



Leading the
transformation
of Health Care



2013 Annual Report



Leading the
transformation
of Health Care.

As a Pittsburgh-based health and wellness enterprise, Highmark Health serves 35 million individuals through our affiliates. We maintain a steadfast commitment to making high-quality health care accessible, understandable and affordable. This report details how Highmark Health and our affiliates work every day to positively impact the lives of the people we serve.





Letter From the Chairman of the Board

Highmark Health and its affiliated companies, Highmark Inc. and the Allegheny Health Network, had a particularly strong year in 2013. We achieved significant success and continued to transform the company through diversification and new approaches for managing costs and improving quality and the customer experience. Our strong performance provides us with a solid foundation to meet the opportunities and challenges we will face in 2014.

Creating an integrated health care delivery system

We are charting a new course in health care that is focused on integration, innovation and meeting the needs of the consumer. In 2013, we took a bold step consistent with our strategy for growth and created the Allegheny Health Network (AHN) through affiliations with Jefferson Hospital, Saint Vincent Health System and the West Penn Allegheny Health System. This offers us new opportunities to work on behalf of our customers and members to implement an entirely new health care delivery model and better align payments with patient care. These hospitals are important community assets, and we intend to apply their clinical expertise to ensure that residents of Western Pennsylvania get the best health care possible. We have set an ambitious plan to put AHN on a firm financial footing and have started to invest in its infrastructure.

Health Plans and Diversified Businesses

The Highmark Health Plans are collectively the eighth-largest health insurance organization in the country with 5.3 million members. They have the leading market positions in Pennsylvania, West Virginia and Delaware. The health plans' depth in these markets gives them unique reach into the communities that they serve. In early 2014, Highmark Inc. moved to strengthen its presence in Pennsylvania by signing a definitive merger agreement with Blue Cross of Northeastern Pennsylvania, which provides insurance and administrative services to approximately 545,000 individuals in 13 counties in northeastern and north central Pennsylvania. This merger is subject to approval by the Pennsylvania Insurance Department.

Highmark Diversified Businesses, which consist of Highmark subsidiaries HVHC Inc. (including 640 Visionworks specialty optical retail stores as well as Davis Vision, the third-largest U.S. managed vision care provider), United Concordia (the sixth-largest dental insurance carrier in the country) and HM Insurance Group (the third-largest stop loss carrier in the country), differentiate us from other health care companies. These companies offer a breadth of products and services as well as the chance to enhance consumer interaction. Highmark Diversified Businesses possess a set of assets with a national reach.

Identifying new opportunities and launching Highmark Health Solutions Inc.

It's vital that we use our core capabilities and identify new opportunities to grow. We recently launched Highmark Health Solutions Inc. as a subsidiary company focused on meeting the information technology platform and other business needs of the Highmark Health enterprise as well as other health insurance plans with which Highmark Inc. is developing relationships.

Executive leadership change

On May 21, 2014, the Highmark Health Board of Directors appointed a seasoned new executive leader, David L. Holmberg, to accelerate the organization's transformation and sharpen its focus on driving higher quality at lower costs. David has been a leader in the enterprise, serving in a series of senior roles for the past seven years, most recently leading Highmark Inc.'s Diversified Businesses. He has significant experience in anticipating and meeting the needs of the customer, which will be particularly important as the health care marketplace continues to change. David helped create our strategy for future growth and, working collaboratively with our leadership team, I am confident that he will drive innovation and new momentum.

The Board thanks Dr. William Winkenwerder for his service to the enterprise. He joined us two years ago, bringing his national reputation, high integrity and strategic vision. During his tenure, Highmark Health became an integrated health care delivery system by creating the Allegheny Health Network. We appreciate his dedicated service and leadership.

I am proud of the 37,000 people who make up the Highmark Health enterprise. They are focused on service and demonstrate an unyielding commitment to caring at every step of the health care process. It is because of them that we are able to positively impact the lives of millions of people.

Thank you for your interest in and support of Highmark Health.



J. Robert Baum, Ph.D.

Chairman of the Board of Directors



Letter From the President and Chief Executive Officer

I am deeply honored to have been asked by the Board of Directors to become Highmark Health's President and Chief Executive Officer. As someone who for the past seven years has been with companies that are part of the Highmark Health enterprise, I understand the needs of customers and the imperative to help them navigate the increasingly complex and costly health care landscape. I am proud of our success in 2013. We have a strong foundation on which to build as we face new challenges and opportunities in this dynamic health care environment. Looking ahead, we intend to challenge ourselves to set new horizons and achieve new levels of success.

A sharp focus on the customer

Our primary focus across the Highmark Health enterprise is ensuring that we meet and exceed the needs of our customers, and you can expect that I will drive an even greater focus on the people that we serve. Whether it is patients in hospitals, businesses purchasing health or dental insurance for their employees, consumers in vision stores or purchasing health benefits for themselves, Highmark Health enterprise customers are depending on us to provide the best products and services available and to match that with superior service.

The health care marketplace continues to be challenged by enhanced competition, increasing consolidation and the new realities brought about by the Affordable Care Act. Traditional employer customers are looking for solutions and innovation, and we are seeing the emergence of the cost-conscious consumer as a growing force in health care. The future of health care will be shaped by growing consumer engagement, and, at Highmark Health, we intend to lead that change.

Building on our momentum

Across Highmark Health, we have good momentum. We are enthusiastic about Highmark Inc.'s impending merger with Blue Cross of Northeastern Pennsylvania. Highmark's health plan business continues to attract new membership, and is competing aggressively in health exchanges, enrolling more than 218,000 individuals (more than 80 percent in Highmark's *Community Blue*SM product). We've recently marked the first anniversary of the forming of the Allegheny Health Network. The turnaround of the hospitals is on track, and we are making investments in infrastructure, facilities and the clinical team to be a competitive provider network in Western Pennsylvania. The Diversified Businesses continue to grow and be profitable for the enterprise. And Highmark Health Solutions Inc. is off to a great start with a robust pipeline of potential new health plan customers. This is an exciting time as we build on our momentum and accelerate the pace of our transformation.

