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## This leader set his focus on the long term

President Christopher Perna directs MedAmerica Inc., which sells long-term care insurance

By WILL ASTOR

An American age 60 in 2001 could on average expect to live another 21.5 years. An American who had attained the same age in 1900 could look forward to another 14.4 years.

Christopher Perna thinks about such numbers. Perna, president and chief operating officer of MedAmerica Inc., is 44. His interest is more professional than personal. Longer-lived Americans will mean rising demand for long-term care and long-term care insurance—that is Perna's business.

MedAmerica—a wholly owned for-profit subsidiary of Excellus Health Plan Inc.—sells only long-term care insurance. David Klein, president and CEO of Excellus and Excellus' non-profit parent Lifetime Healthcare Cos. Inc., calls MedAmerica "one of our subsidiary jewels."

Excellus Health Plan is the non-profit parent of Excellus Blue Cross Blue Shield, Rochester Region, Blues plans in Syracuse, Utica, Rome and Watertown and the non-profit Univera HMO in Buffalo.

MedAmerica, which employs some 130 of Lifetime Healthcare's 6,600 workers and contributed \$110 million last year to the company's more than \$4 billion in revenues, is a relatively small component of the far-flung Excellus and Lifetime Healthcare empire, which includes physician practices, the Rochester region's largest home care agency and other insurance and benefit-related for-profit subsidiaries.

With what he calls "the huge unfunded long-term care risk facing baby boomers," Klein says, "(MedAmerica is) "an integral part in the Lifetime Healthcare Cos. strategic plan." It provides an opportunity for Excellus to fill a market need and fulfill its mission as a non-profit by bringing "a very caring culture, not just a financial service culture into the market."

Some see the long-term care segment, which accounts for a relatively small slice of all U.S. life and health policies sold, as a niche market.

"It is something of a niche market," concedes Susan Coronel, senior director of America's Health Insurance Plans. "But it's growing faster than the rest of the industry."



Photo by Kimberly McKinzie

**IN THE LONG TERM**—Christopher Perna is president of MedAmerica Inc., a wholly owned for-profit subsidiary of Excellus Health Plan Inc. that sells long-term care insurance. The company has 130 staffers and logged \$110 million in revenue last year.

Coronel, who heads a 1,300-member Washington, D.C.-based trade association for health and life insurance carriers, sees the segment's 10 percent to 15 percent annual growth rate as traceable to the baby boom bubble.

"It's an emerging market," Coronel says.

And though MedAmerica is still a small player in the market, she says, it has come far in a relatively short time with much of its growth coming in the five years Perna has headed the company.

Perna has been active in the trade association, traveling to Washington, D.C., frequently to help the trade association lobby lawmakers for innovations such as tax credits for long-term care policy purchasers. He has played an important role as industry spokesman and booster, Coronel says.

"I think I can look back on my five years here and say that (MedAmerica has) matured as an organization," Perna himself

says. "We're a force in the industry now."

### Begun in the '80s

Started by former Excellus CEO Howard Berman in 1987 as Finger Lakes Long Term Care, MedAmerica has over the past 17 years grown to become the 11th-largest U.S. seller of long-term care policies. Much of the growth has come under Perna, whom Berman tapped to head MedAmerica in 1999.

In 1987, Berman—now retired and serving in an advisory role to Klein as vice chairman—saw long-term care as being roughly in the position that hospital insurance was in the 1930s when the Blues got their start as the earliest providers of health care insurance.

Eighteen years ago, few sold or bought long-term care insurance. But just as major-medical and general health insurance since the 1930s have become virtually in-

dispensable, Berman thought, so would long-term care insurance. And a Blues organization would be a logical provider of such coverage.

MedAmerica's first big jump came in 1994, when the Blues bought the Maryland-based Trans General Life Inc., acquiring licenses to do business in 35 states. Before then, it could only do business in New York.

By the time he tapped Perna to head MedAmerica in 1999, Berman says, "the company had been through a few iterations."

"I saw Chris as the person who could take it to the next level, to grow. He was someone who could sell," Berman says.

Being able to sell nationwide was an important key to the company's success, Perna says. A top priority for him has been seeing that MedAmerica secured licenses to sell in all 50 states—a goal accomplished in 2003.

The company sells primarily through brokers, Perna says, and only a few big national agencies that specialize in long-term care sell policies in any volume. Until they could offer the product to all of their agents across the country, few big agencies were interested in handling MedAmerica policies.

