



INTER OFFICE MEMO

TO: ALL EMPLOYEES
FROM: W. E. FLAHERTY *W.E.F.*
SUBJECT: ORGANIZATION CHANGES

DATE 3-14-85

In order to meet the needs of a rapidly changing market, we have had to set plans that require major changes to occur simultaneously in many parts of the company. We have not been able to make those changes consistent with the plans and goals we set for ourselves to compete in these markets. Therefore, over the past several months, Executive Staff, consulting with other members of management, undertook an organizational self audit to help identify, define and resolve issues that were hindering the achievement of key results. Many groups have been involved in this process and many hours have been spent on developing recommendations to improve organizational effectiveness. We appreciate those efforts! It is important to recognize that any organization includes talented and dedicated people who are pursuing common goals to support the success of both the human and business organizations. Therefore, the insight of our people was desperately needed if we were going to define needed improvements. We believe the results of the self audit, which is a combination of the organization's input, will greatly enhance our position in the marketplace.

In order to compete effectively in the Florida health insurance and health care markets, we must continue to revise our operations to meet and to take advantage of external opportunities by improving our organizational effectiveness. We face intense challenges in every market segment. Our goal is to make available in our markets the products and services that customers require, and at the most competitive price. Every aspect of our business environment is undergoing change. The HMO and PPO networks are expanding rapidly. In order to meet these changes, the internal organization must adapt to insure the effectiveness of those changes.

A major outcome of the self-audit was the development of the following objective for organizational effectiveness:

- OBJECTIVE: To meet 1985 goals and to position the organization for future goals and changes, it must:
1. Agree on a common set of high-priority improvement needs (identified in the organization audit);
 2. Formulate solutions to needs and problems; and
 3. Plan and organize the implementation of solutions to the needs and problems identified.

It has also been determined that in addition to Executive Staff's other responsibilities, it must focus a major portion of its time on strategic management and strategic planning in order to insure that objectives for major initiatives are feasible. Therefore, Executive Staff will put increased emphasis on the following areas:

1. Strategic management and strategic planning;
2. Coaching and leadership on critical issues, especially on those involving multi-divisional efforts; and
3. Strengthening relationships between individuals and groups to improve coordination and delegation.

Increased emphasis in these areas was a key criteria in reviewing organizational structure alternatives.

Improvement needs will continue to be addressed as identified in the organization audit, and additional changes may be needed at a later date. However, in order to begin improving organizational effectiveness, the following positions, reporting to the president, will be effective immediately (organization chart attached).

As our overall corporate strategy has matured and market conditions have changed, the reliance on HMOs as an essential part of our strategy continues to grow. In order to allow for the possibility of further acceleration in the growth of HMOs, Harvey Matoren has been appointed Senior Vice President, Health Maintenance Organizations.

In an effort to improve the need for a better understanding of the health care delivery system and its markets, Health Industry Services and Marketing are being combined under the leadership of Mike Cascone, who has been appointed Executive Vice President. Charles Richards, Senior Vice President, HIS, and Bob Cunningham, Acting Senior Vice President, Marketing, will report directly to Mike Cascone. The organization's strength is in the knowledge, experience and skills of a large number of professional and management people, and in order to adapt to external changes, it will require significant teamwork within and between these major units in order to take advantage of all opportunities for success in the marketplace.

We must increase strategic management emphasis in the operational areas because the need for new products and programs in the marketplace will continue. The Customer Service Task Force has made considerable progress in improving customer service as well as those involved in the reorganization and improvement of the Claims Division. However, changes in our markets will continue to occur, and we must respond to those changes, while at the same time, making significant improvements to service our customers. To give strategic management emphasis to these areas, Tony Favino has been appointed to the position of Senior Vice President, Operations, and will have the responsibility for both Private and Government Business Operations. George Brown, Senior Vice President, Private Business Operations, will now report to Tony Favino in addition to Tony's previous direct reports.

Jim Galasso, Senior Vice President, Finance and Actuarial, will assume the additional responsibility of Product Planning. Critical to the success of Marketing and Actuarial/Underwriting activities is the timely development of products. Therefore, this move is intended to facilitate the necessary coordination for bringing products to market more rapidly and more effectively.

As announced previously, Jim Hart, Senior Vice President, Public Affairs, will have responsibility for Corporate Communications & Advertising, Legal Affairs, and Government Relations.

Bill Dodd, Senior Vice President, Administration, will continue in his current assignment, but with increased emphasis on assisting Systems management to achieve major corporate development and strategies. As our work continues to further develop our strategies and to focus on strategic aspects of major changes and new initiatives, it is clear that there will be a need for a matching strategy from Systems to not only support major corporate development, but to also achieve the high level of effectiveness that is needed to deal with all user requirements.

As strategy development continues, it is clear that the demands on many of these positions, with increased emphasis on strategic management, will result in additional positions at the top management level. Currently, we are actively recruiting for a Chief Marketing Executive. As business requirements demand, other senior management positions may be necessary in order to give strategic management direction to critical areas of the business.

Over the next few weeks, Executive Staff will continue to work on defining responsibilities and membership of our various management committees. Clearly, Executive Staff will greatly increase its emphasis on addressing strategic management issues. The procedures to accomplish this, however, have not been finalized, but the results will ultimately change the role of other management committees.

These changes are based on the conclusion that there are no simple structure or process solutions. We operate in an extremely complex business environment that requires a complex multi-purpose organization. We feel that these immediate changes reflect a positive step in our continuing effort to adjust to market demands, which, at some point, may include Strategic Business Units.

The overall results of this effort are to highlight the clear need for increased attention by Executive Staff in the areas of strategic management, coaching and leadership and effective working relationships among individuals and groups. We will continue to strive for organization improvements in order to increase our overall management effectiveness.

On behalf of Executive Staff, we thank you for your support and cooperation during this effort, and we look forward to your continued support and cooperation, which is critical to the ultimate success of this organization.

Effective 3/14/85