A strategy for future growth

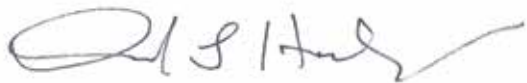
Highmark Health will continue to develop regionally and nationally with a comprehensive portfolio of health solutions. We are executing a well-defined strategy that has us offering products in five key areas: government/exchange business, health insurance markets, integrated medical care delivery, Health Solutions and Diversified Businesses. I am confident that we have a path to success, and we are prepared to make investments in our business that will fuel our mission.

Making high-quality health care easily accessible, understandable and affordable

All of us at Highmark Health remain focused on our mission to make high-quality health care easily accessible, understandable and affordable. You should expect that we will move deliberately and that we will not waver from our core mission and vision. We understand our unique role in the community and how deep our roots go in many places. We have important partnerships with providers, academic centers, local and state officials and employers. Those will continue, and we hope to strengthen them even further.

This is an exciting time to be at Highmark Health, and it is my privilege to work with a talented executive team and workforce as we chart a course to growth and new possibilities.

Thank you,



David L. Holmberg
President and Chief Executive Officer

Who We Are...

The Highmark Health enterprise is four businesses working together to build healthier communities

Diversified Businesses

HM Insurance Group

- A national leader in reinsurance and 3rd-largest stop loss carrier in the U.S.

HVHC

- **Visionworks** - More than 640 retail vision stores in 40 states and the District of Columbia
- **Davis Vision** - Provider of vision coverage to 19 million members

United Concordia Dental

- 6th-largest dental carrier in the nation

Integrated Delivery Network (Allegheny Health Network)

- A unified health care system
- 8 hospitals and 2,000 associated physicians
- More than 1,000 physicians in owned medical groups
- A group purchasing organization
- A physicians' administrative organization
- Ambulatory surgical centers
- Health + Wellness Pavilions



Health Plans

- 8th-largest U.S. health insurance organization by membership
- 4th-largest Blue Cross and Blue Shield-affiliated organization
- Total health care membership – 5.3 million

Solutions

- Platform services for health insurance plans
- Aiding plans' core functions
 - Benefit design
 - Member enrollment
 - Claims processing
 - Customer service
- Services for 7 million lives

Supported by Highmark Health Corporate Services



Who We Are: Highmark Inc.

Highmark Health Plans

Guided by a corporate mission to make high-quality health care readily available, easily understandable and truly affordable, Highmark Inc. has taken a leadership role in providing innovative products, programs and services for its members, its providers and the communities it serves.



Hospital representatives from Pennsylvania, Delaware and West Virginia attended Highmark's 2013 *Quality Blue*SM Best Practices Forum in November. The meeting focused on changes to various quality-related programs, including working with hospitals to increase patient safety and improve clinical outcomes. *Quality Blue* programs focus on efforts to improve quality while reducing costs.

Improving quality and reducing cost

In an effort to improve the quality of health care and make it more affordable for patients, Highmark has launched such initiatives as the Accountable Care Alliance (ACA) and patient-centered medical home (PCMH).

The ACA, which includes physicians from six Allegheny Health Network hospitals, represents the future model of patient-care management. It is designed to improve coordination of care and promote effective teamwork among primary and specialty care providers and health systems, especially for people with chronic medical conditions. The overall goal is a new level of high-quality, patient-centered care, with a greater certainty that patients are getting the right care at the right time and in the right setting.

The ACA also addresses long-overdue changes in the way providers are compensated as the health care industry shifts toward pay-for-value methods that align incentives for improving outcomes, preventing disease and delivering efficient and effective care in the most appropriate setting.

Another initiative is the PCMH in which physicians take greater accountability in managing patient care. The program has expanded from 160 primary care doctors in 12 practices, covering about 45,000 members in 2011, to nearly 3,700 primary care doctors in more than 100 physician practices, covering about 850,000 members in Western and Central Pennsylvania and West Virginia.

Positive outcomes have included a greater exchange of health care information among physicians, a 9 percent reduction in inpatient acute admissions, and 13 and 14 percent declines in 30-day and 7-day readmissions, respectively.

Meanwhile, when it comes to shopping for health care, Highmark's transparency tools let members compare cost and quality for the majority of their health care needs, including common surgeries and diagnostic procedures, and—through the Care Cost Estimator—calculate what portion they have to pay for provider care or procedures. This new technology was launched as a pilot program to more than 40 group customers in 2012 and made widely available to Highmark members in 2013.

Ensuring access to health care in Pennsylvania's rural areas

In 2013, Highmark also took steps to help ensure residents of Pennsylvania's rural areas have access to high-quality care. Many physicians currently practicing in the state's rural communities are retiring, and that has serious implications for Pennsylvania's rural population. If access to quality care is to be continued, replacing both primary and specialty care physicians is essential.

The Lake Erie College of Osteopathic Medicine (LECOM) in Erie and Highmark are working together in an effort to increase the supply and retention of physicians in Pennsylvania's rural areas. The centerpiece of the partnership is a five-year, \$500,000 scholarship program funded by Highmark that supports LECOM students in their four years of medical school. Recipients will be required to practice medicine in underserved areas for a year for each year they received scholarship funding.



In Allentown, Pa., area residents now have the opportunity to shop for health insurance at a new Highmark Direct location. The Allentown store officially opened in July 2013, becoming the 10th store in Pennsylvania and the second in the Lehigh Valley.

Building a cost-effective approach to Medicaid managed care

In West Virginia, Highmark Blue Cross Blue Shield West Virginia is collaborating with the West Virginia Family Health Plan (WV-FHP) to develop a Provider Sponsored Network that provides managed care services to West Virginia and its Medicaid population, about 25 percent of all West Virginians. The overall objective is the creation of a new care delivery model that will bring a more cost-effective approach to Medicaid managed care, while also enhancing health care quality and health outcomes for the people of West Virginia.

