Case Study: Former AOL Chief Seeks Health-Care Revolution

Steve Case hasn't let his fall from grace sully his self-image. Today, the former America Online chief executive will announce a series of investments in health care that are designed, he says, "to change the world."

He calls his new venture Revolution Health Group. Its goal is to, well, revolutionize the way health care is delivered in this country. Mr. Case says he wants to "put patients at the center of the health system, with more choices, more convenience, more control."

Certainly, the U.S. health-care system could use a revolution. Runaway costs, uneven quality and tens of millions of uninsured patients have turned it into a national embarrassment -- an especially big one that accounts for one-seventh of the U.S. economy.

Legions of businessmen, politicians and policy makers have broken their picks on this problem in the past -- anyone remember Internet entrepreneur Jim Clark's foray into Healtheon? -- with little to show for their efforts. The question: Is Steve Case the man who can finally fix the mess?

He believes he can, and compares his current effort with building AOL. While others had created online services before him, he was the one who succeeded at bringing the Internet to the masses. And unlike other wealthy entrepreneurs who have turned to government or philanthropy later in life, Mr. Case believes he can do more good as an entrepreneur.

It's tempting to view Revolution Health as a rehabilitation project for fallen CEOs. Mr. Case, of course, merged AOL with Time Warner, resulting in one of the largest evaporations of shareholder value in corporate history. For his new board, he's recruited Carly Fiorina, who was fired earlier this year as CEO of Hewlett-Packard; Franklin Raines, who was forced out of the top job at Fannie Mae; and Steve Wiggins, who built, and then was ousted from, Oxford Health Plans.

Asked why he brought these beleaguered ex-CEOs on board, Mr. Case says he knows them, they are talented and he "views them as underleveraged assets." The board also includes former Secretary of State Colin Powell and former Netscape CEO Jim Barksdale. Ron Klain, former aide to Vice
President Al Gore, serves as executive vice president and general counsel of Mr. Case's investment firm, Revolution LLC.

Mr. Case argues that the way to fix the health-care system is to put consumers in charge. He favors innovations like health savings accounts, or HSAs, and health reimbursement accounts, which are high-deductible, tax-favored arrangements that allow employers to make fixed-dollar contributions to an employee's care but leave the employee in charge of spending those dollars. The investments he's announcing today are designed to support such "defined contribution" health care plans.

Some worry these sorts of changes simply shift costs from employers to workers. But Mr. Case says, "If you put the consumer at the center of the health-care system, good things will happen."

For starters, Revolution is buying four companies that will become the building blocks of a new Web portal to help consumers manage their care. The companies are MyDNA Media, which provides up-to-date health information; 1-800-Schedule, which helps consumers find doctors and schedule appointments; Simo Software Inc., which enables users to keep track of their health care spending; and Wondir Inc., a search engine linking users with others who may have answers to their health-care problems.

The portal, to be launched sometime next year, sounds a little like WebMD, which has a troubled history but enjoyed a successful IPO last week for its portal, WebMD Health. Mr. Case says WebMD -- a former partner of his at AOL -- has done a "good job building a brand and an audience," but is "a mile wide and an inch deep."

Revolution also has acquired a controlling interest in two companies that will help employers handle health-care coverage. One is Extend Benefits LLC, which works with companies to provide individualized insurance plans for their employees. Its clients include AutoNation, Continental Airlines and the PGA Tour. The other is ConnectYourCare, which helps employers offering HSAs by providing additional services, such as debit cards that can be used to pay health-care bills directly from accounts.

Finally, Revolution has purchased a minority-position in InterFit Health, which is building low-cost clinics in retail locations, including Wal-Mart and Sam's Club. (See related article.)

Total investment by year's end will come to about $100 million. Revolution officials say. That's not much in a business that consumes nearly two trillion dollars in the U.S. each year. But given Mr. Case's history, it's worth keeping an eye on.

Write to Alan Murray at business@wsj.com. If you want to share your thoughts but don't want your letter published, please make that clear. Alan will share readers' comments and reply in Saturday's Talking Business column.