accessing medical records
- Providing early refills for prescription medications
- Ensuring transition of care or continuity of care needs
- Operating toll-free hotlines to help members find providers, pharmacies, dialysis centers and other services

At times when significant disaster evacuations are required, some exceptions to normal business procedures are put into place for members, including:

- Requirement to see an in-network provider may be waived, particularly for critical surgeries, dialysis, cancer treatments and the like
- Premium payments grace periods may be extended for employers and individual policyholders

Prime Therapeutics, our pharmacy benefits manager, also provides:

- Early replacement of destroyed medications (override of the "refill too soon" restriction)
- Shipping to an alternate address
- An override of local 10-day fill or three-day fill restrictions
- PrimeMail prescriptions transfers to a retail pharmacy, or member assistance to obtain a new retail prescription

Disaster/Recipient and Amount	Summary
February 2012 Harrisburg, IL, Tornado Relief Christian Community Compassion Center Inc Nfp	Disaster relief funding to assist Harrisburg and surrounding communities as they work to rebuild after experiencing an EF4 tornado (the second-highest rating given to twisters based on damage) that left 7 people dead and over 100 injured. In August 2012, BCBSIL employees traveled to Harrisburg and helped build a brand new playground within the community to assist with the rebuilding process.
April 2012 Dallas/Ft. Worth, TX, Tornado Relief American Red Cross	Between 6-13 tornadoes touched down in the Dallas/Ft. Worth area in April, 2012, destroying approximately 200 homes and damaging another 650 and was rated as an EF3.
April 2012 Central Oklahoma, Tornado Relief American Red Cross of Central Oklahoma	Support was provided to the American Red Cross of Central and Western Oklahoma to support the estimated 600 homes in Canadian, Cleveland, Jackson and Woodward Counties were affected by tornadoes. The donation went towards providing supplies and support the victims affected by the tornadoes that struck Norman and Woodward in April.
June 2012 New Mexico, Wildfire Relief American Red Cross Mid Rio Grande Chapter	In early June 2012, New Mexico faced the largest fire in its state history causing the destruction of homes and the evacuation of thousands of people. Support directed to wildfire relief efforts in Ruidoso and Lincoln County, NM.
August 2012 Tulsa, OK Wildfire Relief Salvation Army Tulsa Chapter	Support provided when wildfires broke out due to extreme heat. Over 100 homes were destroyed and thousands of Oklahomans had to evacuate their homes.
August 2012 Oklahoma City, OK, Wildfire Relief Salvation Army Oklahoma City Chapter	Support provided when wildfires broke out due to extreme heat. Over 100 homes were destroyed and thousands of Oklahomans had to evacuate their homes.



Be Smart. Be Well.

Blue Care Connection
 Connection Programs
 Metabolic Syndrome
 Life Changing Results
 Seasons of Life

Be Smart. Be Well.

We are committed to helping Americans learn to live healthier lives. While our health insurance products and services most directly help to accomplish that goal, we also share health and wellness information with those who may not be members of our plans through such initiatives as our award-winning health and wellness website, Be Smart. Be Well.

The goal of Be Smart. Be Well. is simple: to help all of us stay healthier and safer through increased awareness and simple-to-use knowledge. Through real-life video stories from people living everyday lives, as well as interviews with health experts, visitors to Be Smart. Be Well. learn about a variety of health-related issues and how to make better health decisions for themselves and their families.

Be Smart. Be Well. also formed a public/private collaboration with the Centers for Disease Control (CDC) and worked with other experts from the National Institutes of Health (NIH), the National Dating Abuse Helpline and the Children's Hospital of Philadelphia, among others, to present four new topic focus areas in 2012:

- **Teen Dating Abuse**
- **Teen Driving**
- **Sports and Concussions**
- **Sexual Health**

Other Be Smart. Be Well. topics include:

- **Caregiving** — If you aren't already providing care and assistance to a loved one, there is a good chance you will be in the future.
- **Childhood Asthma** — Asthma in children can be scary and dangerous, but it can also be managed. Learn how to recognize symptoms and prevent attacks in kids.
- **Childhood Obesity** — Nearly 25 million U.S. kids are obese or overweight, but even very small changes can make a difference.

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Teen Driving:
Teen to Teen



Teen Dating Abuse:
Teens Start Talking



Play Smarter: Sports
and Concussions



Let's Talk About
Sexual Health



Be Smart. Be Well.

