



Frederick C. Dunlap, CEO of XLHealth, says he is ready for the changes that health care reform could bring to his company.

MICHAEL GRUBER / STAFF

## Prescription for growth

*XLHealth continues to expand, while preparing for potential changes from health care reform*

HEATHER HARLAN WARNACK | STAFF

**Baltimore's XLHealth backs up the notion that health care is immune to recessions.**

The company, a private health insurer that offers a Medicare supplement program for seniors with chronic diseases, is the only top 10 entry from 2008 to return to the *Baltimore Business Journal's* 2009 List of fastest-growing private companies.

XLHealth slipped from No. 1 in 2008 to No. 6 this year, as ranked by revenue growth from 2007-2008. The Baltimore company grew from \$659 million in revenue in 2007 to \$1.1 billion last year. And CEO Frederick C. Dunlap says XLHealth is on pace to see \$1.3 billion in revenue this year.

"Health care is a must have," he said during a recent interview with the *BBJ*. "It's a need."

That need will continue to fuel the company's growth, Dunlap said. But

how he handles that expansion and possible changes from anticipated health care reform will set the path for XLHealth's future.

Conventional wisdom says XLHealth and private insurers like it that offer supplemental plans to the federally funded Medicare program will be hurt by a proposed \$155 billion cut in reimbursements if health reform passes.

President Obama says supplemental Medicare plans, also known as Medicare Advantage, cost the federal government too much money. Cuts to the program could help pay for health care overhaul.

Still, Dunlap, who was appointed CEO in January 2008, says the change could be good for XLHealth.

"What's happening in Congress right now is really exciting for us," he said.

All of the health care reform proposals reduce Medicare reimbursements but offer incentives that would benefit companies like XLHealth, Dunlap said.

In the short run, there would be cuts to Medicare Advantage with the gradual evaporation of Medicare subsidies by 2015. The incentives would ultimately

be bonuses paid to companies like XLHealth for meeting certain criteria and helping to manage patients' diseases.

The goal of health care reform — improving patient quality, especially for chronically ill Americans — is in line with XLHealth's mission and goal, said Guy D'Andrea, president of Discern Consulting, a health care policy consulting firm based in Baltimore.

While those values may match up, health care reform — if passed — could create more competition for XLHealth as additional focus is put on the high cost of treating the chronically ill, who are often forced to use high-priced options like emergency rooms, D'Andrea said.

Responding to government change is something that health care companies need to be able to do quickly, Dunlap said.

A large part of last year was spent adapting to new regulations surrounding Special Needs Plans and other Medicare Advantage plans. XLHealth is prepared to do that again, should health care reform pass.

The company, he said, now has the

mechanisms not only to respond to change, but also to expand.

Appointed in January 2008, Dunlap spent his first year managing growth and "building an expansive infrastructure underneath this big business."

He hired a number of new senior managers and brought a lot of outsourced responsibilities in house. They included claims, enrollment and billing.

"It's hard to create a huddle with disparate groups that don't affiliate," said Dunlap of the insourcing.

This move has fueled some of the staff growth. XLHealth, which was founded in 1997, employs 368 in Baltimore and another 257 outside Charm City in its San Antonio, Atlanta, Columbia, S.C., and India offices.

And Dunlap knows how important that staff is to the organization and its future success.

A "walk-around CEO" who enjoys people, Dunlap says he knows the majority of employees.

Their job satisfaction, he said, is important to him and the organization.

"We don't have numbers around here," he said. "Everybody is a person."