



ND

2018 ANNUAL REPORT



A Message From Our President

Tim Huckle | President and CEO
Blue Cross Blue Shield of North Dakota

Dear Members,

Let me begin by thanking you for another impactful year in 2018. We know you have many choices for health insurance and appreciate the trust you place in us.

Over the past several years, BCBSND has been working on your behalf to improve the health care experience throughout the state. With an eye on serving you well into the future, last year we turned the focus inward with a transformation that touches every area of our business. It's a multi-dimensional effort with a singular purpose—to ensure North Dakotans have what they need to achieve and maintain good health.

The following pages feature some internal business transformation highlights as well as ongoing efforts to advance health care throughout the state. They also give a nod to some of the 1,000+ team members who pour their professional careers into the mission of serving you. And of course, you'll find important business metrics as well.

A new chapter in the business

The most noticeable change has been a business-wide IT systems upgrade.

Previously we developed our service and claims systems in-house. Moving forward, we're tapping into technology platforms used successfully by other health plans. This effort will provide the efficiencies you would expect from a large national health plan while fitting our budget as a locally-owned North Dakota company.

Some changes you'll notice include new and improved online portals to enhance your ability to connect with us and manage your health benefits. Other changes won't be as visible but will be appreciated, like the new highly efficient claims processing system.

Read about the changes at [BCBSND.com/changes](https://www.bcbnsd.com/changes).

Our mission revolves around connecting you to the best care and wellness tools—at the most affordable price. We can do that best by remaining a local company, as we are today, owned by those enrolled in our health plans.

In order to retain that independence, in 2018 we underwent a significant change to our corporate structure. We are now aligned under a new holding company, HealthyDakota Mutual Holdings. The new structure is important because it:

- Enhances the ability to collaborate with similar health plans to create economies of scale without the threat of having to merge or be acquired.
- Enables BCBSND to continue to develop innovative products while investing in tools that bring you value.
- Means we can improve affordability for you while expanding the range of products and services offered.

Read more in the About Us section at BCBSND.com.

A new chapter in leadership

There's more restructuring to report, too. At the end of 2019, I'll personally have a new reporting structure. After 33 years of service at BCBSND,

I'll begin reporting to my wife, Joanne, in the next chapter of our lives: retirement.

Planning for the change started more than a year ago when I began working with the board on a succession plan. After a comprehensive review, I'm happy to say they've chosen a successor from within the company. BCBSND's chief legal officer, Dan Conrad, will formally step into the chief executive officer role in January 2020. Until then, Dan and I will be working closely together to position the organization to successfully move forward.

Since I walked through the doors in 1986, I've held many roles in the organization. I've seen the company navigate incredible industry changes, government mandates and technology advancements. But the one constant—the thing that has kept me here over three decades—is our commitment to members.

Sincerely,



Tim Huckle, President & CEO

Meet Dan Conrad



Dan Conrad

CEO-Elect, CLO, EVP

Dan Conrad is a familiar face at BCBSND. In 2013, he joined the legal team and has progressively provided leadership across the organization. Today he

serves as chief legal officer (CLO) and executive vice president (EVP). In January 2020, he will formally step into the CEO role.

BCBSND Board of Directors chair, David Sprynczynatyk, says this of Dan:

“The board has great confidence in Dan's ability to lead the organization to the next level of success, specifically, his proven success in solving difficult

business issues, his excellent understanding of the organization's competitive landscape, and his ability to build strong relationships. All of these attributes and more will support a strong leader for the organization moving forward.”

Dan began his career as a trial attorney with the U.S. Justice Department after graduating from Minnesota State University Moorhead and the University of North Dakota Law School. He also served as in-house counsel at two large companies before joining BCBSND.

An active community member, Conrad serves on the boards of directors for Make-A-Wish Foundation of North Dakota and BCBSND Caring Foundation.

Performance **STATS**

BCBSND ends the year strong!



High member care scores. We remain focused on delivering the best service during the major transition to systems that will help us serve you even better.



New members chose BCBSND. Welcome!



Member retention. Thank you for staying with us.



Employees are committed to BCBSND and understand how their work affects our mission to connect North Dakotans with the best health care and wellness tools at the best price.

2018 Highlights

JANUARY

Technology Upgrade

After a careful selection process, BCBSND kicks off a relationship with HM Health Solutions to help us transform our technology systems and processes to better meet the needs of our members, providers, employer groups and more. The multi-year project would become nicknamed the “Business Transformation” process.

BCBSND team members practice wellness with a **Resolution Run**.



FEBRUARY

Dakota Medical Foundation awards BCBSND “**Business Charity Boost.**”



BCBSND partners with **United Concordia** and **Vision Service Plan** to administer its dental and vision plans.

MARCH

BCBSND becomes an **ND Cares** organization, committing to help employees with additional service opportunities and support.

United Way awards BCBSND the **Live United Leader of the Year** award.



BCBSND begins a months-long reorganization process by submitting a request to our governing body, the North Dakota Insurance Department (NDID). The reorganization creates a new parent company, **HealthyDakota Mutual Holdings**. The request was approved by the NDID and later by the BCBSND Board of Directors and by BCBSND members.