## Battling with giants

While MedAmerica has passed many of its competitors, it still ranks as a junior colleague to its largest rivals.

Roughly 100 U.S. companies sell long-term care insurance. At the top of the heap are Metropolitan Life Insurance Co.'s long-term care division; GE's Genworth Financial Inc., which GE is in the process of spinning off as an independent public company; and John Hancock Life Insurance Co.'s long-term care unit.

With some \$600 million in assets, MedAmerica has some distance to travel before it comes close to MetLife's \$500 billion in assets, Genworth's \$1.5 billion or John Hancock's \$1 billion.

Still, MedAmerica, which took in some \$40 million in revenues in 1999, has come far fast.

Roughly one-third of its growth came through acquisitions. This year it acquired the books and long-term care business of Premera Blue Cross Blue Shield of Alaska and of the Virginia-based Trigon Blue Cross Blue Shield, adding 3,000 contracts to its book of business.

In 2003, it acquired some 17,000 contracts from a GE insurance unit. That acquisition came a year after the purchase of an \$18 million book of business from GE Capital Corp.

Perna attributes the other two-thirds of MedAmerica's growth to the drive to get the company licensed in all 50 states. But, he adds, at least as much of the company's success traces to a radical redesign

of its product three years ago.

Immediately before being named MedAmerica president, Perna had headed the Utica and Watertown Blues organization. Before that he had worked as a divisional manager and sales manager for the Blues in Boston.

Perna says it took him a year to get oriented to long-term care's different demands after taking over MedAmerica. After 12 months, he realized the key to complying with Berman's injunction to take the company to the next level would lie in radically redesigning the product.

"We were never going to compete on a level playing field with MetLife," Perna says. "How would we ever catch up with them? We had to have something different to sell."

After months of internal brainstorming, Perna and the group of top managers he assembled to work on the redesign came up with a line of long-term care policies they call Simplicity—a name selected without a consultant's aid, he says.

Simplicity policies, which remain unique in the market, are far easier to sell, says broker Robert Burke, head of the Burke Group Inc. employee benefits firm in Honeoye Falls. Perna and the MedAmerica group figured out a way to simplify what had been a highly complicated insurance product.

Long-term care insurance is a tough sell for several reasons, Perna says. Few employers contribute toward premiums. And the belief that government insurance will pick up the tab for skilled nursing or other long-term care is common, making long-term care premiums seem to many an unneeded expense. And policies often are filled with densely impenetrable language.

When making presentations to employee

groups, the product must sell itself quickly.

"You only have about 10 minutes, and if you don't grab them in the first couple of minutes, you can probably forget it," Perna says.

While faith in government insurance as a long-term care payer is not entirely misplaced, Burke says, reliance on Medicare and Medicaid can have serious pitfalls. Medicare runs out after 120 days, and to qualify for Medicaid, one has to spend down assets leaving only a few thousand dollars.

And excluding a limited spousal exemption, regulations prohibit passing substantial amounts of cash or real estate to heirs or relatives for as long as four years prior to going on Medicaid. In short, the government will pay for long-term care, but only for the impoverished. For individuals who might want to pass on significant assets to their children, long-term care insurance, while not cheap, may make sense.

While many might see such arguments as compelling, Perna saw a greater problem in explaining the product. The solution he and his team hit on: to simplify the explanation why not simplify the product?

Much of the impenetrable verbiage of conventional long-term care policies stem from carriers' attempts to specify conditions under which payouts would be made. The idea generally is to impose conditions aimed at insuring that payments go to appropriate agencies. Where this becomes a problem, Perna says, is that definitions of long-term care providers differ from state to state and are often an arcane tangle of regulations.

Simplicity products avoid that problem by putting no restrictions on how policy holders use payments, he says. As long as they meet criteria to determine that they actually need care, they are free to make any arrangements they want.

"It's brilliant, really," Burke says. "With most policies, if you want to hire your sister to take care of you, you're out of luck. With Simplicity, you can do whatever you want."

America's Health Insurance Plans' Corneil adds: "(The product design is) probably a trend that we will see more of in the future."

Since it introduced Simplicity three years ago, MedAmerica saw its sales increase some 67 percent from \$65.6 million in 2002. Perna attributes much of the increase to Simplicity. But so far, to Perna's amazement, no rivals have copied it.

"There is nothing stopping anyone from copying it," he says. "I'm waiting for it."

