



## Restructuring to Transform into a Mutual Holding Company

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Anthony Beato serves as Vice President, Enterprise Strategy and Market Insights. In this role, assumed in April 2022, he is responsible for thoughtfully guiding the company as it seeks to achieve sustainable long-term growth by enhancing its existing businesses and identifying opportunities to expand in geographic reach. He also helps to shape GuideWell's short-term goals and long-term strategy by partnering closely with Corporate Development to improve the experience of key stakeholders across the state.

Prior to joining GuideWell, Beato served as Director of North American Insurance Ratings at Fitch Ratings, Inc., where he was responsible for managing analysts who covered a broad array of life and health insurance companies. Prior to that, he was Head of Executive Reporting Strategy and Capital Management at Philadelphia based, Independence Health Group (parent company of Independence Blue Cross and AmeriHealth Caritas), where he was responsible for geographic expansion efforts, establishing capital management philosophies and rating agency relations.

Earlier in his career, he served as Analytical Leader of Managed Care Ratings Research at S&P Global Ratings. Beato has also held various other health care investment banking and capital markets roles at Barclays Capital and Banco Santander.

Throughout his career, Beato has been active in community and professional organizations, such as the Diocese of Trenton, Smile Train, JDRF, and the Visiting Nurse Service of Central New Jersey.

Beato holds a Bachelor of Science degree in Finance from Seton Hall University and a Master of Business Administration from Monmouth University.

## Disclaimer

**This content is for informational purposes only; the presenting individual's views and opinions throughout are not those of GuideWell. Healthcare is a rapidly evolving industry in which dynamics change from market to market. The presenting individual as well as GuideWell is not responsible for any decisions made based on this content.**

# An industry in flux: challenges and opportunities impacting health plans

## Rising healthcare costs



- Overall health spend is projected to **rise 6.9% in 2024**
- Providers are demanding **higher reimbursement** due to lingering inflation and the macroeconomic environment, **passing costs to consumers**

## Community healthcare challenges



- Many communities throughout the southeast, especially in **rural areas**, **struggle with inadequate access to healthcare**
- The **growing demand for Health Equity** is a continuing pressure on health insurers

## Vertical integration and consolidation



- Investment in other healthcare businesses such as **clinics, health services platforms, and PBMs**, is a key M&A effort in the industry
- **Diversification into non-insurance** lines of business gives payers variegated revenues and protection against market downturns

## Soaring pharmacy costs



- The current strain on the affordability of healthcare is driven largely by **unsustainable prescription costs**
- **92% of employer groups are concerned about high-cost drugs**, according to a survey by Business Group on Health

## Provider payment shifts to VBC



- Payers are **committed to enabling value-based contracting** with their aligned providers as part of the effort to improve affordability
- **Acquisitions, investments, and long-dated contracts** with providers enable insurers to further optimize payments

# Mutual Insurance Holding Company (MIHC)

# Restructuring as a MIHC can give standalone health plans a path to respond to changing market needs

## *Restructuring Facilitates:*

Enterprise  
Growth and Transformation

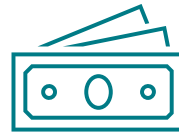
Pursuit of  
Mission, Vision, and Values

Preservation of Mutual  
Not-For-Profit Status

## Benefits of Mutual Insurance Holding Companies



Protects  
policyholders' rights



Enhanced ability to  
appropriately  
accumulate and  
deploy available  
capital



