

PORTLAND
BUSINESS JOURNAL

One of Oregon's largest health insurers has jumped headfirst into the venture capital business, bringing jobs and dollars to Portland. The approach isn't without risk. **PAGES 4-7**

CAMBIA'S **BIG** UMBRELLACare Team
Connect

CoPatient

HealthSparq

Hubbub

GNS Healthcare

Lively

LifeMap Assurance
CompanyCare Team
Connect

OmedaRx

**Regence BlueCross
BlueShield** of Oregon,
Regence BlueShield of
Idaho, Regence BlueCross
BlueShield of Utah and
Regence BlueShield
(selected counties in
Washington).

Qliance

Retrofit

Rise Health

Sprig Health

TriZetto

Wellero

Wildflower
Health

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An insurer stretches out

Cambia Health Solutions is creating and investing in wellness startups to expand the business beyond just health insurance

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In 1917, a group of doctors founded the Pierce County Medical Bureau in Tacoma, Wash. In exchange for a monthly fee, they provided care to workers at timber and mining camps who pooled their resources in case anyone got injured or sick. And so began the world's first health insurance company, later known as Blue Shield.

Nearly a century and several name changes later, Cambia Health Solutions is still very much a player in the health insurance business. With more than 2 million members in four states, Cambia's four Regence-branded health plans combined form the largest health insurer in the Northwest/Intermountain region.

But increasingly, Cambia is charting new territory in the health landscape, making it a standout as an innovator in an industry that is undergoing a broad transformation, driven by more data, more transparency and more consumer engagement than ever before.

Cambia's diversification strategy has led to investments in a host of startups that share a common theme – offering technology-based tools and analytics that promote wellness or smarter choices, so consumers and providers can better navigate a health arena in which costs are rising at an unsustainable rate.

With total assets of \$4.5 billion, Cam-

bia is the holding company for a collection of 22 businesses, only six of them health insurers (four under the Regence BlueCross and/or BlueShield banner).

The other 14 are technology-based health startups under Cambia's Direct Health Solutions arm. Of those, five are wholly owned by Cambia, while it is an investor in the other nine.

Between January 2011 and November 2012, Cambia invested \$30 million in health care startups. Company officials say the figure has grown substantially since then, though they declined to provide specifics.

A self-examination

After Mark Ganz was named president and CEO of The Regence Group in 2003, he soon began a self-examination and repositioning of the organization, long before the Affordable Care Act became law.

"Starting 10 years ago, we took a hard look at the world and said, 'Is the health care system really delivering on that wellspring?'" Ganz says. "Our conclusion was it was not; we had gotten off track. Stewardship was replaced by a very different model, and health insurance was intruding in every aspect of a person's journey around health care. The root problem was that the economic model was all wrong."

That model "causes good people to make logical decisions that lead to less

than optimal results," he says. "Our job is not to nest around what our forefathers had built, and certainly if the model was flawed, it was to change it."

The decision was made to move away from a single line of business to a model resting on four pillars: health insurance, tools for providers, tools for patients and senior services. Ganz brought in new leadership to facilitate the transition.

He has long been immersed in health care. His father was a doctor in Spokane, Wash., and Ganz joined Pierce County Medical in 1992 as chief legal officer. He was named to the same position, as well as chief compliance officer, for The Regence group in 1996, then as president of Regence BlueCross BlueShield of Oregon in 2001.

For Ganz and his team, every decision revolves around "The Cause," which can be summed up as changing health care to a more person-focused and economically sustainable model.

"Mark and his team are looking to extend beyond the traditional health care model, which was about collecting money and managing claims," says Michael Koppel, chief financial officer of Nordstrom Inc. and a member of the Cambia board. "It's a business of managing risk and a culture that tends to be risk-averse. Mark and his team are about exploring, innovating and finding ways to provide better outcomes for patients in this space."

COVER STORY



CATHY CHENEY

Cambia CEO Mark Ganz personally embraces the company's focus on investing in and promoting wellness initiatives by taking conference calls from his treadmill desk.

