



# The Innovators

Conversations

on the *Cutting Edge*

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## Interview with **Tony Tomazic** **Director of Consumer Innovations** **Humana, Inc.**



Tony has been with the Humana Innovation Center for 5 years. He brings over 10 years of experience in advertising and interactive marketing technology. Tony is a retired and decorated officer of the U.S. Navy with two undergraduate degrees and a master's degree. He attended Western Kentucky University and Vanderbilt. He serves on the advisory board to the Mayor of Louisville's office for the Metro Louisville Loop project. He is a frequent speaker at innovation conferences and workshops.

Tony can be reached at [TTomazic@humana.com](mailto:TTomazic@humana.com)

Interview conducted by Doug Berger, INNOVATE [doug@innovate1st.com](mailto:doug@innovate1st.com)

Doug: Let start with a brief overview of Humana's Innovation Center and how it fits into the strategic picture at Humana.

Tony: In 2001, the executive committee at Humana, with Mike McCallister at the helm, came up with a strategy to differentiate the company from the rest of the industry. They founded a philosophy and an approach towards Consumerism to help consumers become more knowledgeable and responsible for their own choices, both in healthcare and other aspects of well-being. We created the Innovation Center at Humana to develop consumer driven products, services and experiences, with that mission of Consumerism at its heart.

For the first several years, the Innovation Center focused on products to improve the Humana's healthcare delivery experience. For example, a payment card linked to your health savings account; a "smart" summary statement product; and a new way of approaching consumer communications through the MyHumana website.

Today, the Innovation Center is focused on fostering true Well-Being with consumers. Well-Being that is translated into all aspects of a person's life: financial, physical, social, and mental. We've championed a direction for Humana as a health company, rather than a health insurer or even a health care company. We've steered our own development in a very innovative fashion, crafting our mission as an Innovation Center to both the market and the company.

Doug: When one thinks about your broad mission, it looks as though that is how you aim to differentiate Humana in the eyes of shareholders and your customers. Is the Innovation Center also charged with making a financial contribution to Humana?

Tony: Absolutely. That takes place in two different areas. The first is the behavior change model, which many participants in the health industry are trying to achieve. We know that our system is drowning under a tidal wave of chronic care problems, 70% of which are driven by individual behavior. We are actively looking at influencing the choices that people are making around their lifestyles. We have a number of ways to tackle that - including changing health behavior by making healthy stuff more fun, or alternately, making fun stuff healthier. The latter is probably at the heart of what we're trying to achieve.

The other side is to expand the revenue line opportunities for the company, whether that's in new retail opportunities, capitalizing on an existing market, or creating a business market around this notion of health and Well-Being. The projects that we're working on right now are all mandated with some form of a financial responsibility to ensure that they are revenue generating, or at least point towards revenue opportunities. The beneficial by-product of this is a brand lift and PR to Humana.

Doug: Let's give our readers an overview of the spectrum of opportunities that are currently in the portfolio of the Innovation Center.

Tony: We have a number of areas of focus. You will find us focusing on rewards initiatives that are designed to be scalable and cost effective for Humana, as well as desirable on the part our health insurance customers (organizations contracting for insurance) or consumers (the beneficiaries). We have found some opportunities in social media. Health entertainment is a category, which falls into the window of making fun stuff healthier. We're leveraging a variety of technologies as well, seeking out relationships with university partnerships to capitalize on invention. I am focused on lifestyle and how to channel people's individual passions, causes, and interests.

Doug: As I see it, there is a diversity of opportunity spaces that you've defined as the playground for your ventures.

Tony: That is correct, without necessarily constraining those playgrounds as limits to thinking. In the context of making fun stuff healthier, if consumers are already undertaking or seeking certain activities, we influence those types of activities to make them healthier. Perhaps we steer them towards financial well-being, or we steer them towards physical well-being, or it's compelling because they simply enjoy doing it, and it enhances their lifestyle well-being.

Doug: How do opportunities and ideas initially make it to the Innovation Center?

Tony: The ideas that are presented to us come from an open innovation dialogue that we have with a variety of partners and stakeholders. For example, as soon as Humana was able to demonstrate some level of competence in health entertainment and health games, we started receiving a deluge of input and interest from potential commercial partners, whether they were vendors, developers or stand-alone businesses.

It is that open innovation philosophy which is represented by our website [crumpleitup.com](http://crumpleitup.com), where we have a dialogue about our objectives, our successes, the IP we can bring to the table, and the level of investment. As a result we've had

a flurry of opportunities presented to us. Some of this dialogue takes place online; some of it takes place through our partners and our vendor relationships; still others wind up coming to us as a result of speaking engagements and outbound communications.

Doug: Is there a particular financing model that something has to fit? What are the criteria that you use in thinking about these projects?

