

blue shield
of california
foundation

ATION

INNOVA

Building from the Foundation up.

ACT

IMPA

Our Report to You 2005–2006

blue  of california

How Far We've Come.

PROGRESS



Blue Shield of California Foundation is established

1981



Building on Blue Shield's long term commitment, the Foundation launches the Shelter Initiative to support community efforts to address domestic violence

2002



Successful workplace program becomes a cornerstone of the Foundation's domestic violence program

2002

Community



The Foundation launches the Community Clinics Initiative, now a major statewide program to support local health care services for those in need

August 2003



With \$30 million in annual funding from Blue Shield of California, the Foundation becomes one of the state's leading health funders

2004



The Foundation becomes a major funder of the Children's Health Initiative, opening doors to health care for California's kids

2004

100k
lives

Taking aim at deadly and costly medical errors, the Foundation joins the Institute for Healthcare Improvement's 100k Lives Campaign

June 2005

Protecting Patients

IMPACT

UNIVERSAL HEALTH CARE



Photo by Luke Thomas



San Francisco Mayor Newsom assembles Universal Health Care Council to steer reform, taps Foundation President and CEO Crystal Hayling to serve

The Foundation spearheads the California Technology Assessment Forum, a leading forum for promoting evidence-based medicine

Governor Schwarzenegger convenes 50 health leaders, including President and CEO Crystal Hayling, at a statewide health care summit

Emerging leaders of community clinics bolstered by Foundation announcement of new clinic leadership program

February 2006

February 2006

July 2006

2007



Letter from the President

Building seems an obvious metaphor when you work at a foundation – a play on words that is only too apt in our case.

For Blue Shield of California Foundation, the task of philanthropy begins close to the ground, at the community level. Our core funding shores up local organizations that are providing crucial help to the needy and vulnerable, one child or one family at a time.

Because at this very minute, there's a teenage girl in Placerville who is afraid to tell anyone that her boyfriend hits her. Because as I write this, there's a little boy, the son of farm workers in the Salinas Valley, who needs radiation therapy for leukemia. Because a working mother in Riverside lost her health insurance today.

Core funding to meet these urgent needs is a staunch commitment, a cornerstone of our work – and it roots us deeply in both the painful and hopeful realities of today's California.

But while we strengthen the foundation, we are also trying to raise the roof-beam. We know it will take an expansive vision to move beyond business-as-usual to achieve the long-term systems change necessary to make health care effective, safe and accessible to every Californian. We need nothing less than a revolution of thought about health care reform to move our state forward.

That's why we are reaching out to stakeholders and policymakers across the political spectrum to spark a fresh dialogue about health reform – a dialogue that tackles the tough issues of shared responsibility and cost.

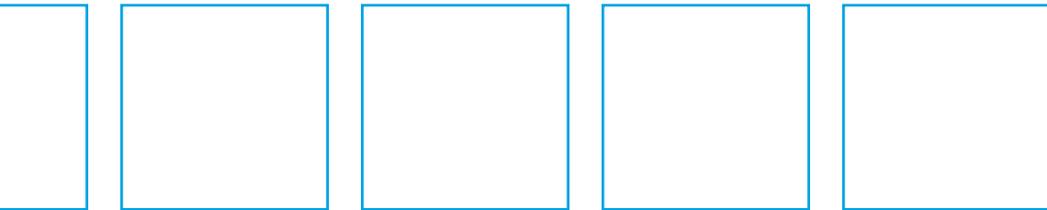
It's why we are backing proven health care practices and technologies that can save lives and money.

And why we are now designing vanguard initiatives to end domestic violence in our lifetime, such as a ground-breaking new effort to stop intimate partner violence among young people – before it takes root.

We invite you to join us as our work moves forward – and upward.

Crystal Hayling
President and CEO

We need
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than a revolution
of thought
about health
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Doing Things Differently

Philanthropy Against the Grain



The Foundation is committed to making grants to support nonprofits' core operating costs.

