

# Office of Insurance Regulation Public Hearing: Florida Blue Plan for Reorganization to a Mutual Insurance Holding Company

July 25, 2013

*Florida Blue* 

In the pursuit of health<sup>®</sup>





# Florida Blue Speakers

- Pat Geraghty – Chairman and Chief Executive Officer – Florida Blue
- Jon Urbanek – Senior Vice President Commercial Markets – Florida Blue
- Jason Altmire – Senior Vice President Public Policy Government and Community Affairs – Florida Blue
- Chuck Divita – Group Vice President of Corporate Development and Chief Accounting Officer – Florida Blue
- Sondra Tucker – Managing Principal – Florida Blue
- Stas Byhovsky – Managing Director – J.P. Morgan
- Paul Brown – Managing Director – J.P. Morgan

# Strategic Environment

Pat Geraghty

# Market Overview

Jon Urbanek

# Florida Blue is a Mission Oriented Company

Our mission, vision, values and strategic objectives have been simplified to clearly articulate who we are and what we want to accomplish.

## Mission

To help people and communities achieve better health

## Vision

A leading innovator enabling healthy communities

## Values

Respect, Integrity, Imagination, Courage, Excellence



## Our Focus:

- All Floridians
- All Health Markets – Medicare, Medicaid, Individuals, Employers
- Moving from a health insurance company to a health solutions company to better serve Floridians
- Helping people and communities achieve better health as a Not-for-Profit Mutual Holding Company

# Florida Blue Serves a Diverse Market

## Statewide Presence



## A Few of the Companies We Serve



## A Range of Individuals Served



## We Also Serve the State of Florida



**Reorganization Advantage**

**Important flexibility in today's rapidly changing health care system, executed with our not-for-profit mission**

# Florida Blue Provides a Broad Set of Products and Services

## Affordable Offerings

Health Insurance



Dental, Vision



Life, Accident



Reorganization Advantage

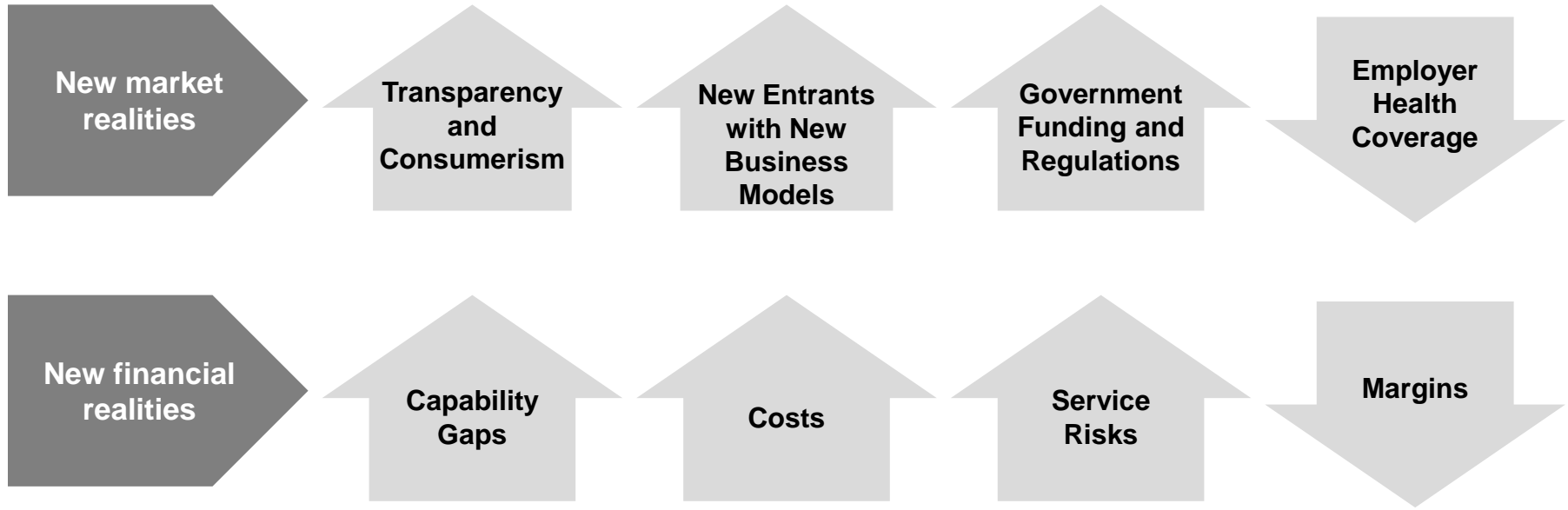
## Innovative Programs and Services to Help Members Live Healthy