APRIL

BlueAlliance Collaborative event
BCBSND brings together statewide providers to discuss opportunities for bettering North Dakota health care.



MAY

BCBSND team members help **Reforest the Red.**



Worksite Wellness Summit West brings western North Dakota employers together to inspire effective wellness programs.



JUNE

Employee 5K raises nearly \$3,500 for United Way.



2018 Highlights

JULY

As part of our technology upgrades, members begin transitioning to the **new platform**.

Career Achievement

Employees celebrate service milestones with special visit from two Olympians Jocelyne Lamoureux Davidson and Monique Lamoureux Morando.



AUGUST



BCBSND sponsors **Streets Alive** to encourage healthy, active lifestyles.

Team members build picnic tables for **Habitat for Humanity**.



SEPTEMBER

BCBSND adopts new schools: Willow Elementary from Fargo and Washington Elementary from Minot.



BCBS Association recognizes the BCBSND Federal Employee Program team for its outstanding efforts in open enrollment.



OCTOBER

240 team members participate in **United Way Day of Caring**.



Olympians Joycelyn and Monique Lamoureux and renowned wellness author Laura Putnam headline **BCBSND Worksite Wellness Summit**.



NOVEMBER

Open enrollment begins.

Online silent auction raises **\$5,682 for United Way**.

BCBSND honors service member employees on Veteran's Day.



DECEMBER

DollarsforDoers donates nearly \$16,000 to North Dakota charities.



This is why we come to work...

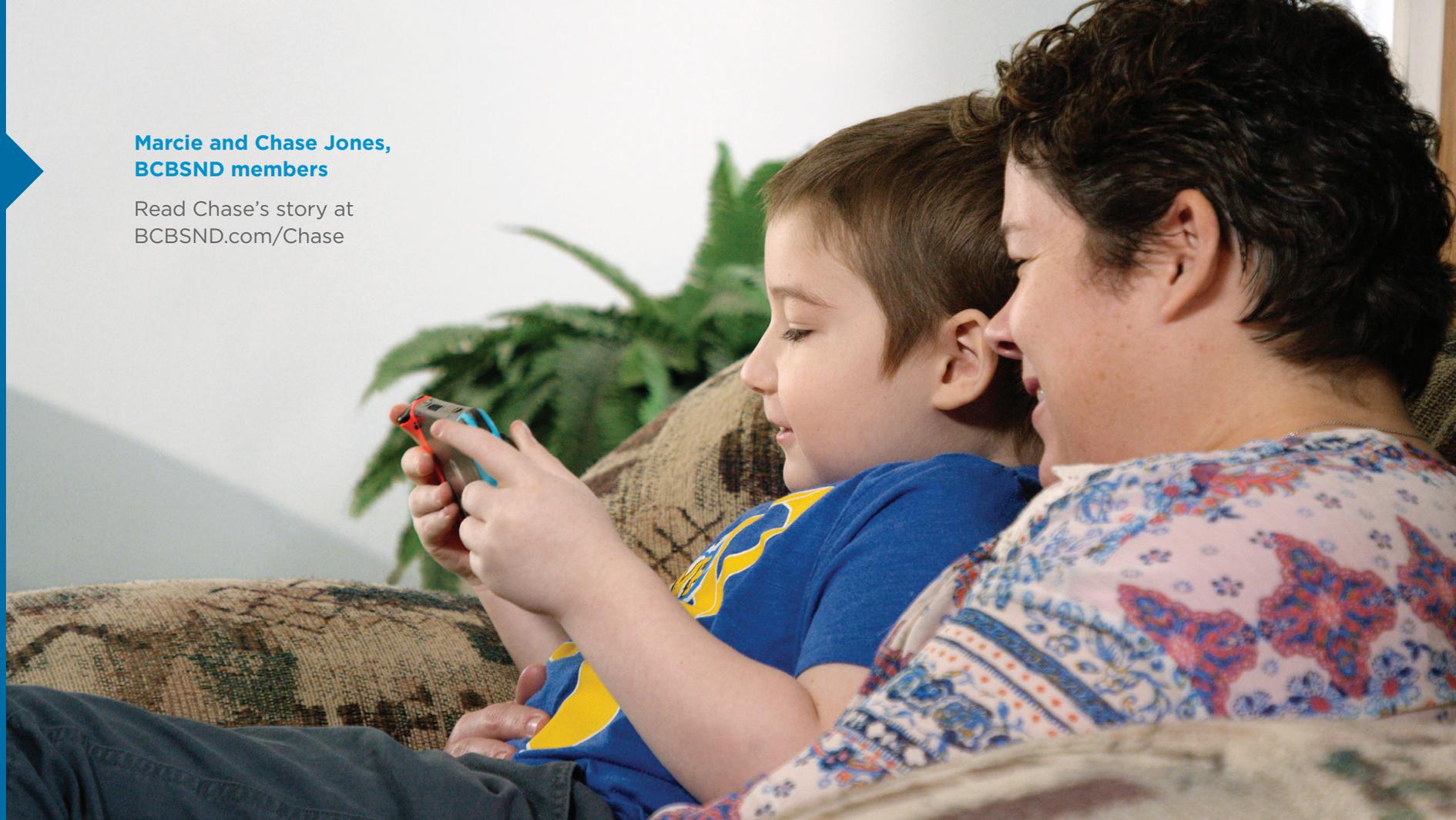
Because there are fighters like the Jones family, BCBSND continues the hard work of connecting North Dakotans to care.

