The Heart of What We Do
Helping Patients is the Heart of What We Do

Samuel’s father walked into one of our blood centers to donate blood in the summer of 2013. Even as Timothy rolled up his sleeve, his 3-year-old son was in a nearby hospital, receiving a blood transfusion. Feeling helpless, Timothy decided to help someone else by replenishing the blood supply.

Samuel was fighting E-coli infection which had developed into a serious condition called hemolytic uremic syndrome (HUS). HUS can lead to severe anemia and kidney failure. Samuel was in the hospital for nine days and received five transfusions of O-negative blood. Each transfusion would transform him from pale and lethargic back to his active 3-year-old self.

Timothy and Bethany credit blood donors for saving their son’s life. Today, he is a bundle of energy and doing well.

“In a time when we felt so helpless, we knew each transfusion brought him closer to coming home.”

– Timothy Sobraske
A Message from Blood Systems’ Chairman & CEO

Healthcare earned a slot on almost every U.S. news organization’s list of top 10 stories in 2013. It was, of course on our list, too, as the Affordable Care Act’s influence on transfusion recipient care and impact on our customers’ financial situations carry important implications for Blood Systems.

There’s good news for patient care. With the legislation’s emphasis on lower costs and better outcomes, hospitals are adopting patient blood management programs to assure appropriate blood use and limit unnecessary transfusions. As a result, red cell transfusions in the U.S. continue to decline by approximately 6 percent a year. The trend began in 2010 and all indications are that it will continue for at least the next 2-3 years.

Blood service providers have had to adjust, taking some of the same actions we did in 2013: improve efficiency, closely manage costs, affiliate, collaborate and, above all, continue to focus on providing excellent service to patients, hospital partners and blood donors.

As one of the nation’s largest blood providers, Blood Systems is well-positioned to succeed in this environment. We have diverse business units (blood service, biologicals distribution, high-volume donor testing and research). We have purchasing power and financial strength, a dispersed geography, long-standing connections with hospitals and communities, and a depth and breadth of expertise and commitment on the part of our staff that we, as leaders, believe is unparalleled. We have a tradition of innovation going back to our earliest days in 1943. We demonstrated it again in 2013 when we joined four of the nation’s other blood service leaders to establish HemeXcel, a purchasing alliance that will give us greater control of our supply costs.

Our organization was honored this year with a rare invitation to join the prestigious international Alliance of Blood Operators; all other members are national organizations or government-sponsored blood providers.

Blood Systems continued to grow in 2013, signing letters of intent to affiliate with Bonfils Blood Center, Denver, Colo., and LifeStream, San Bernardino, Calif.

Counterbalancing the heavy agenda of business-related challenges, we remain focused on our commitment to patients, donors and all who rely on us. It is our mission that guides us, always. As we look back on this challenging year, we are profoundly grateful to do work that matters to patients and those who love and care for them.

Armando B. Flores
Chairman

J. Daniel Connor
President & CEO

“...the Affordable Care Act’s influence on transfusion recipient care and impact on our customers’ financial situations carry important implications for Blood Systems.”
Blood Centers Division

As patient blood management programs continue to reduce demand for blood products, the blood industry is experiencing consolidation. The Blood Centers Division continues to focus on providing exemplary service to donors and patients even as we work to operate more efficiently and grow our customer base. In 2013, we gained additional customers in Arizona, Tennessee and Texas.

Our focus on cost reduction aligns with the cost pressures on the hospitals we serve. The division benefited from systemwide steps to reduce operational redundancies and the introduction of software and programs designed to accelerate and enhance leadership skills and business knowledge within the organization. In our donor centers, we completed the full rollout of an online self-interview process and 35 percent of all blood donors were using the online system by year’s end. In support of hospitals’ focus on the triple aim goals of cost, quality and community health under the Affordable Care Act, we provided training and methodologies in blood utilization and safety to hospital customers. Nearly 50 staff from 39 hospitals completed our Transfusion Safety Officer training program and we performed 99 quality consulting engagements for customers.

One of our California centers made the transition to our new enterprise-wide blood establishment computer system, with the rest of our system to follow in 2014 and early 2015. The new system gives us additional flexibility as we develop strategies to operate more effectively.

