

# ORANGE COUNTY BUSINESS JOURNAL

## Private TriZetto Has More Space to Grow

**HEALTHCARE:** Set for reform related business out of public eye

■ By VITA REED

Nearly a year after getting out of Wall Street's glare, the leader of Newport Beach-based TriZetto Group Inc. says the company has some breathing room to hit its goals.



**Margolis: "we have fewer excuses not to get it right"**

TriZetto went private in 2008 in a \$1.4 billion sale to Apax Partners Inc., a New York private equity firm. Two of TriZetto's customers, BlueCross BlueShield of Tennessee Inc. and the Regence Group, a Portland-based health plan that is affiliated with the Blue Cross

and Blue Shield Association, were minority investors in the deal.

TriZetto, which has yearly sales of about \$500 million, provides software and services to health plans and benefits administrators to help manage data. It also runs Web sites that allow patients, doctors and insurers to track healthcare information, appointments and claims.

Founder and Chief Executive Jeffrey Margolis said the lack of public scrutiny does not mean the company is slacking off.

"In many ways, I feel we have fewer excuses not to get it right, if that makes sense," said Margolis.

Some on Wall Street believed that TriZetto went private because it was underappreciated.

"The operating environment is such that they're doing well but the Street is not valuing them at an appropriate level, so

they're chosen to accept this offer because of that," said K. Newton Juhng, an analyst with BB&T Capital Markets, at the time the Apax-TriZetto deal was announced.

Others said that going private would allow TriZetto to focus its energies on developing new services and products without investor scrutiny.

That has taken place, according to Margolis.

"Since that time, we've been able to strongly focus on the base strategy of the company, which is a concept we call "Integrated healthcare management," Margolis said.

Margolis defines integrated healthcare management as creating and selling software and services that bring together data on care management, insurance benefits and the best way to communicate with a patient, something he argues will help control costs and provide better healthcare.

Margolis declined to give a 2009 sales estimate for TriZetto, but he did say the company expects to top the nearly \$500 million revenue it reached in 2008. The company is profitable, he added, but is more focused on long term goals than looking good on every quarterly report.

"As a public company, particularly as a relatively small public company where we were at about a half a billion dollars in revenue, it didn't take much variation or (fluctuations) to have us look really good or really bad," he said.

Margolis said that TriZetto is also building "wallet share" by selling software and services that perform multiple functions to its existing customer base.

Additionally, the company is looking to benefit from possible federal healthcare reform; the Obama administration has made computerized health records a priority in its reform platform.

Margolis said he's an advocate for hospi-

tal-based personal health records, "but it's not a panacea."

As a provider of claims processing software, TriZetto's in a position to help rapidly roll out personal health records combined with benefits and care management information, Margolis said.

### Public Again?

But that potential growth doesn't make it a given for going public again, Margolis said.

"It's not something we're trying to pop back overnight (on)," Margolis said.

Private equity firms typically own companies for a set period of time, usually between four and seven years, and then either spin them back out on the public market or sell them to a strategic buyer.

TriZetto, which employs 29 people in Orange County and 1,954 companywide, also is open to a potential acquisition, according to Margolis.

Before going private, TriZetto wasn't looking to be bought, but received a number of unsolicited buyout offers in late 2007, Margolis said. TriZetto then undertook what Margolis said was a "controlled auction" process to identify potential buyers. About 20 prospective buyers came forward, including health insurers and software companies.

TriZetto then narrowed the potential buyers down to the winning Apax-led group's bid, which was for 25% more than what TriZetto traded at before the deal was announced.

Shortly after that happened, Margolis, who is 46, said Apax sat down with him and they had a "serious discussion" about his ongoing commitment to TriZetto, which he founded in 1997.

"We established an agreement on a multi-year basis for me to continue to lead the company," he said. "It was a very amicable situation."

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