Offer broader array of products and services; better access to improved care; maintain affordability in changing health care system



# Florida Blue Is Facing Historic Transformational Change



**Reorganization Enables Florida Blue's Response**

## Resources to:

- **Reposition to a Health Solutions Company with broader capabilities and increased flexibility**
- **Offer more and improved products and services resulting in better outcomes for patients, members and communities**

# Florida Blue Provides Economic Value to the State

- Nearly 10,000 employees in Florida
- Florida-based operations:
  - Retail Centers
  - Health Care, Wellness
  - Call Centers, Claims Processing
  - Financial, Information Technology
  - Sales, Marketing
- Florida
  - Miami
  - Ft. Lauderdale
  - West Palm Beach
  - Port St. Lucie
  - Orlando
  - Tampa
  - Sarasota
  - Ft. Myers
  - Jacksonville
  - Gainesville
  - Tallahassee
  - Pensacola
  - Panama City
- Other States
  - Arkansas
  - Colorado
  - Delaware
  - Louisiana
  - Maryland
  - Mississippi
  - New Jersey
  - New Mexico
  - Oklahoma
  - Pennsylvania
  - Texas
- Territories
  - District of Columbia
  - Puerto Rico
  - US Virgin Islands

## Deerwood Campus Complex

Corner of J. Turner Butler and Southside Boulevards



**Reorganization Advantage**

**Creates opportunity for continued growth and expansion to serve existing and new policyholders, adding economic value**

# Community and Public Policy

Jason Altmire



# Florida Blue is your Community Partner



# Building Healthy Communities



65% participation in the annual United Way campaign  
\$2.5M contributed state-wide



Partnered with the Florida Association  
of Food Banks to distribute  
4 million lbs. of fresh produce

