



CALENDAR YEAR 2014 ANNUAL REPORT TO THE ATTORNEY GENERAL AND COMMISSIONER OF
SECURITIES AND INSURANCE

DATED MAY 15, 2015

Background

In the spring of 2013, Attorney General Tim Fox approved the conversion transaction involving the transfer of purchased assets from Blue Cross Blue Shield (BCBS) of Montana to an out-of-state entity (Health Care Service Corporation of Chicago). The Montana Conversion Statute (Montana Code Ann. 50-4-701 et. seq.) required that the charitable assets of BCBS be distributed to a new or existing foundation to be held in trust and used in continuance of the BCBS mission.

The Montana Healthcare Foundation makes strategic investments to improve the health and well-being of all Montanans. MHCF envisions a measurably healthier State through improving access to quality and affordable health services, evidence-based health education, research and analysis, improving the upstream influences on health and illnesses, and informed public policy. MHCF is committed to upholding this promise to the residents of Montana and being governed by the guiding principle that everyone benefits from better health.

The approach that foundations take to improving health is distinct from the more familiar contributions made by hospitals, clinics, and health departments. Foundations can make grants that allow organizations to plan and try new ideas—innovations that have the potential to improve health outcomes and lead to a stronger and more efficient health system. Foundations also carry out research, convene meetings that bring stakeholders together to develop solutions to important health issues, and provide data and expertise to support policy decisions that promote health.

All Foundation's founding Trustees – Paul Cook, Red Lodge; Judy LaPan, Sydney; Michael Harrington, Missoula; Joanne Pieper, Bozeman; Denis Prager, Clyde Park; William Underriner, Billings, and Mignon Waterman, Helena continued to serve during 2014.

After an extensive national search utilizing the executive search firm Waldon the Trustees hired Aaron Wernham, M.D as the organizations Chief Executive Officer on October 1, 2014. Ted Madden, MBA was hired as Chief Operating Officer in November 2014.

During 2014 organization transitioned from a board directed organization to a professionally staffed one. In December 2014 The Trustees and CEO also orchestrated the first grant in of MHCF of \$1,004,000 to the Montana Department of Health and Human Services to conduct needs assessments and other capacity building initiatives of local health departments across Montana. The following

report summarizes the activities of MHCF for 2014, for a detailed description please refer to the attached strategic plan.

Trustee Meetings and Activities:

The Trustees met monthly during 2014 and established policies and procedures for the foundation, hired executive staff and conducted research and education sessions to establish the strategic direction of the foundation.

Education presentations included:

- *Conflicts of Interest and Self-Dealing*; Laura Hoehn
- *Native American Health in Montana: Challenges and Opportunities*; Kenny Smoker and Duane Jeanotte (Fort Peck Health Promotion/Disease Prevention program)
- *Health and Healthcare Issues in Montana*; Lindsey Krywaruchka (DPHHS)
- *Mental Health Issues in Montana*; Gary Mihelish (Montana Health Trust)
- *Hospital and Health System Issues in Montana*; Dick Brown (MHA)
- *Childhood Obesity*; Barbara Moore (Shape Up America!)
- *Vision, Mission, Goals*; Kristen Holway and Mark Sedway (The Giving Practice)
- *Public Health Issues*; Ellen Leahy, Kate Siegrist, Robin Nielson (Missoula City/ County Health Dept.)
- *Economics of Health and Healthcare in Montana*; Bryce Ward (Bureau of Business & Economic Research, MSU)
- *Aging in Montana*; Kelly Williams (Senior and Long Term Care), Charlie Rehbein (Aging Services), Claudia Clifford (AARP Montana), and Sarah Cobler Leow (MT Budget & Policy Center)

MHCF staff conducted the following analysis during 2014 and early 2015: Extensive review of programming and strategy of comparable U.S. based Health Foundations; National, Montana and local research and literature reviews of health issues; In-depth stakeholder discussions with local and regional partners throughout Montana. These findings were presented to trustees at board meetings and detailed strategic planning sessions.

Trustees formulated and adopted operational and human resources policies and procedures in 2014.

A lease was signed to establish office space at 777 East Main Street, Bozeman, Montana and insurance procured for directors and officers insurance, Workman's Compensation and office equipment and liabilities.