Division Highlights

- Welcomed additional customers in Arizona, Tennessee and Texas
- Signed letters of intent to affiliate with Bonfils Blood Center and LifeStream
- Net Red Blood Cell collections: 924,695
- Began screening for selected antigens on all red cells to improve the supply and delivery time for patients who require antigen-negative red cells
- Doubled the number of HLA-typed platelet donors; implemented new software to improve HLA-matched donor searches
- Reduced FDA inspection observations to seven across dozens of locations in 2013, down from 19 in 2012
**BioCARE**

*As a specialty biologics distributor* for lifesaving plasma-derived therapies, BioCARE is the consignment leader for hemophilia products in the hospital market. With superior responsiveness and customer service, BioCARE is viewed as the “high touch people” and distinguishes itself from the rest of the industry with numerous distribution locations and its strong field sales presence. With hospitals searching for cost-containment opportunities, BioCARE’s success is due in large part to its consignment model that shifts inventory carrying costs out of the hospital pharmacy.

In 2013, BioCARE accomplished several goals from the 2011-2013 strategic plan. CanyonCARE Rx opened in May, which contributed strong revenue additions to BioCARE’s financial strength. CanyonCARE Rx is a full-service pharmacy specializing in hemophilia, von Willebrand disease and other bleeding disorders. BioCARE also secured four new non-acute group purchasing organization (GPO) contracts and increased sales to hospitals.

Looking forward, BioCARE plans to expand hospital business by winning new GPO contract awards, expanding the portfolio of products, and growing the CanyonCARE Rx pharmacy contracts.

**Division Highlights**

- Opened specialty pharmacy CanyonCARE Rx in May 2013, which contributed $3.5 million in revenue and $157,300 in net revenue
- Added four new non-acute GPO contracts (Armada, Relia-source, Axim and COPA)
- Increased non-acute IVIG sales from 14,800 units in 2012 to more than 165,000 in 2013
- Maintained a strategy of protecting its hospital customer base and increased hospital sales from $136 million to $139 million
- Net margin of $4.1 million exceeded goal of $3.7 million

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**96 Transfusions in Two Years**

*For Wanda, sickle cell disease has been a challenge throughout her life. At age 7, her appendix ruptured and she received her first blood transfusion during emergency surgery. More blood was needed after childbirth, several surgeries and to recover from blood clots in her lungs. In fact, she received 96 red blood cell transfusions over the course of two years.*

“After the transfusions, I felt as if I had been given a new lease on life,” Wanda says. “The palms of my hands were red at last.”

Wanda’s husband, Eugene, does his part by donating blood.

“When you donate, you strengthen families and keep patients’ hopes and dreams alive.”
Creative Testing Solutions

As the blood donor testing organization of choice for independent blood centers in the U.S., CTS tested approximately 5 million individual donor samples in 2013, at five high-volume laboratories in Chicago, Dallas, Phoenix, Seattle and Tampa.

In 2013, CTS annual volume increased by 13.8 percent primarily due to the integration of the CTS Chicago laboratory (previously owned by ITxM) and the signing of a management agreement with the Puget Sound Blood Center. Additionally, two new blood center partners were added with a combined annual testing volume of approximately 100,000.

Operationally, the six viral marker assay conversion at the Dallas, Phoenix and Tampa laboratories in July was achieved with minimal disruption and substantial cost savings to our healthcare partners. Another significant operational change was the laboratory information system conversion of CTS Chicago in November 2013.

Finally, The CTS Research Consortium was established in 2013 to further CTS’s leadership in infectious disease research. This collaboration between Blood Systems Research Institute, Carter BloodCare, OneBlood, ITxM, New York Blood Center and Puget Sound Blood Center will provide a wealth of data for the development of future hypothesis-based research studies to be funded by private foundations and governmental agencies.