From its inception, Blue Shield of California Foundation has challenged itself to think big, while maintaining a pragmatic, bottom-line approach to fulfilling our mission. This means we don't settle for the status quo when it comes to who and how we fund. We benchmark our progress so our end-goals are always in sight. This holds true for our grantmaking, as well as for our own internal operations.

Here are just a few examples of how we're doing things differently.

Because Core Support Matters

The philanthropic community's penchant for funding the new, new thing means many nonprofits find themselves in the untenable position of struggling to cover daily operational costs. In other words, it's hard to save the world when your fax machine is broken and you haven't updated your IT system since the first Bush was in the White House. That's why BSCF is committed to making grants to support nonprofits' core operating costs.

Grantmaking in Cyberspace

The Foundation is on the forefront of an emerging trend within philanthropy toward online grantmaking. Through Cybergrants, our grants management system, would-be grantees have an online gateway to initiate the application process through our Web site. The system also makes it easier for our staff to manage the grantmaking process, from sharing information and filing reports to collecting and mining data. Since our online grant application system went live in October 2005, we've received more than 450 grant requests online.

360-Degree Accountability

Deliver return on investment. This is one of the core principles we've borrowed from the corporate sector. To make sure we're producing maximum returns in social change, we've developed a rigorous accountability system that includes quarterly – rather than annual – dashboard board reports on our activities as well as surveys of our grantees so we have a rich grasp of how our grants are doing, as well as how good a job grantees think we're doing.



Q&A

With Dr. Ezra Davidson, Jr., Chair, Blue Shield of California Foundation

Blue Shield of California Foundation is funded entirely by contributions from Blue Shield of California. Yet unlike many corporate foundations, BSCF is a private foundation, operating independently from its parent corporation. Below, Dr. Ezra Davidson, Chair of the Foundation's Board of Trustees, talks more about the Foundation's mission and its approach to philanthropy.

Q: Why did Blue Shield of California create a foundation? What was the vision behind it?

ED: Blue Shield of California had a history of supporting nonprofit programs and agencies, including domestic violence shelters. When Blue Shield's leadership decided to make a larger annual commitment to philanthropy, they reinvigorated the Foundation so there would be an internal structure to manage what now amounts to nearly \$30 million in giving a year. They created a unique governing board with a broad, civic composition that allowed for a more focused and reflective approach to philanthropy.

In terms of vision, Blue Shield of California had a priority interest in improving access to affordable health care. The hope was that, with the creation of the Foundation, there would be opportunity to provide more structured support to underinsured and uninsured

populations. We balance this support with policy work to promote long-term solutions for increasing access to health care for all Californians.

Q: What area of focus sets the Foundation apart?

ED: We have a very strong focus on new and emerging technology to improve patient care. And we are a leader in improving patient care by encouraging hospitals to share best practices and reduce medical errors. We do so in a highly disciplined, criteria-based way so scientific evidence is the basis of provider- and patient-based decisions.

Because of the rapid infusion and development of these technologies, it's even more important that we subject them to evidence-based review so they aren't prematurely introduced to clinical settings where they could potentially do harm.

Q: The Foundation is clearly invested in long-term systems change. Can you say more about why direct service remains a priority as well?

ED: Given our primary interest in improving access to affordable health care, we first have to recognize that there is a large problem in California – more than 6 million uninsured people. The clinics and providers that serve the uninsured have an immediate need

now, and they require a large measure of private, philanthropic and government support to continue to serve. This foundation is a strong participating contributor to that environment. We feel direct service is one of our first obligations as a foundation.

Q: What is the relationship between Blue Shield, the corporation, and Blue Shield of California Foundation?

ED: The Foundation is unique because it resides somewhere in between two entities: the corporation and traditional philanthropy. Corporate foundations, of course, are nothing new. Many of them are nearly inseparable from their corporate parent; their primary purpose appears to be to serve the interests of the corporation by acting as an extension of their marketing strategy, if you will.