While mom Marcie focuses on her son, Chase, and aggressive leukemia treatments routinely take them across the state, her BCBSND member advocate personally oversees the claims paperwork and any out-of-network referrals.

“It’s a huge weight lifted off my shoulders,” she says.

Marcie and Chase Jones, BCBSND members

Read Chase’s story at [BCBSND.com/Chase](https://www.bcsnd.com/Chase)



Kara Carpenter
BCBSND
Member
Advocate

Once the initial shock of a critical diagnosis wears off, the overwhelming challenges begin.

As she often does, BCBSND member advocate Kara Carpenter lifted some of the burden for the Jones’ by helping them navigate their choices, their coverage and their paperwork.

It's more important than ever to understand the cost of health care.

Financial Statements (Unaudited)

Balance Sheet Dec. 31, 2018

Assets	
Cash and Cash Equivalents	\$ 16,844,000
Accounts Receivable	146,430,000
Investments	563,603,000
Land and Buildings	19,793,000
EDP Equipment	3,359,000
Other Assets	43,586,000
Total Assets	\$ 793,615,000
Liability and Reserves	
Claims Payable	\$ 163,360,000
Premiums Received in Advance	19,002,000
Accounts Payable	115,511,000
Total Liabilities	297,873,000
Reserve for Contingencies	495,742,000
Total Liabilities and Reserve	\$ 793,615,000

BALANCE SHEET

The balance sheet details what BCBSND owns (assets) and what we owe (liabilities) at a given point in time. These two parts should always be in balance, with each dollar of assets offset by a dollar of liabilities and reserves.

ASSETS

Assets include cash, money due from our customers, the value of the land and buildings owned by the company, and investments. BCBSND invests in a variety of areas in order to diversify financial risk and to keep member costs down.

LIABILITIES AND RESERVES

Liabilities are the amount we owe others for healthcare services provided to our members and vendors to help administer those claims.

Even though claims are paid weekly, the largest liability represents claims in process or an estimate of claims that have not yet been submitted to the company at the end of the year.

Blue Cross Blue Shield of North Dakota is a mutual not-for-profit organization and reports its financials in accordance with that structure.

Statement of Operations

Year Ending Dec. 31, 2018

Premium Income	\$1,185,019,000
Claims Incurred	1,047,950,000
Operating Expense	196,633,000
State Premium Tax	18,531,000
Operating Gain/(Loss)	(78,095,000)
Other Income/(Loss)	14,369,000
Income Tax Provision	33,203,000
Net Income/(Loss)	\$ (30,523,000)

Changes in Reserve for Contingencies

Prior Year Balance	\$ 541,225,000
Change in Unrealized Gain/(Loss)	(1,347,000)
Change in Non-Admitted Assets	3,388,000
Change in Net Deferred Income Tax	(22,281,000)
Change in Pension and Postretirement Benefits	5,280,000
Net Income/(Loss)	(30,523,000)
End of Year Balance	\$ 495,742,000

STATEMENT OF OPERATIONS

This year BCBSND had an operating loss of 6.6 percent. As a not-for-profit organization, whatever gains or losses are realized impact our reserve for contingencies. Health Insurance is a cyclical business and has to be prepared for the natural swings in healthcare costs.

CHANGES IN RESERVES FOR CONTINGENCIES

Reserves increase or decrease based on the operating results of the company. In 2018, the company experienced high claims cost and made strategic investments improving the service we provide our members. Fortunately, the company is financially strong and has the ability to absorb these costs and continue to provide the security our members expect. Today, we have about \$1,500 per member in reserves.

Reserves for contingencies represent the financial strength of the company and provide security for our members. When members purchase an insurance policy, they trust their medical costs will be paid as indicated in their policies. The reserve fund allows BCBSND to keep that promise, even when unforeseen costs arise.

BCBSND LEADERSHIP

Board of Directors

David Sprynczynatyk
Board Chair

Jodi Atkinson

Darrold Bertsch

Lynette Dickson

Greg Glasner, MD
Board Vice Chair

Lisa Helbling

Dennis Hill

Niles Hushka

Dale Klein, MD

Todd Kumm

Jim Larson

Kristi Schlosser Carlson

Casey Stoudt

Leadership Team

Tim Huckle
*President and Chief
Executive Officer*

Dave Breuer
*Executive Vice President
and Chief Financial Officer*

Dan Conrad
*CEO-Elect, Executive
Vice President and Chief
Legal Officer*

Stacie Heiden
*Executive Vice President
of Strategic Development
and Health Delivery*

Joan McCusker
*Senior Vice President
of Human Resources
and Risk Management*

Jon Bogenreif
*Senior Vice President
of Operations*



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Blue Cross Blue Shield of North Dakota is an independent licensee of the Blue Cross & Blue Shield Association