We all know the health care industry is unpredictable. However, our focus is always on providing quality, affordable products and services to our customers and members. Our strong commitment has allowed us to retain our position as the leading HMO in Michigan.

We identified goals and opportunities in 2017 that would continue to contribute to our growth. As a result we maintained our advantage and claimed 42.6 percent of the market, a 0.7 percentage point increase from 2016. Our commercial group segment had significant growth last year, which resulted in a 30 percent increase in membership over the past five years.

In 2017, Blue Care Network remained an integral part of the Blue Cross enterprise by offering another comprehensive product portfolio, bringing strong value to you and your employees. We’re proud to offer student health plans, consumer-directed health plans, and those with a localized network that provide options to fit the needs of every type of business.

We also pride ourselves on being a concept incubator to test innovative solutions that will help us continue to find cost savings, provide value and deliver better care to you and our members. In 2017, we did this by increasing pharmacy rebates, achieving lower-than-expected medical trends and lowering operating expenses.

2018 marks the 20th anniversary of Blue Care Network. It’s amazing to see what we’ve accomplished in just two short decades. Moving forward, our focus is on innovation and enhancing the customer experience as we continue to transform and grow. We’re excited to celebrate our rich history and, with your help, see what we can do in the next 20 years.
In 2017, Blue Care Network continued to serve as a trusted advisor to our members and customers as they navigated through the complexities of health care. And we were able to do this by providing tools and resources to help you better understand your benefits and ensure you find value in them as well.

Last year, we created a comprehensive open enrollment tool kit that explains how HMO coverage works to help new and existing members feel confident in managing their benefits and health.

We achieved great results in meeting our quality goals to increase our national ratings in 2017. Our Healthcare Effectiveness Data and Information Set results ranked us the number one HMO in the state, based on quality for commercial members. And we have more number one quality measurements than any other HMO in the state.

In addition, our Consumer Assessment of Healthcare Providers and Systems score continued to improve. The final 2017 commercial CAHPS accreditation score was nearly 2.5 points above the 2016 score.

We also had a strong year financially due to strategic initiatives that included implementing pharmacy, medical management and prior-authorization programs that maintain high quality care and control costs by avoiding unnecessary treatment.

We’re always looking for ways be innovative as the health care industry evolves so we can continue to deliver the strong value you expect from us.

We appreciate all you do to help us remain the leading HMO in Michigan and thank you for our continued success.
STRENGTH IN 2017

QUALITY
2017

4.0 ★★★★★
Star rating for BCN Advantage from Centers for Medicare & Medicaid Services

MEMBERSHIP
2017 YEAR END

867,000 Members
55% fully-insured groups
20% self-funded groups
13% commercial individuals
12% senior markets

OPERATIONS
2017 YEAR END

11M claims processed
$2.9B claims paid
1.4M calls handled
68.3% first call resolution
3,128 walk-in center visits
STRENGTH IN LEADING INDUSTRY STANDARDS

Consumer Assessment of Healthcare Providers and Systems
- Commercial CAHPS accreditation score was more than 2 points above the final 2016 score.
- All four 2017 commercial CAHPS overall rating measures increased by at least one point.
- The customer service rating experienced a substantial increase over last year, placing us ahead of Michigan and national averages.

Healthcare Effectiveness Data and Information Set
- Our commercial clinical HEDIS rates performed better than other Michigan HMO plans.
- Of 37 measures, 11 measures ranked number one in the state; that’s more number one quality measures than any other HMO in Michigan.
Leader in coordination of care

We’re committed to coordinating care between patients and hospitals, reducing the time our members are off their feet and providing them with the peace of mind that someone is looking out for their care.

Our members have lower hospital readmission rates and spend less time going back to hospital after an admission, lowering their absenteeism and medical costs.

Our 2017 readmission rate was better than the national average.

Blue Care Network
7.05%

National Average
10%
Strong cost savings

Better coordination of benefits continues to result in savings for BCN. In 2017, BCN saved $50 million in total, including $4.8 million from the pharmacy COB program.

We also delivered significant cost savings through drug and pharmacy management initiatives including our strategy that encourages the prescribing of medications based on the effectiveness, safety and lowest overall cost.

The implementation of medical management, sites of service and prior authorization programs saved more than $19 million.
STRENGTH IN OUR FOCUS ON MEMBERS AND COMMUNITY

Members

We go beyond delivering quality health care coverage. We’re also focused on bringing value by providing the tools, services and support our members need to better understand and manage their coverage.

With our Blue Cross Online Visits℠ members can access fast, affordable care for minor illnesses when their primary care physician is unavailable.