Tony: Humana is a Fortune 100 company and as a result, the criteria for a major initiative are really quite high. A challenge for any innovation organization is to develop an idea and demonstrate success in the face of demands that are represented by very mature, competing products. We have a similar challenge here. The timeline towards financial success is probably a three to five year window for something to demonstrate substantial revenue to the company. Only the best ideas are carried forward to our investment committee or to our venture partners. Working with professional venture companies helps ensure that those business cases are sound, and have the right scrutiny; discipline is essential to getting funded.

Doug: I'm getting the impression then that the main vehicles for commercializing these different ideas are start-up companies, with Humana as a key investor.

Tony: That's a partial answer. For awhile we were exploring how we could incubate business concepts internally, develop the IP ourselves, take it to prototype ourselves, and then demonstrate how it could work as a commercial model ... all by ourselves. The challenges of doing all of that inside this company, which is not focused on launching new businesses, are great. Our bandwidth to incubate new businesses from within our walls was very low. We have found that Humana winds up getting more traction and things move faster by reaching out to business partners to jointly incubate these ideas, to generate the IP, or to merge the IP between interested parties. We also play a hand in someone else's venture that benefits from our reach, expertise or technology.

Doug: If you would provide three or four brief descriptions of projects at some stage of commercialization.

Tony: I would start with one of the successes that we had with health entertainment. In 2008, we wound up showing success for a project called "The Horsepower Challenge." We put together a small pilot here in Louisville, Kentucky with five elementary schools and a group of 20 fifth and sixth graders in each school. We gave them wireless pedometers to wear for a week of baseline activity. At the end of that week, we revealed the fact that all of these kids were in a real-time competition with one another. They were competing as cartoon horse characters on a bus that represented their school, in a race around the world.

We launched the pilot during Kentucky Derby time here in Louisville. During the second day of the competition, a "bus" of kids actually chose to take half their lunch break, and go out on the school track to do laps, in order to go from second place to first place in the competition. Every day we converted steps into measurements of how far the bus had gone, and a virtual currency that the kids could use. The children used those currencies to purchase accessories for their horse Avatar that represented them individually on the school bus. The kids bought everything from leather jackets to cool sunglasses to crazy hairstyles for their horses. Points could be leveraged to customize the school bus, like giving it a flame paint job. The kids loved playing this game. The results were absolutely astonishing and during the four week pilot the kids in Louisville took enough steps to go from

Louisville to Anchorage, Alaska, and back. We also noted that the kids took steps at home as well, and this inspired home activity and potentially a behavior change at the family level.

This was simply a pilot; we wanted to test it to see how this would go. However, the press we received was fantastic. The results were just magnificent and as a result in spring 2009, we launched the American Horsepower Challenge. We created the same game experience for 20 school districts across the United States. Now, we have a complete system that we are selling to municipal customers and school systems. The outcome is better health without trying to prescribe specific behavior. We're giving them a game to play that's fun all by itself and the byproduct is greater health. That's a real success story in my book.

Doug: That really captures the imagination!

Tony: We look forward to seeing how that can roll out in subsequent models, not just to the youth audience, but to adult audiences, as well.

I can't resist telling you about the "Freewheelin" program. In 2007, we rolled out Freewheelin bike share for our Humana associates. We have several buildings along Main Street within about two miles of each other in Louisville. There is a lot of daily employee migration between the buildings. There is also a large population of employees who live downtown. The Freewheelin pilot was a local bike share. Employees took a magnetic swipe card, and then swiped it at a kiosk which housed 10-12 bikes. The swipe card would communicate to a server through cellular technology, validate the membership and unlock the bike from the kiosk. The user could then ride that bike around and return it to that kiosk, or any of the other kiosks that were located in downtown Louisville.

Within that first week we had about a 20-25 percent participation rate with all of our associates. The users continued to ride these bikes all the way through late 2007 and early 2008. The pilot caught the ear of the mayor of Denver, who expressed an interest in trying to bring a similar program to his town. He suggested that we try it out at the Democratic National Convention in 2008. We did. We didn't just bring 10 or 100 bikes; we brought 1,000 bicycles in a Freewheelin bike sharing experience to the DNC, and another 1,000 bikes to the RNC a week later. Over the course of that two week period, visitors to the city, the locals, the media, and the delegations all had a chance to ride these bikes, for free. They put 42,000 miles on these bikes over eight days!

Through our tracking, we knew who rode the bikes, how frequently they rode them, and how far they rode. We could calculate their carbon offset, and we could calculate their calories burned. It turned out that locals were coming down out of their apartment buildings and condominiums to ride these bikes. Knowing that locals wound up taking advantage of the bikes ... that they were willing to go to and from work in the middle of those conventions, to peddle maybe two or three miles away from where they live, and drop their bike back off again - gave us substantiation for a business model.