From the beginning, BSCF was different. Its founders, in their wisdom, realized that effective philanthropy should focus on serving the public good, in this case, serving California's working poor and uninsured. Collectively, our staff has dozens of years' experience in philanthropy, meaning they are focused on social change, not the bottom line. But at the end of the day, the real question is whether we, the board and staff of the Foundation, work closely with the communities we serve to create lasting change.



Building a Road Map to Universal Health Coverage

Health Care and Coverage Program

Almost one in five Californians has no health insurance.

Next time you're standing in line at the bank or for your morning coffee, consider this: In California, chances are one of the five people next to you has no health insurance.

In 2005 BSCF gave \$15.9 million to support both stop-gap measures and long-term solutions to the state's uninsured problem. About \$7 million went to core operating support for community clinics that provide care to uninsured Californians. In 2006, the total number of clinics we fund was nearly 200.

"Our overarching goal is to have all Californians covered by health insurance, but this won't happen overnight," said Brenda Solórzano, Director of the Health Care and Coverage Program. "That's why we've committed to making direct service grants that will meet the immediate health needs of California's 6.6 million uninsured."

A Safety Net for Uninsured Kids

In 2005, the Foundation awarded \$7.5 million in premium subsidy grants to 13 county-based Children's Health Initiatives. These community partnerships provide health coverage for children who fall between the cracks of private and government-funded insurance.

"These are children of working poor families whose parents hold service industry jobs

like waiting tables and cleaning hotel rooms," Solórzano explained. "They don't qualify for Medicaid because their parents have steady jobs, but they just don't make enough to cover their families. We're helping create a safety net for these families."

Investing in Innovation

BSCF is also investing in groundbreaking projects that could contribute to system and policy change. The Center to Promote HealthCare Access, for example, is a project aimed at helping eligible families in Los Angeles County enroll in public health insurance programs through an automated online system, One-E-App, available in local community-based organizations.

We're also supporting a pilot project, sponsored by San Diegans for Healthcare Coverage, to provide affordable health coverage to uninsured, low-income workers and their families, using both private and public funding. The grant will help build local and state support necessary to implement this program.

Laying the Foundation for Long-Term Solutions

To get the dialogue moving at the policy level, BSCF sponsored a health reform forum in November 2005 in Sacramento with policymakers and health care policy experts. The nonpartisan think tank New

BSCF gave \$15.9 million in 2005

Creating a Blueprint for Universal Health Care in Santa Clara County

Grantee Snapshot:
Working Partnerships USA

What would the next step toward universal health care plan look like for Santa Clara County? What do employers, workers and safety net organizations currently pay for coverage? What is the minimum premium that uninsured residents can afford?

To get to the bottom of these questions, Blue Shield of California Foundation made a \$166,250 grant to San Jose-based Working Partnerships USA, a collaboration among community organizations, the labor movement and faith based groups devoted to addressing the needs of working families in the new economy. The group was to design a pilot model to provide health coverage for the county's uninsured working adults, having successfully waged a campaign to establish the nation's first universal health system for children.

With the Foundation's support, WPUSA will create a feasibility study for an affordable, county-wide "multi-purchaser" health plan that would be funded through contributions by employees, employers and government payers. As part of the research, WPUSA will review and evaluate existing multi-purchaser models in other parts of the country to develop a framework for a local pilot program.

"Our hope is that our research will identify the roles organizations in the community can play to make the vision of universal health coverage a reality," said Phaedra Ellis-Lamkins, WPUSA's Executive Director.

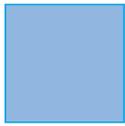
America Foundation (NAF), a BSCF grantee, unveiled a three-part plan to make quality health insurance affordable and accessible for every California child.

This August, the Foundation and NAF joined forces to bring John McDonough, a chief architect of the Massachusetts health reform plan, to California for a series of policy meetings with stakeholders and policymakers. BSCF is also working to build coalitions to support policy change, particularly with the business community. Another forum is scheduled for late 2006 to build momentum toward a fresh health reform policy solution.

"We're hoping to set politics aside and bring a nonpartisan perspective and focus to possible solutions," Solórzano said. "We wanted people to look beyond their comfort level, because right now, it's important to bring all the ideas to the table and talk about how we can compromise so there are win-wins across the board."



toward solving California's uninsured problem.



