

# Health Business 2002 - 2006 Marketing Strategy

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# Assumptions

*"We are what we are because we have first imagined it."*



## Assumptions

1. BCBSF will have adequate capital to meet the essential needs over the next five years. However, capital resources will be increasingly constrained as we seek to address our administrative cost issues requiring effective prioritization of work and more efficient execution of our business strategies.
2. Hyper inflation of medical and pharmaceutical costs in the double-digit range will continue for the next 3 to 4 years.
3. The profit potential from health business in the Florida market will be no more than 3% to 4%.
4. The BCBS brand will continue to be strong and our ability to extend the brand will increase. Consumers will continue to gravitate to strong, well known brands.
5. While erosion is occurring, and will continue, Exclusive Service Areas will be retained through 2006 by the BCBS Association and the system of Plans.
6. BCBSF will enter into formal business alliances over the next four years in order to improve our ability to compete.
7. The Florida market is very dynamic and continually evolving. Opportunities for growth will occur as changes in the marketplace continue to accelerate.
8. Florida is a very diverse market. Diversity in the Florida market will continue to increase, particularly as shifts occur in the age and ethnicity components of the population. This diversity in the market will offer opportunities for segmenting and targeting for additional growth.
9. Our provider/physician networks will become more tenuous and unstable. Price points for our providers/physicians, and customers, are increasingly becoming an issue. Providers and physicians will become more willing to move from participating to non-participating arrangements. As this happens, our level of discounts with providers/physicians will continue to shrink, narrowing the gap with our competitors and lessening our competitive advantage.
10. Provider facilities will be financially stable and viable for the foreseeable future.
11. The movement to consumerism will continue to evolve. Consumers will have greater choice in how they purchase healthcare products and services.
12. The Health Business migration plan will describe the essential capabilities and priorities necessary to meet our business requirements over the next few years and will guide the application of resources.
13. The Product Line Plan will serve as the driver for decision making around the Health Business product portfolio strategy, development, and execution, to achieve total strategic business goals.
14. Our commercial group health business in Florida will continue to be predominantly on a single carrier basis through 2006 and BCBSF accounts will continue to be BCBSF exclusive.
15. Commercial health business will be on the Empower platform by January 1, 2006. The Product Line Plan will guide the incremental transition of business to Empower.
16. The State Account will likely come up for bid in late 2002 with a contract effective date of 01/01/04.
17. We will continue to be in a highly regulated environment that introduces a great deal of uncertainty and that requires specific attention to public policy efforts.



## Strategic Conclusions



## Strategic Conclusions

1. The marketplace is changing faster than previously anticipated. Healthcare is becoming more and more market driven. Consumers will control an increasing share of the health business dollars as consumerism continues to evolve. Their choices and actions will drive the changes that occur.
  - The changes that are occurring present us with a unique and exciting opportunity. To take advantage of this opportunity, we too must change and we must broaden our value proposition.
  - Traditional strategies for going to market are becoming insufficient. To be successful, we must develop integrated multi-channel sales and marketing capabilities that leverage changes in technology and customer/consumer buying behavior.
  - We must improve our capabilities in market research, segmentation, targeting and positioning to keep pace with the changing market. We must identify and capitalize on those components of our value proposition that are superior to the competition and of greatest importance to our targeted customers.
  - New competitors are emerging with new value propositions, defined contribution is gaining momentum and hybrid products are emerging. We must understand what capabilities, products and services new and existing competitors are bringing to the table that are gaining market acceptance and we must act quickly to address the customer/consumer needs.
  - We must identify and monitor the leading indicators of change and act on the opportunities presented for product and services development.
2. In the near term, as the market evolves, the group sponsored model will continue to be the primary method through which people access healthcare coverage. It will be essential that we integrate the strategies of the individual market and the group market to optimize our business potential as the shift to consumerism takes place.



## Strategic Conclusions

3. In a rapidly evolving marketplace, as we transition to our new business model our Brand promise will continue to be our primary basis of competition to attract and retain customers.
  - To maintain the strength of the brand and capitalize on it we must execute on initiatives that close perceived gaps in our product and service offerings and improve our ability to serve our membership.
  - We must continue to take care of our current customers as we make the transition to the new business model.
4. To realize BCBSF's vision of continuing as an independent BCBS Plan we must maintain our Risk Based Capital (RBC) position at the targeted levels to be able to continue to take advantage of the Brand and to be able to invest in capabilities for the future to ensure our long term viability.
  - We must realize financial benefits from the significant capability investments we have made and will make.
  - We must enhance our ability to manage profitable growth in a manner that achieves both financial and customer service goals.
  - We must enter new markets and segments to actualize our growth and profitability goals.
  - We must dramatically reduce our administrative expenses if we are to be successful in high priority segments.
  - We must realize significant sources of non-risk profit over the next three years if BCBSF is to remain a viable independent BCBS Plan.