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Be Smart. Be Well.

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- **Childhood Obesity** — Nearly 25 million U.S. kids are obese or overweight, but even very small changes can make a difference.
- **Domestic Violence** — Domestic violence reaches into all corners of society and its impact is devastating, but hope and help exists.
- **Food Safety** — There are about 48 million cases of food poisoning annually in the United States. Learn how to handle, prepare and store food safely as well as what to look out for when dining out to avoid food poisoning.
- **Managing Pregnancy Risks** — Find out what high-risk pregnancy is and learn how you can increase your odds of a positive outcome.
- **Mental Health** — Two-thirds of us never seek help for mental illness. Learn how to identify symptoms and get treated.
- **Sexually Transmitted Diseases** — The number of people affected by sexually transmitted diseases is on the rise, and it's not who you might think. Learn how to protect yourself.

Be Smart. Be Well. also provides two free email newsletters that help subscribers live healthier lives with life stories and expert advice: the bimonthly Spotlight newsletter and biweekly Spotlight News Alerts.

- **The Be Smart. Be Well. Spotlight newsletter** is delivered every other month and gives subscribers easy-to-understand information like video-based stories and interviews, interactive quizzes and feature articles.
- With health news making headlines all the time, the biweekly Spotlight News Alert provides the latest on the topics covered on Be Smart. Be Well.

Visitors can sign up for both newsletters on the site.



Teen Driving:
Teen to Teen



Teen Dating Abuse:
Teens Start Talking



Play Smarter: Sports
and Concussions



Let's Talk About
Sexual Health



Be Smart. Be Well.

Blue Care Connection

Connection Programs

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Seasons of Life

Blue Care Connection

Our Blue Care Connection® care management and wellness initiative makes it easier for our members and their families to manage their health and fitness. Blue Care Connection is an integrated, evidenced-based medical care management program that combines traditional care, utilization and case management with technology, consumer resources, personal assistance, education and health advocacy — engaging members from preventive care through complex and catastrophic care.

Blue Care Connection incorporates a number of features to engage and empower members to maintain their health or work toward a healthier lifestyle.

- **24/7 Nurseline** — around the clock, toll-free access to registered nurses for health information
- **Special Beginnings®** — maternity program offering expectant mothers ongoing support and education from prenatal to postpartum care
- **Blue Care® Advisors** — registered nurses and other health care professionals who work with members who are at risk of or diagnosed with certain chronic conditions, providing education and coaching to guide them to adopting healthier behavior
- **Case Management** — registered nurse case managers help members cope with complex medical situations and access the services they need
- **Behavioral Health** — licensed behavioral health professionals help members access services and offer support with co-existing medical conditions or disorders such as anxiety, depression, etc.

Blue Care Connection
is an integrated,
evidence-based
medical care
management program

Members engaged in
Behavioral Health Case Management
saw a **16 percent**
reduction in ER visits
and a **25 percent**
decrease in readmissions



Be Smart. Be Well.

Blue Care Connection

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Metabolic Syndrome

Life Changing Results

Seasons of Life



See How Our Fitness Program
is Changing Lives

Blue Care Connection Programs

Well onTarget, also a Blue Care Connection program, offers an expanded array of the tools, resources and support needed to make healthy lifestyle choices and take an active role in enriching one's overall health and well-being. This wellness solution, available on Blue Access for Members and wellontarget.com, integrates enriching programs, interactive online tools and proven fitness and coaching activities to provide motivation and personalized guidance for all our employees — wherever they find themselves on the path to health and wellness.

- **Liveon Member Wellness Portal** — online suite of wellness resources to help members manage their health and adopt healthier behaviors
- **onmyway™ Health Assessment** — adaptable and integrated in the Liveon Member Wellness Portal; the health assessment provides members with a view of their current health risks and opportunities in their personal wellness report.
- **onmytime Self-directed Courses** — five courses available (stress management, fitness, nutrition, weight management, and tobacco cessation) that each contain 12 lessons and milestone assessments to track progress
- **Trackers** — available on the site to track cholesterol, blood pressure, nutrition, tobacco use, physical fitness and stress levels
- **Health and Wellness Content** — provided by Healthwise; includes symptoms checker, medical library and articles.
- **Life Points** — reward program for engaging in healthy activities
- **Fitness Program** — members can take advantage of a gym membership to a nationwide network of fitness centers

Blue Care Connection also includes an industry-leading Lifestyle Management Program that offers our Metabolic Syndrome Program, weight management and tobacco cessation assistance.

