



SCAN Centenarians

Report to Our Communities

2013

Celebrating Our Centenarians

In 2012, we received two portraits from a health plan in Puerto Rico as thanks for sharing some insights and experience with them. We were struck by how the senior subjects – both 100 years old – were portrayed with such vitality by artist Antonio Martorell. It inspired us to capture some of our own centenarian members in the same way.

In February, 2013, local photographer Robert Duron photographed the members at home. Antonio Martorell used a selection of photos for inspiration, then created each image using pastel on marbled rice paper.



Alma Weber
102 years old
SCAN member since 2005



Virginia Aikin
101 years old
SCAN member since 1999



Walter Seifert
104 years old
SCAN member since 1996
(Sadly, Mr. Seifert died in December)



About the Artist

Antonio Martorell was born in Santurce, Puerto Rico in 1939. His art workshop is in La Playa de Ponce where he lives and works. Martorell has been artist-in-residence for more than 25 years at the University of Puerto Rico in Cayey.

He keeps busy at painting, drawing, installation and performance art, graphics, set and costume design, theatre, films, TV, radio, and writing. His work has been exhibited and awarded in and out of the country and in private and public collections.



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Our Mission: Keeping Seniors Healthy and Independent

We have not changed our mission since 1977. In 2013, we shortened it to ensure every employee is able to articulate the goal of what we do every day.

Our Values: Caring, Trustworthy, Member-focused

We are consistent and compassionate in our dealings with our members – and with each other. Because everything we do has an impact on our members.



Chris Wing
President and
Chief Executive
Officer

A Year of Change, Challenges and Celebration

It's a great time to be at SCAN. I am going on my third year with this company and I continue to be inspired by our mission. That's why the "centenarian project" – the portraits of our most senior members – resonates so deeply with me. These centenarians are living examples of our mission in action. Their portraits now hang throughout the SCAN offices, serving as bright and lively reminders to us all.

In the pages ahead you'll read more about 2013 at SCAN, but in a nutshell it was a year of:

Change: We started the year with a slight restructure, appointing a General Manager for each of our markets and giving these experienced leaders overall profit and loss responsibilities for their areas.

Challenges: The implementation of the Accountable Care Act and, from left field, an additional 2 percent cut due to the federal budget sequestration – need I say more?

Celebration: We had a lot to celebrate – not the least of which was our 4.5 star rating in California. It was also a year of record-breaking growth due, in large part, to our Special Needs Plans that enroll year-round.

The challenges will continue but, as a not-for-profit plan, SCAN is uniquely positioned to emerge strong in the years ahead. Most importantly, our members are loyal. The high marks they give us year after year are, we believe, a key driver in our growth. We started 2013 with a gain of 23,400 from our company-best Annual Enrollment Period, which made us the fourth-largest Medicare Advantage Prescription Drug Plan in the nation. At year's end there were 152,017 SCAN members.

We look forward to earning our members' enthusiastic support once again in 2014. That's always cause for celebration at SCAN.

2013 Highlights



Star Ratings and Satisfaction Results

In a year marked with exciting firsts, record-breaking enrollment and funding challenges both anticipated (Affordable Care Act) and not (federal budget sequestration), one thing stands as the clear highlight of 2013: the CMS Star Ratings.

Released in October, SCAN received 4.5 stars for its largest contract in California. This encompasses the majority of SCAN's membership in both Northern and Southern California, and includes most of SCAN's Classic and Options plans as well as our SCAN Balance and Heart First C-SNPs. This makes us one of the two highest-rated health plans in these service areas – and the only one with a 4.5 star rating.

In San Joaquin, Arizona, and for our Healthy at Home plan, which are under separate contracts, SCAN received 3.5 stars. This was a half-star improvement for Arizona, and a "hold steady" for the others. We expect these plans to improve as we continue our drive to 5 stars system-wide.

