

A CONVERSATION WITH

PATRICK GERAGHTY

CHAIRMAN AND CEO
GUIDEWELL AND FLORIDA BLUE



How do traditional health plans find their place in a changing world? A shining example can be found in the work Patrick Geraghty is doing as chairman and CEO of GuideWell and Florida Blue.

For example, since his arrival to Florida Blue in 2011, Geraghty has been leading the transformation of the company from a health insurance company to a health solutions company. A part of this transformation includes the restructuring of the organization of the enterprise to a mutual insurance holding company, GuideWell. This new model enables the organization to invest in and pursue health related business, which is being seen as a future model for delivering health and healthcare resources.

Geraghty has also overseen the launch of one of the nation's leading patient-centered medical homes and strengthened Florida Blue's cutting-edge retail presence.

In this interview with Tom Main, head of the Oliver Wyman Health Innovation Center (OWHIC), Geraghty describes his vision of the future of healthcare, his plans for his company, and his thoughts on his involvement with OWHIC. Geraghty will be a featured speaker at the center's upcoming [MediFuture](#) conference. (Interview edited for length and clarity.)

Conducted by
TOM MAIN
Partner and U.S.
Market Leader

Health & Life Sciences
Practice Group,
Oliver Wyman

TOM MAIN What changes can we really bank on seeing in healthcare over the next five years?

PATRICK GERAGHTY Number one is the move to a more dispersed or virtual level of care. I think that's clear. Two will be the desire and the use of data and data analytics to make a more informed set of decisions, be that by providers of care or consumers of care. Much of healthcare will be delivered through your smartphone. The care setting is going to become more about the home and convenience for the consumer, and that shift is going to be critical to the cost and quality of care. I also believe that there's going to be a far greater focus on nutrition.

There will be more and more transparency to assess quality. However, there will be challenges in how quality is defined. Many of today's measures are perception-based as opposed to being grounded in hard science. It's going to take some time to have benchmarks that everybody has a lot of confidence in.

TM As consumers gain access to more transparent, real-time health dashboards, we're puzzling about whether it will change consumers' expectations of the delivery system and health plan. Will they want Amazon-like access to the market and dynamic feedback like they have in other parts of their lives?

PG I'm going to say yes and no. We see a slice of the marketplace that wants all the information they can possibly get their hands on so they can lead the most informed and healthy life possible. Then we see other consumers who are overwhelmed by information, who don't want to have a wearable device on themselves, who see that as Big Brother. They still want to have healthcare and be well-protected. But they're not into information overload.

The second set of consumers would like more information about the choices that they're making, but they aren't necessarily carried away with all of the different trends and all of the different things that could be available to them. So we're working at various ends of the spectrum. And when you're an organization like ours, you're working with a broad spectrum of the population; so we need to be thinking about all consumers, and we view the word consumer broadly, which goes beyond just the engaged consumer.

TM What about employers? Do they stay in the game as funders?

PG Well, one issue will be what happens with tax policy, because if it doesn't remain in employers' interest to be involved, they will find ways to exit. But there are other issues, for example how well the exchanges work. Employers that care about their employees don't want to put them into something that doesn't work well. All of those things will influence how quickly the shift continues to happen at the employer level.

“Number one is the move to a more dispersed or virtual level of care. I think that's clear. Two will be the desire and the use of data and data analytics to make a more informed set of decisions, be that by providers of care or consumers of care.”

– Geraghty on expected changes in healthcare over the next five years

WINNING A SEAT AT THE TABLE

“Being just an insurer is not necessarily an attractive place to be compared to the delivery of care, ancillary products, and consumer services. We think there’s a much bigger play for us in all of these areas.”

TM What’s the health plan of the future? How will your revenue, your relationships, your core offerings be different?

PG Being just an insurer is not necessarily an attractive place to be compared to the delivery of care, ancillary products, and consumer services. We think there’s a much bigger play for us in all of these areas. It will be done through partnerships, but we want a seat at that table because it’s critical to be able to influence the environment. In delivery of care, I don’t mean owning hospitals, but I do mean more primary care and more ability to be involved in working best practices across our marketplace and thinking about how to scale back-office expense out of the delivery system so it can truly focus on keeping people well in the first place and delivering high quality care when it’s needed. And of course there will be plenty of new players in the places where margin appears to be available.

TM Are you still in the insurance business?

PG I think the health insurance business will be around for a long time to come.

TM In a way, you are a moderator of the level of innovation. If Theranos and Walgreens were already all over Florida, you could make a decision to allow that to scale really rapidly. Ditto if Walmart were already in place with their low cost retail clinics everywhere or you could slow that based on your role in the market. So how do you see your role in accelerating the diffusion of innovation and technology in a way that drives impact but also improves quality and value?

PG As we look across the continuum, we ask where current cost is out of line and who’s addressing it. Who could be a good partner in that space? What’s the innovation that changes that part of the equation most dramatically? We look to invest in players that are focused about addressing those kinds of points.