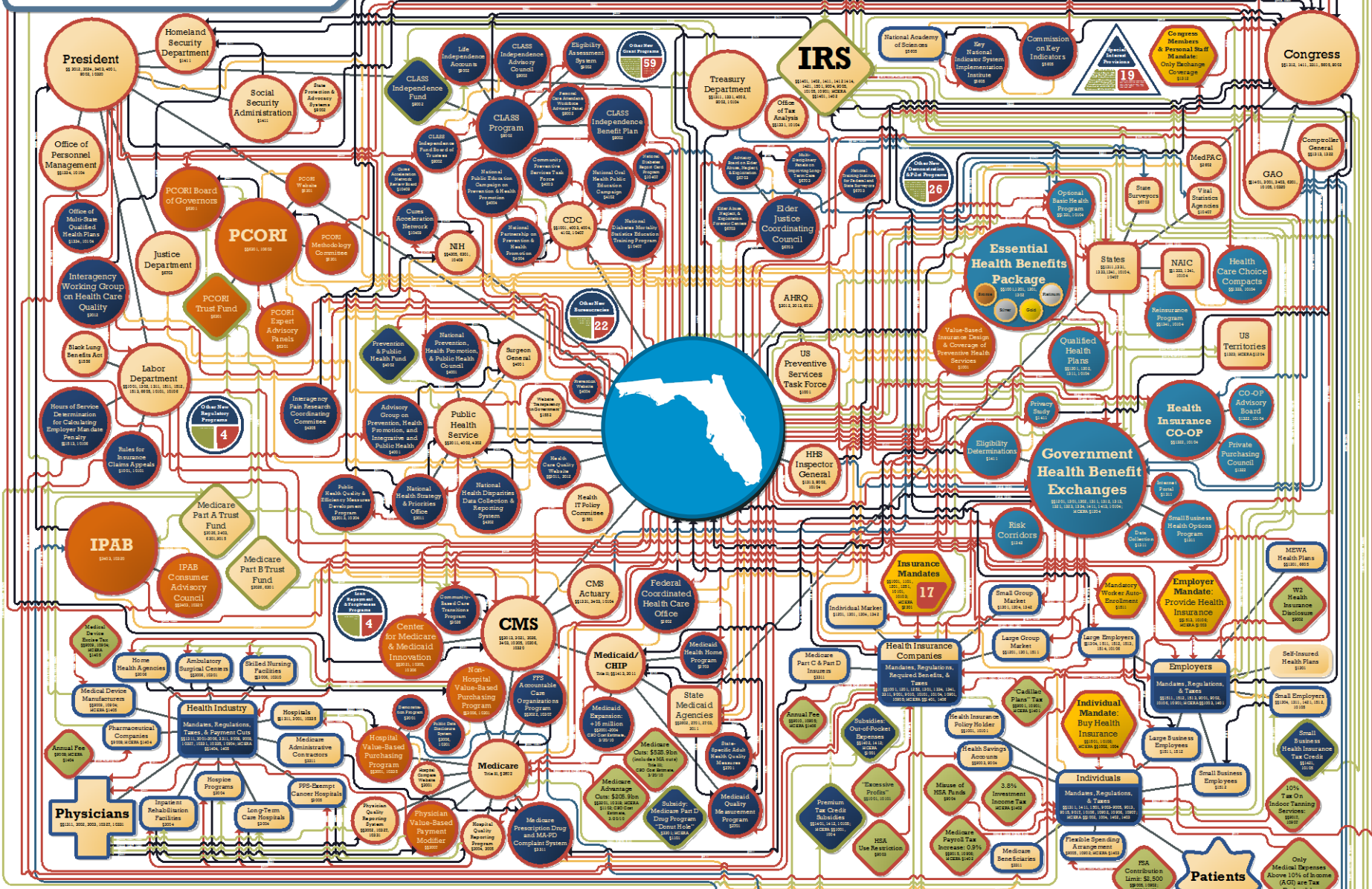


The Florida Health Literacy initiative  
has served over 8,600 since 2009



Provided grants to state colleges  
and universities to award over 2,700  
nursing scholarships

# Your New Health Care System



### New Government

- Rationing Potential
- ◊ Mandates
- ◻ Taxes & Monetary Fees/ Penalties/Cuts
- ◻ Trust Fund (Rationing Potential)
- ◻ Other New Trust Funds/ Monetary Benefits
- Involvement in Health Insurance Market
- ◊ Mandates
- ◻ Taxes & Monetary Fees/ Penalties/Cuts
- ◻ Trust Fund (Rationing Potential)
- ◻ Other New Trust Funds/ Monetary Benefits
- Other Expansions
- ◊ Mandates
- ◻ Taxes & Monetary Fees/ Penalties/Cuts
- ◻ Trust Fund (Rationing Potential)
- ◻ Other New Trust Funds/ Monetary Benefits
- Represents Bundles of Additional Entities
- ◊ Mandates
- ◻ Taxes & Monetary Fees/ Penalties/Cuts
- ◻ Trust Fund (Rationing Potential)
- ◻ Other New Trust Funds/ Monetary Benefits

### Expanded Government

- Government with Expanded Authority/ Responsibility
- ◊ Government Financial Entity with New Inflows/ Outflows
- ◻ State/Territory with Expanded Authority/ Responsibility

### Private

- Private Entity with New Mandates/ Regulations/ Responsibilities
- ◊ Unchanged Private Entity
- ◻ Special Interest Provisions

### New Relationships

- Regulations/ Requirements/ Mandates
- Reporting Requirements
- Oversight
- Money Flows
- Consultation/ Advisory/ Info Sharing
- Structural Connections (Includes Existing)