## A personal approach

Perna's decision to create a user-friendly, long-term care product in part stems from his own experience. Caring for his own father, a union concrete mason who

## CLOSE-UP

### Christopher Perna

**Title:** President and chief operating officer, MedAmerica Inc.

**Age:** 44

**Education:** B.S. in applied mathematics and economics, Brown University, Providence, R.I., 1983

**Residence:** Pittsford

**Family:** Wife, Mary; sons, Jonathon, 13, Cameron, 10, Christopher, 7; daughter, Medeleine, 6

**Interests:** Skiing, golf, jogging, spending time at family cottage on Waneta Lake, attending children's sporting events

**Quote:** "I think I can look back on my five years here and say that we've matured as an organization. We're a force in the industry now."

died at home at 55 of a brain tumor, was a defining experience for Perna, who was a junior high school student at the time.

"We didn't call it home care, and we didn't get any payments. We just did it. But that's what it was," Perna says of the six months he and other family members spent watching their once-vital father slowly succumb.

Perna grew up in Malden, Mass., a city of some 50,000 just outside of Boston. He was the second to last of seven children. Perna was the first, and until recently, the only one in his family to go to college. Some of his brothers followed their father into the building trades; one became a policeman; and his sisters are homemakers.

"I was always motivated to succeed from the third grade on," Perna says.

A self-starter, Perna decided he wanted to go to an academically superior private parochial school, where he got top grades. He later attended Brown University in Providence, R.I. A top high school athlete who captained his football team, Perna makes a point of mentioning that he went to Brown on an academic, not a sports, scholarship.

A self-described "casual jogger," Perna works out, skis and golfs regularly. He and his family live in Pittsford.

Perna believes his father subtly discouraged him from following in his footsteps.

"He always worked hard his whole life, but I think as he got older, he saw the wisdom of doing things differently," Perna says.

For the most part, however, Perna says, his family neither encouraged nor discouraged his higher ambitions.

Perna had planned originally on a career in medicine. He entered Brown as a pre-med biology major but after a year decided that "medicine wasn't for me."

It was not a case of squeamishness over tending to the sick but rather a feeling that he could not face another seven years of school or deal with having to put in more years as a resident and intern before he could start establishing himself.

## Turning to business

Business would make more sense, Perna thought, something where he could start earning money and start a family as soon as he graduated. He ruled out even a few years of non-medical post-graduate work.

Perna had dated his wife-to-be, Mary, a fellow Maldenite who also was attending Brown, off and on since they first met at a ballgame as ninth-graders. They have been married 20 years and have four children.

After deciding to opt out of medicine, Perna switched to a dual major in applied mathematics and economics—"the next closest thing to a business degree" that Brown offered. He graduated in 1983 with a bachelor of science in applied math and economics.