In the 2014 "Medicare & You" satisfaction results, SCAN once again received 90% satisfaction from its members in California and improved to 87% satisfaction in Arizona. Making us again, in both states, the second-highest rated plan in terms of member satisfaction as measured by the Centers for Medicare and Medicaid Services.

2013

Member Satisfaction

97.4%

of SCAN members are **satisfied overall** with the SCAN program

92.3%

of members say that SCAN has helped them **manage their health**

85.8%

of members say that SCAN has improved their ability to **live independently**



"When I needed you most, you were there. Thank you."



Lee Gibson

103 years old

SCAN member since 1994

Mr. Gibson is one of the oldest living Pullman porters. At the time of our photo shoot, he was still driving.

2013 Highlights



In California, SNPs Ruled!

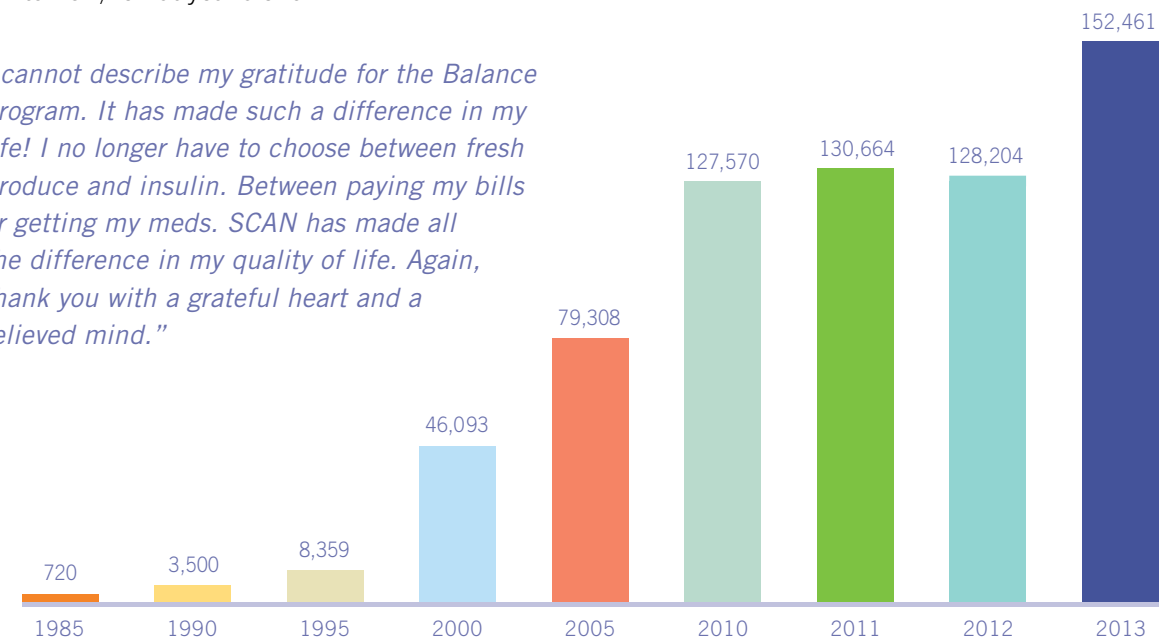
2013 marked the best Annual Election Period (AEP) in the company's history. This achievement didn't go unnoticed. In its April 27 Managed Care Weekend Update, Citi Research reported: "SCAN Health Plan has been the biggest standout thus far in 2013, adding almost 17,600 lives, year to date growth of 13.7%."

Some of the credit for that success was due to the Chronic Special Needs Plans (C-SNPs) we introduced in California: SCAN Balance, for people with diabetes, and Heart First, for people with cardiovascular disease.

Introduced during AEP, we had more SCAN Balance and Heart First members on January 1, 2013 than we'd projected – a good "problem" to have. Yet these Special Needs Plan members come with special requirements from CMS. In true SCAN fashion, the team moved quickly to complete the required steps and ensure members were able to access the disease-specific benefits they needed, as soon as they needed them.

