

SMALL BUSINESS

Painless payments

• Paying the doctor is simple with credit card-based mPay Gateway, the latest start-up from Mark Tierney.

By TODD NELSON
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Prominent Twin Cities entrepreneur Mark Tierney has launched his third successful health care IT start-up: mPay Gateway, a software-based prescription to relieve doctors' bad-debt pains.

Tierney previously co-founded eBenX, a technology-based benefits plan administrator for self-funded Fortune 500 companies such as Chevron and PepsiCo. When eBenX went public in 1999, it was the largest IPO in Minnesota history.

Before that was Healthmarc, a utilization management company with GE, Chevron and PepsiCo among its clients. Tierney sold that company to UnitedHealth Group in 1991.

With mPay Gateway, Tierney, a former hospital administrator with 30 years of experience in the health benefits industry, has built on his specialty of finding new ways to apply technology to health care delivery and finance.

The mPay Gateway system makes paying for a doctor visit almost like checking into a hotel -- the estimated cost gets authorized on your credit card when you check in, but you don't get charged until the insurance company specifies what you owe.

"There's a movement toward patients paying more out-of-pocket expenses," Tierney said of the rising deductibles and copayments most consumers must pay under their health insurance plans. "We anticipate that's going to continue to be an issue for the next couple decades. And that creates a problem for physicians who need to collect from patients."

No small problem, it turns out: Providers write off \$40 billion to \$60 billion a year in bad debt, according to a McKinsey Quarterly study in 2007.

In Tierney's view, mPay Gateway has almost unlimited growth potential, with



Photo by GLEN STUBBE gstubbe@startribune.com

Brian Beutner, CEO of mPay Gateway, and Mark Tierney, executive chairman. They project revenue for 2009 of \$300,000.

the billions providers are losing each year and the expense and low return rate (50 percent) of post-visit collection efforts.

"I believe that every physician in the country is going to want a solution for getting paid by patients who have a deductible obligation," Tierney said. "The way to assure that is to get some commitment when they are in the office."

Today, more than 1,500 health care providers use mPay Gateway, and the company, which has 26 employees, projects 2009 revenue at \$300,000. The revenue comes from monthly software license fees and transaction fees based on the amount providers collect through the system. Those numbers could get much bigger in the near future, according to CEO Brian Beutner.

"We could easily be toward 30,000 doctors and \$75 to \$100 million in revenue," Beutner said.

Reforms could help

Health care reform could accelerate demand by adding millions of patients -- all with deductibles and copays -- to the system. The recession had added pressure for doctors to reduce their accounts receivable by securing payment when they see a patient.

About 90 percent of patients provide their credit cards, Beutner said. Those who decline get billed the standard way.

Tierney founded the company, based in Minneapolis' Warehouse District, in 2005, bringing in some of the top technical people from his earlier start-ups to develop the technology.

A venture firm and angel investors provided financing, Beutner said. In September 2008, the company closed on a second round of venture funding of \$6.75 million and brought in a second venture partner.

The focus now is on growth, and

MPAY GATEWAY

Business: Developed a Web-based payments processing system for doctors and clinics that helps ensure they can collect co-pays and deductibles from patients.

Founded: 2005

Headquarters: Minneapolis

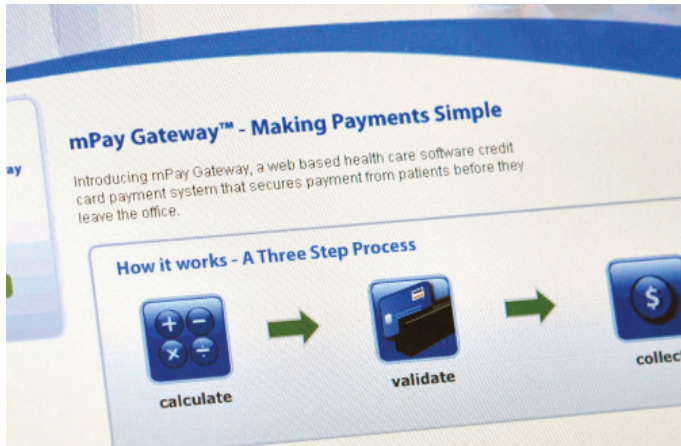
Website: www.mpaygateway.com

Employees: 26

Executives: Brian Beutner, CEO; Mark Tierney, founder and executive chairman; John Wallace, senior vice president; Craig Servin, software development; Timothy Hruska, operations and product development; Jim Getchell, finance

2009 revenue: \$300,000 projected

Strategy: Raise growth capital to expand sales and marketing, continue to develop technology and provide operating capital.