Division Highlights

- Maintained impeccable AABB, EU and FDA compliance record
- Implemented high-volume licensed Rh and Kell testing
- Implemented ferritin testing
- Completed a dengue clinical trial
- Continued test development for Babesia microti
- Received exceptional rating on annual client survey
- Named second runner up for best laboratory of the year in MLO magazine

Siblings Give Blood in Honor of Their Brother

In June of 2012, instead of a birthday party to celebrate her 23rd birthday, Hilary Tucker and her sister Hannah and brothers Freeman and Ford went to a United Blood Services blood drive for a blood donation party. They talked later about when they would next give blood after the 8-week waiting period.

Before those eight weeks were up, on August 14, Ford died instantly in a car accident that also took the lives of the three passengers in the other vehicle.

“That day, his blood donor card came in the mail, reminding us that, although he died so young, he had given life before his was taken,” shares Hilary.

A friend, Daniel, who was the driver of the car, sustained a shattered femur and burns over 30 percent of his body. Over the course of the next few weeks, Daniel required several blood transfusions. While they knew their friend probably wasn’t getting the blood they donated, the siblings understood there are others in similar circumstances who need blood.

“The accident made us realize that blood is needed every day and, as a result, we (and our other siblings who are able) are committed blood donors and give blood as often as we can,” says Freeman.

“For me, giving blood is one way I can acknowledge my grief and bless others at the same time,” says Hannah.

“I’m a committed donor, giving as often as I can and sharing my story. I am thankful for this way of sharing life with others,” says Hilary.
Blood Systems Research Institute

**Blood Systems Research Institute** continued to advance its mission to improve transfusion quality and outcomes worldwide.

BSRI continues its prominent work in the Recipient Epidemiology and Donor Evaluation Study III (REDS-III) initiative, leading large collaborative research programs in the U.S., Brazil and South Africa. REDS-III research includes pulmonary edema after transfusion, transfusion-related lung injury (TRALI), alloimmunization and other immunological effects of transfusion. Additional research will focus on prevention of HIV and dengue virus, obstetric hemorrhage and sickle cell disease.

After being voted one of the top 10 places to work in U.S. academia by *The Scientist* magazine readers in 2012, BSRI rose from number 8 to number 2 in the 2013 ranking of institutions.

**Division Highlights**

- Published 81 manuscripts in peer-reviewed journals
- Led extensive research on 62 different programs funded by the NIH, the U.S. Department of Defense, the Gates Foundation, and private industry such as Novartis and Shimadzu
- Epidemiology group achieved recognition for studies on *T. cruzi* (the parasite that causes Chagas’ disease) and the 10-year prevalence of human T-lymphotropic virus (HTLV) in blood donors
- Virus Discovery program published influential articles outlining how to sequence the human virome
- Initiated a cell therapeutics program for future clinical use as therapies become FDA-approved
- Collaborated with CTS and a number of the nation’s leading independent blood centers to form The CTS Research Consortium

“*For me, giving blood is one way I can acknowledge my grief and bless others at the same time.*”

— Hannah Tucker
Donor Center Locations

Arizona
- Chandler
- Flagstaff
- Glendale
- Goodyear
- Mesa
- Phoenix
- Scottsdale

California
- Fairfield*
- Millbrae*
- Napa*
- Redding*
- San Francisco*
- San Luis Obispo
- Santa Barbara
- Santa Maria
- Ventura

Idaho
- Coeur d’Alene‡
- Lewiston‡

Louisiana
- Baton Rouge
- Lafayette
- Morgan City

Mississippi
- Hattiesburg
- Meridian
- Tupelo

Montana
- Billings
- Butte

Nevada
- Carson City
- Henderson
- Las Vegas
- Reno
- Sparks

New Mexico
- Albuquerque
- Farmington
- Las Cruces
- Rio Rancho
- Santa Fe

North Dakota
- Bismarck
- Fargo
- Minot

South Dakota
- Aberdeen
- Mitchell
- Rapid City

Texas
- El Paso
- Harlingen
- Lubbock
- McAllen
- Midland
- San Angelo

Washington
- Moses Lake‡
- Spokane‡

Wyoming
- Casper
- Cheyenne

* Blood Centers of the Pacific
† Inland Northwest Blood Center

Italics indicate main regional centers

Map Key
- © Research Locations
- © CTS Laboratories
- © BioCARE Distributors (not all products stored at all locations)
- © Depots (blood distribution only)
- © Regional Blood Centers
- © Blood Centers of the Pacific
- © Inland Northwest Blood Center
- © United Blood Services
About Blood Systems

As one of the nation’s oldest and largest blood service providers, Blood Systems’ strength, size, scope, reputation and experience position us for success as the future of healthcare continues to unfold.