SNPs continued to appeal even after the AEP rush, helping drive SCAN's membership to 152,461 at year's end.

"I cannot describe my gratitude for the Balance program. It has made such a difference in my life! I no longer have to choose between fresh produce and insulin. Between paying my bills or getting my meds. SCAN has made all the difference in my quality of life. Again, thank you with a grateful heart and a relieved mind."



SCAN Membership Growth

2013 Highlights

Northern California Expands

A New Option in Marin County

The more than 50,000 Medicare beneficiaries in Marin County have traditionally had two options for their health coverage: Medicare Supplements and Kaiser Permanente. The 2014 AEP brought them a new option: SCAN Health Plan. Working in partnership with Marin General Hospital and Meritage Medical Network, SCAN provides access to local, independent physicians while offering such welcome benefits during the 2014 AEP as \$5 PCP visits, \$0 hearing aids, \$0 preventive care, free gym membership, and more. Our Special Needs Plans, Heart First and SCAN Balance, are also available in Marin.

A New Approach to Health Management

The SCAN HealthCheck Assessment Center in Stockton, California, is our first “bricks and mortar” healthcare facility and was designed to support the patient/primary care physician relationship. Under the direction of Dan Osterweil, MD, FACP, the Center conducts in-depth assessments, complete with lab tests, health histories and, what members appreciate most, the full attention of a medical professional for an hour or longer.

Dr. Osterweil personally reviews each assessment and submits a report and recommended follow-up to the member’s primary care physician. The goal? To ensure members see their doctors regularly in order to manage chronic conditions and to get and stay current on their preventive care and screenings. The Assessment Center began seeing SCAN members in October.



Drive-through Flu Clinic

Seniors are at high-risk for suffering complications from the flu, which puts them in the priority group for receiving the flu shot every year. Yet the CDC reports that only about 66% of Americans 65 and older received a flu shot in 2012. Clearly there are barriers. Working together with one of our largest provider groups, HealthCare Partners, SCAN held an on-site clinic as well as a drive-through flu clinic on two Saturdays. More than 2,000 vaccines were delivered and, as evidenced by this photo, the drive-through option helped eliminate mobility barriers.

2013

The Power of a Postcard

What do you do when you get a piece of mail telling you to get a certain health screening?

SCAN member Mrs. “K” told us she took our mammogram reminder postcard to heart and scheduled her overdue appointment. The bad news: The results of her screening mammogram were suspicious and further testing confirmed a diagnosis of cancer. The good news: It was caught at stage 1.

Despite undergoing surgery and 33 days of radiation, Mrs. K was able to keep up with her daily life and focus on the things she loves most to do – including sewing a Little Mermaid costume for her five-year-old granddaughter.

Mrs. K says she has been through tough times in her 68 years, but that breast cancer is not one of those times, thanks to the support of her family and her “amazing doctors.” Needless to say, she’s pretty happy with SCAN, too, for reminding her of this important test.

SCAN has a series of quick-read reminder postcards we send to members with gaps in care for such things as cholesterol checks, colon cancer screenings, bone density tests and, yes, mammograms. All are simple, no-cost interventions with potentially powerful results.



SCAN Members – “Nun” Better!

You can find members of the SCAN sales team in the community year-round. Holding events, attending others, and learning what local seniors want and need. Sometimes this involvement has an interesting payoff.

SCAN Sales Representative Rose Murphy went to an appointment at a home for retired nuns and found more than twenty “sisters” waiting to hear about SCAN. Rose – and SCAN – made the sales and verification process as easy as possible for the nuns while still remaining compliant; a challenge since the retirement home has just one telephone to handle all the CMS-required sales verification calls! There are now 26 Maryknoll Sisters who are SCAN members.



2013 Highlights

Arizona Transitions for Success

SCAN has faced challenges in Arizona in large part due to a very broad network of very independent practitioners. Our solution was to tap the provider management expertise of HealthCare Partners (HCP). In May, HCP took over administrative functions for SCAN Health Plan Arizona, including claims, provider contracting and medical management. This is largely a behind-the-scenes transition for our members, who continue to call on SCAN Member Services with their questions and concerns.