Well onTargetSM

Fitness Program

25 percent of participants stayed enrolled for 18+ months

Participants have 11 percent lower medical costs than non-participants

Lifestyle Management Programs

Weight Management: 63 percent of participants lost an average of 6 percent of their body weight

Smoking Cessation: 32 percent of enrolled members successfully quit smoking



Be Smart. Be Well.
Blue Care Connection
Connection Programs
Metabolic Syndrome
Life Changing Results
Seasons of Life

Metabolic Syndrome Program

Metabolic syndrome is one of the most common causes of chronic disease in the United States. An estimated 35 percent of the U.S. adult population may have metabolic syndrome.* Individuals with the syndrome exhibit three or more of these five factors: reduced HDL (good cholesterol), elevation of blood pressure, glucose, triglycerides and waist circumference. Health studies have found that health care costs for people with metabolic syndrome were estimated to be about \$259 per month more than those of the same age and sex without the condition.**

To fight against metabolic syndrome, we offer a 10-week series of on-site or online classes led by health coaches to help address metabolic syndrome and encourage permanent behavior changes.

Participants in our metabolic program have shown a significant reversal of the condition after completing the program. Since the launch of the Metabolic Syndrome Program in 2008, groups participating in the on-site and online workshops have proven the effectiveness of the program.

Sources: *National Center for Health Statistics, 2009; **Metabolic Syndrome and Employer Sponsored Medical Benefits: An Actuarial Study, Kathryn Fitch R.N., Med, Bruce Pyenson, FSA, MAAA, Kosuke Iwasaki, FIAJ, MAAA, Milliman, New York, NY September 2007;

Results for Program Participants

A **10-pound average weight loss**
in a 10-week period

25 % **reversed their
metabolic syndrome**

58 % **increased the
quality of their exercise**

54 % reported **improvements
in back and joint pain**

36 % of reported
they **reduced or eliminated
their medication usage**



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Life Changing Results

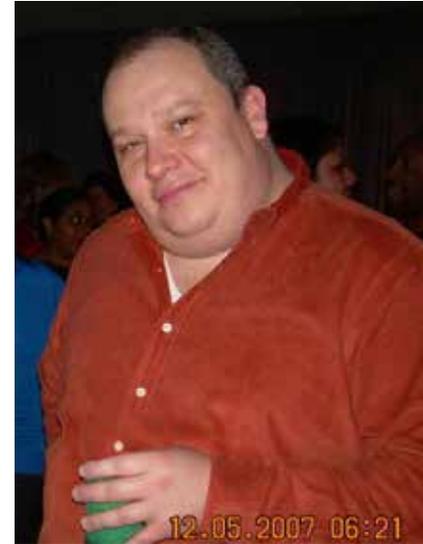
Chris Farmer, Manager, HR Operations Support Services

What was my turning point for getting healthy? I was going to have to take cholesterol medication every day ... forever. Plus, I had two small, active boys, and I was having a hard time keeping up with them. I was out of shape and always out of breath.

The six-week Metabolic Syndrome Program got me started by helping me eat only when I was hungry, not when I was bored. Over a period of four years, by limiting my food portions and spending lots of time in the gym, I lost 115 pounds. I went from size 42 pants to size 30 — and from a size 50 suit jacket to size 41.

I'm 42 years old and in the best shape of my life. In fact, my most recent physical showed that my cholesterol and blood sugar were in healthy ranges, and my heart was as strong as it had ever been. Perhaps more importantly, now I can run circles around my boys!

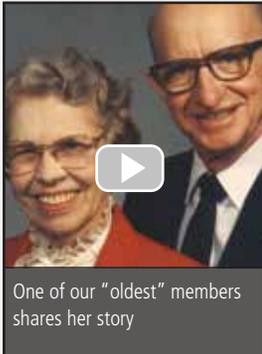
Through this journey, I have learned that good health is the best gift I can give myself and my loved ones.



“Through this journey, I have learned that good health is the best gift I can give myself and my loved ones.”



- Be Smart. Be Well.
- Blue Care Connection
- Connection Programs
- Metabolic Syndrome
- Life Changing Results
- Seasons of Life**



One of our "oldest" members shares her story

Seasons of Life

After the death of a family member, survivors often are left not only to deal with their grief but also sometimes confusing financial and health care-related paperwork. Our benefit program, Seasons of Life, seeks to ease the burden of this difficult time.