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## Strategic Conclusions

5. We are a Florida focused business in an increasingly national and global marketplace. We must quickly leverage current and future capabilities to meet the needs of broader markets and multi-state accounts.
  - Florida itself is an international market. We must recognize the opportunity the diverse Florida market presents and build it into our marketing and product approaches.
  - National business is our leading source of profitability. We must understand and address the needs of multi-state accounts and develop multi-state capabilities if we are to preserve and grow national business.
6. Changes in technologies, in both information management and biotechnology development, will continue to dramatically revolutionize the health care industry. We must develop the ability to rapidly deploy technology in providing the best health care to our customers.
  - We must understand the information and advocacy needs of our targeted customers and build our information capabilities accordingly, using the opportunities presented by the HIPAA requirements and standards to gain competitive advantage.
  - We must determine how to maintain, enhance and communicate our value proposition, brand strength, and consumer trust as comparative data on BCBSF and our competitors becomes readily available to consumers in an increasingly "spread-sheeted" world.
  - We must ensure the adequacy and viability of our networks and provider relationships as comparative information on provider cost, access, and quality rapidly becomes available to consumers over the Web.
  - We must develop medical informatics capabilities necessary to manage the business and determine the most effective means for access and use.
  - Biotechnology (in all its facets) is developing more rapidly than regulatory, payor, and to some degree provider, capabilities can adapt. We must continue to assess the impact and implications that biotechnology development will bring to our products and customers. We will continue to struggle with how to prepare for biotechnology changes.

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## Strategic Conclusions

7. If BCBSF is to fulfill our mission of providing affordable health care choices, we must improve customer satisfaction in both products and services.
  - We must substantially enhance our ability to understand our customer's needs, values and expectations in order to focus product development.
  - We must invest significantly in our product development capability.
  - We must address product gaps that are resulting in consumers demanding products/services/capabilities that we are perceived not to have.
  - We must address the need for ancillary products. Those we currently have are limited and expensive and are not integrated with our core products.
  - We must find a way to address administrative cost. While administrative ratios are going down, administrative costs are not declining, resulting in a cost burden "load" on our products.
  - We must continue to enhance our product line management capabilities in order to focus product improvement and product management efforts on work that will materially improve product performance from a customer, provider and financial viewpoint.
8. Consumers will have greater choice in how they purchase products and services and will increasingly demand access to multiple channels. We will continue to improve our multiple channels for distribution and enrollment, including web-based capabilities, to meet customer buying preferences and behavior, and will use them in ways that address how the consumer wishes to purchase our products and services.
9. The Baby Boomer market is large and growing, and it provides a significant opportunity for us to grow market share.
  - While we have not been successful in the Medicare+Choice market, we need to continue participating in the Medicare Trust Fund.

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## Strategic Conclusions

10. Our provider/physician participating contracts are in jeopardy and may disappear altogether. Rather than competing based upon our discounts as we are currently for ARISA and ASO accounts, the playing field will be leveled. As our discounts narrow, our ability to compete will be based more on product innovation, customer service and customer intimacy.
11. Relationships with our providers and suppliers have eroded and must be improved if we are to be successful in achieving our business goals. These external partners are in direct contact with our customers and influence purchase decisions, perceptions of satisfaction and customer retention.
  - We must develop a superior business relationship with physicians, hospitals, and agents/brokers and consultants in support of our customer relationships.
  - Increasingly providers and distribution channels impact our ability to execute our business strategy. We must develop "win-win" solutions with our selected business partners. Understanding their needs and the challenges they face will be critical to developing effective solutions and business partnerships.
  - To continuously improve our business relationships, BCBSF must join with others in the arena to work through public policy issues due to rapid changes in the environment.
12. Our corporate beliefs call for a much greater commitment to the public good, including working collaboratively with a broad set of industry partners to determine workable solutions to public policy issues. To do this, we must continue to learn to manage in a regulatory environment and proactively influence regulatory and legislative actions.
  - We must understand and mitigate the risk that Guaranteed Issue represents to the company.
  - The uninsured continues to grow. We must explore and implement workable solutions to mitigate the risk of legislative action.