We’ve got a lot of people looking at the marketplace for where the change drivers are coming from and who would be good partners. We certainly are also looking outside of our state. We don’t have all of the leading-edge innovation happening here, so we’re trying to learn from everybody we can learn from. At the end of the day we still play an integration role—bringing the purchaser, the delivery system, and the innovators together, because it’s very hard to scale from just one slice of the market, given that people are looking for comprehensive coverage. As soon as somebody who’s trying to disintermediate the market comes into play, they realize fairly quickly the comprehensive nature of what they have to deliver to satisfy any single customer. It’s pretty overwhelming. Many of these slice players, if you will, wind up coming with their innovation to us and saying how do we partner with you? Our view is to try and

pick the best of those and continue to integrate products for our customers across a wide range of customer needs and wants.

TM You've created this thing called GuideWell. Why was it created? What kind of vehicle is it going to develop into?

PG Well, GuideWell, allows us to play nationally and to be involved outside of the traditional health plan products. It initially opens the door to direct delivery of care and our consumer product orientation. It allows us to really think about the broad range of health, wellness, prevention, and other kinds of products.

We wanted the structure to be right, and I think the structure we've set up is compatible with a broad health and wellness agenda that goes well beyond insurance and the old way of thinking about health plans. We wanted to be able to move capital out of the insurance company to the holding company, which gives us the ability to invest and move with more freedom and with greater speed and pace, which the new marketplace absolutely requires. So we've given ourselves tools and structure and capability to redefine ourselves, which are all very, very encouraging to those of us who see a world that's very different from the world we've been playing in.

TM And you can be really optimistic about your growth potential because there's so much opportunity to create value that's not been created before.

PG No question about it. There are better margins in the new-line businesses. But in addition they help change the original business. So think about owning health assets, doing a consumer play, and having them serve the original health plan as a major customer while they also serve other players. We get to change the core business while creating new businesses so it really has a multiplying effect.

TM I know many other leaders would love to hear you comment on how to evolve an organization in a way that's consistent with the pace of market change.

PG We did a number of things here; and some of them might not be intuitively obvious. For instance, while we were doing the things we've just talked about, we also scaled our traditional Medicare Part A and B business. Here we had an asset, a capability that we were very good at, but we had just one district of the federal Medicare contract. You lose that one contract, you're out of that business.

Today we're in 12 states and 3 jurisdictions, meaning the Virgin Islands, Puerto Rico, and Washington, DC. We have 32 percent of the federal contract in what many would have considered an old-

“GuideWell allows us to play nationally and to be involved outside of the traditional health plan products. It allows us to really think about the broad range of health, wellness, prevention, and other kinds of products.”

line health business. But that business needs scale. We produced a reasonable bottom line, and we think there are other ways that we can serve that customer now that we are at scale. So we thought creatively about how to deliver services in our traditional Medicare lines, so we didn't turn that part of our business off while we were making these other transitions.

Everybody needs to look at what they have in their portfolio—and what opportunities they can pursue. We had successful retail centers, but only four of them just two years ago. I take no credit for the original design or concept. Our team developed the approach. But I do take credit for saying we've got to accelerate this and scale it. So today we have 18 retail centers, and 18 centers in Florida makes us relevant to the whole market. Will we go beyond that? I think we will continue to refine our coverage. Eighteen gives us the opportunity to be within 20 minutes of virtually every consumer in the state. That's significant and it really made our retail capability pop.

When the Affordable Care Act rolled out, we were there when people wanted to have face-to-face conversations. Over the last year, 250,000 people saw us face to face. That's also significant. For customers who see us face to face, our satisfaction level in customer service is 92 percent. Our care consultants in those centers have 97 percent customer satisfaction numbers. You don't see those numbers anywhere in our industry.

For us, that means greater retention. It means loyalty and relationships with customers that are very different and differentiating. Those 250,000 people go back and say good things to people they encounter. The most positive outreach I get from our membership is about our retail centers. I hear it in the community, I get it in e-mails, and I see it in letters. It's a goodwill ambassador for our organization, so it's differentiating in many ways.

A big part of strategy is knowing where to scale your critical assets, how to position and invest in things that will make a difference in your marketplace. You have to make good bets; and you have to have a good process. We start with a lot of variation and then bringing it through a funnel where you get to invest in or scale the opportunities most likely to pay off for your organization.

TM You have this little seedling called GuideWell. In ten years GuideWell could very well be twice the size of the old Florida Blue core. And I'm just wondering what is your view of the development of the market and the organization? You must be thinking in more than a three-year view. How are you setting your horizon?

“For customers who see us face to face, our satisfaction level in customer service is 92 percent. Our care consultants in those centers have 97 percent customer satisfaction numbers. You don't see those numbers anywhere in our industry.”

