



Extend Health gets \$15M Series B

by George White Posted 10:40 EST, 13, Aug 2007

Healthcare startup **Extend Benefits Group LLC** is expected to announce both a \$15 million Series B round and a name change on Monday, Aug. 13.

Based in Burlingame, Calif., the provider of defined contribution healthcare plans for large enterprises will go under the name **Extend Health Inc.** Its core offerings allow for highly personalized health insurance options to employees who would otherwise be unable to participate in company-sponsored health plans, as well as retirees who do not typically have the ability to personalize a plan to their needs.

New investor **Psilos Group Managers**, a New York investment firm that specializes in healthcare services and IT, led the second round. Also participating was existing investor Revolution Health Group of Washington, a part of former AOL chief Steve Case's **Revolution LLC**.

Revolution's \$10 million investment in Extend Health in 2005 gave it a controlling stake at the time, according to published reports. Also included in the Series A was an October 2004 closing on \$1.25 million from individual investors, including CEO Bryce Williams, that allowed the company to change direction and move into the corporate benefits marketplace.

While he declined to comment on the company's current ownership structure, Williams did say that the Series B came at an increased valuation from the Series A.

Founded in 1999, Extend Health lets small businesses and corporations develop individual healthcare plans for employees, which are designed to reduce the cost, administrative burdens and regulatory compliance responsibilities of human resources and benefits departments.

"Our company allows companies to move to more of a defined contribution healthcare platform where they set the amount of contribution, and the employees are allowed to buy whatever they want in the individual market," Williams added. "We focus on taking a group-spent dollar and individualizing it in healthcare."

As the cost of healthcare to businesses has skyrocketed, startups like Extend Health have been able to make inroads into major corporations more easily thanks to the savings they can render.

"Healthcare costs increases for corporate America last year were anywhere between 11%-14%," Williams said. "[With the rise in costs] outpacing inflation by sixfold, companies are increasingly looking for new strategies to contain costs and give their employees and retirees individual choice."

Working with more than 70 carriers, Extend Health's offerings include health and life insurance; tax-advantaged Health, Retirement and Education Savings Accounts; as well as network savings programs for pharmacy, dental and vision care.

The new capital will primarily go toward bolstering the technology the company uses to serve its corporate clients, which include: **Chrysler Corp., FedEx Corp., IBM Corp., General Electric Co., Gap Inc.** and **Avon Products Inc.**

"We're going to continue to develop our platform for our corporate clients," said Williams. "[The proceeds will be used for] new technology development, and additions to customer service will be the primary areas where we'll be investing."

With revenues growing at 350% year-over-year, and an expectation of becoming cash-flow-positive next year, Williams expects this to be the last time the company needs to tap private investors. He went on to say that management is not considering a public offering right now.

Also joining the company's board of directors as part of the financing are Psilos' founding partners, Albert Waxman and Stephen Krupa.

Matthew Sonsini of Palo Alto, Calif.'s **Wilson Sonsini Goodrich & Rosati** was lead attorney for Extend Health in the financing, with Brad Burkett at **Navigant Capital Advisor LLC** acting as placement agent. Chris Giordano at **Winston & Strawn LLP** represented Psilos.