Offers a unique  
platform for mergers  
and acquisitions

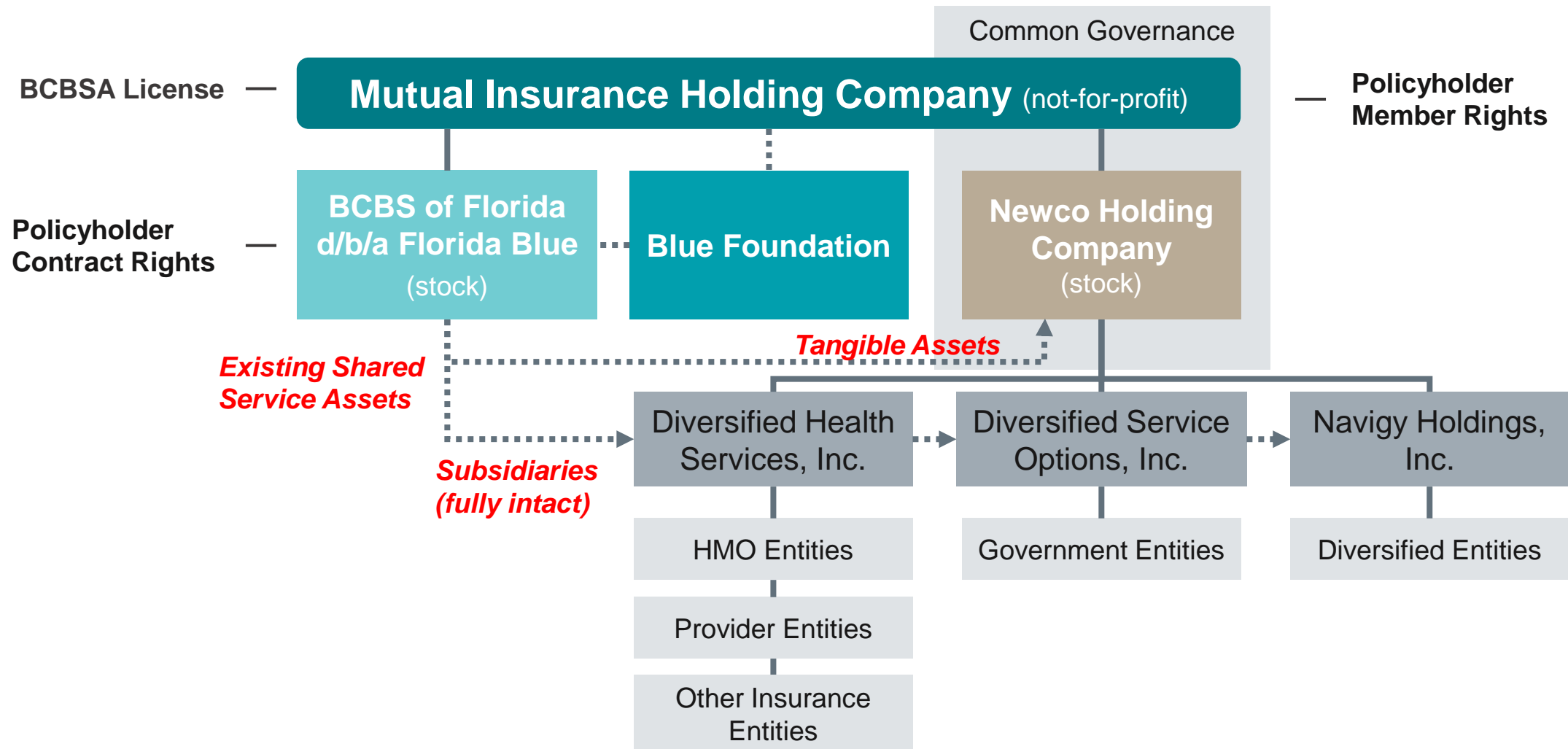


Provides similarities  
to for-profit  
competitors,  
however, executed  
with a not-for-profit  
mission



