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Signature Healthcare is getting into the insurance business

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Signature Healthcare LLC plans to enter the health insurance business.

Louisville-based Signature is known primarily as a skilled nursing operator, though it also has some critical access hospitals, home care services and other operations.

In March, Signature registered a company called Signature Advantage LLC with the Kentucky Department of Insurance. Signature Advantage is classified as a provider-sponsored organization, which is essentially a provider group that accepts full risk for beneficiaries' lives, according to the state. They provide this service in return for a fixed payment per month.

Signature president and CEO Joe Steier says it's one of the first such organizations to be approved by both the state and the U.S. Center for Medicare and Medicaid Services. It's actually a joint venture between Signature and Glen Allen, Va.-based AllyAlign Health, a risk-management firm that works with the long-term-care industry.



FILE PHOTO

"We're really going to try to get very heavy into the insurance space," said Joe Steier, president and CEO of Signature Healthcare. This file photo shows Steier visiting with a resident of one of Signature's facilities.

The company will begin enrolling members who live in Signature Healthcare nursing centers, starting in October, Steier said. It'll use its own website and will participate in Kentucky's health insurance exchange, Kynect, to sell its insurance products. The company expects to start covering members at the beginning of next year.

"We're really going to try to get very heavy into the insurance space," Steier said.

He hopes to have about 600 to 1,000 members covered next year. Signature will roll out the insurance in Kentucky before going to Indiana and Florida in future years. The company is investing about \$3 million to get this venture off the ground, Steier said. It'll take about 25 employees to run the business, about half of whom will be new hires.

But why?

Steier said there are a few good reasons to make this move.

First, he said, having its own insurance company gives Signature a chance to have a deeper alignment with its physicians. Secondly, he said, the insurance industry is continuing to push for lower reimbursement rates for providers such as Signature. Having its own company that provides reimbursement allows Signature to combat that trend.

And lastly, Steier said, there's great financial upside to the insurance business for companies that are willing to take on the risk.

If you follow Louisville's health care industry closely, you'll know that this isn't the first time a company has gone from nursing homes to the insurance industry. Louisville-based Humana Inc. (NYSE: HUM) started as a nursing home company. It eventually got into hospitals (something Signature did a few years ago) before moving on to health insurance. Humana sold its nursing homes and hospitals years ago and today is one of the major players in the insurance industry .

I asked Steier whether he sees Signature as following in Humana's footsteps,

but he said he doesn't believe his company will be as large as Humana in the insurance industry.

"I think there's great learning in (watching) how Humana evolved," he said "You've got to change with the times. You've got to be innovative."

Humana, one of Louisville's largest employers, is set to be purchased by Hartford, Conn.-based competitor Aetna Inc. in a \$37 billion deal that was announced last month. Federal regulators will have to approve that deal before it moves forward. It's one of two major acquisitions that are expected to leave the health insurance industry much more consolidated.

Steier sees that consolidation as worrisome for providers, as he believes it will lead to lower reimbursements. The new venture isn't in response to the industry consolidation, as planning for this started a year ago. But Steier does believe the timing is good, considering the circumstances.

"The massive consolidation made me think, thank God we did this."

David A. Mann

Reporter

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