Highmark hosts National Governors Association

Through ongoing efforts, productive partnerships and continuing success in hiring people with disabilities, Highmark Inc. hosted a panel discussion on hiring the disabled during the National Governors Association Institute—A Better Bottom Line: Employing People with Disabilities held in Pittsburgh in May 2013. Participating in the discussion were Deborah Rice-Johnson, president of Highmark Health Plan, and Matt Ray, president of Highmark Health Solutions Inc.

Who We Are: Highmark Inc.

Diversified Businesses

With a broad reach that extends across the country, Highmark Inc.'s vision, dental and reinsurance businesses provide enhanced value to its insurance coverage and health care services by offering group customers, individual members and consumers in general a wide array of specialty services and products.

Major contracts mark 2013 for United Concordia

United Concordia is an innovative dental wellness company that delivers high-quality, cost-effective dental care. It is especially proud of the close relationship it has established with the federal government and military families.

That relationship was further strengthened in 2013 when the U.S. Department of Defense awarded a five-year, \$728 million contract to United Concordia to continue administration of the Active Duty Dental Program (ADDP). The new contract will provide dental benefits for 1.4 million eligible active duty service members of the Uniformed Services.

United Concordia has administered dental benefits for TRICARE programs since 1996. Surveys and feedback have consistently demonstrated that both beneficiaries and the

government are satisfied with United Concordia's network, services and program administration. This contract renewal is another reflection of that satisfaction.

Since 2007, the company has also administered the Federal Employees Dental and Vision Insurance Program (FEDVIP), with 450,000 individual FEDVIP dental members. A new seven-year contract was awarded in June 2013. United Concordia Dental is one of six national carriers.

In addition, United Concordia is committed to creating new ways for group and individual members to connect with the company when, where and how they want. With that in mind, a free mobile app was introduced in 2013 that allows members to access account information from their smartphone; find a nearby dentist, including contact information, maps and directions; get emergency dental information; and much more.

HM Insurance Group reaches \$1 billion in revenue

HM Insurance Group works to protect businesses and their employees from the potential financial risks associated with health costs. The company is among the nation's leaders in the stop loss market, and it also offers managed care and provider reinsurance. In addition, it offers workers' compensation coverage in Pennsylvania.

At the end of 2013, HM Insurance reached \$1 billion in gross revenue for the first time, and it was a year earlier than planned. The company attributed this achievement to the strong and profitable growth of its stop loss business and the controlled growth of its Pennsylvania workers' compensation business.



Visionworks Store Opening

A customer tries on glasses at the newly rebranded Visionworks store in the Highmark headquarters building in Pittsburgh.

Visionworks completes rebranding initiative

HVHC Inc., the holding company for Highmark Inc.'s vision care businesses, is an industry leader through its three divisions:

- **Visionworks of America** – the largest U.S.-owned specialty optical retail chain with more than 640 optical retail stores in 40 states and the District of Columbia.
- **Davis Vision** – a premier managed vision care company with 19 million members.

- **HVHC Inc. Manufacturing & Distribution** – operator of five U.S.-based facilities, two of which include distribution centers, and fabricator of more than 4 million pairs of eyewear in its manufacturing labs annually. It recently opened a 120,000-square-foot optical lab in Richland Hills, Texas.

In 2013, Visionworks reached a major milestone with the completion of its rebranding initiative. The optical retail chain had been doing business under 16 different regional names, but now all stores are operating under the Visionworks name.

Additionally, in response to customer feedback, Visionworks initiated a range of improvements, including more efficient store layout for easier navigation, brighter lighting and additional mirrors.

Meanwhile, HVHC, which has also been the holding company for Viva Optique, Inc. (Viva International), announced in October 2013 that Italian-based Marcolin SpA had purchased Viva International, which had grown into a global leader in high-quality fashion frames and sunglass manufacturing, with distribution in 90 countries.

Who We Are: **Allegheny Health Network**



Through a philosophy based on collaboration and teamwork—and with the patient at the center of all decisions—the Allegheny Health Network is bringing together leading health care professionals from Western Pennsylvania and beyond to form a cost-effective health care system that raises quality, enhances outcomes and preserves consumer choice for everyone, regardless of the insurance plan involved. The patient-centered approach means a sharper focus on coordinated wellness and illness prevention for individuals, and greater accountability and responsibility to patients.

The Allegheny Health Network was formed in 2013. The five hospitals of the West Penn Allegheny Health System along with Jefferson Hospital and Saint Vincent Health System in Erie, Pa., serve as the cornerstone of this new health system that also includes group physician practices, a group purchasing organization, a physician's administrative organization, ambulatory surgical centers and three health and wellness pavilions, two of which are set for completion in 2014.

Focusing on new ways to collaborate and improve patient care

Allegheny Health Network is transforming its physician organization into an efficient and effective integrated practice group—Allegheny Clinic—that will serve as a platform to further develop regional standards for patient care quality, innovation and service excellence.

The new organization is built on a foundation of processes and systems designed to service a large multispecialty physician network. The transformation officially began on Jan. 1, 2014 with the integration of four physician groups.

With more than 2,000 physicians on staff, Allegheny Health Network offers comprehensive care in nearly every medical specialty, but as a result of health care reform and the evolving marketplace, there is a growing need to revolutionize the way business is done. Consequently, Highmark Inc. and Allegheny Health Network have joined forces with Carnegie Mellon University (CMU) in Pittsburgh to create a health care improvement lab called the Disruptive Health Technology Institute. Its aim is to discover new treatments and technologies that will increase the affordability, simplicity and accessibility of health care through science and engineering.

Through this multi-year partnership, CMU will use Highmark's claims data to identify areas where current clinical practice is sub-optimal and expensive in an effort to develop technologies that will help patients' health and finances.