The board takes a long, hard look at prospective investments, said board member Luis Machuca, president and CEO of Kryptiq Corp., a Hillsboro-based medical records software developer.

"We have had many more considered than (invested in) by a considerable factor," Machuca said. "Things we get into have gone through a great deal of scrutiny and due diligence."

One of Cambia's first forays outside of insurance was OmedaRx, a medication assessment tool used by health plans, employers, doctors and pharmacists.

In 2008, it added TriZetto, which provides IT for benefits administration, followed by Hubbub, an "online playground" for wellness, and Sprig Health, a direct-pay online health care marketplace.

The expansion picked up steam in 2011, when Cambia Health Solutions was created as the umbrella over Regence Insurance Holding Co. and the newly created Direct Health Solutions arm, the collection of health-related startups.

Front of the pack

Sicely Donaldson, a senior director at the Portland-based management consulting firm Point B, says Cambia's moves are part of a trend. For example, UnitedHealth Group, the nation's largest insurer, created Optum, a health services platform that provides health IT and consumer health management, among other things.

"A lot of health plans are looking to diversify their business," Donaldson says. "I really think as the health care industry as a whole continues to evolve, the way people think about and get insurance changes, it will be even more important for health insurance organizations to innovate and diversify."

Unlike Cambia, when health insurance companies invest outside their core business, those other companies exist to feed the insurance side, Ganz says.

Each Cambia company "has a unique responsibility to be successful in their own right; they don't exist to serve (insurance). Each company's leadership team is accountable to bring value to its customers," Ganz says. "If we don't think the products and services do that, game over."

It was game over for Kinetix Living Corp., a Seattle fitness and nutrition company that Cambia bought for nearly \$15 million in March 2010. It pulled the plug on Kinetix 18 months later after determining its business model was flawed.

"Some are going to perform well and some aren't," Koppel says. "Taking no risk doesn't move you forward."

More companies likely will join the roster and others depart. Last year, it sold Care Team Connect, a Web-based platform that enables creation of patient-centered care plans.

Some may emerge from Cambia's own incubator. One company currently incubating is called Basefit and helps potential weekend warriors in Oregon and Minnesota get in shape to join the National Guard or attend boot camp.

"It's like building a family and adding the next member," says Rob Coppedge, who heads Cambia's strategic investments.

More GE, less Kodak

Ganz says Cambia's strategy goes beyond merely investing, a notion that he says makes him "bridle."

"What we're doing is not about investing or diversifying with a hedging strategy. We're literally repositioning the company," he says.

He gives two examples of other well-known brands, one that successfully transformed amid a changing world and one that didn't: GE added many other revenue sources besides its core business of manufacturing light bulbs, while Kodak continued to rely on its legacy business of making film, a fatal decision.

"That's our light bulb," Ganz says, pointing to the words "health insurance."

"To simply rest there would be a mistake. Our job is to continue to innovate."

As the Cambia brass sees it, the opportunity lies in enabling a better patient-provider relationship, a theme that runs through the Direct Health entities.

"There's a huge opportunity to rethink how people provide and pay for those services," Ganz says. "What this company is about is eliminating the maze and creating a system built on transparency. It's not about managing patients, it's about unleashing them and giving them good information so they can hold providers accountable for quality service."

Over time, Ganz expects the "four pillars" to support the organization more-or-less equally, but at this point, the startups are "at the lower end of the hockey stick" and aren't adding to earnings yet.

In other words, Cambia won't be exiting the insurance business any time soon. Insurance still provides the bulk of Cambia's revenue – \$5.8 billion from premiums in 2012 (2013 financials aren't yet available). Net income was \$173 million, a profit margin of about 2 percent.

"Health insurance does have a future in this country, but it needs to play a different role and one that's less intrusive," Ganz says.

Ganz emphasizes that Cambia is a (tax-paying) nonprofit and can "do this over time."

"We're not slavishly focused on what shareholders think this quarter," he says. "We can have longer-term goals." **■**

OUTSIDE INVESTMENTS

A look under the umbrella

Here's a glimpse at the new companies
Cambia has either invested in or created

CoPatient: Cambia made a seed-stage investment in Co-Patient, which moved from Boston to Portland a couple of years ago. Its software audits disputed medical bills for consumers. It also provides a platform for employers for aggregate claims review.

