According to the National Association of Insurance Commissioners, New Jersey has the second highest health care premiums of all states in the country. Our health care costs are cited as rising 25 percent faster than the national average. The Commonwealth Fund ranks our state as the fourth highest overall for health care costs, yet the quality of care provided ranks 15th in the nation.

New Jersey’s unique health care environment is shaped by many factors, but one of the key drivers is the fee-for-service payment model that pays doctors and hospitals based on the volume of treatments, rather than the quality of outcomes.

Other key drivers of rising health care costs in New Jersey include:

- Defensive medicine – Occurs when doctors order tests, procedures or visits, or avoid high-risk patients or procedures, primarily (but not necessarily or solely) to reduce their exposure to malpractice liability
- Medical malpractice liability costs – Increases in medical malpractice premiums can result in fewer doctors in the workforce, and more frequent practice of defensive medicine
- State-mandated benefits
- An aging population – The proportion of New Jersey residents over age 60 years is growing faster than any other age group
- Costs of new technologies, specialty drugs and medical innovations
- Uncoordinated care
- Out-of-network costs

The individuals, families and businesses that bear the brunt of rising health care costs need more affordable options. Since the implementation of the Affordable Care Act, consumers and employers have expressed the need for greater value in health care: lower costs, improved patient outcomes and an enhanced patient experience. A 2014 survey by the New Jersey Business and Industry Association highlighted the ongoing challenges employers face to continue to offer health care coverage. While 87 percent of employers believed they needed to offer health coverage to attract and retain employees, that coverage is at significant cost, including direct reductions to their bottom line, limiting or freezing wage increases and delaying business investments. More than 20 percent of employers in New Jersey indicated they would most likely discontinue offering health benefits in the future, with nearly 90 percent of these employers citing cost as the reason.
Customers look to Horizon Blue Cross Blue Shield of New Jersey, as the state’s largest and most experienced health insurer, for innovative solutions to the ever-changing challenges of providing access to affordable, quality care. We know that the status quo, volume-based, fee-for-service health care system that generally treats patients only when they are sick, and pays hospitals and doctors for the volume of services provided, is antiquated, misaligned and has little impact on improving quality of care or helping to address cost.

That is why, for the past several years, Horizon BCBSNJ has collaborated with doctors and hospitals across our state to develop patient-centered programs, including Patient-Centered Medical Home, Accountable Care Organization and Episodes of Care programs. Patient-centered programs take a holistic approach to the care individuals receive to ensure that they get the right care, at the right time, to manage their overall health and well-being. The results have been very encouraging – we are seeing improvements in the care that over 800,000 of our members who participate in patient-centered programs receive, and a positive impact on lowering overall health care costs. While we are very proud of the progress we have achieved in the past few years, we know the rapid pace of increasing health care costs in our state demands an even bolder plan of action.

Last fall, we announced the OMNIA Health Alliance, a joint effort of health care leaders across New Jersey with a shared vision to accelerate New Jersey’s change from the traditional fee-for-service system to one where hospitals and doctors are rewarded for the quality of care they provide to our members. All of the organizations in the OMNIA Health Alliance have the ability to positively impact the health status of large populations, and they have the resources and capabilities to use new technologies to deliver more effective and efficient care to patients. OMNIA Health Alliance members are committed to working together to improve health care quality and the patient experience and to lower the overall cost of care. This new, collaborative approach answers consumer demand for a new health care paradigm that will deliver affordable, high-quality health care over the long term. The OMNIA Health Alliance represents a big leap forward in transforming the delivery and financing of health care in New Jersey from a volume-based to a value-based system. What we are accomplishing together is truly leading edge, not only in our state, but across the country as well.

In 2016, the OMNIA Health Alliance is working closely to bring our vision to life as we collaborate on establishing Joint Executive Committees to guide our efforts, forming Health Information Exchanges to securely share data and developing shared population health goals.

Giving consumers more health care coverage solutions was another critical area of focus for Horizon BCBSNJ in 2015. We conducted extensive research and received feedback from consumers and employers to understand the kind of health care options that would meet their needs for a value-based health plan – options that would provide access to quality care at a lower cost.

During the 2016 open enrollment, Horizon BCBSNJ introduced our new suite of OMNIA Health Plans to consumers, families, small businesses and large employers. Our new products provide members with access to our broad managed care networks of hospitals and doctors – the largest in the state. The OMNIA Health Plans feature lower premiums and give members the choice to receive care from any participating doctor or hospital, as well as the opportunity to save on out-of-pocket costs when they receive care from designated doctors, hospitals and other health care professionals.

