

Kip Hallman '81 P'14

Kip Hallman is **President of Wellpath, a national healthcare company that cares for vulnerable patients in challenging clinical environments, including state and local correctional facilities, behavioral health facilities, and community settings. He was previously Chief Executive Officer of Correctional Medical Group Companies, Inc. (CMGC), one of two companies that combined in 2018 to form Wellpath. Previously, Mr. Hallman was President and CEO of Insight Health Corp, a national provider of diagnostic imaging services, where he led a successful turnaround and financial restructuring.**

Prior to that, he was President and CEO of Right Manufacturing, a manufacturer of fitness, leisure and other products. Prior to that, Mr. Hallman was founder, President and CEO of Home2 Inc., a venture capital-funded provider of web-based CRM applications for production homebuilders. Prior to Home2, he was co-founder and Vice President Corporate Development of TheraTx Inc., a rapid-growth, diversified national healthcare services company. TheraTx was recognized in consecutive years as the 2nd and 14th fastest growing public company by Inc. magazine, and Mr. Hallman shared an E&Y Entrepreneur of the Year Award in Healthcare for this effort. He began his career at Price Waterhouse.

Mr. Hallman received his Bachelor of Arts, Cum Laude, in Economics from Claremont McKenna College in 1981, and is an inactive California CPA.

Interview

Hi Kip, thanks for joining us today. How are you doing today? Where are you based out of?

I'm doing well, thank you. I'm in San Diego right now; I moved to California when I was 19 to finish up my last two years as an undergraduate at CMC. Then I moved to San Diego after graduation and I've been here ever since. Other than a brief stint in Atlanta, our corporate headquarters are in Nashville so I usually travel there in non-COVID times. What about you?

Thanks for asking Kip, I'm from New York, more specifically Queens. Thanks so much for doing this interview. We really appreciate it. One of the main things we're trying to do with the CIE is help occupy students' time during remote sessions. We know that on top of classwork, it's become so difficult to remain focused on education. Remote times make it equally as difficult to remain focused on entrepreneurship and maintain the dedication. We're hoping that, hearing your story, a lot of CIE's students can learn from the path you took post-graduation. There's a feeling of anxiety amongst upperclassmen in particular regarding the world they'll be graduating into, so your story can serve as both reassurance and inspiration.

Of course, I'm happy to help. I would say that I'm a sort of case study that there is no 'one way' to do this. Patience is a virtue in all of this stuff. It's easy to have the sense that, especially now, with my kids either finishing up college or starting their own careers, there is only a straight path. For young people today there seems to be this sense that this narrow path to success. In middle school you have to get the right grades to do well in high school. In high school everyone says you have to take the right AP courses and join the right activities so you go to the best college and make sure you take the right courses to eventually make it to graduate school. There seems to be this implication "I need to follow this straight line, and if I fall off this path then something terrible will happen." I think the reality is, and maybe this is more of a retrospective view, but working hard is *great* for different reasons. It trains you how to be diligent and resilient and all of these things, but there are a whole bunch of different paths to get to where you want to go. And sometimes where you want to go ends up being very different from where you thought you wanted to go. I would advise young people to take a deep breath and be patient, and especially don't worry if every step has to be the right step or if you will somehow get off track. I don't think that's real. I think about all the people that I've worked with over my career; if I put them in categories of best people I worked with—people I would want to work with again, the most talented people, people that accomplished great things—and laid out any correlations regarding their life paths, schools, etc., there's not much correlation. The people that have done really well were the ones that had good character, were genuine, worked hard, stayed disciplined, and people loved working with them. I've talked to so many people asking "how'd you get here?" and many responded saying that they went through different paths. Now are you a junior, or what year are you?

I'm a junior currently.

So you got two more years. But for people who are seniors this year, or last year, I can only imagine that they're dealing with all of the challenges. There's so much uncertainty regarding what the world looks like, but the fact of the matter is that even if the world ends up going crazy over the next few years, there's so much time ahead that it almost doesn't matter. The world won't always be crazy. I just think that there will be things that come out of all of this that will surprisingly benefit or change how we live. If you started down a path five years ago and say.