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# Marketing Strategy

*"Strategy and timing  
are the Himalayas of marketing.  
Everything else is the Catskills."*

## Health Business 2002 – 2006 Marketing Strategy

### Marketing Vision

Deliver superior competitive value in both product and services through an array of choices, creating loyal customers through focusing on their needs, values and expectations.

### Targeted Segments

The Over 65, Small Group, and National customer segment continue as priority segments. Within these segments product capabilities emphasis will be on Medicare Supplement in Over 65, 4 to 299 size groups in Small Group, and multi-state accounts in National. In the Individual segment, we will experiment with retail market environment capabilities and build our understanding of the individual consumer market to prepare for continued market evolution.

### Distribution

BCBSF will extend its market leadership by continually identifying and innovating new channels / methods; integrating channels / methods; managing channels in a cost effective manner; utilizing database marketing; ensuring total market coverage in identified and targeted segments and satisfying and influencing customer buying preferences.

### Marketing Strategy

Our strategy is selective profitable growth. We will focus on growing profitable targeted markets and making improvements where possible and feasible in unprofitable markets. We will retain profitable customers and migrate them to the new model as the market evolves, and take advantage of the opportunities market change offers to bring a range of products and services to targeted segments and customers.

### Marketing Mix (The Four P's of Marketing)

Segmenting, targeting and positioning will drive the four components of the marketing mix (Product, Price, Promotion, and Place/Distribution) in order to get the right choices, with the right messages, through the right channels, at the right price, to the right markets.



### Product/Services

We will provide a full spectrum of health, well being, ancillary and affinity products and services that provide value to our members throughout the continuum of health – from the healthy, to the sick, and the transitioning (dying). The voice of the customer will drive our products and services, with market research playing a predominant role in understanding customer needs, identifying opportunities and understanding our competitors. Customer segmentation work will be used to guide the development of new products, services and programs, as well as the ongoing management and improvement of products/services in the market. Product focus is on transitioning all health business to the Empower platform by January 2006.



**Business Research  
Information Center**  
*Competing with Information  
Creating Business Value with  
Information Content*

**Six Key Information Processes**  
“What” We Do

**Identifying Information Needs**

Identify  
Select

**Acquire/Capture Information**

Internal Content  
Creator, Editor, Publisher  
External Content  
News Feeds  
Content Parsing  
Maintain Internal & External  
Information Resources in  
All formats (print & electronic)

**Organizing & Storing Information**

Establish Principles & Systems for  
Organizing  
Indexing  
Cataloging & Classifying Content  
Create Consistent Vocabularies  
And Standards (Taxonomies)  
Content Management  
Integrating Internal & External Info

**Developing Information Products &  
Services**

Daily Health News Report  
BRIC Web Portal  
Competitor Info “Channel”  
Nexis.com via Web  
Research It!  
Negative Press Database  
DOI Rate Filings Database  
BCBSFL Press Releases Database  
“Experts Database” & Presentations  
Corporate Memberships Database  
BRIC Online Catalog  
Virtual Reference  
WebBoards  
E-Books  
Training Videos via BRIC

**Distribute/Access Information**

Interfaces to allow access  
BRIC Web Portal  
Online Catalog  
BRIC Physical Space  
Phone Reference/Help Desk

**Using/Sharing Information**

Apply Info to Generate Value  
Information Literacy Program  
Training & Workshops

(These processes form a continuous,  
regenerative loop)

**“Why”**

**Links to Corporate Strategies:**

Information Delivery Strategy (IM)  
(Planning for Portal, Content  
Management and Business  
Intelligence Capabilities)  
Enterprise E-strategy  
HCS/Marketing 2002-2006 Strategy  
Corporate Strategy Documents, 2002

**“How” We Deliver Products & Services**

**3-Tiered Information Model:**

- Self Service
- BRIC Specialized Services
- Networked Information Professionals

**Our Business Partners:**

**Formal Relationships:**

IT: Member of Data Domain Team  
IT/Marketing: Member of E-Solutions  
Workgroup  
HR: Member of Intranet “Employee  
Community” Steering Committee

**Informal Relationships**

IT Strategy & Architecture  
IT Test Center  
Market Research/Competitive Intelligence  
Public Policy  
Navigy  
Web Environment Services

