

News & Analysis



Career Change:
From appraiser to
expert witness.
PAGE 6

Profile



Adult film trade
journal AVN has
a new publisher.
PAGE 8

The List

Public relations
agencies, ranked
by employees.
PAGE 10

Valley Style



Matthew May
goes shoeless
around the office.
PAGE 50

Developer Buys Into Mall's Rebirth

REAL ESTATE: Primestor to sink \$30 million into renovation plan.

By **CAROL LAWRENCE** Staff Reporter

For most shoppers, the nearly 60-year-old Mission Hills Plaza is run-down and largely vacant. But to **Primestor Development Inc.**, it's a diamond in the rough that with some cutting, polishing and a new setting could potentially pull in millions of consumer dollars.

The \$30 million planned remodel, which includes rebranding and a new tenant mix for the shopping

center, is the result of the L.A.-based retail developer's nod to the wants and desires of the surrounding community as well as a way to control the increasing costs of construction. More remodels may actually be on the way because of those rising costs, retail experts say.

Sitting at the northeast corner of Sepulveda Boulevard and Devonshire Street, and just below the busy triangle formed by the 405, 5 and 118 freeways, 62,000 cars travel every day along the two local roads, and more than 700,000 cars on the freeways near the center, according to Primestor's data. More

Please see REAL ESTATE page 45



PHOTO BY THOMAS WASPER

Optimistic: Primestor's Leandro Tyberg at plaza.



PHOTO BY THOMAS WASPER

Stoked: Owner and chef Phillip Frankland Lee works the grill at Scratch|Bar & Kitchen in Encino.

Feeling Heat

Eatery cooks up new roles for staff amid wage hikes

By **CHAMPAIGN WILLIAMS** Staff Reporter

With a minimum wage hike now approved in California, restaurant operators are searching for ways to mitigate rising labor costs and **Phillip Frankland Lee** believes he may have a solution.

The owner of **Scratch|Bar & Kitchen** in Encino has created a concept that eliminates waiters and waitresses. He employs eight cooks, all of whom greet and serve guests throughout the evening in addition to cooking meals in the kitchen.

"We don't have servers by the traditional or cultural definition. Instead of having front-of-house and back-of-house, we just have staff," said Lee, 29. "The minimum wage increase definitely

Please see DINING page 46

Premium Placed on Insurer's HQ

INSURANCE: Centene must nurture Health Net's future in California.

By **STEPHANIE HENKEL** Staff Reporter

The \$6.8 billion purchase of Health Net Inc. by **Centene Corp.** has been approved by state regulators contingent on certain conditions – including that the Woodland Hills insurer maintain its headquarters in California for at least five years.

While Centene, based in St. Louis, doesn't necessarily have to keep Health Net at its current location at 21650 Oxnard St., the company just renewed its lease last month through June 2019, according to real estate data provider **CoStar Group Inc.** Centene did not respond when asked if the company plans on staying at this location.

The acquisition was completed on March 24 after California's Department of Managed Health Care and Department of Insurance approved the deal, which included terms intended to protect California's health insurance market. Under the agreement, Centene must continue to grow Health Net in California, continue to offer products through the state-run Covered California exchange and not pass along merger costs to the California consumer – all pretty standard conditions.

However, Centene also is required to invest \$200 million to establish a new Health Net call center in California with at least 300 employees, promoting job creation. Additionally, the combined company must invest \$65 million to support safety net programs for low-income areas and \$75 million to

Please see INSURANCE page 48

Disney Ladder A Mouse Trap?

By **MARK R. MADLER** Staff Reporter

It's the biggest question in Hollywood: Who will **Walt Disney Co.** find as successor to **Bob Iger** when he steps down as chief executive in two years?

Thomas Staggs, the man groomed as Iger's replacement, announced April 4 he will exit his post as chief operating officer of the Burbank entertainment and media giant, effective May 6. That leaves the global empire's succession plan in tatters, spurring speculation of why Staggs is leaving and who will step into his frontrunner

Please see MEDIA page 47

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Insurance: Firm's Health a Matter of Public Policy

Continued from page 1

improve California's health care infrastructure in underserved communities.

"The DMHC and CDI terms were appropriate and intended to protect the consumer and ensure a competitive environment," **Michael Neidorff**, Centene's chief executive, said in an email to the Business Journal. "The terms are in full alignment with our company's mission. Centene's philosophy is that health care is best delivered locally. As part of our local approach, everything that touches a member, a provider, a regulator, a contractor is done locally."