With General Manager Wendy Karsten providing local leadership for SCAN, and HCP streamlining the network and introducing their provider-level management expertise, we quickly saw materially improved financial results.

The 2014 AEP saw the introduction of our C-SNPs SCAN Balance and Heart First – where they received the same warm welcome they did a year earlier in California. It's no wonder we are confident that SCAN Health Plan Arizona has made the transition to success.



County	MAPD	C-SNP	I-SNP	D-SNP
Contra Costa	✓			
Los Angeles	✓	✓	✓	✓
Maricopa	✓	✓		
Marin	✓	✓		
Orange	✓	✓	✓	
Pima	✓	✓		
Riverside	✓	✓	✓	✓
San Bernardino	✓	✓	✓	✓
San Diego	✓			
San Francisco	✓			
San Joaquin	✓			✓
Santa Clara	✓	✓		
Ventura	✓			

MAPD: Medicare Advantage Prescription Drug Plans.

C-SNP: Chronic Special Needs Plans, for those with severe chronic conditions.

D-SNP: Dual Special Needs Plans, for those dually eligible for Medicaid/Medi-Cal and Medicare.

I-SNP: Institutional Special Needs Plans, for those who qualify for nursing facility level of care but live in the community.

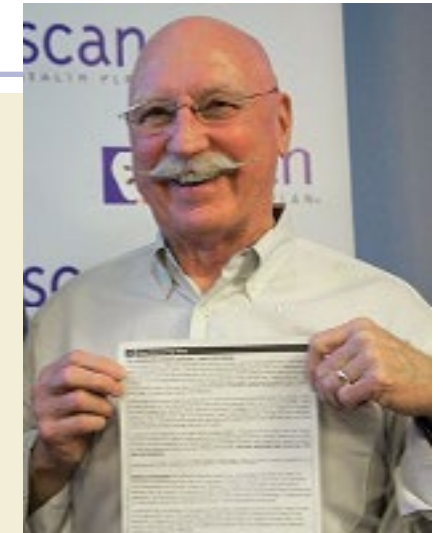
2013

SCAN Medical Director Becomes 150,000th Member

Reaching 150,000 members is a true milestone for the company. What makes it a truly special achievement, however, is that our very own Dr. Jim Hendrickson is SCAN's honorary 150,000th member.

Dr. Hendrickson cited our "visionary leadership," our mission, the plan benefits, and our Star rating. "It's all of you, too, my friends and colleagues," he told employees. "You are a blessing to me. You touch members and you touch hearts – you have certainly touched mine." He shared that one company estimates it takes the average senior 22 hours to choose a Medicare plan. "But after seven years at SCAN it took me about two seconds to decide."

At Dr. Hendrickson's request top SCAN Sales Representative Diana Sue Olson handled his enrollment. The two are second cousins and when Diana Sue, who has been with SCAN for ten years, found out Jim was applying for a position at SCAN she put in a good word for him. Now, seven years later, she says she's honored to enroll him. For these two, SCAN really is family.

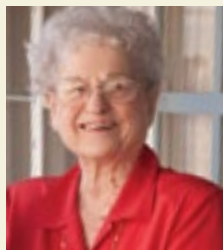


*Recognize this senior?
Dr. Jim Hendrickson, SCAN Medical Director, appears in our "Heart of SCAN" TV commercials.*

"Buddying up" to Members with Gaps in Care

In mid-April, a team of Care Navigators began calling a group of high-risk SCAN members to talk over health issues, link them to support resources, and encourage them to see their doctors for needed care. In all, the Care Navigators called more than 8,000 members – some more than once – in an effort to help them fill their "gaps in care." This was a pilot program and evaluation is currently underway to see how effective this personal outreach is at closing gaps, but participants have already weighed in. Said one member:

"I love that SCAN cares about me and wants to make sure my tests and screenings are up to date."