Providing patient care services close to home

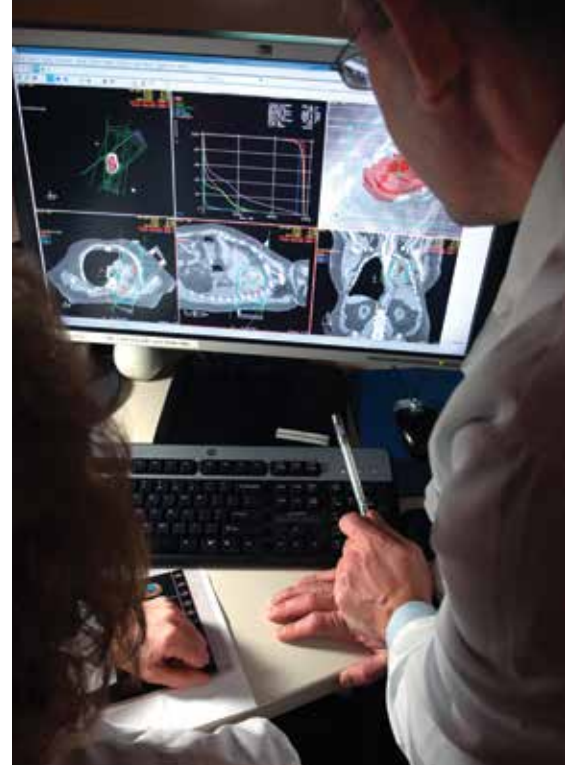
The October 2013 opening of a new Allegheny Health Network Surgery Center in Monroeville, Pa., established another vital health care resource for everyone living in Pittsburgh's eastern suburbs and the physicians who practice there. The surgery center houses four large general operating rooms, three additional rooms for endoscopy and other procedures, 10 pre-operative and 14 postoperative patient bays. Its unique design enhances the outpatient surgery experience by providing surgeons with greatly expanded operating rooms and leading-edge technology.

In addition, Forbes Hospital was accredited by the Pennsylvania Trauma Systems Foundation in 2013 as a Level II Trauma Center.

The new surgery center further solidifies Allegheny Health Network's footprint in the region and—together with the ongoing expansion of advanced in-patient services at nearby Forbes Hospital—reflects a commitment to a complete scope of patient care services in the eastern suburbs of Pittsburgh.

To better serve patients in Pittsburgh's northern communities and meet consumer demand for more convenient, community-based health services, construction of the 174,000-square-foot Wexford Health + Wellness Pavilion will be completed in the fall of 2014. Together with the expansion of the network's Peters Township and Bethel Park Health + Wellness Pavilions in the southern communities of Pittsburgh, Wexford is a key component of Allegheny Health Network's growing integrated delivery system and an important component in transforming the delivery of health care in Western Pennsylvania.

The new health care facility will merge traditional medical services with prevention, provide easy access to high-quality health care and serve as a one-stop shop with a wide range of health care services.



Improving cancer care is a goal of Allegheny Health Network's planned five-year collaboration with the Johns Hopkins Kimmel Cancer Center.

Affiliation expected to improve cancer care

Allegheny Health Network's dedication to raising the quality of health care for Western Pennsylvanians was evident recently when the health system announced it was entering into a five-year collaboration with the Johns Hopkins Kimmel Cancer Center.

Once the collaboration is finalized, it will establish a fund for cancer research. In addition, Hopkins will make available physician-to-physician consultation services for complex and rare cases and provide AHN patients with access to its clinical cancer trials.

Where We Provide Support: **Our Communities**

For nearly 75 years, Highmark Health and its predecessor companies have shared a strong and continuing commitment to local communities and the individuals and families who live and work there. Through corporate giving and direct financial support, innovative programs, collaborations and partnerships, and through the volunteerism of its employees, Highmark Health has taken a leadership position in the drive to create healthier communities and, ultimately, healthier people.



Idida Cruz of Lower Burrell, Pa., is a recipient of free dental checkups at the Catholic Charities Free Health Care Center.

Highmark Inc. and the Highmark Foundation continued their support of the Catholic Charities Free Health Care Center—aka “The Miracle on Ninth Street”—in downtown Pittsburgh. Grants totaling \$400,000 in 2013 assisted the clinic in its efforts to provide high-quality medical and dental care at no cost to individuals who are without employer-sponsored health insurance, cannot afford private insurance or do not qualify for Medicaid or other types of medical assistance.

Highmark Health touches the lives of countless individuals and families every day of the year, and the impact is felt at the most fundamental level: by the individuals who are helped. In 2013, Highmark provided \$24.8 million in community giving, with the Highmark Foundation providing an additional \$5.4 million in support.

The Highmark Health enterprise’s financial support and corporate giving also go far beyond the careful and deliberate distribution of dollars and cents. For instance, the need for strong support of nonprofit fundraising sparked an annual fundraiser more than a decade ago. The Highmark Walk for A Healthy Community, now an annual event with five locations in Pennsylvania that benefits local health and human services agencies, has raised more than \$6.6 million through 2013 for 200 nonprofit organizations.

In 2013, there were numerous programs available through Highmark Health and its affiliated companies that provide opportunities for individuals to improve their health. Running 101, a free 10-week program that helps first-time runners train for area races, attracted nearly 2,250 individuals to training sessions in West Virginia, Erie, Pittsburgh, Johnstown and Delaware.

In addition, Allegheny Health Network’s Pathways to Health program, which increases awareness of the role of healthy lifestyle behaviors, focuses on dietary and healthy eating strategies. Sessions include health information, a cooking lesson and recipes.

Meanwhile, Highmark West Virginia continued its tradition of honoring the state’s Teacher of the Year. In 2013, the recipient of the award was Michael Funkhouser, an English teacher at East Hardy High School.

Ensuring those in need receive high-quality health care

During 2013, relationships with established health care partners were extended and new ones were created.

The spirit of support was evident as Highmark Blue Cross Blue Shield Delaware awarded a BluePrints for the Community grant of nearly \$250,000 to the Latin American Community Center (LACC) in Wilmington, Del., to help provide mental health support to low-income, uninsured individuals coping with mental health issues, often due to a history of abuse.

In addition, the Dover, Del.-based Hope Medical Clinic was the recipient of a \$131,000 BluePrints grant to support health education programs at the clinic and underwrite the cost of medications, diagnostic tests, X-rays and lab work.