Improving Care, Protecting Patients

Health and Technology Program

When Medicine Harms Instead of Heals

Every year, 98,000 patients die from medical error and injuries in hospitals. Two million acquire infections, which add an average of nine more days to hospital stays and an additional \$14,000 in treatment costs per patient. A Rand study found that half of patients with chronic conditions do not receive the full battery of tests and treatments they should. Meanwhile, new medical technologies continue to flood the market. But, as recent high-profile drug recalls have shown, FDA approval isn't necessarily the best, or last, litmus test for safety.

"Let the Evidence Show": Assessing Medical Innovations

To address these challenges in our health care system, the Foundation's Health and Technology Program gave \$8 million in grants in 2005 to projects and organizations working to protect patients by improving the quality and safety of their care. Beyond that, the Foundation spearheads the California Technology Assessment Forum, a leading forum for promoting evidence-based medicine.

"The California Technology Assessment Forum provides a public forum for medical professionals to review and make recommendations on the safety and effectiveness of new and emerging technologies,"

said Lisa Payne Simon, Director of BSCF's Health and Technology program. Recent agenda items include the latest in artificial disc replacements, prostate care treatment and digital mammography.

At the national level, the Foundation made a grant to the Institute of Medicine's new Roundtable on Evidence-Based Medicine. The Roundtable is a neutral venue for health care stakeholders to identify and discuss approaches for generating better, more timely, information on which to base clinical and policy-related decisions.

A Protocol for Saving Lives

To reduce incidents of medical error and preventable hospital deaths, the Foundation awarded \$800,000 in grants to support 23 California public and rural hospitals taking part in the Institute for Healthcare Improvement's 100k Lives Campaign. The campaign trains health providers to adopt interventions, such as establishing rapid response teams and protocols to prevent infections.

"Public, rural and district hospitals, which disproportionately serve indigent and underserved populations, often don't have the resources to devote to quality improvement," said Payne Simon. "Our grants help bridge that gap by providing them with the time and the tools to focus on this life-saving issue."

Number of patients who acquire infections at hospitals each year: 2 million.

In 2005, BSCF gave

National Model for Reducing Medical Errors

Grantee Snapshot: Contra Costa Regional Medical Center

You go to hospitals to get better, right? Sometimes. At least 1.5 million Americans are sickened, injured or killed each year by errors in prescribing, dispensing and taking medications, according to the Institute of Medicine. That's more than the annual number of U.S. deaths from cancer, heart attacks and strokes combined.

To save lives and money, Contra Costa Regional Medical Center (CCRMC) in Martinez is part of a national campaign to prevent errors, with support from the Foundation.

As part of the 100k Lives Campaign, coordinated by the Institute for Healthcare Improvement (IHI), CCRMC has earned high marks in all areas. But it has stood out for its record on "medication reconciliation" (cross-checking patient records so all medication information is consistent to prevent overdosing and side-effects).

Since 2005, CCRMC's patients with completely reconciled medications on admission have jumped from 53 to 93 percent, making them one of nine "mentor hospitals" to coach others nationwide.

Recently the campaign's real-life impact hit home. When a cafeteria worker asked why a crowd was gathered, Dr. William Walker, the Health Services Director for Contra Costa County, responded, "We're honoring our employees' hard work and commitment that allowed us, working with IHI, to save lives this last year." A man at the register turned and said, "Yes, one of them was mine. Thanks!"

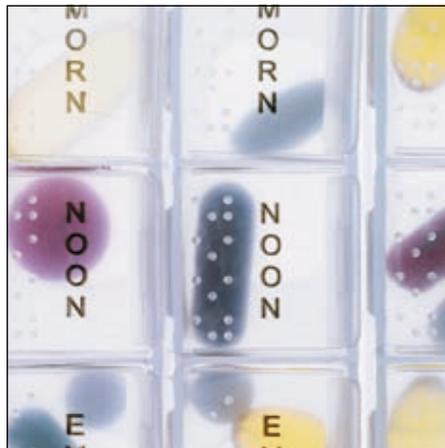
Bringing Infection Control Practice into the 21st Century

To reduce hospital infections, BSCF is pioneering a demonstration project, the Healthcare-Associated Infection Prevention Program. Eleven California hospitals have been funded to test sophisticated data mining technology that enables them to track and detect infection outbreaks early – and identify behavioral patterns, such as poor sterilization, that contribute to the problem.