AGI: Adjusted Gross Income  
 AHRQ: Agency for Healthcare Research and Quality  
 CDC: Centers for Disease Control and Prevention  
 CHIP: Children's Health Insurance Program  
 CLASS: Community Living Assistance Services & Supports  
 CMS: Centers for Medicare & Medicaid Services  
 CO-OP: Consumer Operates and Owns Program  
 FFS: Fee-for-Service  
 FSA: Flexible Spending Account  
 GAO: Government Accountability Office  
 HCRRA: Health Care and Education Reconciliation Act  
 HHS: Health and Human Services Department  
 HSA: Health Savings Account  
 IPAB: Independent Payment Advisory Board  
 IRB: Internal Revenue Service  
 MAC-PD: Medicare Advantage Prescription Drug  
 MedPAC: Medicare Payment Advisory Commission  
 MED: Medicare Part D  
 BANCORP: Executive Auxiliary Limited Office Regional Systems  
 MEWA: Multiple Employer Welfare Arrangement  
 NAIC: National Association of Insurance Commissioners  
 NIH: National Institutes of Health  
 PCORI: Patient-Centered Outcomes Research Institute  
 PPS: Prospective Payment System

Patient Protection and Affordable Care Act, P.L. 111-148;  
 Health Care & Education Reconciliation Act, P.L. 111-372  
 Prepared by: Joint Economic Committee, Republican Staff  
 Congressman Kevin Brady, Senior House Republican  
 Senator Sam Brownback, Ranking Member



# Structure and Strategic Rationale

Chuck Divita



# Why Florida Blue is Pursuing a MIHC Structure

**A MIHC has the benefits of a holding company structure, while preserving its mutual status (i.e., it is not demutualization)**

- *Facilitates growth and transformation*
- *Strengthens pursuit of our mission, vision, and values*
- *Preserves mutual status*

<b>Mission</b>	To help people and communities achieve better health
<b>Vision</b>	A leading innovator enabling healthy communities
<b>Values</b>	Respect, Integrity, Imagination, Courage, Excellence

## - Benefits -

- ☑ Protects policyholder rights
- ☑ Enhanced ability to appropriately accumulate and deploy available capital for the benefit of policyholders
- ☑ Potential for greater access to capital
- ☑ Offers a unique platform for mergers and acquisitions
- ☑ Provides similarities to for-profit competitors, however executed with a not-for-profit mission

# Strengthens Florida Health Marketplace

GRANTS MUTUAL COMPANIES WITH A NOT-FOR-PROFIT MISSION THE BENEFITS ENJOYED BY FOR-PROFIT COMPETITORS TO ADAPT AND INNOVATE