In Central Pennsylvania, Highmark has earmarked \$1.5 million for Harrisburg's Hamilton Health Center, which is now in the process of building a new facility, thanks to public and private funding. Hamilton Health serves low-income residents, the uninsured and under-insured working families.

In recent years, the issue of childhood obesity has been a focus of the nation's health care discussion. In September 2013, that discussion moved closer to home when more than 500 corporate and community leaders, health care and education professionals gathered in Pittsburgh for the Highmark Foundation's childhood obesity conference, "No Time to Weight: Best Practices in Childhood Obesity Prevention." The conference served as a forum to review and accelerate progress in combating the epidemic of childhood obesity.



Workforce Initiative supports communities through job placement and career development

In building healthier and stronger communities, nothing is more critical than access to sustainable employment for everyone, even those facing such barriers as poverty or disability, literacy deficiencies, lack of skills and job experience.

With that in mind, Highmark Inc. launched the two-year, \$2.4 million Highmark Local Workforce Initiative in 2011. Developed with the assistance of union officials, community partners and workforce development experts, cash grants of at least \$50,000 were awarded to 31 nonprofit organizations across Pennsylvania, each with a proven track record in making a positive impact on diverse, rural and urban neighborhoods.

In 2013, the results were clear—more than 5,900 individuals had received job training for entry-level positions, job-search assistance, coaching and specialized training in job readiness, basic computer skills, GED preparation and more. In total, 785 program participants secured employment, and 180 of those individuals were subsequently promoted and/or given wage increases.

Pictured above, Richard is one of more than 5,900 individuals who benefitted from the Highmark Local Workforce Initiative.

What We've Achieved:

Awards

Business Diversity Champion of the Year

The Harrisburg Regional Chamber and Capital Region Economic Development Corporation presented Highmark Inc. with the Business Diversity Champion of the Year award for its commitment to diversity and inclusion.

Fine Award for Teamwork Excellence in Health Care

The Fine Foundation and the Jewish Healthcare Foundation recognized Highmark Inc. for its commitment to high-quality, patient-centered care at the end of life through its Advanced Illness Services: Enhanced Care at End-of-Life program, which is available to Highmark Medicare Advantage members. From a field of 10 finalists, Highmark took first place and received the 2013 Gold Fine Award. This award reinforces the critical role that teamwork plays in health care.

Allegheny Health Network Doctors, Nurses and Staff: Recognition for Exceptional Care

The *Pittsburgh Business Times'* Health Care Heroes Awards celebrate the people and organizations in Pittsburgh's regional health care industry who are instrumental in making this region one of the premier health care centers in the world. The following Allegheny Health Network individuals/group received top honors:

- **Lifetime Achievement Award** – Alan Lantzy, M.D., neonatologist and vice chairman of pediatrics at West Penn Hospital
- **Health Care Provider Award in the Non-physician Organizations category** – AngelHeart Bereavement Group at West Penn Hospital
- **Health Care Innovation Award in the individual category** – William Belden, M.D., and Robert Moraca, M.D., of the Cardiovascular Institute at Allegheny General Hospital

Distinguished Leader-Level Status for Sustainability Efforts

Sustainable Pittsburgh announced in October that Highmark Health achieved the distinguished Leader-level via the Southwestern Pennsylvania Sustainable Business Compact. Highmark Health is the first company to achieve Leader-level status since Sustainable Pittsburgh first launched the compact last fall, demonstrating Highmark's status as an emerging sustainability pacesetter.

CEO Cancer Gold Standard Accreditation

The CEO Roundtable on Cancer recognized Highmark Inc. for its efforts to reduce the risk of cancer for its employees and covered family members by promoting healthy lifestyle choices, encouraging early detection through cancer screenings and ensuring access to quality treatment.

HM Life Insurance Company: A Top 50 Performing Insurance Company

HM Life Insurance Company, a member company of HM Insurance Group, was named to Ward's 50 Top Performing Insurance Companies for 2013. This is the fifth consecutive year that HM Insurance Group has been ranked in this elite group selected from nearly 800 life-health companies nationally. Recognition by Ward's requires passing safety and consistency tests that tie to equity, assets, total revenue, growth in revenue and growth in surplus.

National Recognition for Commitment to Employee Health

Highmark Inc. received the national Value-Based Health Award from the Institute for Health and Productivity Management (IHPM). Every year, the IHPM recognizes employers that invest in the most effective health benefit plans and health improvement programs for their employees. Significant outcomes of Highmark's employee wellness programs include a steady reduction in tobacco-use rates.



Business Diversity Champion of the Year

The Harrisburg Regional Chamber and Capital Region Economic Development Corporation presented Highmark Inc. with the Business Diversity Champion of the Year award for its commitment to diversity and inclusion. From left to right, Kelly Lieblein, regional vice president for sales; Judi Windom, community affairs analyst; and Johanna Geyer, enrollment coordinator, proudly display the award.

“Best Of” Award for United Way Campaign in Central Pennsylvania

United Way of the Capital Region recognized Highmark Inc. with the “Best Of” Award for its incorporation of the “Live United” theme. The campaign opened up the opportunity for employees to share their stories about how they have witnessed firsthand how the United Way is making a difference. This peer-to-peer encouragement helped make the campaign more engaging and linked employees’ contributions to real results.

In addition, Allegheny Health Network received the United Way’s 2013 Outstanding New Campaign Award for organizations with 100 or more employees.

Meanwhile, the spirit of giving to the United Way was evident throughout the entire Highmark Health enterprise in 2013 as employee pledges, fundraisers and company contributions totaled \$2.9 million.

Reducing Health Care Disparities

Highmark Inc. received national recognition for its work in reducing health care disparities among its employees and with its client groups. Highmark was the only Blue Cross and Blue Shield plan in the country, and one of three national employers, to be honored at a ceremony in Washington, D.C., by the National Business Group on Health, a nonprofit association of more than 360 large U.S. employers, with its third annual “Innovation in Reducing Health Care Disparities” award.

