



Blue Cross  
Blue Shield  
of Florida

# INTER OFFICE MEMO

TO: All Employees

AT:

DATE June 10, 1985

FROM: William E. Flaherty

AT:

SUBJECT: ORGANIZATION STRUCTURE AND EFFECTIVENESS

As we continue to address organizational effectiveness issues within the context of our rapidly changing environment, we are striving to match the needs of our organization with the capabilities of our people. A large number of strategic issues have been identified which must be addressed in order for us to win in the market place. Winning against our competition requires both success with our diversification activities and a timely response to the revolution taking place in our markets.

While there has been significant progress, additional attention is needed in the following financial areas:

- (1) Potential legislation to levy new federal and state taxes on our organization;
- (2) Corporate-wide coordination of efforts directed to measuring and controlling the cost of health care claims;
- (3) Diversification through subsidiaries and reliance on a more decentralized management approach for timely decision-making;
- (4) An increased reliance on strategic management and planning, which, in turn, require formal five-year plans, forecasts and performance commitments, supported by new accounting and other reporting systems;
- (5) Implementation of a new cost accounting system to support product line, program or strategic business unit management; and
- (6) Implementation of a large number of operational improvements in the financial units which have been delayed due to other priorities.

Work to date on our strategic planning indicates the need to integrate Finance's activities with the programs and practices used to pay providers and to manage more fully the health care costs of our customers. Fortunately, we have a member of our management team who has the much-needed education and experience. Effective June 10, 1985, Charlie Richards is being appointed to the position of Vice President, Finance, reporting directly to Jim Galasso, Senior Vice President, Finance and Product Planning. Charlie spent eight years in public accounting with Coopers & Lybrand. He also has an extensive background in health care financing. His previous Blue Cross and Blue Shield experience was with the Massachusetts and Delaware Plans. His work in Massachusetts included four years of service as Manager of Internal Audit, five years as Manager of Provider Contracts and Reimbursements Division, and as Director, Health Care Services. In those positions,

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he developed, negotiated and administered contracts with hospitals. He also directed health care planning, utilization review and hospital contract development for the plan. At the Delaware Plan, he directed all aspects of Health Care Services.

Charlie will continue to function as a member of Executive Staff and to participate with corporate management in the corporate strategy development and program design for Hospital Reimbursement. Sam Glenn, Director of Corporate Accounting, and John Slattery, Director of Treasury Operations and Financial Planning, will now report to Charlie Richards.

Senior management continues to review and develop corporate strategy for the purchasing of hospital services. The effort has been broken down into four phases for the work products, which are: (1) the formulation of over-arching corporate strategy; (2) program design; (3) program implementation; and (4) program operation and maintenance. At this time, corporate management is in the strategy development stage, and as we progress through development, the organizational structure for Health Industry Services will be reviewed. However, coordinating the servicing of hospitals and physicians with the contracting and purchasing issues is paramount. Therefore, as an interim measure, the directors of Professional and Provider Relations, and George Lewis, will now report to Alton Fisher, Vice President, Cost Containment.

Alton Fisher, along with the other division heads of Health Industry Services, will report directly to Mike Cascone, Executive Vice President. Those reporting relationships include: Dick Dever, M.D., Vice President, Medical Affairs; Jim Hulsey, Vice President, Preferred Provider Organizations; Mike Jenkin, M.D., Vice President, Health Industry Systems; and Charles Scott, Director, Provider Automated Services.

Please join me in supporting all of these individuals in meeting their important responsibilities.

-- William E. Flaherty

WEF/jr