The OMNIA Health Plans give consumers another innovative choice alongside Horizon BCBSNJ’s broad array of products and services. The State Health Benefits Program was the first group to offer an OMNIA Health Plan among its employees’ coverage options for 2016.

We are also proud that over 41,000 previously uninsured individuals chose an OMNIA Health Plan to meet their health care needs. These previously uninsured OMNIA Health Plan members now have
medical coverage and access to important preventive care and health screenings that were previously unavailable to them. We will continue to listen to consumers and employers and work to provide them with value and choice.

In 2015, every Horizon BCBSNJ employee was involved in our vision to achieve new heights in the delivery of value-based care. In every division of the Company, employees are focused on what they can do to improve the health care experience for our members. Our #1 ranking by Insure.com as the best health insurer in the country for customer satisfaction reflects the passion and commitment our employees bring to everything they do. We are also proud to be recognized as a Digital Edge 25 honoree for the innovative use of technology in serving our most vulnerable members in the Managed Long Term Services and Supports (MLTSS) program – helping these members get the care and support they need to stay in their homes and their communities.

Across the Company, there is a sincere and tireless effort to make Horizon BCBSNJ the best it can be. Our employees are passionate about having an integral role in the communities where we live and work. From supporting food banks to beautifying our local parks and beaches, their dedication is undeniable. We are proud that since we launched the Horizon Cares volunteer program 10 years ago, nearly 700 employees have logged almost 34,000 volunteer hours.

Employees understand that we are more than just the largest health insurer in the state. We are more than our long and proud history of serving generations of families and businesses. We are your neighbors, your friends and members of your communities. We are the Company you can count on to be there when you celebrate life’s greatest joys and when you face its most trying times. Through it all, we promise to serve with excellence and dedication. We promise to provide peace of mind to those who depend on us. We promise to enrich the lives and health of the members and communities we serve. And we promise even more value is on the horizon.

Bob Marino
May 2016
Expansion of value-based programs to include the entire continuum of care


Horizon BCBSNJ has worked for several years to develop patient-centered programs, including Patient-Centered Medical Home, Accountable Care Organization and Episodes of Care programs. These patient-centered programs are the foundation for delivering on the Company’s triple aim of improving health care quality and the patient experience and lowering the overall cost of care.

To date, the results are very encouraging – we are seeing improvements in the care our members receive and the impact on overall health care costs. The latest review of 2014 claims data indicates that Horizon BCBSNJ members in patient-centered practices, as compared to members in traditional practices, have an:

- **8% LOWER RATE** in hospital admissions
- **5% LOWER RATE** in Emergency Room visits
- **6% HIGHER RATE** of improved diabetes control
- **7% HIGHER RATE** in cholesterol management for patients with diabetes
- **3% HIGHER RATE** in breast cancer screenings
- **8% HIGHER RATE** in colorectal cancer screenings
- **9% LOWER TOTAL** cost of care
Our Episodes of Care Program

The Episodes of Care (EOC) program is one in which specialists manage the full spectrum of care related to a specific procedure, disease diagnosis or health event – such as a joint replacement or pregnancy. The doctors and Horizon BCBSNJ define the episode components and determine the quality of care outcomes. This collaboration empowers doctors to determine best approaches to care delivery while reducing costs and enhancing the health care experience for the patient. When they achieve this triple aim, Horizon BCBSNJ rewards the doctors with shared savings in addition to their regular reimbursement. In fact, for the Company’s innovative EOC program, Horizon BCBSNJ paid out approximately $3 million to 51 specialty medical practices as part of shared savings. The doctors, in five different specialty areas, earned the payments by achieving quality, cost efficiency and patient satisfaction goals in 2014.