Assists the people  
and communities  
served to achieve  
better health

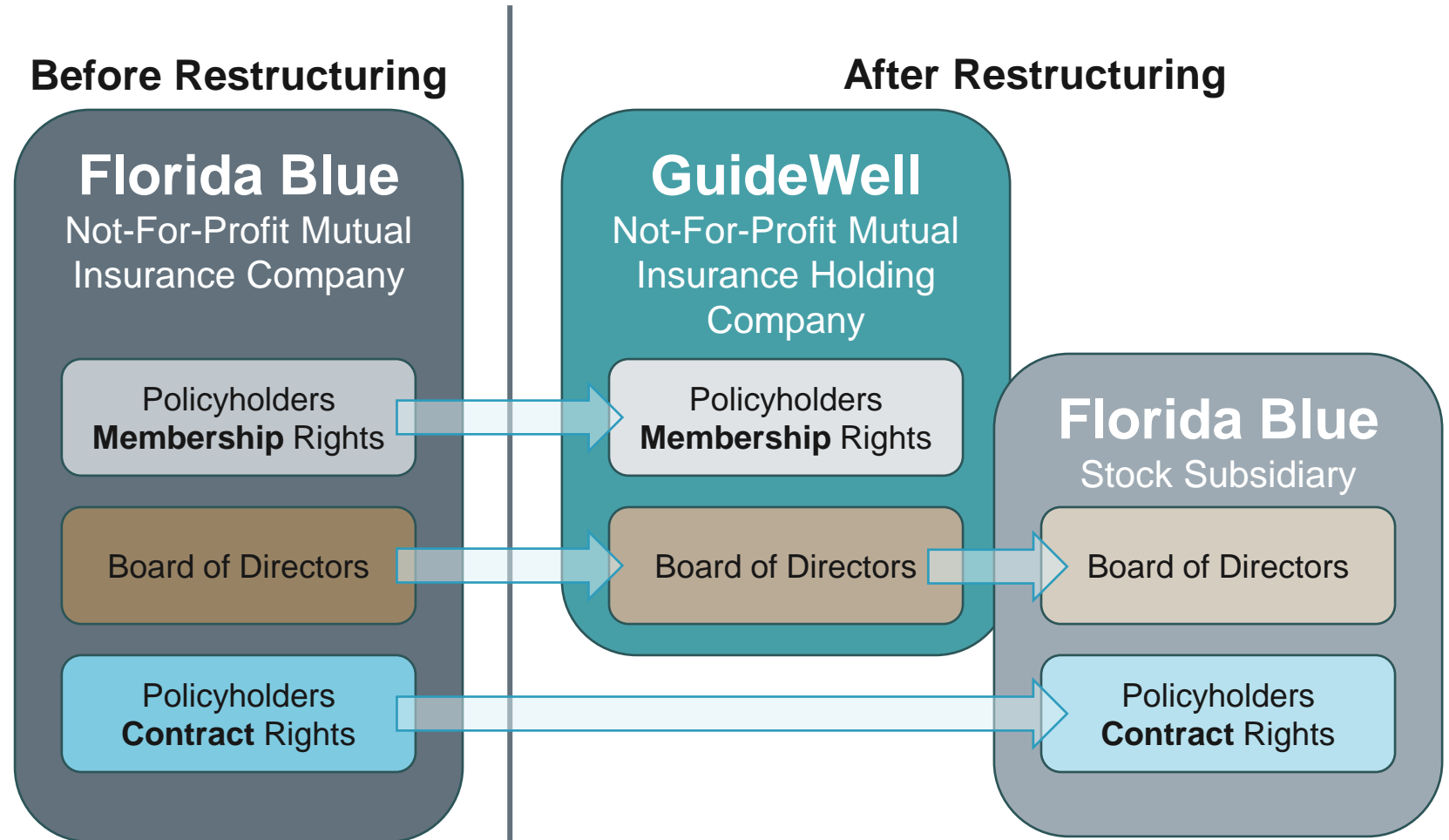
# Certain assets, people, and processes can be moved and shared among the held companies



