



**RE: Further information request re Advisory Opinion Request 2014-21
(Cambia Health Solutions)**

Minor, William to: JWaldstreicher@fec.gov

02/09/2015 01:36 PM

History: This message has been replied to and forwarded.

Ms. Waldstreicher,

Thank you for the opportunity to respond, on behalf of Cambia Health Solutions, to the additional questions posed by the Commissioners with regard to AOR 2104-21. Below are answers to the questions presented:

1. What percentage of Cambia's total annual revenue (including revenue from subsidiary companies and/or affiliated insurers within its holding company system) is derived from non-Blue Cross Blue Shield branded products/services?

As noted in our request, and like all other BCBSA licensees, an overwhelming majority of Cambia's revenue is related to the use of the BCBSA marks. Cambia estimates that revenue related to the company's "unbranded" businesses (i.e., business that is not sold with the Blue Cross Blue Shield marks) has averaged about 3.5% of total revenue over the most recent three years.

Cambia believes this figure for unbranded business is comparable to the highest percentages among BCBSA licensees, although figures are not always available or easy to compare. (Public figures from HCSC, for example, suggest that HCSC's figure is approximately 4%.)

Moreover, and more importantly, we believe a revenue figure alone is a misleading measurement in this industry. Health insurance companies boast very large revenue numbers, but the vast majority (approximately 90%) of the premium received by the insurer is subsequently paid to health providers to satisfy policyholder claims. In fact, accounting rules require that a liability reserve for such expected claims be established when premium revenue is booked. This unique structure distorts a revenue comparison between the insurance and other Cambia non-insurance businesses.

An analysis of trends and investments paints a more complete picture. From 2009-2013, Cambia's BCBSA-branded revenue declined by 6%. Over those same four years, Cambia's unbranded insurance revenue grew by 38%. As noted in our submission, three of Cambia's insurance companies compete directly with other BCBSA licensees in seven Western states.

Cambia today, by contrast to its corporate predecessors, is about far more than insurance. As part of its commitment to becoming a total health solutions company, it has launched or invested in more than 25 businesses under its Direct Health Solutions division.

<http://www.cambiahealth.com/companies/direct-health-solutions>

In a 2014 profile entitled "Cambia's big umbrella: 14 startups and a VC mindset," the Portland Business Journal described the company's transformation:

Health insurance may still provide the bulk of Cambia's revenue, but increasingly, the organization is branching out and diversifying as it adapts to — and exercises influence over — a

changing health marketplace.

"They're quite entrepreneurial, which is quite uncommon in the Blue world," said Larry Leisure, an operating partner at Silicon Valley-based Perkins Caufield & Byers, one of the world's top venture capital firms. "They're a different kind of health plan. They're not your mother's Blue plan."

<http://www.bizjournals.com/portland/blog/health-care-inc/2014/02/cambias-big-umbrella-14-startups-and.html>

2. What percentage of Cambia's total employees (including employees of its subsidiary companies and/or affiliated insurers within its holding company system) is employed providing non-Blue Cross Blue Shield branded products/services?

Cambia employs just over 5,000 full time employees. Of this total, 64% are employed by the BCBSA-branded businesses. The unbranded businesses include about 10% of the total workforce. And the remaining 26%, made up of Cambia's executive leadership and shared services employees, supports all of Cambia's lines of business. Again, while comparisons to other BCBSA licensees are difficult, it appears from public data that approximately 11% of HCSC's employees are employed by non-BCBSA licensees.

3. What percentage of Cambia's total assets (including assets from subsidiary companies and/or affiliated insurers within its holding company system) is held in its non-Blue Cross Blue Shield operations?

Cambia estimates that approximately 10% of total assets are devoted to the unbranded businesses. An analysis of Cambia's enterprise value comparing BCBSA-branded and unbranded also suggests that approximately 10% of such value is held in the unbranded businesses. Moreover, as noted in our request, Cambia has made substantial capital investments in non-BCBSA related businesses in recent years. Since 2009, the company has invested approximately \$180 million in unbranded businesses.

* * *

Again, thank you for the chance to respond to these questions. I would be remiss not to note, however, that the questions seem to pertain to just one of the ten factors outlined in Commission regulations for considering whether entities are affiliated. As the Commission considers our request, we draw its attention as well to the other factors outlined in our letter and supporting materials.

Regards,
William Minor

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From: JWaldstreicher@fec.gov [mailto:JWaldstreicher@fec.gov]
Sent: Friday, January 30, 2015 12:07 PM
To: Minor, William
Subject: Further information request re Advisory Opinion Request 2014-21 (Cambia Health Solutions)

Dear Mr. Minor:

Regarding your request on behalf of Cambia Health Solutions, Inc., we have been asked by Commissioners to request the following information with respect to AOR 2014-21 (Cambia Health Solutions).

1. What percentage of Cambia's total annual revenue (including revenue from subsidiary companies and/or affiliated insurers within its holding company system) is derived from non-Blue Cross Blue Shield branded products/services?
2. What percentage of Cambia's total employees (including employees of its subsidiary companies and/or affiliated insurers within its holding company system) is employed providing non-Blue Cross Blue Shield branded products/services?
3. What percentage of Cambia's total assets (including assets from subsidiary companies and/or affiliated insurers within its holding company system) is held in its non-Blue Cross Blue Shield operations?

Your response may be treated as a supplement to the advisory opinion request and, as such, may be placed on the public record.

Yours,
Joanna Waldstreicher
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