

I. EXECUTIVE SUMMARY

Blue Cross and Blue Shield of Florida (BCBSF) welcomes the opportunity to describe its business and financial strengths and to demonstrate that the company deserves the highest rating from Standard and Poor's.

- The corporate purpose of BCBSF is to meet customers' needs for quality health care at a reasonable and competitive price.
- BCBSF is the largest managed care company in Florida.
- About 2 million Floridians are insured by BCBSF, either as members of a group, or as individuals. This amounts to 18 percent of the market, more than twice that of any competitor.
- In the past year, BCBSF has seen significant growth in total enrollment to about 1,120,000 contracts in 1994 from 995,000 contracts in 1993.
- To gain competitive advantage, BCBSF has focused on managing medical costs through managed care programs. This focus has increased administrative costs slightly, but has resulted in much lower overall costs and lower prices for customers. Customer retention rates are in the 90th percentile.
- BCBSF has the largest preferred provider organization (PPO) enrollment in Florida and sixth largest in the U.S.
- BCBSF has the largest commercial health maintenance organization (HMO) enrollment in Florida, and it is second largest in overall enrollment in the state. BCBSF's HMO is the seventh fastest growing HMO, and seventh largest IPA in the country.
- The strength and ability of BCBSF's managed care networks and its knowledge of the local market place has enabled it to keep its medical inflation rate below state and national averages.
- In 1994 and 1993, BCBSF generated earnings of \$95.7 million and \$112.3 million, respectively. For each of the past three years, BCBSF experienced growth in both policyholders' equity and enrollment. In 1995, net income through June was \$53.9 million.
- BCBSF has an excellent liquidity position due to the high quality and short maturity of the investment assets.

- Approximately one-third of BCBSF's premium revenue is derived from reimbursable programs with limited risk.
- BCBSF is one of the largest contractors in the country for Medicare and for the Federal Employees Health Benefits Program (FEHBP).
- BCBSF plays an important and influential role in the Blue Cross and Blue Shield Association.
- To develop and retain a competent and high quality workforce, BCBSF has developed human resource strategies that focus on teamwork, employee involvement, participative management and a continuous learning environment.
- BCBSF believes in the need for health care reform and supports reform which is market-based and emphasizes efficient delivery of quality care.
- A major strategy employed by BCBSF to manage reform is to cultivate and maintain relationships with other key players in the health care industry as means to gain understanding and support for the system we envision and believe best for the overall good of the public.
- BCBSF is well-positioned for health care reform that encourages competition based on value and price.
- BCBSF and its HMO subsidiary, Health Options, Inc., have been certified as Accountable Health Partnerships (AHPs) by the state of Florida Agency of Health Care Administration. This designation enables both companies to participate in the state's Community Health Purchasing Alliances (CHPAs).
- BCBSF's health maintenance organization (HMO) – Health Options, Inc. – has earned full accreditation from the National Committee for Quality Assurance (NCQA), an independent, non-profit organization that accredits managed health care plans. To date, only 10 percent of HMOs nationwide have achieved full accreditation. This demonstrates that Health Options performs well when measured against NCQA's national standards for quality and emphasizes our commitment to provide customers with the highest quality health care.