The results of our EOC program show how Horizon BCBSNJ is partnering with doctors and health care professionals to make New Jersey’s health care system more coordinated and cost efficient, while raising the bar on quality. Horizon BCBSNJ received results from the following five EOC programs in 2014:

- hip replacement
- knee replacement
- knee arthroscopy
- pregnancy
- colonoscopy

Horizon BCBSNJ reviewed claims data for our members receiving care from an EOC practice and those receiving the same procedures from a non-EOC practice and found that members in EOC practices had a far lower hospital re-admission rate and experienced other high-quality outcomes compared to members receiving the same services from a non-EOC practice, including:

- 100% FEWER hospital re-admissions for knee arthroscopy
- 37% FEWER hospital re-admissions for hip replacement
- 22% FEWER hospital re-admissions for knee replacement
- 32% REDUCTION in unnecessary cesarean sections

The Company continues to add more specialty procedures to its EOC program, which now includes congestive heart failure, hysterectomy, lung cancer, breast cancer and colon cancer. At year-end 2015, more than 800,000 Horizon BCBSNJ members were part of the Company’s value-based programs, including Episodes of Care, Accountable Care Organization and Patient-Centered Medical Home programs.
Population Health Management

Population Health Management is the next generation of value-based care. In this model of care, doctors, hospitals and other health care professionals are accountable for the health outcomes of a group of patients, or “populations,” and are reimbursed accordingly for the value and results they achieve.

Some of the key ways that consumers can benefit from population health management include:

- Improved clinical outcomes achieved through more rigorous coordination of care and supported by innovative technology, secure data sharing and increased collaboration. Horizon BCBSNJ and the OMNIA Health Alliance are focused on building Health Information Exchanges to facilitate the timely interchange of data to ensure doctors and hospitals have the information they need to most effectively treat their patients’ health care needs.
- A better patient experience that ensures individuals get the right care, at the right time, in the right setting. Doctors and hospitals with a complete picture of a patient’s health history and his or her care received to date are better positioned to provide the care that the patient needs moving forward.
- A lower cost of care as patients have access to high-performance networks and models of care that focus on value rather than volume. For example, helping patients effectively manage chronic conditions results in better patient health. Proactively managing conditions to avoid serious and more costly complications results in lower costs.

POPULATION HEALTH MANAGEMENT

Care Delivery
Doctors at the front line of care delivery across most specialties, sites of care

Care Planning
Various levels of providers working with doctors to determine care plans, transitions

Care Coordination
Communication between specialties is essential to treating patients with complex conditions

Primary Care Physician
Ambulatory/ Specialty Clinics
Laboratories
Public Health Resources
Nursing Homes
Hospitals
Horizon BCBSNJ
Rehabilitation Clinics
Pharmacies
Specialists
Home Care/ Visiting Nurses
Innovative New Ways to Access Care

In 2015, identifying new ways for our members to find and get the care they need was a top priority at Horizon BCBSNJ. Our initiatives included expanding our telemedicine program, Horizon CareOnlineSM, offering a new cardiac health monitoring program and enhancing tools to help members find the care they need.

Horizon CareOnline

The Horizon CareOnline telemedicine program gives members a new option to “see” a doctor when they cannot physically go to a doctor’s office. Members simply access Horizon CareOnline on their computers or through an app on their smartphones or tablets. Members can select from a list of board-certified, licensed and credentialed doctors for a virtual visit and consult with a doctor on a number of symptoms and conditions.

Remote Therapy

Helping recovering cardiac patients also heal from the emotional challenges of their experience was the impetus behind an innovative program to offer therapy services by a licensed therapist and behavioral coach – via telephone or secure online video – at no cost to qualifying Horizon BCBSNJ members.

The Cardiac Behavioral Health Intervention Program is offered as an eight-week program in which a therapist and behavioral coach team up to help members make sustainable lifestyle changes that improve their physical health and reduce depression, anxiety and stress. This holistic approach to care can help speed recovery, improve overall health and reduce the possibility of complications and hospital readmissions.

A New Online Doctor & Hospital Finder

To help members get the care they need, Horizon BCBSNJ unveiled its new Online Doctor & Hospital Finder last fall. Searching for doctors, hospitals, and other health care professionals is easy and intuitive. Members can enter simple search criteria, view a list of results and view information for a specific doctor, including group affiliation, information on the plan selected, specialty, hospital affiliation and more. Members can even have the name, address and phone number texted straight to their mobile device.
Self-Service

Ensuring that our members have a positive online experience, with access to the tools and resources they need to get information and answers about their health and coverage, is the basis for our ongoing and comprehensive self-service strategy.

Our Member Online Services uses the latest technology to give our members secure access to their health coverage information. Members register with their own username and password, which keeps their information confidential. Our online tools include At-A-Glance videos that give our members an overview of the tools available, and walk them through the easy steps of how to use them.