# Voting rights and ownership interests are protected and clearly defined under a mutual holding company

## 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





# Florida Blue's Journey into GuideWell

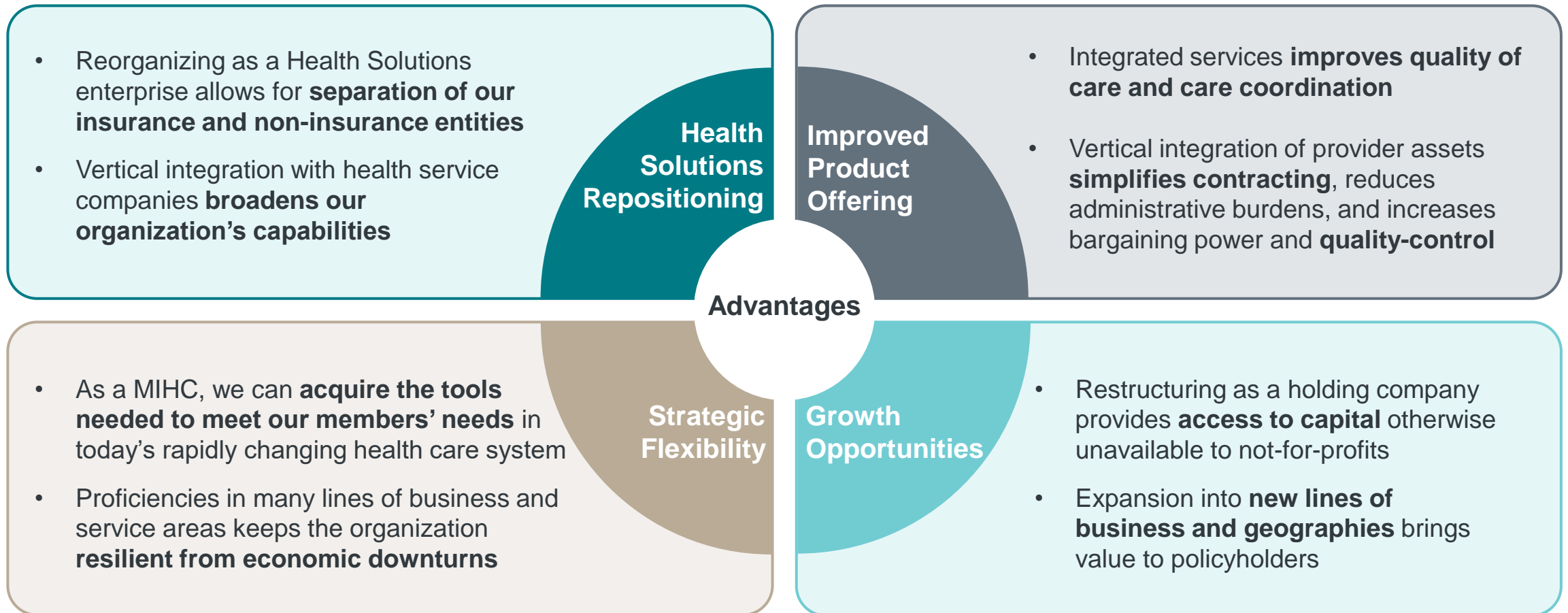
# Florida Blue's restructuring into GuideWell was the first step in a transformational journey

