MINNEAPOLIS/ST. PAUL
BUSINESS JOURNAL

Former Definity Health CEO's 'on-demand' insurance startup nabs $60M in venture capital

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A health-benefits startup led by serial entrepreneur Tony Miller has closed a $60 million round of funding as it prepares to expand into new markets and ramp up hiring.

Wayzata-based venture capital firm Lemhi Ventures, where Miller is a managing partner, led the round.

Miller has quietly built the Minneapolis-based company, Bind Benefits Inc., for more than a year. It already has 50 full-time employees, about 20 contract workers and six business customers. Following the funding round, Miller expects to add between 50 and 70 more jobs and take Bind into six new markets.

Bind borrows the on-demand concept pioneered by ride-hailing services like Uber and applies it to health insurance. Members can opt into coverage for specific procedures only when they need it. That coverage, which the company calls an "add-in," layers on top of a core-benefits plan that members have at all times.

The core-benefits package covers staples like preventative care and emergency care. The add-in packages target procedures that patients can plan for in advance, such as a knee surgery.

Bind partners with established insurers to offer the core plan. Its partner in the Twin Cities market is Golden Valley-based PreferredOne.

Bind's customers are employers that self-fund their insurance. The company doesn't plan to create products for the individual or Medicare Advantage insurance markets, both of which have been popular with venture-capital-backed health care startups.

One unusual feature of Bind's plans is they do not require that patients meet deductibles or pay co-insurance. Members pay a premium plus co-pays for specific treatments and visits. The plans do have out-of-pocket maximums.

Miller set a goal of eliminating deductibles when he started the company, saying they frustrate members and haven't been an effective tool for encouraging people to shop around for the best deal on health care services. The approach is a significant departure from that of his previous company, Definity Health. That business, which was sold to UnitedHealth Group Inc. for $300 million in 2004, was a pioneer in high-deductible plan design.

"If I could tell my 30-year-old self something, it would be that deductibles are a terrible idea in health insurance," Miller said.

Miller also knows that many actuaries would scoff at the idea that a health plan could allow people to opt in and out of coverage whenever they please. However, he's confident they can do so through better analytics and by making it easier for patients to choose lower-cost clinics or pursue less-expensive treatment options.

To accomplish that goal, Bind has a mobile app members can use to quickly see where they can get a procedure performed and how costs vary by provider. They also can get a quick look at how co-pays would vary based on, for instance, whether they go to a retail clinic or urgent care.

Bind also aims to reach patients at the moment they seek care. When a patient checks in at a doctor's office, Bind is notified, and its app sends a message to the member's smartphone. In some circumstances, the app will suggest alternate treatment options than the one a patient is pursuing at that moment.

Not all health care providers are thrilled with Bind's approach. Miller has heard complaints that Bind's plans will encourage patients to hop from provider to provider based on the best deal, rather than build long-term relationships with doctors who can coordinate care.

"It goes against the notion that [health systems] can capture the consumer from cradle to grave," Miller said.

Bind also doesn't incorporate quality-of-care ratings into its app.

Overall, Miller said Bind is not taking a "shiny, happy" approach to health care, and the startup's name itself is partly an acknowledgement of how much people do not like health insurance as it stands today. "It puts me in a bind" is a phrase Miller said he heard from consumers during focus groups. (The name also is a nod to the word "binder," which can refer to temporary insurance contracts.)

In addition to serving as CEO of Definity, Miller was CEO of Carol Corp., which launched in 2006 as a web portal where consumers could comparison shop for health care services. It later evolved into a consultancy and was sold to UnitedHealth's Optum unit in 2011.

Miller said Bind is the result of time he spent re-thinking everything he had previously assumed about the health care system. "This is not an 'aha' moment – it's the arc of my time in health care."

bind on-demand health insurance