Members can now view the status of referrals and authorizations through their member accounts at bcbsm.com and the Blue Cross mobile app.

Members can easily choose or change their primary care doctors online. They can personalize their search and make their selection conveniently using their Blue Cross online member account or our mobile app.

Our valued members have access to the largest HMO network in the state, featuring Michigan’s leading doctors.

- Three times more providers than our closest competitor
- Nearly 6,000 primary care doctors
- More than 23,000 specialists
- More than 130 acute care hospitals
Community

We continued to have a strong community presence in 2017: we participated in close to 50 events, with dedicated employees filling more than 500 volunteer spots.

Blue Care Network was the official sponsor at events across the state including, the Michigan State Fair, Art and Apples, the Grand Rapids Public Schools Turkey Trot and Zoo Boo at the Detroit Zoo.

Our Facebook page continued to grow by 21 percent in 2017 with nearly 100,000 followers; with our content reaching 4.5 million Michiganders. We developed engaging campaigns on important health issues like the flu, tobacco cessation, heart health and mental health awareness.
Get account information at bcbsm.com
Manage your health plan easier using a secure, private online account. Log in to your employer account at bcbsm.com any time to access helpful tools and resources.

Depending on your plan, you’ll be able to:

- View employer and member information, add and update member contracts, request ID cards
- Access your account through eBilling
- View, download and email benefit guides for employees
- Receive wellness education materials to share with your employees

Blues agents and sales representatives
Ask them for guidance so you can make the best choices for your business.
Blues Perspectives
We’re dedicated to helping Michigan businesses navigate today’s changing health care landscape. To stay up to date on news, products and resources for your business, visit MIBluesPerspectives.org. Subscribe if you’d like to receive real-time updates sent straight to your inbox.

Field Services
If your group has 10 or more employees, call 1-877-465-5120 to have a Blue Care Network field specialist assigned to you. You’ll get concierge-level customer support, including claims and benefits assistance, on-site visits and employee presentations at open enrollment events.

Health coaches
Our health coaches will provide free on-site lunch-and-learn sessions and health fairs for you and your employees.

These sessions cover topics such as healthy lifestyles and stress management. Our health fairs include selected health screenings and educational materials.

To schedule an event, contact your Blues agent or sales representative.
Vision
As the premier managed care plan in Michigan, Blue Care Network’s purchasers, members, physicians, unions and employees are partners in maintaining and improving health.

Mission
People helping people to promote health and peace of mind through high quality care and service.

Cultural values
- Integrity and honesty
- Family and personal life
- Personal accountability
- Helping and caring
- Quality and excellence
- Diversity and inclusiveness
- Community involvement
## Financial data (in thousands) as of December 2017 and 2016 (statutory basis)\(^1\)

### Balance sheets

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total current</td>
<td>$781,384</td>
<td>$775,572</td>
</tr>
<tr>
<td>Other</td>
<td>1,343,689</td>
<td>1,088,591</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$2,125,073</strong></td>
<td><strong>$1,864,163</strong></td>
</tr>
<tr>
<td><strong>Liabilities, capital and surplus</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total liabilities</td>
<td>$732,235</td>
<td>$741,136</td>
</tr>
<tr>
<td>Total capital and surplus(^2)</td>
<td>1,392,838</td>
<td>1,123,027</td>
</tr>
<tr>
<td><strong>Total liabilities, capital and surplus</strong></td>
<td><strong>$2,125,073</strong></td>
<td><strong>$1,864,163</strong></td>
</tr>
</tbody>
</table>

### Statements of operations

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Premium revenue</strong></td>
<td>$3,580,930</td>
<td>$3,399,338</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health care benefits</td>
<td>2,943,353</td>
<td>2,848,032</td>
</tr>
<tr>
<td>Administrative</td>
<td>446,359</td>
<td>494,255</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>$3,389,712</strong></td>
<td><strong>$3,342,287</strong></td>
</tr>
<tr>
<td>Underwriting gain</td>
<td>191,218</td>
<td>57,051</td>
</tr>
<tr>
<td>Net investment income</td>
<td>49,845</td>
<td>37,227</td>
</tr>
<tr>
<td>Other</td>
<td>(682)</td>
<td>(522)</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td><strong>$240,381</strong></td>
<td><strong>$93,756</strong></td>
</tr>
</tbody>
</table>

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1 Blue Care Network is required to file quarterly and annual statements with the Michigan Department of Insurance and Financial Services. The full 2017 annual statement can be found online at michigan.gov/difs by entering “HMO Financial Information” in the search box.

2 Includes investment in subsidiary.
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We welcome your comments about our 2017 annual report. Go to bcbsm.com/bcnfeedback and click Annual report in the drop-down menu.