I don't know how the world will look five years from now in terms of how business works. Some people devote their entire career to commercial real estate—that's not the best position to be in right now. I don't know what percentage of employees working in office buildings will still be working there five, ten years from now.

I graduated at '81. The inflation rate was 18% at that time; I didn't give a moment's thought to "oh my god I'm graduating at the worst time." You leave when you have to leave and you do what you do, and it'll work out. My biggest advice would be just not to worry about it. Whatever path people think they take, it'll be there, perhaps in a different shape, but no one is completely screwed for the rest of their life with nothing to do. When I graduated from college at CMC, no

one could have predicted any of these advancements—the internet and people making billions of dollars from social media. It all plays out—I guess that is a long-winded way of saying that.

Thank you, that provides a lot of insight. I actually took a look at your most recently updated bio and noticed that your journey isn't staying in one industry and working your way up there. You switched from manufacturing fitness and leisure to home construction to healthcare. How did all of that happen?

Like I said, I'm the poster child for "you can take a lot of paths." The one thing I knew for sure when I graduated CMC was that I would work for two years and go back to school for an MBA. I expected to end up in consulting or investment banking. None of that happened. It's such an almost accidental set of circumstances. When I was finishing up my junior year at CMC—I was only there for two years because I spent the first two at my local college in Arizona—I met this guy at Bauer Center that explained how he wanted to work for one of the big accounting firms after graduation. He explained that he would get 2 years of experience, get his CPA, then go on to get an MBA. I thought, "what, that's an interesting track!" So I signed up for accounting courses on a whim, interviewing with accounting firms. I hadn't even taken a full accounting course when interviewing, and luckily ended up getting an offer from Pwc. I realized within two weeks after graduation at Pwc, in a training course at Orange County, what the job was. I stuck it out for two years, got my CPA, and left the company without a job.

In my head, I was an entrepreneur. I was already trying to figure out what business I would start, but wound up working for a small VC firm almost accidentally. I was doing some consulting work that eventually connected me to the firm. The firm basically failed after a few years, so I left there to join a company that we had looked at investing in but didn't invest in. The entrepreneur let me join as CFO, but would end up rejecting fundraising because he was uncompromising with investor recommendations. I left the company and did consulting work for the next few years.

Along the way, a very close friend of mine from CMC. Two of my friends from CMC, all three of us transfers who met in the same econ class, got together with me to start a company. This was 1989, eight years after we graduated; we put our ideas on the table and started a healthcare company. We started Theratx and had a great idea at the right time in the right place. But we were naive enough not to know what was ahead of us. We were making it up as we went along and were very entrepreneurial. Our mindset was very free market in the Reagan era. We were fortunate enough to successfully fundraise and ultimately take the company public. Seven years later, Theratx was sold to another public company. After that, one of my partners unfortunately passed away very early from cancer. The other two of us, Bret Jorgenson '81 looked for deals to do, and kept on peeling off to do things. I ended up starting this tech company out of naivety as I moved back to San Diego. I was building a new house and thought the process really stinks, so I started a software/internet company to make the process easier. Then 9/11 happened, and during that time fundraising became an issue and the company eventually failed. We made sure everyone got paid their paychecks and walked away cleanly. Coming out with new lessons and experiences, I recognized that I didn't want to be involved in technology.

I bought this old manufacturing company, which taught me that you shouldn't go head-to-head with cheaper Chinese manufacturing. I ended up selling it after a couple years for close to what I purchased it for. Around that time, Bret was looking for new opportunities and got a call about potentially conducting a turnaround in a \$300 million company owned by a PE firm. He said he would do it only if the company would bring me in as well. We wound up jumping into the business, Inside Health Corp., a diagnostic imaging company, around 2005. He stayed about two years and then left. I became the new CEO of that business for almost 4 years. A turnaround is hard work, with lots of broken stuff, but it became a great experience for me. Everything I learned at Theratx helped, especially building a company that was set on values. We were very careful that the people we hired felt the same way about those values as I did. Theratx was right about the same time that I think Jim Collins wrote "Build to Last". He talked a lot about companies built on values and their successes. It became very clear to me how important it is to build a company where everyone is aligned on the same vision and values. I focused on turning a company built through acquisitions into one where values were more tightly held. Inside Health Corp reinforced those lessons for me.