How We Help

Through Seasons of Life, we help simplify any remaining health care claims, answer questions and let members know that we are available to assist them. Staffed by a dedicated team of highly experienced member advocates, Seasons of Life ensures that members and their families have compassionate help when they need it most.

Compassionate Care

When we learn of a recently deceased member through membership changes, claims data or a call, a member advocate is assigned to research and help resolve outstanding health care claims and service issues. After completing the research, the member advocate sends a handwritten sympathy card assuring the member or relative that knowledgeable, dedicated, personalized resolution support is just a phone call away until all related health care claims and issues are resolved.

Assigned member advocates act as liaisons to facilitate one-stop communication: If necessary, calling health care providers, even other insurance companies, on behalf of members or their loved ones. Of course, members and family members can call their advocate directly any time with questions or concerns. There is usually no waiting on hold or having to re-explain each time they call.

Callers can expect effective, compassionate support because each Seasons of Life member advocate undergoes specialized sensitivity training with a licensed clinical social worker who specializes in grief counseling to effectively communicate and service members who are going through one of life's most difficult times.

2,000 cases in 2012

What our members and their loved ones think about Seasons of Life

"I am ever indebted to you for your concern and compassion after [my spouse's] death. I was overcome that you would give your time to me when I really needed just that."

"I want to tell you [the card you sent] really touched me. When I have thought about Blue Cross in the past, I've always thought they were just a great big company and we were just a number with claims coming in to be processed. But, your card really touched me how personal it was. It really meant a lot to me."

"You know, I was worried about [that bill and claim] at first, but then when you started working on it for me, I knew you were my ace in the hole. Thank you."

"...I haven't laughed in a long time until you called today. Thank you."

"It was so difficult having to deal with everything, but it would have been even tougher had I not had you. I had no clue how to get through this, but you have really been a great help. Thank you!"

"Because of your intervention, our family will now be able to afford to celebrate the holidays..."



Diversity

Recognitions



Learn more about our veterans hiring initiative

Diversity

Diversity and inclusion are embedded in every part of our business. Our commitment to diversity is demonstrated in how we serve our customers, engage our employees, connect with the communities in which we operate and partner with suppliers and other business stakeholders. We do this by:

- Maintaining an inclusive and culturally competent workforce where differences are valued
- Leveraging the diverse skills and worldviews of all employees in order to respond to our increasingly diverse customers
- Ensuring that we integrate diversity considerations in our strategies to provide affordable and accessible health care solutions

We foster an inclusive work environment where all employees are valued contributors to achieving business objectives and are recognized and rewarded accordingly. Through leadership commitment, we are able to maintain a diverse and culturally competent workforce that is sensitive and responsive to our customers' needs.

Key components of our diversity and inclusion efforts include:

- Recruiting and Retention – Our workforce reflects the diversity of the communities we serve, and ongoing efforts are made to attract, develop and engage our diverse pool, including veterans, people with disabilities, graduates of historically black colleges and universities, and more.
- Education and Competency – We have an annual training commitment to develop a culturally competent workforce.
- D&I Council – This group assesses the effectiveness of diversity and inclusion efforts and promotes engagement throughout the enterprise.
- Business Resource Groups – These are voluntary, employee-driven groups organized around particular shared characteristics of diversity to support diversity and inclusion goals.
- Health Care Disparities – We have created partnerships in the communities we serve in an effort to help reduce disparities in health care.
- Disability Task Force – This group helps ensure disability inclusion is integrated into our policies, practices and operations.
- Veterans Hiring Task Force – Recognizing the skills veterans possess and the sacrifices they have made, this team works to make us a leading military friendly employer.



We increased the diversity of our workforce
to **more than 35%**

Four of six top executives are women

We are ranked, for the 8th consecutive year, in the
Top 50 Companies for Diversity, DiversityInc.