Centene operates through subsidiaries, which keeps its business decentralized. The company provides most of its health plans through Medicare and Medicaid and hopes to capitalize on Health Net's Medicare experience and California presence. In the health insurance marketplace, the company currently operates in 14 states, and the addition of Health Net brings that total to 15.

Prior to the acquisition, Centene and Health Net's businesses were essentially non-overlapping, which is part of the reason state regulators did not view this as a monopolistic move. Instead, they viewed this purchase as an opportunity to strengthen Health Net to better compete with the bigger three insurance companies in California — **Kaiser Permanente**, **Blue Shield of California** and **Anthem Inc.**'s Blue Cross of California. Therefore, the terms focus on increasing competition in the marketplace.

"After thorough review, including extensive public input at the public hearing, Commissioner **David Jones** (of the Department of Insurance) concluded that this transaction provides an opportunity to bring new capital and resources from a major national health insurer largely outside of California (Centene) to enable a California health insurer (Health Net) to continue to compete and offer consumers additional choices in California's individual, small group and large group commercial health insurance market," said **Janice Rocco**, deputy commissioner of health policy and reform at the California Department of Insurance.

Price questions

Recently, Health Net Life Insurance Co., a subsidiary of Health Net that, despite its name, is not a life insurance company but offers various medical insurance plans including Medicare Advantage Plans, has had declining market share and profit losses. The Department of Insurance concluded that if this continued, California may have eventually lost its fourth



PHOTOS BY THOMAS WASPER

Process: Exterior and interior of Health Net claims center located in Woodland Hills.

competitor, further shrinking the state's oligopolistic health insurance market.

"In order to compete successfully, these private health insurance companies require considerable size and resources," said **Kenn Phillips**, chief executive of economic development nonprofit **Valley Economic Alliance** in Sherman Oaks. "The merger makes them more competitive, and Los Angeles County is better off with a stronger Centene-Health Net. The Valley Economic Alliance hopes that the

merger results in jobs saved, and consumers and businesses will have more choices on health insurance products."

Health Net currently has a claims processing center near its headquarters at 21281 Burbank Blvd. in Woodland Hills. However, as part of the takeover agreement with regulators, the company must build a new call center in an economically distressed location in California. The center must cost at least \$200 million and employ at least 300 people.

By requiring Health Net to continue growth in California, maintain its headquarters in state and build a call center, regulators hope jobs will remain in California and new jobs will be created. In addition, investing \$140 million in low income areas and safety net programs should provide an economic boost as well.

Despite the conditions required by regulators, the Department of Insurance's report stated that past mergers have resulted in increased health insurance prices, negatively impacting the consumer.

"The Affordable Care Act does nothing to lower health care costs, and mergers don't really lower health care costs but administrative costs," said **Barry Cohn**, chief executive of insurance agency **RGEB Employee Benefits** in Canoga Park. "Until someone monitors the cost of prescription drugs, lab work, imaging centers and hospital procedures, we aren't going to see a decrease in health insurance costs."

With health care costs on the rise, premiums continue to increase as well. Furthermore, mergers and acquisitions reduce competition.

"I'm very concerned that over time there will be problems on both ends," said **Robert Fuller**, health care attorney at **Nelson Hardiman** in Los Angeles. "Employers and consumers will have to pay more for insurance, and doctors and hospitals will get less payment from insurers."

Further industry consolidation is on the horizon. California regulators are set to make a ruling on two more proposed mergers. **Aetna Inc.** of Hartford, Conn. is in the process of purchasing **Humana Inc.** of Louisville, Ky. for \$37 billion, and Anthem in Indianapolis is also working to acquire **Cigna** of Bloomfield, Conn. for \$54 billion. These changes could potentially have an even greater impact on the California health insurance market than the Centene-Health Net deal.

Centene anticipates the acquisition will benefit policyholders and providers as more insurance products will be offered, more areas will be served and more resources will be available. Currently, Health Net has approximately 1.8 million members and an 18 percent market share of health plans purchased on Covered California. Centene has more than 5.1 million members.

"As one combined company, we remain committed to enhancing our members' access to affordable health care services and to ensuring measurable quality outcomes," said Centene's Neidorff. "Our long-term goals are growth of the business, improving medical management and upgrading Health Net's systems. We will leverage Health Net's expertise in other states as appropriate."

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