There's a lot of things that are also important. You have to be smart, curious, adaptable to change, and thriving in change. That's what my co-founders and I had in common; we were agents of change. You have to be willing to change everything except the values, which is what Jim Collins talked about.

From that point, my career has been straightforward. I left Insight in 2012; we sold the business. Six months later I jumped into another business that was very values-driven. It's been a very fun ride. This company was originally called California Forensic Medical Group (CFMG), a terrible name. That business provided healthcare services in jails, only in California. I came in as CEO in 2013 with an agreement that I would spend a lot of time. We grew that business over 5 years organically from \$90 million in revenues to about \$200 million in revenues—adding customer after customer. When we reached \$250 million, the private equity firm backing us identified another company that is selling. We put the companies together in October of 2018 to create Wellpath. Other company was \$1 billion in revenue, so lots more infrastructure and people. I became President of the new company while the CEO of the other company became CEO. We've grown about 15% since then, and I think we'll continue that growth of about 10% a year-ish.

We're still very focused on values operating in a very interesting space. Because of the clients we work with and individuals we care for, many confuse us with controversial private-prison companies. Wellpath is very different as a healthcare company. Fundamentally, we don't make more money by having more people incarcerated. If there were no jails or prisons, our business wouldn't exist. Whether a jail or prison has 500 people or 800 people, we don't care. Our business focuses on taking care of people that are incarcerated. One of the values that I figured out very early with Wellpath is making sure that we are funding our services. Every agency we work with, a state or local government, has to decide how much they will spend on maintaining prisons and jails. These governments can say they will not increase their budget for each prison

because taxpayers do not want greater funds going to the incarcerated. This is where we come in; many of the people in jail have made dumb decisions, but are not necessarily terrible people. A high number of them have substance-use disorders, mental health issues, or both. Probably 80% of people in jails and prisons have substance-abuse issues. These are people that, if we can help them get through these challenges, there is a change that they will cease to become revolving door criminals.

When these people are in their regular communities they're very difficult to help. When they're incarcerated, you have a chance to directly help them. That is what our focus is—tackling mental health and substance-use disorders. We realize that many people who leave jail don't continue that support, so we just started a new division providing follow-up treatment in their communities. For us, our goal is to try and reduce the number of people who are incarcerated, but do it in ways that we can genuinely help. For example, medication-assisted treatment for opioid abuse disorder is a huge, rapidly growing area that we're focusing on. I've been in many jails, and frankly it's not scary as much as it is sad. You look at people and you see that, as a parent, somebody's child fell into the wrong path and all of these various factors could have caused it. Of all the healthcare that I've done, I see this as the biggest opportunity towards making a difference. What we have to do is keep our heads down, and focus on what we're doing despite what negative connotations come from being involved in the prison industrial complex. We're really taking care of a population that is extremely underserved, very fragile, and in really different circumstances.

That sounds amazing. I think a lot of the discussions we have within the fellows groups is not only how do I not only become an entrepreneur, but also make that change according to my values? You mentioned throughout your story regarding working with people who share value systems with you. How important is finding co-founders and other team members with similar values when you're trying to start a company? What are the best things you look for?

When I say values, I want to be careful to make sure it's not misinterpreted as religion or culture. For my co-founders, values were in how you treat people. I'm sure there's plenty of successful examples of how people have done it differently. I'm not sure what a tech titan's values are, but you can be very successful. But it's very important to have co-founders that are honest, direct, and don't try to spin things with each other. The three of us starting Theratx knew each other well enough to know that we were going to maintain these values: integrity, honesty, professionalism, trust, and fun. We wanted to do things that would bring joy to people, in terms of the work we did.

