



OFFICE MEMO

TO:

DATE 11/28/88

FROM: William E. Flaherty AT:

SUBJECT: ORGANIZATION ANNOUNCEMENT

I am pleased to announce the appointment of Ken Otis as Executive Vice President, Marketing and Health Care Services. In this capacity, he will continue his responsibility for Marketing and HMOs, but with the additional responsibility for Health Industry Services.

Tom Albright, who previously was Senior Vice President of HIS, has agreed to assume the responsibility of SVP and Chief Marketing Executive. This change in Tom's role will take place after a transition period of several months. During that time, Ken and Tom will collaborate on the development of strong local operations in support of the metropolitan manager environment; i.e., further integration of the HMO, PPO and managed care activities. In addition, various cost containment initiatives will continue to be modified to support further all corporate product offerings. These initiatives include: Purchasing of Hospital Services (new hospital contract); Purchasing of Physician Services (new physician contracts); and Utilization Benefit Management programs.

Customer, competitor and marketing information continue to indicate a fundamental shift in the market. The shift increases expectation that HMO, PPO and other programs will be treated as components of an overall product line offered by a single corporation and administered in a highly integrated and coordinated manner. Therefore, as we continue to develop our strategies, plans and programs, it is apparent that we must view HMO, PPO and traditional health insurance as separate products, with unique characteristics -- yet, at the same time, view them as part of a single product line.

In addition, we must recognize the fine contributions being made by large numbers of our organization in this effort to respond to a changing marketplace. Outstanding teamwork is exhibited virtually every day by persons active in these operations. While progress has been made toward integration and coordination of our products and operations, these organization changes are intended to further support a combined effort, both at the strategic planning level and at the daily operating level. As plans for 1989 continue, and work on the transition is completed, further announcements of organization changes will be made.

-- W. E. Flaherty

WEF/jr

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