Soon after, we launched B-cycle. This is a venture partnership between Humana, Trek and Crispin-Porter-Bogusky. B-cycle is a transportation solution for communities and campuses. We did additional pilots with B-cycle throughout 2009 in Louisville, Denver, and Washington DC, and with the National Parks Service. This is an example of another commercial business that grew out of some testing and trials that we conducted here in the Innovation Center.

Doug: In addition to funding and the brand, what does the Humana Innovation Center bring to help these ventures to get off the ground?

Tony: That's a great question. We've had conversations with start up businesses, we've had conversations with well established Fortune 100 companies in entertainment and in internet technology, and we've had conversations with venture companies. Almost uniformly, one of the key value points that these folks see is our channel of customers, our existing consumer base, and Humana as a source to contact literally millions of consumers who have an interest in trying to maintain their health. Our penetration towards the boomer population in the area of Medicare is significant. We have become the recognized leader in games for health.

In the area of social media, we've pioneered ways to communicate to the general public. We've done that by producing products and producing software that leverages Twitter and social media devices.

Doug: Bringing it down to a finer level of detail, our readers would be very interested in extrapolating what their staff might be doing on a daily, weekly basis.

Tony: I want to approach that question by identifying the various audiences that we must satisfy, and the communications channels that we must leverage. Our internal stakeholders include core business representatives. Individuals who lead those business units are looking to us to help provide some support, and to innovate with them around ideas that will broaden those horizons moving forward.

We have a variety of conduits to vet into the mix of considerations for new projects, including online tools that allow ideas to come from the field.

We have external, vendor relationships with ideation firms, with prototyping companies, with potential partners who are helping us forward projects that are already in prototype, or are pilots being planned. We have venture relationships taking B-cycle for example.

Doug: Let's talk about the qualities that make for a successful director at the Innovation Center.

Tony: The directors in the Innovation Centers are responsible for captaining an initiative or captaining an area of focus. Our staff members are responsible for executing against new products or projects, independently. We do require a certain amount of autonomy on the part of our staff to be able to carry these forward. We need a brain that's half project manager, half creative consultant, half entrepreneur, and half advertising and public relations expert. When you pack all those halves into one person you have a pretty unique individual. We have very passionate project leaders. They believe in what they are trying to accomplish.

Our staff members are literally evolving their roles almost every day. You and I know that start-up companies are lean for a variety of reasons. One of the main benefits that come with being lean is that your small group of people tends to wear a lot of different hats, and they are closely networked with one another. They understand how each other work. They understand what their challenges are, and they share resources freely.

You get that same kind of atmosphere here in the Innovation Center. We are a relatively small group. We operate very quickly. We respond very quickly to

opportunities, and we share resources and our focus as needed, in order to be able to shepherd something forward. There isn't a single director here on the floor that is not willing to set aside the project on which they're working, on behalf of a project that's beginning to get real traction, and shows a significant opportunity in the marketplace. We all want to be successful, but we ultimately want the Humana Innovation Center, and Humana, to be successful in its endeavors.

Doug: How do your ventures spin out from the center?

Tony: The ventures themselves can spin out in a variety of ways. In the case of the Smart Summary for example, we evolved a health account statement which aggregated all your health insurance information: your health information, health savings account, claims and prescriptions, into a document that looked a lot like your 401(k) statement from your financial institution. It became incumbent upon leadership to move that statement project from the Innovation Center to the operational arm of the business. As a result, some of our staff went with that project. We had to re-grow our talent. That's an example of where our project has migrated from the floor here, into the core business.

If you take a look at a project of ours where an idea has gone from the Innovation Center outward, I'd probably wind up tapping B-cycle as a ready example. We had an interest in trying to partner; we established that venture relationship, and one or two people from our floor actually became part of that stand-alone venture business. They disassociated themselves as employees of Humana and became employees of BeCycle.

Our staff knows that they can continue to ride herd on a project in which they are successful, and about which they are passionate. I think that they look at that as an opportunity.

Doug: Are there any other key points you'd like to make in conclusion?

Tony: I'd like to take the opportunity to seek out those readers who are interested in the same sort of approach that the Humana Innovation Center is pursuing. We know that our Consumerism strategy has evolved significantly since the Innovation Center was founded. We've evolved to the point where we're getting to build individual relationships with consumers through various channels, in which they demonstrate their own passion. We also know, quite frankly, that consumers seldom enjoy thinking about healthcare and insurance. Health is an enabler to do the things that they want to do in life, and that's powerful.

I believe the Innovation Center and Humana's future is to connect those things that people already love doing, to health. We believe that Humana's future is going to involve health and wellness in that broader interpretation of Well-Being. We are going to partner and evolve solutions that represent aspects of those three things.

I'm going to appeal to your readership to reach out to the Innovation Center, to communicate to us through Twitter, through email; through telephone calls or "crumpleitup.com" If they are interested in achieving those same goals... we are listening.



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