So, I just think that it's important that, whatever the values might be, you must align on those. Once you agree on a set of principles—we're not going to lie to our customers, we're not going to do this or that—you should be open and clear about those. If people don't align with you, don't force them down a path they're not comfortable with. That's fine, it's just they won't fit with your company at all. Some founders all agree that they will do whatever is legal and not worry about ethics in pursuit of financial gain. If you have founders that agree with it, okay. But you have to

make sure you all agree with it. It's not my job to impose a set of values. If you have a team of co-founders with drastically different values, that can create stress points that eventually kill companies. There's an author that's a CMCer, Pat Lynconi. The Five Dysfunctions of a Team—his whole approach is getting alignment around these kind of issues. His way of thinking is pretty spot on—how do you get alignment in a group of entrepreneurs, founders, executives, etc.

I can definitely agree with you on that. Brief time at Compound history One of the questions I wanted to ask a little bit, what at CMC do you think prepared you most for your professional career?

The most important thing ended up being meeting my co-founders. I think for me, it was just being exposed to really smart people and good professors. There was no 'one thing', it was being in an environment where we were able to have a lot of interesting conversations. Being challenged, I approached my two years at CMC as making the most of my opportunities. I was an econ major and I found it to be a very stimulating intellectual challenge. Frankly, learning to be a much more disciplined student helped a lot. In Arizona I was a mildly disciplined student, and before that in high school I didn't have as much discipline whatsoever. I think meeting really interesting and challenging people

Exactly. I agree; at CMC I've met some people that I have such interesting conversations with. Out of curiosity, what led to your involvement with the CIE and its advisory board?

I think Bret had connected me with the CIE. He was involved with the Kravis Center for a while, and somehow he was asked to be involved. Bret was occupied and referred the CIE to me.

When you were talking about innovation, there was an implication that devastation and crisis kind of clears the floor for innovation to be accelerated.

Definitely, I remember when COVID hit we jumped on it instantly. When there was this cruise ship at the beginning of the pandemic stuck near Japan, I recognized that each prison is basically a cruise ship. Hundreds of people in each facility with no way to leave. That was one insight. The next insight was trying to more proactively engage with patients via telehealth to pull them out of harm's way. The number of video conferences from forever till February of 2020 has been eclipsed 15 or 20 fold from February till now. I remember saying to another colleague that if our business is operating the same way 6 months post-COVID as it was 6 months pre-COVID, then we've missed a huge opportunity. We're building out a clinical hub, a 24/7 365 telehealth platform providing care to those with least access. Now we've learned that we can engage via video conferencing medium just as effectively.

It would normally take a week for one-hour meetings with various clients around the country—lots of flights and hotels—but I can have them all in one day in the remote world. Instead

of somebody visiting a client once a quarter or whatever cadence, they can make annual physical visits and monthly video-calls.

There are businesses that are going to go away in light of COVID. But by the same token, there are going to be efficiencies and improvements coming out of COVID that we can't even fathom. What does this mean for the auto industry? I think about how little our cars have been driven over the past 6 months, and at some point that has to impact manufacturers. Traffic is slower, air quality might get better. Maybe it's a good thing for climate change. It's so hard to know for sure. This is a temporary thing, COVID will be behind us at some point. But the effects of it will stay with us forever, for good and for ill. If I was a young person, I would be thinking what is the COVID pandemic dislocating? What happens to all those office buildings that are 75% occupied? What do you do with all of that space?

You're at the beginning of your career. I don't know what's going to happen 10 years from now, but young people will be driving that change.

I really love the elements of what you're saying. One of the principles I see in what you're saying is don't over worry yourself.

Nothing you do is going to be a fatal error. How old are you?

I'm 19.

19 years old. I think you'll probably be active in some form or fashion doing something meaningful over the next 50 years of your life. The idea that, if you miss a step now and there's only one right path, it just doesn't work that way. Be patient. The other thing I tell people is, as an entrepreneur if you have an idea of a field you're interested in, you can make the decision of working within it before you start a company. You don't have to do everything at once. But also be curious. When I say don't worry I mean don't panic yourself. Be open to thinking about different stuff and understanding what change means. Curiosity is really important; be willing to explore and think about new concepts.

Thanks for all of the insights you've provided, Kip. I think a lot of the students at CMC are going to sincerely appreciate it.

Anytime!