Going Electronic

In our ongoing commitment to ensure that health providers for underserved populations benefit from the latest in technology and care, BSCF joined forces with the California HealthCare Foundation and the Community Clinics Initiative, a joint project of the Tides Foundation and The California Endowment. Together, we have launched a \$4.5 million, three-year initiative, the California Networks for Electronic Health Record Adoption.

The initiative supports California's community clinics and health centers – particularly ones that serve rural and poor areas – to transition from paper filing systems to state-of-the-art, electronic health records. Funding will help create three "hubs" that will provide technology, technical support and other services to community clinics in California.



\$8 million in grants to improve patient safety.



Ending Domestic Violence

Blue Shield Against Violence Program

Every nine seconds in this country – the time it takes you to finish reading this sentence – a woman is battered.

That's why the Foundation has made ending domestic violence a priority. Today, we are the single largest private funder of domestic violence programs in California. In 2005, BSCF awarded an unprecedented \$3.5 million in grants, \$1 million of which went directly to support 98 domestic violence shelters across the state. We expect this commitment to continue.

According to Yvonne Carrasco, Director of the Blue Shield Against Violence program, the shelters were given broad license to invest the funds where they were most needed. "One shelter used the support to create an on-site children's play area. Others used it for new carpet or to subsidize crisis hotline phone bills. For some, it meant literally keeping the lights on. We gave them the flexibility."

On the Horizon

Looking ahead, Blue Shield Against Violence is investing in projects that will help "first-line responders" – from shelters to doctors – step up their support for domestic violence victims. We continue to break ground with our Employer Outreach Program, which provides training for employers and managers to respond when

they see signs of abuse. We've also begun looking at funding programs that help women get on their feet financially, given that so many women say money is a primary reason for their staying with an abusive partner.

"We know from harsh reality that women who are victims of domestic violence often need economic security to get free from their circumstances," Carrasco said. "How do we make sure that we fund creative programs that strengthen their capacity to be economically independent?"

The Foundation recently made a grant to My Sister's House, a domestic violence shelter in Sacramento that works largely with Asian and Pacific Islander women and their families. The grant supports a "Women At Work" pilot aimed at helping women build their self-confidence so they succeed at job interviews and at the workplace.

In the Workplace

When a victim of domestic violence goes to work, the threats and effects of the abuse do not stay at home. Employee productivity, worker safety and bottom-line costs for health are all affected. The Foundation has a highly regarded employer education program to help managers and coworkers know what to do when an employee is experiencing

30 percent of Americans say they know a woman who has been physically abused by her husband or boyfriend in the past year.

98 domestic violence shelters

A Haven for Battered Women in the Bay Area Grantee Snapshot: Asian Women's Shelter

Three years ago, Gita¹ immigrated from India with her husband and two babies to a community with no other South Asians. Her isolation grew when her husband forbade her to work, call her family or leave home. When he began beating her, Gita, whose English is limited, feared calling the police would mean deportation or separation from her children.

The turning point came when her husband began hitting her children. Gita called the Asian Women's Shelter (AWS) in San Francisco. Advocates helped her leave home with her children and connect with mental health, legal and medical services.

Since 1988, the shelter has provided safe haven and services for women struggling with domestic violence, particularly immigrants, refugees and U.S.-born Asian women and their children. Last year, AWS responded to over 732 crisis calls in 20 different languages.

In 2005 Blue Shield of California Foundation awarded AWS a \$55,000 grant, which is supporting one-to-one counseling for mothers and children, recruiting and training bicultural, bilingual women as on-call advocates, and expansion of a popular esteem enrichment program.