Trizetto: Based in Englewood, Colo., Trizetto provides IT for benefits administration and care management for payers and providers. Its software powers most health plans in the U.S., with 50 percent of claims going over a Trizetto system.

Retrofit: Based in Chicago, Retrofit is a 2-year-old startup that provides virtual personal trainers, nutritionists and psychologists to help people lose weight and get in shape. Clients include Google Inc. and Salesforce.com Inc.

OmedaRx: The Portland startup provides medication assessment, partnering with health plans, employers, doctors and pharmacies to get the safest, most effective treatments to patients. The service is sold by large health plans and employers and focuses on the pharmacy benefits. It is working with GNS Healthcare on a medication adherence project. It uses pharmacists who rely on their clinical knowledge to determine drug effectiveness.

WHOLLY OWNED SUBSIDIARIES

(All based in Portland)

Hubbub: It offers a mobile service that tries to make wellness more fun by using gamification as motivation. "The challenge in the wellness world is that it has to be fun, otherwise you interpret it as someone lecturing you," says Dudley Slater, executive vice president of Direct Health Solutions.



Slater

HealthSparq: One of the top providers of transparency services in the country, it allows patients to comparison shop for health services online, using software that provides detailed out-of-pocket estimates and reviews of doctors. "More and more of the cost burden has shifted to consumers, with high-deductible health plans and health savings accounts," Slater says.

Sprig Health: A direct-pay marketplace where consumers can shop and pay for health care. It could serve people who choose not to have insurance, despite the federal mandate, and conclude they're better off purchasing it as needed, or those who have insurance but use it only for bigger expenses. It's still "early stage," Slater says, but the idea is to allow people to buy primary care services and more routine care. "It's the ultimate in transparency made actionable," Slater says. The hope is to spawn innovation and competition.

LifeMap Assurance Co.: Provides life insurance, disability insurance and other financial planning products to customers across the U.S. The idea is for employers and individuals to be able to bundle such services "and have their needs taken care of by a single relationship," Slater says.

Wellero: Has an app for consumers to pay for a health service at "point-of-sale," rather than waiting to get a bill in the mail. Often when a patient leaves their doctor's office, they have no idea how much insurance will cover and how much they'll have to pay. The app interfaces with the patient's insurance company, so they know right away what they owe and can take care of it immediately.

Wildflower Health: Based in San Francisco, it is marketing a mobile maternity program, Due Date Plus, which uses self-reported data to identify high-risk pregnancies and deliver customized tools and content. Due Date Plus helps women manage their health during pregnancy, including steering them to benefits available under their health plans. Wildflower is trying to expand its offering to health plans, self-insured employers and Medicaid clients.

Qliance: Based in Seattle, with clinics across the Puget Sound region, Qliance provides direct primary care services. It charges a flat monthly rate, but it's not a health plan. It can be used by both the insured and noninsured. The model is designed to reduce and control costs through accessible primary care.

Rise Health: Based in Chicago, Rise provides analytics, based on electronic medical records, to doctors from health plans. It's been used by health plans in Texas to empower primary care practices with more patient information.

GNS Healthcare: Based in Cambridge, Mass., GNS uses big data — claims, electronic medical records, patient registries and genomics — to compare effectiveness, match treatments to patients and demonstrate economic value. Rob Coppedge, senior vice president for strategic investments, says the analytics have been especially useful in assessing "which medications work for which patients when. They can personalize things they're doing at a population level, cutting a huge amount of waste from the system." Health plans have used the data to predict and model who is at risk of manifesting Type II diabetes and which interventions would be useful.



Coppedge

Lively: Based in San Francisco, Lively provides activity sensors to help older adults stay independent longer, alerting family members when there's a change in expected routine. Motion sensors are placed on the elderly person's drawers, door jams or other locations and send an alert if there's something different. Coppedge says the devices have saved at least one life so far.