FAQs

In 2015, we implemented the first in a series of member self-service tools – our online member FAQs, available 24 hours a day, seven days a week at HorizonBlue.com/faqs – to provide answers to some of our members’ most-asked questions, including answers to questions about claims, benefits, enrollment and more. The answers link members to the information they are looking for and include short videos. We continually update the questions and answers based on member feedback to make the content more useful and member-friendly.
Message Center
In April of 2015, we started a phased roll-out of the next member self-service tool – Message Center, a secure email tool members can use to send us their questions. To use Message Center, members simply sign in to Member Online Services and click the My Message Center link located at the top right of their screen. Members can send us questions 24 hours a day, seven days a week. Member Services Representatives investigate the questions and respond within two business days. Once responses are ready, the members receive an email (at the address they used to register with Member Online Services) inviting them to sign in to Member Online Services to read the answer. To help keep members’ information secure, responses are not emailed to the members’ personal email accounts.

Members can use Message Center to ask questions about claims, benefits, enrollment and more. The exchanges between the members and Member Services Representatives will be saved in Member Online Services for up to 18 months – unless the member deletes them. This gives the members access to a written history of their questions and our responses.
Chat

Our newest self-service channel is Chat. With Chat, members can sign in to Member Online Services and chat online with a Member Services Representative to quickly get answers to questions about claims status or the amount paid, whether a service or treatment is eligible and much more. Chat was launched in March 2016 and is available to members, Monday through Friday, during normal business hours.

And More

Horizon BCBSNJ also offers numerous other tools to help our members get the information they need, when they need it. Members can go online to:

- Find an in-network doctor or hospital using our enhanced Online Doctor & Hospital Finder.
- Print or view a temporary member ID card.
- Update other coverage information.
- Choose a Primary Care Physician and Primary Care Dentist.
- Review the status of a claim, including the amount paid and any amount owed.
- Sign up to go paperless to receive certain information electronically and stop getting it in the mail.
- Track deductibles and out-of-pocket maximums.
- Review covered benefits.
Horizon Healthcare Services, Inc. (d/b/a Horizon Blue Cross Blue Shield of New Jersey) and its wholly owned subsidiaries make up the largest health insurance company in New Jersey. We have the exclusive right to market products and services using the Blue Cross and Blue Shield names and marks in New Jersey under license agreements with the Blue Cross and Blue Shield Association, an association of independent Blue Cross and/or Blue Shield plans. We serve approximately 3.8 million members who are offered Horizon Blue Cross Blue Shield of New Jersey-branded products.

We offer a comprehensive spectrum of indemnity, managed care, pharmacy and dental products provided through multiple network systems. We underwrite policies and provide services for multistate employer groups, large and small businesses, individuals, Medicare and Medicaid beneficiaries, and state and federal employees.

Our diverse portfolio of benefit designs allows members and group administrators to select from a variety of management and premium structures. Within our portfolio of benefits, groups may choose various funding options, ranging from fully insured to partially or fully self-funded financial arrangements. While self-funded customers utilize our networks, they bear all or portions of the claims risk.

**Medical Membership — December 31, 2015 Compared to December 31, 2014**

Membership counts include both subscribers and their covered dependents. For membership reporting purposes, we have displayed our enrollment by customer type and funding method.

Our membership as of December 31, 2015 compared to December 31, 2014, was as follows (in thousands):