Ability to deploy available capital

Access to capital as a more attractive issuer in the capital and debt markets

Flexibility in pursuing and structuring business combinations

**Affordable Offerings**



**Innovative Programs and Services to Help Members Live Healthy**



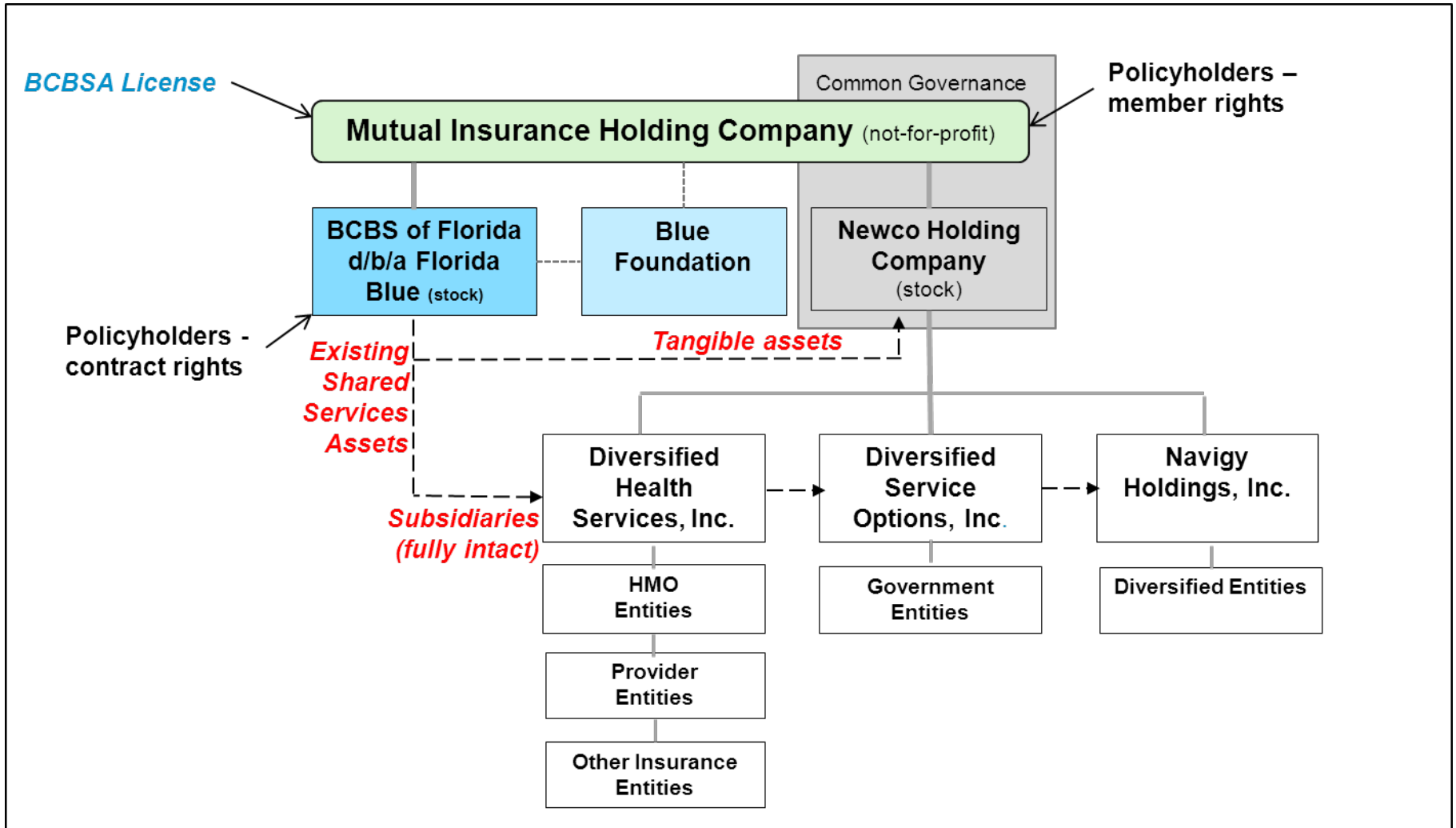
**Strong health solutions company with not-for-profit mission**