Christine Fleming

101 years old
SCAN member since 2007

Mrs. Fleming has lived in the same home for 64 years and manages to look spry even with a walker.

Provider Integration: A Unique Collaboration



SCAN believes the future of managed care lies in tight integration and strong interdependence with high-quality providers. So in May we brought together fifteen of our provider partners – representing some of our largest and best-performing physician groups and health systems – in the interest of defining how we can work together, across organizations, to improve the services we all offer to SCAN members. We call this our Provider Integration strategy.

It represents a truly unique collaboration among several healthcare delivery organizations to improve care delivery and drive performance improvement across the system that will not only benefit our common members, but will lead to greater success for us all.

The group has been sharing best practices for resource-intensive chronic diagnoses like diabetes, and brainstorming ways to relieve the administrative challenges we all experience. Those efforts will continue. But we are doing more.

At SCAN, we know our hot-button issues, but we surveyed our Provider Integration physician group partners to learn theirs. It wasn't surprising to find that they were the same:

- ✦ Behavioral Health Management
- ✦ Care for the Frail Elderly
- ✦ End-of-Life Care

We've already begun to address these issues. We developed an Advanced Illness Management Unit at SCAN at the end of the year and have a behavioral health pilot kicking off in 2014. Thanks to the generosity of the SCAN Board of Directors, we are also investing in research – a portion of which will help us identify and disseminate best practices to the physician community (see page 13).

Expanding the Footprint of the SCAN Mission



Keeping Seniors Healthy and Independent. We're proud of the fact that 90% of our employees say they believe in the SCAN mission. The SCAN Board of Directors demonstrated their belief in the mission last July, by approving \$5 million for mission-focused activities and challenging us to expand the footprint of our mission beyond our members. The money has been ear-marked for both research and action.

A Greater Role for Independence at Home

SCAN's mission began in 1977, with the Multi-Purpose Senior Services Program (MSSP) contract in Los Angeles County. The contract continues today – and is the largest individual MSSP in the state – but is now operated by Independence at Home (IAH). This division of SCAN operates independent of the health plan and serves non-SCAN members, but receives supplemental funding to ensure they can deliver the services and supports their clients need.

They are the “feet on the street” in the community, spending their time coordinating resources for clients who are struggling with:

- ✦ Behavioral Health Management
- ✦ Medication confusion and lack of adherence
- ✦ The overwhelming burden of caregiving
- ✦ Hospital discharge with no support
- ✦ Lack of food
- ✦ Isolation and loneliness
- ✦ Lack of utilities

A large portion (\$3.5 million) of the Board of Director's mission funding has gone directly to Independence at Home for service expansions that are well underway. Staff has been hired, geographic reach broadened and programs extended to include those who may not meet the narrow eligibility requirements of an agency contract, but who still are in dire need of assistance.

In other words, we're allowing Independence at Home to do what it does so well – and do it for more people. In 2013, IAH touched an estimated 2,700 lives. Their goal for 2014 is to touch 17,000. It's a tall order, but one we cannot wait to fill.

Two Areas of Research

How do you not only reach your customers, but engage them? Customer engagement is truly critical in healthcare and we are participating in research on “Customer Intimacy.”

Once engaged, how do you reduce the variations in care to ensure all members receive the same level of high-quality, effective care? To that end we are funding a research project that will directly impact care delivered at the primary care physician level.

This research is now underway at the UCLA Multi-campus Program in Geriatric Medicine and Gerontology, a national leader in providing clinical care for older persons, teaching physicians and other health professionals how to better care for older persons, and conducting research aimed at improving the health and independence of older persons. In other words, a natural partner for SCAN.

We have identified these priority areas:

- ✦ Management of patients 65 years or older with multiple chronic conditions as well as the management of such patients with the presence of dementia.
- ✦ Management of end-of-life care, including discussion and documentation of end-of-life care preferences – and, importantly, adherence to those preferences.