<table>
<thead>
<tr>
<th>Customer type</th>
<th>As of 2015</th>
<th>As of 2014</th>
<th>Increase/Decrease</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Group</td>
<td>1,579</td>
<td>1,571</td>
<td>8</td>
<td>0.4%</td>
</tr>
<tr>
<td>State Health Benefits Program</td>
<td>725</td>
<td>750</td>
<td>(25)</td>
<td>(3.3%)</td>
</tr>
<tr>
<td>Federal Employee Program®</td>
<td>127</td>
<td>127</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Small Group</td>
<td>236</td>
<td>268</td>
<td>(32)</td>
<td>(11.7%)</td>
</tr>
<tr>
<td>Individual</td>
<td>168</td>
<td>128</td>
<td>40</td>
<td>31.1%</td>
</tr>
<tr>
<td>Medicaid</td>
<td>841</td>
<td>782</td>
<td>59</td>
<td>7.5%</td>
</tr>
<tr>
<td>Medicare</td>
<td>122</td>
<td>137</td>
<td>(15)</td>
<td>(10.8%)</td>
</tr>
<tr>
<td><strong>Total members</strong></td>
<td><strong>3,798</strong></td>
<td><strong>3,763</strong></td>
<td><strong>35</strong></td>
<td><strong>0.9%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Funding method</th>
<th>As of 2015</th>
<th>As of 2014</th>
<th>Increase/Decrease</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fully Insured</td>
<td>1,912</td>
<td>1,890</td>
<td>22</td>
<td>1.2%</td>
</tr>
<tr>
<td>Self-funded</td>
<td>1,886</td>
<td>1,873</td>
<td>13</td>
<td>0.7%</td>
</tr>
<tr>
<td><strong>Total members</strong></td>
<td><strong>3,798</strong></td>
<td><strong>3,763</strong></td>
<td><strong>35</strong></td>
<td><strong>0.9%</strong></td>
</tr>
</tbody>
</table>
Overall, enrollment increased by approximately 35,000 members in 2015. We had great success in the Individual market, growing over 40,000 members, and we continued to grow our Medicaid enrollment due to Medicaid expansion. This increase was partially offset by declines in our Small Group, Medicare Advantage and State Health Benefits Program (SHBP) businesses. The Small Group membership decline was driven by the continued shrinkage of the market.


Insured premiums increased $919 million, or 9.2%, to $10.9 billion in 2015 from $10 billion in 2014. The growth in insured premiums was driven by enrollment growth concentrated in Medicaid, as well as the rising cost of health care.

Administrative service fee income increased $23.8 million, or 6.8%, to $375.6 million for 2015 from $351.9 million for 2014, primarily due to additional value-added programs rolled out to our self-funded groups. Other revenues declined slightly to $34.4 million for 2015 compared to $36.8 million for 2014.

Investment income was $118.9 million for 2015 compared to $125.3 million for 2014, a decrease of $6.4 million, or 5.1%, driven by lower re-investment yields in the held-to-maturity portfolio and lower dividends. Average balances in our cash and investments increased to $3.8 billion in 2015 compared to $3.4 billion in 2014 driven by net income and working capital improvements.

We recognized $22 million and $32.4 million of net realized gains during 2015 and 2014, respectively. Realized gains fluctuate with the timing of investment sales and market conditions.

Medical and other benefit costs were $9.4 billion in 2015, compared to $8.6 billion in 2014, an increase of $802.3 million, or 9.3%. Medical and other benefit costs increased year over year driven by the increase in the fully insured enrollment and the rising cost of health care, including higher prescription drug costs. The medical cost ratio was relatively flat at 86.3% in 2015 versus 86.2% in 2014.

SG&A expenses were $1.9 billion for 2015 compared to $1.7 billion for 2014, an increase of $148.3 million, or 8.7%. Contributing to the increase were fees and assessments related to the Affordable Care Act (ACA) as well as incremental costs attributable to growth in the Medicaid business. Our administrative cost ratio decreased to 16.3% in 2015 from 16.4% in 2014.

Income tax expense was $91 million for 2015, which was $13.7 million, or 17.8% higher than 2014. The effective tax rate increased to 46% in 2015 from 34% in 2014. The increase in income tax expense and associated effective tax rate was primarily due to the non-deductible ACA insurance industry fee.

Net income for 2015 decreased to $106.7 million from $147.5 million in 2014.

Capital reserves grew $12.7 million to $2.8 billion as of December 31, 2015 due to net income partially offset by unfavorable mark-to-market adjustment on equity securities.
HORIZON HEALTHCARE SERVICES, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
AS OF DECEMBER 31, 2015 AND 2014  
(dollars in thousands)

