

**The following is an edited transcript of the remarks delivered by
BCBSF President and Chairman William E. Flaherty
at the 1995 Annual Sales and Marketing Conference
October 11, 1995, in Jacksonville, Florida**

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I'm glad to have this opportunity to address one of the finest sales and marketing organizations in our industry.

Last year's gains were truly remarkable, and they reflect the competencies and capabilities of this fine group of people. Last year was our sixth consecutive year of strong customer growth and solid retention accompanied by excellent financial performance.

The company grew in 1994 by 150,000 new customers. Just stop and think about that for a minute. That's a number we wouldn't have dreamed of during the last 20 or 25 years. It was only in our industry's infancy, when there was no product in the market, that we had growth of that size.

To do that in an active, competitive market is truly a fine accomplishment and speaks so well of each of you. And I want to thank you for the commitment and dedication that went into that accomplishment.

So far this year, we're up about 100,000 customers — another excellent start.

Health Options grew by 35% last year and the customer retention rate was 92% — both excellent indicators. Health Options was ranked the 7th fastest growing HMO in the country by *Managed Healthcare* magazine (May '95).

Dynamic Industry

The growth in our managed care programs underscores the shift occurring in the marketplace. We're not doing this in a market free of other competitors, but

rather in the face of multiple competitors. Ours is truly a dynamic industry.

I find it particularly ironic that there is so much energy in the marketplace for improvement at a time when inflation has moderated so much. In my way of thinking, the customer (employers in particular) is not reacting to an *annual rate of change* but rather to *10-15 years of accumulative price increases*.

As we all know, the marketplace is shifting from indemnity to managed care. Today more than 60% of all working Americans with private health insurance receive some form of managed care. In Florida alone, we have nearly three million enrollees in HMOs.

The winners within the market are those who can capture economies of scale and still be local-market oriented. That is, they don't do everything differently in every city in the country but they leverage the commonalities while focusing on the local communities. I think this is important, and I'll come back to that a little later in our conversation.

Challenges

As the industry continues to evolve, traditional roles and relationships between consumers, providers, insurers and government are being redefined. For example, new competitors are entering the marketplace.

I started in this business almost 35 years ago in sales and marketing. The top ten competitors remained relatively constant from 1960 to 1990, but as a result of accumulated consolidation in the last five years, we've seen the elimination