Diversity
Recognitions

Recognitions

DiversityInc. Top 50 & Top 10 Companies

- Top 50 Companies For Diversity (ranked #19 – 2012, ranked #26 – 2011, ranked #20 – 2010, ranked #22 – 2009, ranked #34 – 2008, ranked #33 – 2007, ranked #4 – 2006, ranked #17 – 2005)
- Top 10 Companies for Executive Women (ranked #5 – 2010, ranked #10 – 2008)
- Top 10 Companies for Supplier Diversity (ranked #3 – 2011, ranked #6 – 2009)
- Top 10 Companies for African Americans (ranked #10 – 2009, ranked #7 – 2005)
- Top 10 Companies for People With Disabilities (ranked #5 – 2008)
- Top 10 Companies for Latinos (ranked #5 – 2007, ranked #4 – 2005)

Exemplary Practice of Corporate Governance & Board Diversity

- Exemplary Practice of Corporate Governance & Board Diversity, The New American Alliance (2005)

National

- Corporate Equality Index, Best Places to Work for LGBT Equality, 100 Percent Ranking (2010, 2007)
- Top 100 Military Friendly Employers (2010)
- Working Mother Magazine: Best Companies for Multicultural Women (2010)
- "Above and Beyond" Employer, G.I. Jobs Magazine, Top Military Friendly Employer (2009)
- Well Workplace Award, Wellness Councils of America (WELCOA), National Recognition for Employee Wellness Efforts (2007)

Regional

- ESRG Patriot Award (Patriotic Employer), U.S. Department of Defense (2010)
- Diversity First Award, Annual Texas Diversity Council (2007)
- Corporate Diversity Award, Chicago Council on Urban Affairs (2005)
- State of Illinois Woman To Woman Making a Difference Award, Illinois State Treasurer (2002)
- Changing How Chicago Works, Chicago United (2002)

Supplier Diversity

- Platinum Designation for Five Forward Initiative, Chicago United (2010)
- U.S. Small Business Ambassador Award, U.S. Small Business Administration (2010)

Black Data Processing Associates (BDPA)

- BDPA Top (#1) Company for Blacks in Technology – Epsilon Award (2011, 2008)
- BDPA Epsilon Award for Leadership Development and Advancement Programs, Career Pathing (2012, 2011, 2010)
- BDPA Best Company for Blacks in Technology (2009, 2008, 2007, 2006)

Technology

- Best Diversity Company, Diversity/Careers in Engineering & Information Technology (2007)
- Best Company in Careers in Technology (2009)
- Computerworld – Best Places to Work in IT (2011)



HCSC's African Americans in Motion Business Resource Group hosted a professional development event featuring Spud Webb, a former NBA slam dunk champion and president of basketball operations for the Texas Legends, the official Minor League team of the NBA's Dallas Mavericks.



Jasmine Sheth attends an employee Diwali celebration



Sustainability
Data Center and Facilities



Sustainability

We've implemented many sustainability programs and systems in our facilities that help both our employees and our members contribute to our green initiatives. We understand that it is important that each of us do our part to keep our environment clean and sustainable for years to come.

We are Blue, but we are committed to continuing to go Green.

Why Print?

During 2012, we made a commitment to reduce printing by 25 percent or 22,700,000 sheets, and we exceeded our goal. We printed 22,800,00 fewer pages, saved an estimated 33 Olympic-size swimming pools of water and spared 2,730 trees. To celebrate our success, HCSC pledged to donate funds to the Arbor Day Foundation to plant 20,000 trees across the U.S. Employees also recycled nearly 3,000 tons of paper, which spares over 8,000 cubic yards of landfill space.

Saving Paper: Increased Electronic Explanation of Benefits (EOBs)

We encourage our members to use electronic explanation of benefits (EOBs) through our online member portal Blue Access. In addition to security, convenience and speed of service, the shift to electronic EOBs means significant paper reductions, cost savings and trees saved. In 2012, we saved more than 30 million sheets of paper and more than \$4 million in postage through electronic EOB use.

Saving Water: Greenwater System

Our Fort Worth, Texas, data center features a greenwater system, which captures roof rainwater, air handler condensation and treated blow down cooling tower water into a holding tank to be recycled for non-potable water usage.

Saving Energy: Implementing Telecommuting/Work From Home

Where possible, we enable employees to work from home. We believe this arrangement helps boost employee morale and productivity, improve work/life balance and assist with retention and recruitment. There is also a significant impact on the environment by reducing carbon footprints caused by transit.