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$219,944</td>
<td>$187,597</td>
</tr>
<tr>
<td>Investments available-for-sale, at fair value</td>
<td>2,436,342</td>
<td>2,327,807</td>
</tr>
<tr>
<td>Investments held-to-maturity, at amortized cost</td>
<td>82,980</td>
<td>178,709</td>
</tr>
<tr>
<td>Premiums and other receivables, net</td>
<td>1,027,658</td>
<td>925,000</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>113,768</td>
<td>79,659</td>
</tr>
<tr>
<td>Total current assets</td>
<td>3,880,692</td>
<td>3,698,772</td>
</tr>
<tr>
<td>Investments held-to-maturity, at amortized cost</td>
<td>481,971</td>
<td>394,807</td>
</tr>
<tr>
<td>Restricted investments, at amortized cost</td>
<td>567,247</td>
<td>548,059</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>609,773</td>
<td>609,685</td>
</tr>
<tr>
<td>Other assets</td>
<td>109,661</td>
<td>149,497</td>
</tr>
<tr>
<td>Total assets</td>
<td>$5,649,344</td>
<td>$5,400,820</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND CAPITAL RESERVES</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical and other benefits payable</td>
<td>$954,010</td>
<td>$971,222</td>
</tr>
<tr>
<td>Unearned premiums</td>
<td>140,792</td>
<td>125,589</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>586,740</td>
<td>459,886</td>
</tr>
<tr>
<td>Managed cash overdrafts</td>
<td>401,106</td>
<td>371,002</td>
</tr>
<tr>
<td>Short term borrowings</td>
<td>139,987</td>
<td>145,213</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>361,668</td>
<td>251,160</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>2,584,303</td>
<td>2,324,072</td>
</tr>
<tr>
<td>Obligations for employee benefits</td>
<td>134,894</td>
<td>141,195</td>
</tr>
<tr>
<td>Mortgages payable and capital lease obligations, less current portion</td>
<td>105,885</td>
<td>111,286</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>786</td>
<td>13,540</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>2,825,868</td>
<td>2,590,093</td>
</tr>
<tr>
<td>Commitments and contingencies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital reserves:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retained earnings</td>
<td>2,831,225</td>
<td>2,724,518</td>
</tr>
<tr>
<td>Accumulated other comprehensive (loss) income</td>
<td>(7,749)</td>
<td>86,209</td>
</tr>
<tr>
<td>Total capital reserves</td>
<td>2,823,476</td>
<td>2,810,727</td>
</tr>
<tr>
<td>Total liabilities and capital reserves</td>
<td>$5,649,344</td>
<td>$5,400,820</td>
</tr>
</tbody>
</table>
HORIZON HEALTHCARE SERVICES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(dollars in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insured premiums</td>
<td>$10,921,167</td>
<td>$10,002,205</td>
</tr>
<tr>
<td>Administrative service fee income</td>
<td>375,649</td>
<td>351,855</td>
</tr>
<tr>
<td>Other revenues</td>
<td>34,356</td>
<td>36,755</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td>11,331,172</td>
<td>10,390,815</td>
</tr>
<tr>
<td>Investment income</td>
<td>118,921</td>
<td>125,303</td>
</tr>
<tr>
<td>Net realized gains</td>
<td>21,966</td>
<td>32,351</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>11,472,059</td>
<td>10,548,469</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical and other benefit costs</td>
<td>9,423,507</td>
<td>8,621,184</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>1,850,865</td>
<td>1,702,543</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>11,274,372</td>
<td>10,323,727</td>
</tr>
<tr>
<td>Income before income tax expense</td>
<td>197,687</td>
<td>224,742</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>(90,980)</td>
<td>(77,261)</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>$106,707</td>
<td>$147,481</td>
</tr>
</tbody>
</table>
STANDARD &POOR’S
“A” rating

Best Place for Diverse Managers and Women to Work
Diversity MBA Magazine

CSO50 Award
CSO, Chief Security Officer Magazine

Top 10 Strategic Corporate Partner with INROADS

#1 in Customer Satisfaction in the United States
Insure.com

New Jersey Smart Workplace Platinum Award
partnership of the North Jersey Transportation Planning Association and the state’s Transportation Management Associations

Best Companies for Multicultural Women
Working Mother Magazine
One of the 50 Best Companies for Latinas to Work For
LATINASTyle Magazine

Military Friendly® Employer
Victory Media

Military Spouse Friendly Employer®
Victory Media

Digital Edge 25 Award
IDG Enterprise

Top 10 Regional Companies
DiversityInc
LEADING THE WAY  

to better care

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Board of Directors

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Former New Jersey Commissioner of Health

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President & Chief Operating Officer (Retired)
Public Service Electric & Gas Company

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Chairman of the Board,
Chief Executive Officer & President
Horizon Blue Cross Blue Shield of New Jersey

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BBC Associates, LLC

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International Union of Operating Engineers

**Aristides W. Georgantas**
Executive Vice President (Retired)
Chase Manhattan Corporation