Hospitals and healthcare systems count on us for exemplary responsiveness and transfusion management expertise across a varied geographic footprint. We offer a comprehensive package of tools and a unique partnership approach to help hospitals implement evidence-based strategies that improve patient safety and outcomes, reduce costs and demonstrate quality conformance.

Much like hospitals, the nation’s blood centers are considering consolidation, cooperation, affiliation and other unique ways of working together to fulfill their missions. Affiliation with Blood Systems offers regulatory compliance excellence, world-class quality support, reliable donor testing, effective risk management, valuable shared services and economies of scale across multiple regions.

Blood Systems’ success is driven by our people, who are adept at anticipating challenges and opportunities, developing solutions and delivering results. Recognized as an outstanding employer, Blood Systems attracts highly skilled and dedicated professionals who want to develop their careers in a mission-driven culture of accountability and opportunity.


Blood Systems Organization
Leadership 2013

Armando B. Flores
Chairman

Mr. Flores is the Director of Baseball Administration and Community Affairs at Arizona State University. Prior to joining ASU, he was an executive with Arizona Public Service for 16 years. Specializing in human resources and corporate management, he first brought his skills and experience to the Blood Systems Board of Trustees in 2005 and began serving as Chairman in 2012. His civic involvement has included work with Valley of the Sun United Way, the Boy Scouts and Phoenix Fire Department, among many others.

J. Daniel Connor
President & CEO

Mr. Connor has served as President and Chief Executive Officer of Blood Systems for the past 18 years. His prior executive experience was with American Red Cross Blood Services in Los Angeles and LifeSource of Chicago. A CPA, he began his blood banking career in 1973 as administrator of North Suburban Blood Center, also in Chicago. He is a past president of AABB (formerly the American Association of Blood Banks) and serves on the National Blood Foundation Board of Directors.

EXECUTIVE OFFICERS

J. Daniel Connor  
President and  
Chief Executive Officer

Patrick M. McEvoy  
President  
Blood Centers Division

Sally Caglioti  
President  
Creative Testing Solutions

Susan L. Barnes  
Executive Vice President  
Chief Financial Officer

Mary Beth Bassett  
Executive Vice President  
Chief Quality Officer

Patrick Holt  
Executive Vice President  
Business Services

Scott M. Nelson  
Executive Vice President  
General Counsel

Peter Tomasulo, M.D.  
Executive Vice President  
Chief Medical and  
Scientific Officer

BOARD OF TRUSTEES

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Sports Executive  
Phoenix, AZ

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Oncologist  
Las Vegas, NV

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Healthcare Executive (ret.)  
Raleigh, NC

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Laclede, ID

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Internist  
Spokane, WA

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Attorney  
Phoenix, AZ

Scott M. Nelson  
Corporate Counsel  
Phoenix, AZ

Peter Tomasulo, M.D.  
Executive Vice President  
Chief Medical and  
Scientific Officer

F. Leonard Johnson, M.D.  
Pediatic Hematologist/  
Oncologist (ret.)  
La Jolla, CA

John S. Lewis  
Consultant  
Phoenix, AZ

Pierre Noel, M.D.  
Hematologist  
Phoenix, AZ

Kathleen Pushor  
Executive  
Phoenix, AZ

Mark T. Schieble  
Attorney  
San Francisco, CA

Steven L. Seiler  
Healthcare Consultant  
Phoenix, AZ

Paul E. Stander, M.D., M.B.A.  
Internist  
Phoenix, AZ

Ron W. Waeckerlin, M.D.  
Pathologist  
Cheyenne, WY

Gary K. Wilde  
Healthcare Executive  
Ventura, CA
## 3-Year Financial Summary for Blood Systems and Affiliates

($ in thousands)