THINKING THROUGH NEW MODELS WITH OWHIC

PG I think at most in a five-year view at this stage of the game. But I think a lot about how to maintain flexibility and the ability to be nimble. I don't want to lock us into this is a five-year vision; and here's what the rails look like, and we need to stay on these rails. I want us thinking about flexibility and options. How would we modify an original assumption? How do we keep our strategic planning fresh? What kinds of thinking and contrarian thinking do we need in the room? A big part of how we've shaped the team is making sure we've got a variety of perspectives there, and we've been spending a lot of time on being candid, speaking up, and not just going with the flow. I think we've become a much more candid place.

TM The Oliver Wyman Health Innovation Center is three years old now. We started by trying to define a long-term view of the market. And then we pretty quickly transitioned into value migration and new business models. And we've been playing a much more active role in kind of matchmaking, accelerating the diffusion, trying to drive impact at scale. You've been a big part of our development. Can you tell us how the OWHIC community has been valuable to you personally and to your organization?

PG Some of it's been around networking; and some of it's been around thinking through new models—because sometimes you can get locked in around the change you're driving. For me, it's refreshing to check our conclusions and driving theories and say, "What other ways are there of thinking about this?" And also checking with people who are coming from other perspectives. When you bring a diverse group of people together, it's always interesting to see somebody with a completely different take based on the seat that they're in.

TM You have a pretty good sense of what we've done over the last couple of years. But when you look forward, what are new things we should be doing?

PG One thing people are hungry for is what's working? What are the quality of care metrics that show which early experiments are succeeding? Do we have ACOs that are spitting out enough data to prove that they worked or didn't work? Do we have enough market change where you may have new people owning delivery of care? What do those metrics look like?

So I think there's an important analytical role now for idea generation and new models. It's starting to hone in on who's moving the dial, and does that dial get moved faster, there's greater investment and intensity around the model.



TOM MAIN

Tom Main is a Partner and U.S. Market Leader for Oliver Wyman's Health & Life Sciences practice and is the Managing Director of the Oliver Wyman Health Innovation Center. He is a trusted advisor to Boards and CEOs and a recognized thought leader on new business models, clinical models, and future market structures. Over the past decade, he has worked with nearly 100 healthcare companies on corporate strategy, development, and new business designs to transform the healthcare value equation. Prior to Oliver Wyman, Tom founded and developed ChapterHouse, a boutique healthcare consulting firm, acquired by Oliver Wyman in 2008.



PATRICK GERAGHTY

Patrick Geraghty is chairman and chief executive officer of GuideWell and Florida Blue. GuideWell and its family of forward-thinking companies are focused on helping people and communities achieve better health and are at the forefront in the transformation of healthcare. The mutual holding company includes Florida Blue, GuideWell Connect, GuideWell Health and Diversified Service Options, Inc. He is a board member for a diverse group of organizations, including the National Institute of Health Care Management, Sanford Burnham Institute, America's Health Insurance Plans, the Oliver Wyman Health Innovation Center Advisory Board, and the MaliVai Washington Youth Foundation. Patrick frequently speaks on a range of healthcare topics, including the impact of healthcare reform, payment reform strategies, healthcare innovation, and prevention and wellness.



ABOUT OLIVER WYMAN

Oliver Wyman is a global leader in management consulting. With offices in 50+ cities across 25 countries, Oliver Wyman combines deep industry knowledge with specialized expertise in strategy, operations, risk management, and organization transformation. The firm's 3,000 professionals help clients optimize their business, improve their operations and risk profile, and accelerate their organizational performance to seize the most attractive opportunities. Oliver Wyman is a wholly owned subsidiary of Marsh & McLennan Companies [NYSE: MMC], a global team of professional services companies offering clients advice and solutions in the areas of risk, strategy, and human capital. With 52,000 employees worldwide and annual revenue exceeding \$10 billion, Marsh & McLennan Companies is also the parent company of Marsh, a global leader in insurance broking and risk management; Guy Carpenter, a global leader in risk and reinsurance intermediary services; and Mercer, a global leader in human resource consulting and related services.

Oliver Wyman's Health & Life Sciences practice serves clients in the pharmaceutical, biotechnology, medical devices, provider, and payer sectors with strategic, operational, and organizational advice. Deep healthcare knowledge and capabilities allow the practice to deliver fact-based solutions.

The Oliver Wyman Health Innovation Center (OWHIC) was created to develop and promote market-driven solutions to the crisis of high cost and poor quality that afflicts the healthcare systems of the developed world. Based on the deep healthcare expertise of Oliver Wyman and drawing on a network of innovative leaders across industries, OWHIC identifies and disseminates the ideas and practices that will transform healthcare. Our goal is to create a healthcare system driven by innovation and the needs and desires of consumers, creating value for companies and the public alike.

For more information, visit www.oliverwyman.com.

Follow Oliver Wyman on Twitter [@OliverWyman](https://twitter.com/OliverWyman).