For each ton of paper recycled, we estimate that:

- 17 trees are saved
- 7,000 gallons of water are saved
- 60 lbs. of pollutants are avoided
- 380 gallons of oil are saved

During 2012, our recycling and conservation efforts were better than ever. Our initiatives include:

- Telecommuting and work-from-home opportunities
- Replacing paper explanation of benefits (EOBs) with electronic EOBs
- Use of high efficiency fluorescent light bulbs
- Use of building automation technology for building heating, air conditioning and office lighting to ensure high energy efficiency



[Sustainability](#)[Data Center and Facilities](#)

Data Center and Facilities Initiatives

There are several additional Green initiatives under way across the company:

- **Shared Cooling: Distributed Ice Plant** — Our Chicago headquarters has one of the largest distributed ice plants in the city. This ice plant was designed and sold to Chicago Thermal, a local utility provider that has a connected network of these ice plants throughout Chicago. The ice plant in our headquarters not only feeds chilled water for cooling to our building, but to other area buildings, such as the nearby AON building. The plant also uses ammonia for refrigerant, which is completely chlorofluorocarbon (CFC)-free.
- **Consolidating Hardware** — Virtualization is a technology that enables us to take several pieces of hardware such as servers and consolidate them into one. Server consolidation reduces hardware acquisition, maintenance cost, data center square footage requirements and complexity. It also directly impacts overall energy consumption. Virtualization is expected to help us reduce the number of Windows servers by at least 50 percent.
- **Optimizing Temperature Levels** — Raising our data center's critical floor area (CFA) temperature even slightly will significantly reduce overall cooling expenses and energy consumption.
- **Co-Generation** — Since the opening of our data center in early 1996, we've engaged in energy curtailment through co-generation efforts. Co-generation harnesses exhaust heat, which would otherwise be a wasted byproduct of electricity generation, to produce steam and hot water. The steam can be used to produce more electricity without burning additional fuel.
- **Computer Room Air Handling Units** — Computer room air handling units are coordinated to provide only the needed cooling capacity throughout the data center. Variable speed fans, pumps and control systems are employed to supply cooling on demand versus continuous operation, which reduces energy consumption.
- **Using Newer Technology** — A critical component of a data center is cabling. Our Texas data center has fiber cabling and fiber network interface cards, which use less power compared to their copper alternative by as much as 4:1.

Data Center and Facilities Green initiatives

- ✓ Shared Cooling: Distributed Ice Plant
 - ✓ Consolidating Hardware: Server Virtualization
 - ✓ Optimizing Temperature Levels
 - ✓ Co-Generation
- ✓ Computer Room Air Handling Units
 - ✓ Using Newer Technology



Ethics and Compliance

Ethics and Compliance

Our employees have built a reputation that will endure and grow because of our commitment to achieving a high level of ethics and integrity. Since our founding, we have remained dedicated to earning and strengthening the trust of the people we serve. We understand that we cannot succeed in our business without maintaining our reputation with members, employers, physicians, regulators, bankers and vendors.

Through our Code of Business Ethics and Conduct, and the annual regulatory and compliance training each employee receives, we have communicated our core values and expectations. The support of all of our employees has been a linchpin of our Ethics and Compliance Program's extraordinary success. Our core values are:

- Integrity, Always do the right thing.
- Respect, Everyone deserves it.
- Commitment, We care too deeply to let anyone down.
- Caring, We put our heart into our work.

Policies and Procedures

Our company is founded on basic principles of good business behavior, which are 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.

Our policy is to deter the occurrence of unethical or unlawful behavior, to detect as early as possible such behavior whenever it occurs, to appropriately disclose such behavior to authorities and to actively and fully cooperate in any investigation or regulatory inquiry.

12 consecutive
**Compliance
Best Practice
Awards**
from the
Health Ethics Trust



2012 Awards

Awards

- Health Care Service Corporation named one of InformationWeek's Top 500 Technology Innovators
- Health Care Service Corporation named one of Computerworld's "100 Best Places To Work In IT"
- Health Care Service Corporation ranks 19th on DiversityInc's 12th Annual "Top 50 Companies for Diversity" List
- DiversityInc Best Companies for Blacks in IT
- 2012 Black Data Processing Associates: Top Company for Blacks in Technology
- American Heart Association Fit Friendly Worksite
- Be Smart. Be Well. won a Silver Stevie Award for best health products and services websites and three Telly Awards for Online Video category
- Workforce Management Magazine – "The Hot List: 2012 Health Insurers"
- Health Care Service Corporation honored with three Best of Blue Awards for compliance innovations by the Blue Cross and Blue Shield Association
- Training Magazine: Top 125 Training Organizations
- Health Care Service Corporation has won 12 consecutive Compliance Best Practice Awards from the Health Ethics Trust