# THE MED America COMPANIES

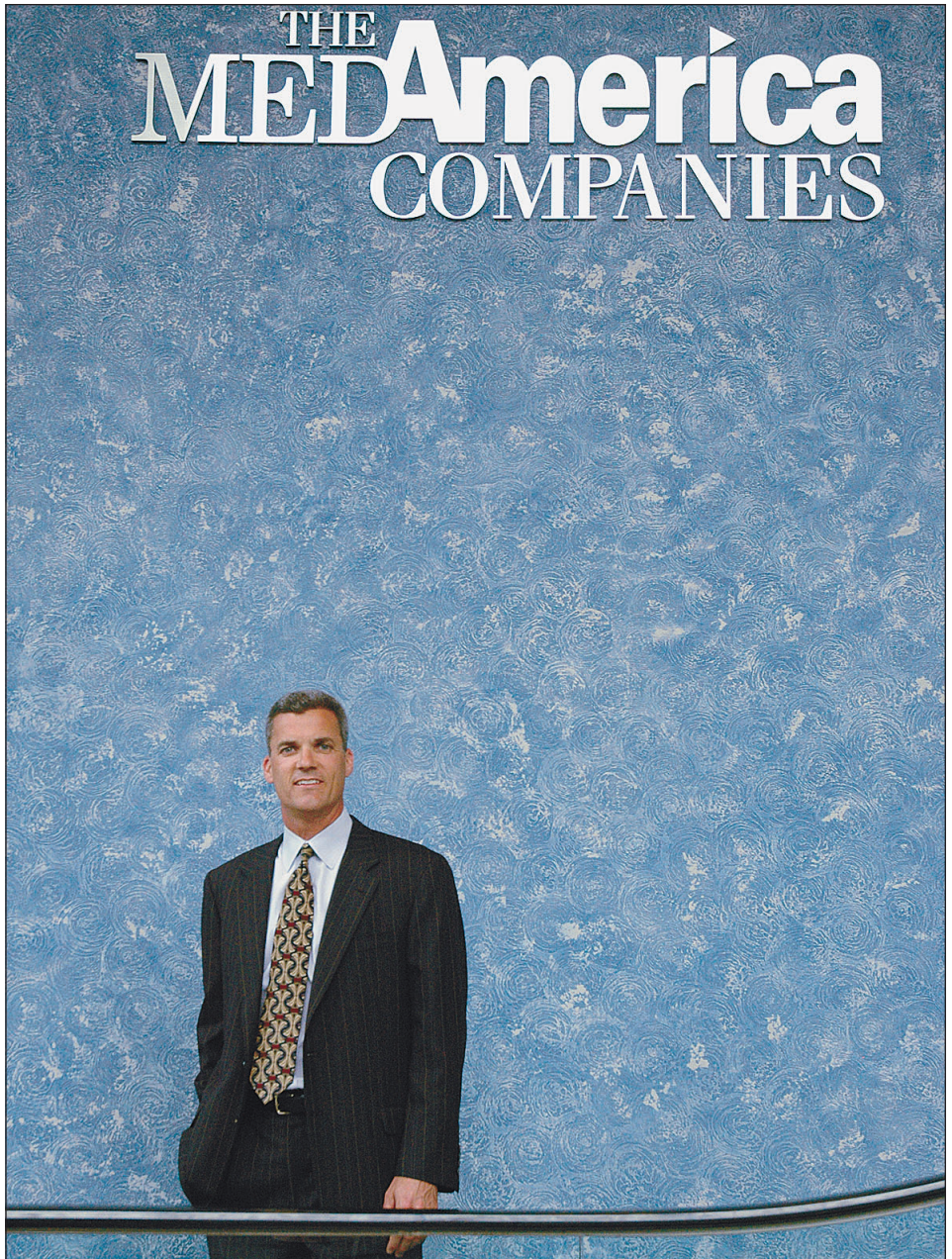


Photo by Kimberly McKinzie

**Perna: "We were never going to compete on a level playing field with MetLife. How would we ever catch up with them? We had to have something different to sell."**

Much of the work he already had done in pre-med did not apply to his new majors, forcing Perna virtually to complete a four-year course in three years.

Upon graduating, Perna went to work for Home Life Insurance Co., a then-independent carrier based in New York City. The company trained him as a salesman and moved him to the Boston area. He stayed with the firm a year and a half before leaving to take a sales job with Blue Cross and Blue Shield of Massachusetts.

"I realized with (Home Life) that my only path up would be in sales and I wanted more than that," Perna says.

At the Massachusetts Blues, Perna started in sales and moved up. His last position there was vice president of the company's

small-business division. Perna describes the small-accounts division, which he helped develop, as an intensely satisfying learning experience. The idea was to create a telemarketing operation that would serve small, outlying accounts efficiently.

The division operated semi-autonomously within the larger Blues operation, Perna says, managing to isolate itself from a series of management upheavals. When the company decided to fold the division into the larger organization in 1997, he decided to look elsewhere. He contacted a headhunter, who put him in touch with the Utica and Watertown Blues, which were looking for a new CEO.

A year after landing the Utica/Watertown job, Perna says, he realized the or-

ganization was distressed financially and would not long continue to stand on its own. He convinced the board to approve a merger with Excellus.

In 1999, Berman called Perna, asking Perna to meet him in Utica. At the meeting, Berman offered Perna the MedAmerica job, asking for a decision in two days.

The idea of heading an entire insurance company appealed to him, Perna says.

"Besides," he adds, "I figured if I were

going to move up at Excellus, I'd have to come to Rochester eventually anyway. It might as well be now."

Berman remains convinced he chose the right person to head MedAmerica.

"I'm impressed with how far he's taken MedAmerica, turning it into a more than \$100 million company," Berman says.

"That's good for Excellus and it's good for the community. Most of that is outside money coming into Rochester."

Klein echoes Berman.

"The best is clearly yet to come (at MedAmerica)," Klein says. "We expect demand for long-term care insurance to keep growing. MedAmerica is very well-positioned to grow its market share and to emerge as one of the major players in the industry along with MetLife, John Hancock and others. (Perna) has done a superb job building the MedAmerica brand."

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