Regionally Focused With a National Reach

United Concordia

- United Concordia companies have customers (subscribers) in 45 states.
- The United Concordia companies have 7.1 million members and are based in Harrisburg, Pa.

HM Insurance Group

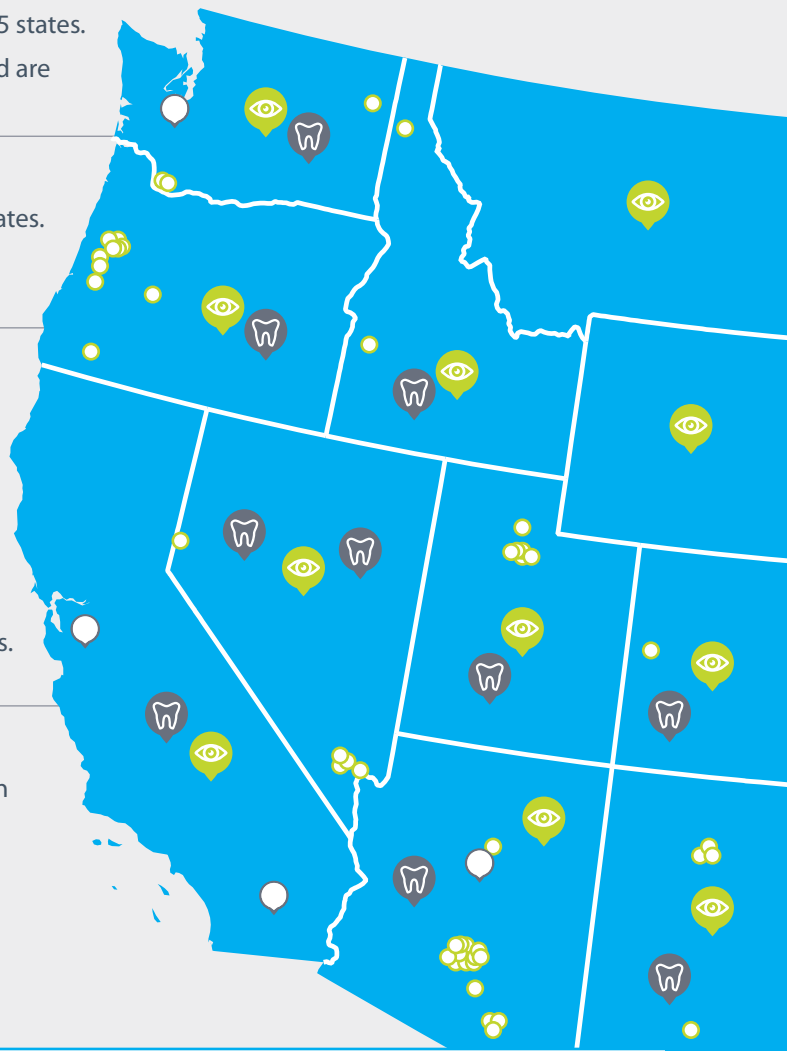
- HM Insurance Group (HMIG) companies are licensed in all 50 states.
- HMIG has about 6.5 million covered lives and is based in Pittsburgh.

Vision

- Visionworks has 640 stores in 40 states and the District of Columbia.
- Davis Vision has members in all 50 states and currently membership is nearly 19 million.
- Both vision companies are based in San Antonio.
- There are five manufacturing labs: Syracuse and Latham, N.Y.; Philadelphia, Pa.; San Antonio (Schertz and Richland Hills), Texas. Both Texas facilities are also distribution centers.

Highmark Inc.

- Highmark Inc. and its affiliates operate health insurance plans in Pennsylvania, Delaware and West Virginia that serve 5.3 million members.
 - 3.2 million in Western Pennsylvania
 - 1 million in Central Pennsylvania/Lehigh Valley
 - 300,000 in West Virginia
 - 300,000 in Delaware
 - 500,000 in Northeastern/Southeastern Pennsylvania



