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Florida Blues Get More Flexible, Compete With National Players

Blue Cross and Blues Shield of Florida (BCBSFL) has apparently hampered the enrollment growth of national insurers. Two of the nation's largest publicly traded health insurers, Aetna, Inc. and UnitedHealth Group, recently said that sluggish enrollment growth so far in 2006 was partly a result of increased competition from not-for-profit health plans in Florida and the mid-Atlantic region. The dominant player in the Florida market with 2.3 million members or 27.5% of the managed care market as of the end of 2005, BCBSFL has been particularly successful in growing membership by adapting more to the market, say industry insiders.

During Aetna, Inc.'s second-quarter 2006 earnings conference call, CEO Ron Williams said its small-group book of business "has not performed as well this year as in 2005" in the "Northeast, mid-Atlantic regions and Florida." He cited heightened competitive pressures in the regions and a decline in underwriting results as the factors behind the downturn in enrollment growth.

The Florida Blues plan was once very conservative with its product offerings, says Floyd Juster, president of Tampa, Fla.-based brokerage Juster Holcomb and Associates, Inc. "Going back 10 years, they didn't price their small groups aggressively," he says. During that period, UnitedHealth had "dominated the small-business group market." Aetna, he adds, has "been in and out" of the market partly because of management issues associated with its purchase of US Healthcare. More recently he says, BCBSFL has come out with new products that allow the plan to compete with the likes of Aetna and UnitedHealth.

A.M. Best Co. financial analyst David Mitchell says the Florida Blues plan has changed its focus from an HMO model to one that is more broad-based and flexible. "That may be some of the competitive heat the national players are feeling," he explains. Mitchell says that the Florida Blues plan, to be successful, needs to operate

like a national player while it operates only in one state. The plan, he adds, must also have a strong distribution network and maintain market share. He says the Florida Blues plan “has become more successful year after year.”

Mitchell contends that the Blues plan’s local focus and its status as a not-for-profit organization give it some advantages in the market. He says BCBSFL’s level of spending as a state market-based plan can be higher than a national player’s. As a not-for-profit, the firm also can make more prudent investments since a return on investment is not mandated. Conversely national, publicly traded insurers do not concentrate their efforts in any one geographic area. Therefore, he says, their growth expectations should be limited by their ability to focus on specific markets.

A.M. Best upgraded its financial-strength rating on the Florida Blues plan to excellent earlier this year, citing the plan’s operating performance, business-development initiatives and strengthened risk-based capital position (The AIS Report 5/06, p. 12).

new BlueOptions health plans for small businesses (see story, p. 1). Since then, the plan has seen an overall increase of interest in all of its plans.

Behind the success has also been an aggressive advertisement campaign, says Juster. He says that BCBSFL has started “a very successful and effective advertising campaign...Most of our clients have been reading about [the products. BCBSFL] is going to regain an awful lot of market share.” The plan is marketing small-business products through its agency network, contracted general agents, a direct-calls center, and through an Internet campaign and direct mail, Urbanek explains.

According to Urbanek, “a lot of things have come together for us.” The Florida Blues’ recent success has hinged on a “combination of having viable plans in the marketplace and progress in [growing] the provider network,” he says. Urbanek stresses the plan’s efforts to improve relationships with both brokers and consumers. He adds, “We’ve got to continue to improve to sustain this [growth].”