The research will be conducted in two phases, completing in November 2015, after which the findings and resulting best practices will be broadly disseminated. This is information the industry needs and we look forward to contributing to improvements that will positively impact the quality of life – and death – for seniors.

“It's time we acknowledge the importance of customer intimacy and truly understand what seniors at various lifecycle stages need when it comes to their healthcare.”

SCAN's Sherry Stanislav, in an excerpt from her article in the November 2013 issue of *Strategic Health Care Marketing*



Ida Johnson

102 years old

SCAN member since 1995

Mrs. Johnson is wheelchair-bound due to a car accident many years ago, but still lives at home with a caregiver.



SCAN Gives Back

From education presentations in the community to providing funding to local nonprofit organizations, Community Outreach is another way we help ensure the SCAN mission extends beyond our own membership. A few highlights from 2013:

Grants Make Critical Difference in Communities

SCAN's funding focus through Community Giving is to support community-based, nonprofit organizations that meet immediate needs and close gaps in SCAN's service areas. In 2013, SCAN provided \$2,525,000 to 35 organizations. In turn, they used the funds for medication, food, utility bills, transportation to medical appointments and other desperately needed support.

\$2,525,000
provided to **35**
organizations for
emergency funding
programs.

Here's just one example. A 65-year-old gentleman had no way to get to a cancer screening appointment – an important test, but even more so because of his past history of cancer. He was going to cancel the appointment until Rehabilitation Services of Northern California used some of the emergency funding they'd received from SCAN for his transportation. Not only was he able to keep this appointment, but five polyps

were found and removed – almost certainly preventing a recurrence of cancer. Said the Nurse Case Manager who works with this gentleman: "It's extremely rewarding to be able to help my patients at this magnitude!"

SCAN Health Education Centers

Both of our community-based centers moved and underwent name changes. The Ventura Health Education Center stayed in the same area but now enjoys a larger facility with better space for its popular presentations – including a long room perfect for Wii bowling. The Arizona Health Education Center moved from Phoenix to Tempe and opened its doors in November.



SCAN Gives Back

Member Straight Talks

This annual series of meetings requires the commitment of the entire company, from Community Outreach, which handles all event details, to senior executives and front-line staff. These are popular meetings during which members hear directly from

senior management on changes in the industry and changes in their benefits for the coming year. They are encouraged to ask questions – and they do! Member Services and Pharmacy staff is on hand, before and after, for any needed follow-up. Conducted from late October until the end of AEP (December 7), this year's Straight Talks added up to:

2 states + 9 counties + 23 locations + 30 meetings
 141 employee volunteers + 525 gallons of coffee and tea
 7,000 members/attendees + 21,000 cookies + not measured:
 the pounds of fresh fruit, vegetables and cheese also served

A popular addition to this year's Straight Talks was the "half-time stretch" from Healthways SilverSneakers® Fitness Program. Executive presenters, volunteers and members alike got their toes tapping, fingers snapping and were invigorated for the remainder of each presentation. We hope it encouraged members to make good use of their SilverSneakers gym memberships in the coming year!

"I really appreciate the Straight Talk seminars. They always get right to the heart of all matters."

– 2013 Straight Talk attendee



Trading Ages™ Travels the Nation

This popular interactive workshop was conducted 78 times in 2013 to groups ranging in size from 2 to 80. Initially created as a way for SCAN employees to better understand the needs and mindset of its health plan members, we also offer it at no charge to groups interested in enhancing their interactions with older adults. As you might expect, we lead many presentations for gerontology students, senior center staff and healthcare workers. In addition, this year we hosted Trading Ages for:

- ✦ Firefighters
- ✦ Pharmacy call center staff
- ✦ USC architecture students
- ✦ Legislative representatives
- ✦ DMV staff
- ✦ Property managers and maintenance staff

Trading Ages participants "experience" vision changes, arthritis, stroke limitations, and hearing loss. The nonprofit organization St. Barnabas Senior Services co-sponsored a Trading Ages workshop and invited staff from the district offices of state and federal elected officials representing Los Angeles County. "SCAN's program provided an opportunity for the legislative staff to better understand the challenges faced by their older constituents," said Rigo Saborio, president and chief executive officer of St. Barnabas.