**Healthy competitive position against for-profit insurers**

**Assisting people and communities of Florida achieve better health**

# MIHC Structure

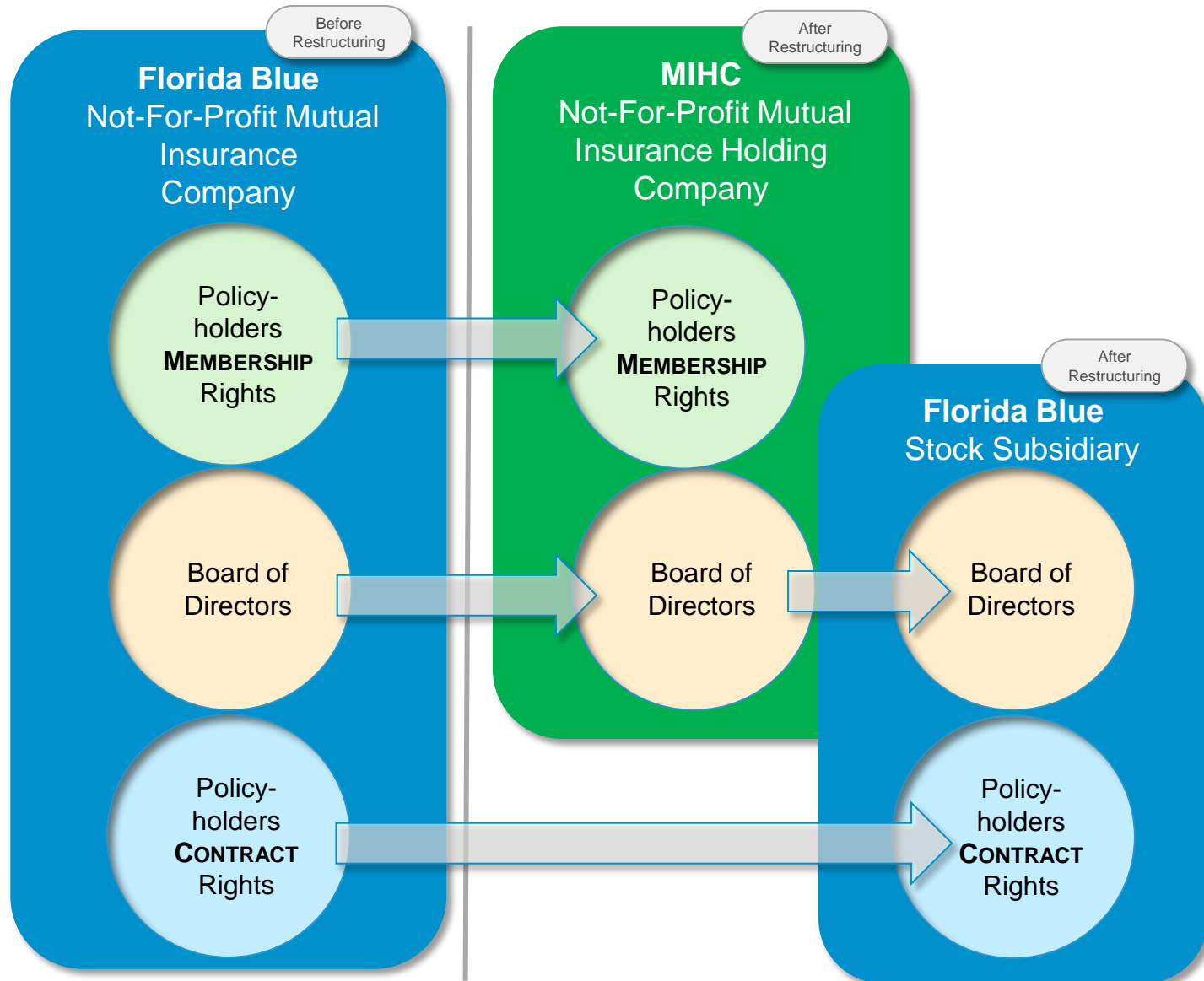
**Upon the plan of reorganization, certain assets, people, and processes move from Florida Blue to one or more companies in the organization structure**



# Voting Rights and Ownership Interests of Policyholders

## Preserves Policyholder Rights

- *Membership* rights are maintained at the MIHC level
- The *Florida Blue Board of Directors* become the *MIHC Board of Directors*
  - *The MIHC elects the New Florida Blue Stock Subsidiary Board*
- *Contract* rights are maintained at the new Florida Blue Stock Subsidiary



# Resulting Benefit to Policyholders and Consumers

- Maintaining the benefits of a not-for-profit mutual mission-driven organization
- Greater capital protection and flexibility, more similar to for-profit competitors
- Agility and responsiveness in a reforming market
- Greater flexibility in pursuing and structuring business combinations
- Ability to continue to improve the health and wellness of our customers and communities

## Policyholders



## Consumers Across Florida



# Fairness Opinion

Stas Byhovsky

Paul Brown

# Overview of J.P. Morgan testimony at public hearing

- Overview of J.P. Morgan and the breadth of its services / capabilities
- Introduction of J.P. Morgan representatives and their qualifications
- Description of the scope of services provided by J.P. Morgan to Blue Cross and Blue Shield of Florida, Inc. (Florida Blue) in connection with the Plan of Reorganization
  - Engaged solely to provide an opinion to Florida Blue's Board of Directors as to the fairness, from a financial point of view, to the policyholders who are Florida Blue members, taken as a group, of the exchange of membership interests in Florida Blue for membership interests in a newly organized mutual insurance holding company
- Review of the fairness opinion provided by J.P. Morgan dated May 28, 2013, to Florida Blue's Board of Directors
  - Committee process
  - Materials reviewed in preparing opinion
  - Scope of opinion, including assumptions and limitations