

# TENNESSEAN

Every day matters. .com

This is a printer friendly version of an article from the **The Tennessean**. To print this article open the file menu and choose Print

< < Back

## When it comes to hockey, CEO follows his passions It's not just about making a buck, HealthSpring's Fritch contends



**HealthSpring CEO Herb Fritch feeds koi at his home in Brentwood earlier this month. Fritch enjoys exotic fish and maintains several large tanks with species from around the world.**  
MANDY LUNN / THE TENNESSEAN

By GETAHN WARD  
Staff Writer

Published: Sunday, 07/15/07

In business, Herb Fritch is known as a quick study who makes calculated decisions, using facts and figures that support his course.

But when it comes to interests such as fishing and hockey — maybe especially hockey — he simply follows his passions.

"I'm willing to make investments in things just because they're fun and interesting, not because I think they're going to make me a lot more money," said Fritch, CEO of HealthSpring Inc. and part of a group of local executives that has made a bid on the Nashville Predators hockey franchise to stop others from buying it and possibly moving the team out of town.

Until the group bid on the team, Fritch was best known for taking Nashville-based HealthSpring public in 2006, making the managed-care organization the first Midstate company in two years to have a successful initial public offering.

But people who know Fritch say they weren't surprised the Minnesota native would join a bid to buy a team that according to current owner Craig Leipold has lost \$70 million over its 10-year history — \$27 million of that in the past two seasons alone.

Fritch, whose 4.3 million shares of HealthSpring are worth nearly \$84 million, lives with his wife, Barbara, in Nashville, but owns 400 acres of farmland near McMinnville, where he has buffalos, elk and Watusi cattle, a long-horned African breed. He also has hundreds of exotic fish, eels and sea horses in 2,500-gallon aquariums.

"Herb's the type, if he wants it, he gets it," said Chris Beggin, who owns Aquatic Critters in Nashville, which orders fish from across the globe for Fritch, its biggest customer.

### Growing up with hockey

Hockey was a popular sport as Fritch grew up in Duluth, Minn., but in the land of 10,000 lakes, it was fishing and basketball that were his main passions, recalls his younger brother Gary, who still lives in Duluth and is an accountant.

"He (Fritch) probably enjoyed the challenge of going outdoors, being able to take something on its own turf and see if he could catch it," Gary said.

Gary Fritch, who played high school hockey, said that it was evident Fritch had become an even bigger hockey fan when he came home for a visit during the holidays a few years ago. Fritch anxiously sought updates on the score of a Predators game.

Herb Fritch said that although he grew up around hockey, being in Nashville gave him an opportunity to see the sport up close at the professional level. He's at nearly every game. Barbara, his wife, said she considered the games the best part of her social life and was heartbroken when her favorite player, Scott Hartnell, recently was traded.

The group of local executives interested in buying the team, which includes Fritch, health-care executive David Freeman, Nashville attorney Chase Cole and others, hasn't said how much they're offering. Fritch has said he would put up \$5 million to \$10 million, making him the second-largest investor after Freeman.

Canadian billionaire Jim Balsillie offered \$220 million for the Predators in May, while California businessman William "Boots" Del Biaggio III has offered \$190 million.

If Fritch is interested in something, "he's not afraid to step out and do it regardless of whether it's different," said Nashville health-care entrepreneur Joe Hutts, who brought Fritch to the Midstate 12 years ago when Hutts' former company, Phycor Inc., bought Fritch's North American Medical Management Inc.

### **Working with doctors**

Fritch's earlier company, which he founded with Midstate businessman Jack Jordan, handled the managed care portion of doctors' practices, including negotiating HMO contracts and paying claims. It's that model of working with doctors to improve health care delivery that has been the common factor among the businesses in which Fritch has been involved.

"We start with the philosophy that the U.S. health care system is pretty much broken and a lot of the issues relate to misaligned incentives," said Fritch, who co-founded and operated a health maintenance organization, Sanus Corp. Health Systems, in the 1980s. "We try to create incentives for doctors to produce better outcomes and pay them better to do that."

Dr. Sid King, managing partner of Sumner Medical Group in Gallatin, likes HealthSpring's pay-for-quality program that rewards doctors for improved preventive care and management of patients with diabetes and various heart diseases.

"They compensate for additional time that I invest in the patient," he said.

Fritch's background with doctors and managed care dates back even earlier to 1973, when he began fresh out of college working as an actuary with the consulting firm now called Milliman USA. He initially worked with doctors organizations in California and, after President Nixon signed laws that provided more funding for and encouraged development of HMOs, he helped to develop a consulting practice that worked with a growing numbers of HMO startups.

HealthSpring was started through the purchase of a troubled HMO called HealthNet in 2001, after Fritch left Phycor. HealthNet operated in five Middle Tennessee counties.

Today, HealthSpring's 1,200 employees serve 50,000 seniors statewide and up to 125,000 nationwide as the business has expanded beyond the Midstate.

Its nontraditional approach is reflected in a clinic in Gallatin where seniors in its Medicare Advantage plan can be seen by doctors for at least 20 minutes, much longer than the roughly six

minutes Fritch says doctors spend with patients. Similar centers are in the works for Mobile, Ala., and Houston, Texas.

"It reinvents a physician's compensation — taking emphasis away from volume and placing it on improved quality and patient satisfaction," King said.

### **'He just gets it'**

HealthSpring's chief financial officer, Kevin McNamara, said that Fritch's knowledge about Medicare and his passion about solving the problem of how to deal with the millions of baby boomers soon to go through the Medicare system are critical to the company's success and to its future.

"He's one of the most knowledgeable people about Medicare — knows more about it than the people in the ... government," McNamara said.

HealthSpring, though, could take a hit if some in Congress carry through on threats to cut reimbursements to companies that offer Medicare Advantage, a private managed-care program for people 65 and older funded by government payments.

Critics say plans such as those offered by HealthSpring, which provide seniors with extra benefits, cost the government too much money.

Fritch said lowering reimbursements would hurt all companies in the business, but there also could be a benefit if it drives out some weaker competitors.

Despite such issues, Jim Hunt, a HealthSpring shareholder and friend of Fritch, recently bought more shares.

"I trust his judgment," said Hunt, who runs a Nashville benefits firm. "He makes great decisions based on more information than certainly the average person would be able to glean from a document or whatever. He just gets it."

But that's business.

When it comes to Fritch's passions, such as keeping the Predators in Nashville, the executive said there's more to life than money.

"At the end of the day, the people in it are not in this to get a huge return," he said about the local bidding group.

Published: Sunday, 07/15/07

---