### Results of Operations

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blood component service fees</td>
<td>$323,273</td>
<td>$357,809</td>
<td>$368,976</td>
</tr>
<tr>
<td>Laboratory testing services</td>
<td>208,407</td>
<td>195,465</td>
<td>179,904</td>
</tr>
<tr>
<td>Sale of pharmaceutical products</td>
<td>174,091</td>
<td>156,558</td>
<td>152,893</td>
</tr>
<tr>
<td>Other services and income</td>
<td>37,256</td>
<td>25,553</td>
<td>21,073</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td><strong>$743,027</strong></td>
<td><strong>$735,385</strong></td>
<td><strong>$722,846</strong></td>
</tr>
<tr>
<td>Salaries, wages and benefits</td>
<td>250,335</td>
<td>246,084</td>
<td>244,986</td>
</tr>
<tr>
<td>Blood collection, testing supplies</td>
<td>218,246</td>
<td>207,328</td>
<td>193,899</td>
</tr>
<tr>
<td>Purchase of pharmaceutical products</td>
<td>162,713</td>
<td>146,128</td>
<td>142,602</td>
</tr>
<tr>
<td>Other costs and expenses</td>
<td>122,663</td>
<td>119,405</td>
<td>118,656</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>$753,957</strong></td>
<td><strong>$718,945</strong></td>
<td><strong>$700,143</strong></td>
</tr>
<tr>
<td>Net Income from Operations</td>
<td>(10,930)</td>
<td>16,440</td>
<td>22,703</td>
</tr>
</tbody>
</table>

### Financial Position

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and short-term investments</td>
<td>$204,813</td>
<td>$196,760</td>
<td>$177,929</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>104,321</td>
<td>90,442</td>
<td>93,762</td>
</tr>
<tr>
<td>Inventories</td>
<td>54,449</td>
<td>45,716</td>
<td>42,720</td>
</tr>
<tr>
<td>Other current assets</td>
<td>5,640</td>
<td>5,788</td>
<td>4,891</td>
</tr>
<tr>
<td>Long-term investments and restricted assets</td>
<td>46,284</td>
<td>38,897</td>
<td>29,584</td>
</tr>
<tr>
<td>Property and equipment (net of depreciation)</td>
<td>114,758</td>
<td>109,144</td>
<td>110,100</td>
</tr>
<tr>
<td>Deposits and deferred financing costs</td>
<td>21,061</td>
<td>14,533</td>
<td>13,167</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$551,326</strong></td>
<td><strong>$501,280</strong></td>
<td><strong>$472,153</strong></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>37,418</td>
<td>43,151</td>
<td>44,324</td>
</tr>
<tr>
<td>Accrued salaries and vacations</td>
<td>22,069</td>
<td>26,226</td>
<td>24,207</td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>25,911</td>
<td>3,967</td>
<td>3,888</td>
</tr>
<tr>
<td>Accrued pension and health benefits</td>
<td>23,437</td>
<td>65,259</td>
<td>70,077</td>
</tr>
<tr>
<td>Self-insurance reserve</td>
<td>6,951</td>
<td>7,142</td>
<td>7,390</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>55,898</td>
<td>41,188</td>
<td>44,959</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>$171,684</strong></td>
<td><strong>$186,933</strong></td>
<td><strong>$194,845</strong></td>
</tr>
<tr>
<td>Net Assets</td>
<td><strong>$379,642</strong></td>
<td><strong>$314,347</strong></td>
<td><strong>$277,308</strong></td>
</tr>
<tr>
<td><strong>Total Liabilities and Net Assets</strong></td>
<td><strong>$551,326</strong></td>
<td><strong>$501,280</strong></td>
<td><strong>$472,153</strong></td>
</tr>
</tbody>
</table>

Financial results include Blood Systems and affiliates. Blood Systems is a 501 (c)(3) nonprofit, tax-exempt, charitable organization. The financial statements of Blood Systems and its affiliates have been audited by Grant Thornton LLP.

### BCD: Red Cells Collected 2009-2013

(in thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>BCD</td>
<td>3000</td>
<td>3000</td>
<td>3000</td>
<td>3000</td>
<td>3000</td>
</tr>
</tbody>
</table>

### CTS: Donor Panels Tested 2009-2013

(in millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
</table>