Engagement of Monticello and Associates as Investment Adviser. Selected this Denver firm after an extensive national and regional assessment.

Ongoing discussions with Caring for Montana, Inc (CFM). Quarterly reports and ongoing communications with the board of CFM continued during 2014. Updates on expected disbursements, status of trailing liabilities and other information was shared periodically.

Financial Update:

The Fair Market Value of Investments as of January 1, 2014 was \$31,822,000 and ended 2014 at \$61,870,000. MHCF received an additional contribution of \$20,000,000 from CFM in January 2015 and are expecting an additional \$20,000,000 in October 2015 to bring the holdings by the end of 2015 to approximately \$100,000,000. We will be anticipating additional contributions between 2016 and 2018 as CFM concludes dissolution activities. Please see the attached 990 for additional 2014 activity detail.

Program and Operation Updates:

The board and staff of MHCF established the following infrastructure to accomplish its mission and grants administration operations. MHCF contracted with a Montana company 45 Degrees North to build its website and communication platform. This website can be viewed at www.mthcf.org. In addition we purchased a nationally recognized grants management software from Bozeman based Foundant to provide database and grants administration functions.

The primary programmatic function in 2014 was investigating the health challenges facing Montana. Through this research process we identified many opportunities as well. Agencies, organizations, businesses, and individuals across our state are already bringing an impressive range of skills and expertise to these opportunities. In the course of our investigations over the last year, the Foundation has identified many promising models—examples that, if more broadly implemented, have the potential to strengthen the health system and improve health outcomes. The most promising models share two basic features: they are effective, and they create changes that are financially sustainable. Guided by these principles, the Foundation has developed criteria to guide our approach to addressing the needs we have identified, the health issues we will focus on, and our approach to making grants.

Applying these criteria to what we have learned over the past year, we have selected the following focus areas for grants applicants in 2015.

- **Behavioral Health (Mental Illness and Drug & Alcohol Addiction):** A leading challenge according to virtually every source we have encountered, this is an area on which we focus considerable effort in 2015 and beyond. Specifically, we will seek to catalyze long-term improvements through encouraging partnerships and innovative use of existing resources, as well as through identifying longer-term opportunities for systems-level change.
- **American Indian Health Disparities:** The health statistics reviewed above paint a disturbing picture of the challenges confronting American Indians in Montana. These health problems are deeply rooted, and MHCF views this work as a long-term commitment. In 2015, MHCF will focus efforts on working in partnership with American Indian communities and organizations to develop both short- and longer-term strategies to address these health disparities.
- **Partnerships for Better Health:** This focus reflects the common challenges in many areas we investigated. Many of the issues discussed in the preceding pages—such as aging, health workforce shortages, the funding of local public health activities, management of chronic

illnesses, access to oral health services, and dual diagnosis (behavioral health problems and chronic disease)—would benefit from: better coordination among the organizations serving patients in a given community; the implementation of evidence-based approaches such as care coordination; and more emphasis on upstream approaches to disease prevention. Rather than focusing on a specific illness or population group, this area emphasizes new and innovative partnerships to improve outcomes and use existing resources more efficiently.

- **Grant Seeker Assistance Program:** Given that our own resources are limited compared with the needs in Montana, one of our strategies to maximize our impact will be to bring new resources to bear on the health challenges facing our state. To do this, we will assist Montana-based organizations in applying for grants available through other foundations and government programs. We will develop this aspect of our programming over the next several months.

This reports highlights the activities of 2014 reflects the priorities as we enter our first complete year of programming in 2015. Please see the attached Strategic Plan for detail in our focus areas and their formulation.

Board of Trustees

Paul R. Cook, MD

Michael V. Harrington

Judith LaPan

Joanne M. Pieper

Denis J. Prager (Chair)

William P. Underriner

Mignon R. Waterman

MHCF Staff

Aaron Wernham, MD Chief Executive Officer

Ted Madden, MBA Chief Operating Officer

Melinda Buchheit, Administrative Assistant

May 15, 2014

Attachments

2014 990PF Tax Return

Montana Healthcare Foundation Strategic Plan