The mPay Gateway website. The company looks to help doctors easily collect what patients owe after insurance has paid its share.

Beutner is gearing up to seek additional capital to support it. The money would go to expand sales and marketing efforts, to continue advancing the company's technology and to provide working capital during the growth phase.

Tierney brought in Beutner to build up mPay Gateway, handing off responsibilities he had largely taken on himself at the earlier start-ups.

"The part that I enjoy the most is the early concepts and vision and feasibility, crafting the original ideas," said Tierney, who serves as the company's executive chairman. "But the day-to-day gets a little more difficult. My skill sets don't fit that as well."

Paths crossed

Beutner, a veteran executive, was one of the founders of UnitedHealth Group's consumer finance division while he was with that company from 1999 to 2005. While there, Beutner also chartered Ex-ante Bank, the first successful bank built by a health care company, and served as its chairman for three years. He spent a couple of years consulting with small start-ups before he joined mPay Gateway late in the summer of 2007.

"I'd been at this intersection of health care and financial services for 10 years," Beutner said. "Eventually, two or three people said, 'I don't understand what you're saying but this guy, Mark, talks the same way and you ought to meet.'" When Beutner arrived, the company had just reformatted its technical approach, adopting the hotel-style retail payment mod-

el and ditching initial plans for what would have been a combination credit and health insurance ID card. The retooled mPay Gateway system launched in 2008.

Patients know the costs

Patients benefit from mPay Gateway, Beutner said, because they know up front what services are to be performed and whether their share of the cost will be closer to

\$100 or \$1,000. It eliminates the need for the post-visit barrage of "THIS IS NOT A BILL" paperwork that confuses patients to the point where many don't pay even after receiving a second or third real bill.

At mPay Gateway, the average authorization so far has been less than \$125, he said.

"We have what we think is an excellent solution for 90 percent of the pain that doctors are feeling," Beutner said. "Automating a process for the hundreds of millions of small transactions that happen in

health care every year is where we really see the value that we can provide."

Rather than approach individual practices, mPay Gateway has distribution partnerships with banks and practice management companies, including Allscripts, the largest such management company in the country with 120,000 providers as clients.

About 700 Allscripts providers now use mPay Gateway, said Gregory Koller, Allscripts director of product strategy. The company, which began working with mPay Gateway at the start of 2009, hopes one-third of its clients will be using it in five years.

"We've been looking at solutions for the last three or four years to try to capture that patient-owed amount at the point of service," Koller said. Tierney's system "has been very well received by our client base. They're thrilled to have their patient collection matters addressed."

Obstetrics & Gynecology Specialists in Edina began using mPay Gateway for certain procedures, such as higher-cost surgeries, two years ago, administrator Sandy Kamin said. Patients have been accepting, with about 70 percent using it.

Dr. Archell Georgiou, president of Twin Cities-based Georgiou Consulting, said she thinks mPay Gateway can simplify the billing process for everyone involved.

"It's a concept that makes so much sense and at the same time is so simple," said Georgiou, a former chief medical officer with UnitedHealth Group who now does strategic consulting nationally. "Having been in private practice and having seen hospital administration as well, there is a very complex process that's not pleasant for anyone. I think that mPay Gateway intercepts that complex process in a very secure way and makes it easy to make sure patients get billed without getting a million pieces of paper that are difficult to understand, and hospitals and doctors get their money faster without the time and expense of billing patients."

But at the same time, mPay Gateway's simplicity makes for a relatively low barrier to entry for potential competitors, Georgiou said. "Their strategy is to have the biggest footprint, to have the most clients so if there is another entrant they have the biggest client base," she said.

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