"More than a shelter, AWS is a safe haven addressing cultural, linguistic and economic barriers that many Asian women face, helping rebuild lives free from domestic violence," said Beckie Masaski, the shelter's co-founder and Executive Director.

¹ Not her real name.

domestic violence. This program gives companies the know-how to develop practices that support domestic violence victims and increase workplace safety.

Start Them Young

Blue Shield Against Violence is also in the planning stages for an ambitious, state-wide social marketing campaign targeting young Californians ages 16–25. "This age is critical because it's when serious relationships are formed and patterns are established," said Carrasco, who added that the campaign must make youth integral to the solution – and meet youth where they are: on the Web, through text messaging and at school.

Taking on the Source of Violence

In a departure from traditional funding strategies, we've begun exploring ways that we can educate and work with batterers – both men and women – to think twice before raising their fists. The long-term goals are to change behavior; where possible reunite families that have been torn apart by violence; and prevent violence from recurring in new relationships.

"Domestic violence is tragic because it is so common – whether you live in a gated community in La Jolla or a barrio in East San Jose," said Carrasco. "Our solutions have to be as far-reaching as the problem."



Models depicted for illustrative purposes only



were helped with grants from BSCF in 2005.

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Statements of Financial Position

(Dollars in Thousands)

June 30, 2006

Assets

Cash and Cash Equivalents	\$ 39,640
Investments	11,319
Fixed Assets, Net	235
Other Assets	46
Total Assets	\$ 51,240

Liabilities and Net Assets

Liabilities:

Grants payable	\$ 11,206
Accounts payable	30
Total Liabilities	11,236

Unrestricted Net Assets	40,004
Total Liabilities and Unrestricted Net Assets	\$ 51,240

Statements of Activities and Changes in Net Assets

For the 18 Months Ended June 30, 2006

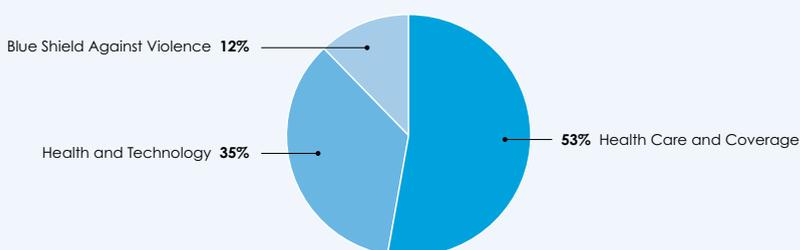
(Dollars in Thousands)

	18-Month Total
Revenue and Support	
Blue Shield of California Contributions	\$ 31,753
Net Investment Income	1,573
Other Income	14
Total Revenue and Support	33,340
Expenses	
Grant Awards	30,958
Program Expenses	2,872
General and Administrative Expenses	2,024
Total Expenses	35,854
Increase (decrease) in Net Assets	\$ (2,514)

Staying lean:
We focus
on keeping
overhead low.

Grant Awards

January 2005–June, 2006



For a list of our grantees, please visit us at blueshieldcafoundation.org

Where We Want to Go.



PROTECTING

PATIENTS

State takes major stride toward expansion of health care coverage

Intimate partner violence among California youth is decreasing, new study finds

California's health coverage expansion reduces the uninsured population to almost zero

National study finds that California has the lowest rate of hospital-acquired infections

February 2007 and Beyond

2008

2009

2010

Care

Improving

Violence Prevention

Shelters and police departments report dramatic drop in domestic violence statewide

Medical errors in California hospitals are reduced dramatically, cutting costs and saving thousands of lives

In a survey, Californians report "high satisfaction" with their health care

The Centers for Disease Control and Prevention find that Californians are living healthier lives, thanks to better health coverage and care



2011

2012

2013

2014

Creative Solutions

QUALITY

CARE

ation

Dedicated

www.blueshieldcafoundation.org

Responsive

An Independent Member of the Blue Shield Association

Blue Shield of California Foundation

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