Rigo Saborio, shown above, calls the Trading Ages experience "eye-opening."

SCAN's Holiday Traditions

For 21 years, SCAN employees have delivered Thanksgiving meals to seniors who would otherwise spend the day alone. This year, 2,045 homebound seniors received a traditional meal. If the senior agrees, our friendly volunteers gladly stay for a visit. Many have made this a part of their family's Thanksgiving tradition.

Another long-standing SCAN tradition is Holiday Cheer, during which SCAN employees call members simply to wish them a happy holiday season. This year more than 3,700 SCAN members received one of these personal calls. Many shared their plans – like the member who said he was "going to Las Vegas to win the jackpot!" Others made it clear that their holidays are not the celebrations they used to be, which is why this is a tradition that will continue.



Hyman Kwasman

101 years old

SCAN member since 2006

Mr. Kwasman can be seen riding his 3-wheeled bike through his Leisure World neighborhood most afternoons.



SCAN Gives Back

Customer Service Week

As a customer-focused company, it's only natural that we would celebrate Customer Service Week. But we do it a little differently. The national celebration takes place in October – a very busy time for our company and our

Member Service Department. Rather than taking our team away from providing the very service we celebrate, we moved our Customer Service Week to August. Another difference: we celebrate those we serve.

The Customer Service Week food drive resulted in **800** pounds of food collected for Food Finders, a Long Beach-area food bank that serves seniors.

This year's Customer Service Week kicked off with the unveiling of the centenarian portraits you see in this report. It ended with a special "meet and greet luncheon," at which employees had the opportunity to enjoy a meal with the SCAN members who make up our Senior Advisory Board.

This group is a great reminder that our membership is comprised of individual members with unique interests and personalities. For example:

- ▶ One Senior Advisory member is still active in academia, and had recently presented to a group of researchers on the human genome project.
- ▶ Two members (cousins who consider themselves sisters) are referred to as "Thelma and Louise" by family members who are both awed and amused by their adventurous spirits.
- ▶ A SCAN employee learned that she attends the same church as the SCAN member she was seated next to.
- ▶ Another member was overheard saying to his tablemates: "A Harley is not a motorcycle, it's a lifestyle."

SCAN Group Consolidated
Financial Results
as of December 31, 2013 (unaudited)

	2013 unaudited (dollars in thousands)
Operating Revenues	2,041,135
Medical Expenses	1,770,460
Administrative Expenses	214,469
Operating Surplus	<u>56,206</u>
Unrealized Gains on Investments	<u>11,693</u>
Net Surplus	<u>67,899</u>
Medical Expense %	86.7%
Administrative Expense %	10.5%
Net Surplus %	3.3%



Long Beach Walk to End Alzheimer's, 2013

Executive
Management Team

Chris Wing, President and Chief Executive Officer
 Bill Roth, Chief Operating Officer
 Randy Stone, Chief Financial Officer
 Nancy J. Monk, Chief Risk Officer
 Cathy Batteer, Senior Vice President, General Manager, all Markets
 Sherry L. Stanislaw, Senior Vice President, General Manager, Southern California
 Wendy Karsten, Vice President, General Manager, Arizona
 Karen Sugano, Vice President, General Manager, Northern California
 Romilla Batra, MD, Corporate Medical Director, SCAN Group
 Raymond Chan, MD, Corporate Medical Director, SCAN Health Plan
 Peter Begans, Senior Vice President, Public and Government Affairs
 Eve Gelb, Senior Vice President, Healthcare Services
 Moon Leung, PhD, Senior Vice President, Healthcare Informatics
 Gil Miller, Senior Vice President, National Sales

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 Tom Higgins, Prosetta Corporation
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