<b>OUR MISSION</b> Why we exist	<b>To help people and communities achieve better health</b>					
<b>OUR VISION</b> Who we strive to be	<b>A leading innovator, enabling healthy communities</b>					
<b>OUR CORE VALUES</b> What we believe is non-negotiable	<b>Respect</b> We believe everyone deserves to be valued and treated with dignity	<b>Integrity</b> We believe in honesty, truthfulness and adherence to the highest ethical standards	<b>Inclusion</b> We believe health equity is a right and that helping everyone belong makes us smarter and stronger	<b>Imagination</b> We believe embracing new and different ideas helps us advance health together	<b>Courage</b> We believe speaking up and taking the right action, even when it is hard, is how we get better	<b>Excellence</b> We believe in driving high quality results that make our customers love us
<b>OUR CULTURE</b> How we aspire to show up every day	<b>Be Well</b>		<b>Work Well</b>		<b>Guide Well</b>	
	<ul style="list-style-type: none"> <li>• Be my whole self so I can be my best self at work</li> <li>• Be curious, take smart risks, and have fun</li> <li>• Be transparent and someone others can trust</li> </ul>		<ul style="list-style-type: none"> <li>• Work to keep the customer at the center of everything we do</li> <li>• Work to serve with urgency, empathy and kindness</li> <li>• Work collaboratively and seek out diverse perspectives</li> </ul>		<ul style="list-style-type: none"> <li>• Guide each experience through our values of respect, integrity, inclusion, imagination, courage, and excellence</li> </ul>	
	<b>It starts with me</b>		<b>We win as a team</b>		<b>To help people and communities achieve better health</b>	




# GuideWell's has experienced significant growth over the past 10 years since its restructuring



# Mission-oriented focus, facilitated by the MIHC structure, incubates value for stakeholders



# Impacts of restructuring can be felt by the enterprise, our policyholders, and our consumers

	 Enterprise	 Policyholders	 Consumers
Stakeholders	<p>Since restructuring, GuideWell has grown to become a top decile health plan nationally</p>	<p>Policyholders have enjoyed financial growth, while maintaining the mission and values of the organization</p>	<p>GuideWell has been able to continue to improve the health and well-being of our customers and the local community we serve</p>
Impacts of Restructuring	<ul style="list-style-type: none"><li>▪ Greater capital protection and flexibility, more like for-profit competitors</li><li>▪ Agility and responsiveness in a rapidly changing market</li><li>▪ Greater flexibility in structuring business combinations</li></ul>	<ul style="list-style-type: none"><li>▪ Maintaining the benefits of a not-for-profit mutual mission-driven organization</li><li>▪ Capacity to seize opportunities for expansion</li><li>▪ Expanded portfolio of aligned health services</li></ul>	<ul style="list-style-type: none"><li>▪ Ability to increase product and service offering for our customers</li><li>▪ Improved healthcare affordability</li><li>▪ Increased access to the best care possible</li></ul>

# Other insurers, especially other Blue plans, are reaping the benefits of restructuring

## Highlights

- ❑ Competition with for-profit insurers is driving BCBS plans to level the playing field through corporate restructuring
- ❑ Regulatory challenges are a substantial roadblock on the journey to mutualization
- ❑ Mergers and acquisitions quickly follow reorganizations, as insurers move to seize opportunity



- BCBS of North Carolina organized into a mutual holding company in 2023
- Representatives have said that the company was subject to undue regulations their for-profit competitors were exempt from
- In early 2023, before the reorganization, BCBS NC lost a \$17.5B FEP contract to Aetna



- Horizon BCBS restructured into a mutual holding company in 2023
- A legal challenge from a nonprofit and a nurses' union ultimately lost in New Jersey court
- As part of the agreement with regulators, Horizon will pay the state of New Jersey \$1.25B over 25 years



- BCBS of Michigan reorganized from a tax-exempt charitable company into a non-profit mutual insurer
- As a mutual they were relieved of many regulations that only applied to BCBSM, such as rate regulation
- BCBSM is still required to maintain some responsibilities like charitable contributions and RBC requirements



- HCSC is the largest BCBSA mutual
- Since restructuring into a mutual they have acquired the BCBS plans in Texas, Oklahoma, New Mexico, and Montana
- In several acquisitions, the charitable assets of the target plans were captured and used to fund foundations

# Single plan insurers contemplating a restructure have several considerations to keep in mind



The healthcare industry is increasingly challenging to operate in, as insurers manage affordability, access, and health equity



Structuring as a MIHC gives not-for-profits a chance to level the playing field with for-profit competitors



Many insurers are already on the path towards mutualization, with further goals of acquisition and consolidation

**Questions?**