KEY



- United Concordia headquarters



- States that have United Concordia customers



- Vision companies' main headquarters



- States that have Davis Vision members



- Vision manufacturing labs



- Visionworks store locations



- Allegheny Health Network hospitals



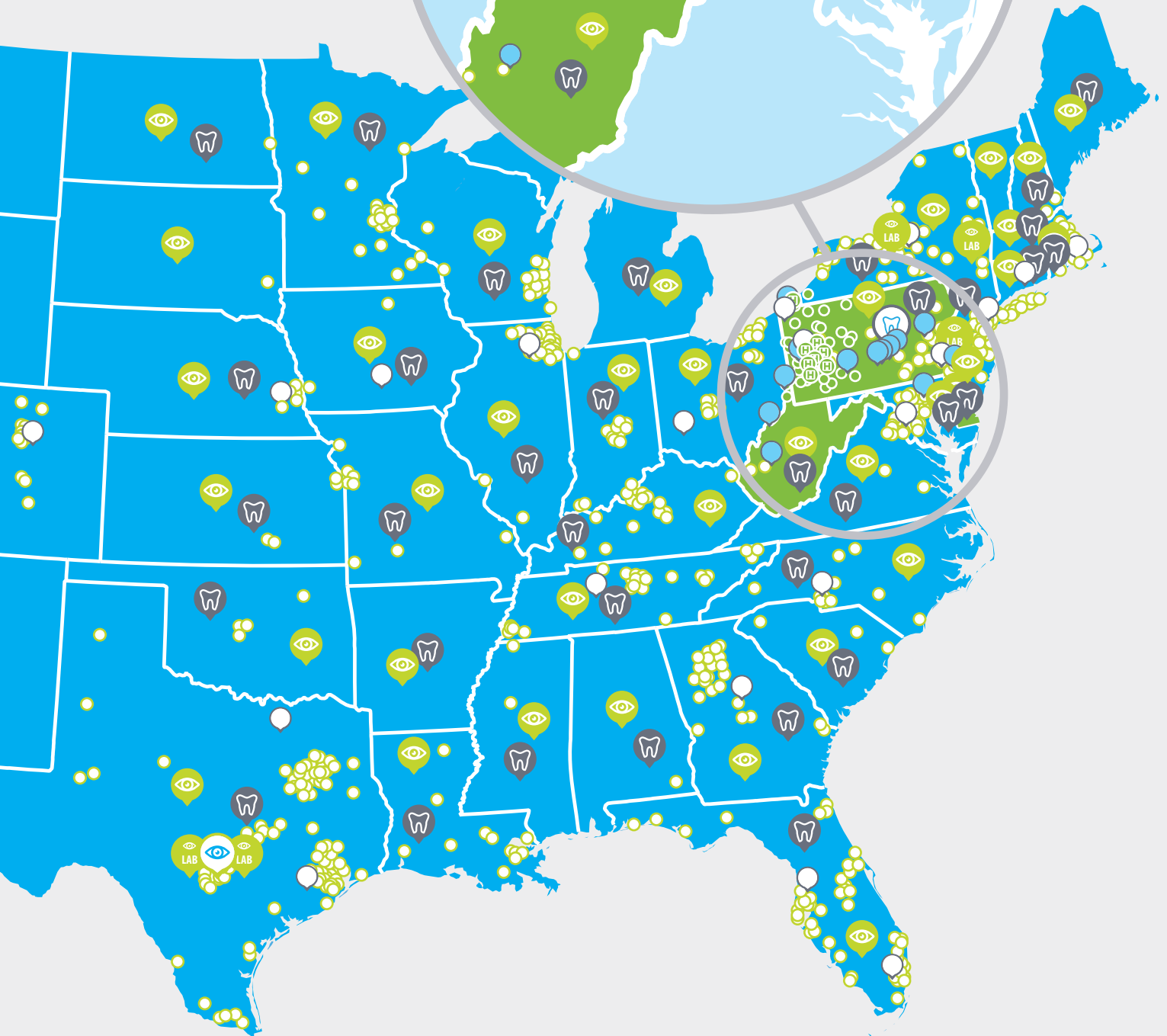
- Other Allegheny Health Network facilities



- Highmark Inc. office locations



- HMIG office locations



Highmark Health At a Glance



Highmark Health is a diversified health and wellness enterprise based in Pittsburgh that serves 35 million individuals, making it the third-largest integrated health care delivery and financing network in the nation.

- It is the parent company of Highmark Inc. and the Allegheny Health Network.
- Highmark Health and its affiliates and subsidiaries employ more than 37,000 people nationwide.
 - 28,000 in Pennsylvania
 - 1,700 in West Virginia
 - 600 in Delaware

The new state-of-the-art Allegheny Health Network Surgery Center opened in Monroeville, Pa., in October 2013. The 23,500-square-foot surgery center houses four large general operating rooms, including one equipped for cystoscopy procedures, three additional rooms designed for endoscopy and other procedures, 10 preoperative patient bays and 14 postoperative patient bays.



Allegheny Health Network is an integrated health care delivery network that includes eight hospitals, physician organizations, a group purchasing organization and ambulatory surgery centers. It is dedicated to providing affordable, exceptional patient-centered care, with a greater focus on coordinated health and wellness services.

- Allegheny Health Network was formed in 2013.
- In 2013, Allegheny Health Network hospitals experienced:
 - 87,000 discharges
 - 29,000 observation patients
 - 1.275 million outpatient registrations
 - 299,000 emergency visits
 - 299,000 emergency visits
 - 86,000 surgical visits
 - 470,000 patient days
- Allegheny Health Network serves 29 Pennsylvania counties and portions of West Virginia, Ohio and New York.





Health Plans

Highmark Inc. and its affiliated companies comprise one of the largest health insurer organizations in the United States and the fourth-largest Blue Cross and Blue Shield-affiliated organization. Highmark and its affiliates operate health insurance plans in Pennsylvania, Delaware and West Virginia that serve 5.3 million members. Highmark's diversified health businesses serve group customer and individual health needs across the United States through dental insurance, vision care and other related health businesses. Highmark is an independent licensee of the Blue Cross and Blue Shield Association, an association of independent Blue Cross and Blue Shield companies.

- Highmark is the seventh-largest Medicare Advantage carrier.
- There were 95.8 million health care claims processed in 2013, with more than 96 percent submitted electronically.
- Highmark received nearly 7.2 million customer and provider inquiries at its call centers in Pittsburgh, Camp Hill, Erie and Johnstown, Pa., and Wilmington, Del.
- Employees at Highmark and its diversified businesses recorded 39,102 volunteer hours in 2013.

Diversified Businesses

The following diversified businesses are separate companies that do not offer Blue Cross or Blue Shield products or services.

HM Insurance Group

HM Insurance Group companies work to protect businesses and their employees from the potential financial risks associated with health costs. Their portfolios include products with health risk solutions that address a range of risk situations confronting employers, employees, health care providers and individuals.

- In reaching \$1 billion in gross revenues for the first time, HM Insurance Group recorded \$267 million in new sales in 2013.
- HM Insurance Group's corporate giving initiatives are focused on support for organizations that through their research, patient advocacy and awareness can impact conditions that are catastrophic. In 2013, the company directed 89 donations to 71 charitable organizations.
- The company distributed 15 workers' compensation safety grants in 2013 to foster improved safety in the workplace.

HVHC Inc.

HVHC Inc. is the leader of integrated vision care solutions for the value-seeking customer, offering differentiated products and services through national optical retailer Visionworks and managed vision care provider Davis Vision.

- HVHC is the largest U.S.-owned and operated optical company.
- HVHC companies have five U.S.-based eyewear manufacturing facilities.

Visionworks

Visionworks is a leading provider of eye care services, committed to providing its customers with an excellent shopping experience and high-quality products and services with the best value and selection in the industry.

- The company is the third-largest operator of specialty optical retail stores in the U.S. by revenue.
- The company has more than 640 retail stores in 40 states and the District of Columbia.

Davis Vision

Davis Vision has been providing comprehensive vision benefit solutions to employers, municipalities, union organizations and through health plans for nearly 50 years.

- Davis Vision is the third-largest provider of managed care vision products and services in the U.S. by revenue.
- It has a national provider network of ophthalmologists, optometrists and retailers at more than 40,000 points of access in private practice and retail settings.
- Davis Vision and Visionworks' ongoing outreach efforts have resulted in more than \$2 million worth of free vision screenings and services to underserved populations nationwide.

United Concordia

United Concordia is an innovative wellness company that delivers high-quality, cost-effective dental care.

- As collectively the nation's sixth-largest dental insurance carrier by membership, United Concordia companies have more than 7.1 million members.
- In 2013, United Concordia companies provided more than \$2 million in free dental services to more than 10,300 adults and children across the nation.
- The company has 950 employees and is headquartered in Harrisburg, Pa.

Highmark Health has a strong financial foundation to invest in the future and work on behalf of our customers and the community to develop innovative health care products and services, manage costs, improve quality and create an outstanding customer experience.

2013 Highmark Health **Financial Report**

2013 Financials

Combined Balance Sheets (in millions)

December 31,	2013
<i>Assets</i>	
Cash and cash equivalents	\$1,274.5
Investments	5,746.3
Accounts receivable	2,318.0
Property and equipment, net	1,546.5
Goodwill and other intangible assets, net	839.5
Other assets	1,081.0
Total assets	\$12,805.8
<i>Liabilities and Net Assets</i>	
Claims outstanding	\$2,371.7
Unearned premium revenue	313.8
Amounts held for others	608.3
Benefit plan liabilities	511.5
Debt	1,638.1
Other liabilities	1,560.0
Total liabilities	7,003.4
Total net assets	5,802.4
Total liabilities and net assets	\$12,805.8

Combined Statements of Comprehensive Income (in millions)

Year Ended December 31,	2013
Premium and management services revenue	\$13,396.2
Net patient service revenue	1,069.7
Vision and other revenue	1,322.8
Total unrestricted revenue	15,788.7
Claims incurred	10,693.5
Depreciation and amortization	236.3
Other operating expense	4,667.7
Interest expense	66.5
Goodwill impairment	311.0
Total expenses	15,975.0
Operating loss	(186.3)
Net investment income	253.1
Net assets acquired through affiliations	63.5
Other non-operating expense	(118.9)
Excess of revenues over expenses before income taxes	11.4
Income tax provision	145.6
Deficit of revenues over expenses from continuing operations	(134.2)
Discontinued operations and gain on sale, net of tax	7.7
Deficit of revenues over expenses	(\$126.5)

Combined Statements of Cash Flows (in millions)

Year Ended December 31,	2013
Net cash provided by operating activities	\$298.3
Net cash used in investing activities	(156.8)
Net cash provided by financing activities	86.2
Increase in cash and cash equivalents	227.7
Cash and cash equivalents, January 1	1,046.8
Cash and cash equivalents, December 31	\$1,274.5

As a diversified health and wellness enterprise, Highmark Health serves 35 million individuals. The Pennsylvania nonprofit corporation is the parent company of Highmark Inc., which, directly or through its subsidiaries and affiliates, provides health insurance, dental insurance, vision care and other related health products and services to customers. Highmark Health is also the parent company of Allegheny Health Network, an integrated health care delivery network that includes eight hospitals, physician organizations, a group purchasing organization and ambulatory surgery centers.

Highmark Health's overall financial strength and solid operating performance have been critical in helping establish and grow the nation's third-largest integrated health care delivery and financing network. In 2013, this transformation included the creation of Allegheny Health Network through affiliations with Jefferson Hospital, West Penn Allegheny Health System and Saint Vincent Health System.

With more than \$7 billion in cash and investments, a surplus of nearly \$6 billion and healthy operating cash flows, Highmark Health has a strong foundation to work on behalf of its customers and members, invest in future growth to serve the marketplace and develop new approaches for managing costs, improve quality and enhance the customer experience.

Health Plans

The Health Plans continue to be the market-share leaders in Western Pennsylvania, Delaware and West Virginia with 5.3 million members. Despite the challenging economic climate and changing industry landscape in Pennsylvania and nationally, the Health Plans have continued to retain more than 95 percent of their customers in Pennsylvania and grow national membership. They also continued to deliver solid financial results in 2013 by focusing on managing costs. The Health Plans spent more than 90 cents of every premium dollar for the care of members. For the year, the Health Plans had an operating margin of 1.5 percent, excluding one-time items, compared to 2.1 percent in the prior year due to the noted national and local competitive pressures.

Diversified Businesses

The Diversified Businesses (United Concordia, HVHC, HM Insurance Group) continued to grow and perform well in 2013 with net income of \$169 million and operating performance consistent with the prior year. Performance across the entire group was strong, reinforcing the importance of product diversification to maintain financial stability in today's challenging environment.

Allegheny Health Network

In its short existence, Allegheny Health Network has made significant progress in strengthening the financial position of the organization. The company incurred a net loss in 2013 totaling \$107 million, excluding a one-time, non-cash goodwill impairment of \$311 million. These results did not include a full year for each of the hospital affiliations entered into in 2013, but rather a partial year based on the effective date of each affiliation. Several strategic initiatives have already been put in place to standardize processes, drive efficiencies and improve the financial condition of the system.

In addition, significant investments in infrastructure intended to improve the quality and cost of care have been made or are in process. During 2013, capital expenditures of more than \$120 million were made to fund the recently opened surgery center in Monroeville, Pa., the construction of the health and wellness pavilion in Wexford, Pa., and expansion across the system in key clinical areas.

As we progress in 2014, Highmark Health is well positioned to deliver on its mission of delivering high-quality, accessible, understandable and affordable experiences, outcomes and solutions for our customers.

As of June 17, 2014

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Chief Auditor and Compliance Officer

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President, Visionworks of America, Inc.

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CEO, HM Insurance Group, Inc.
CEO, United Concordia Companies, Inc.

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visit www.highmarkhealth.org.