

BUSINESS



LOOK WHO'S TALKING

Jackie Walsh is a 23-year-old marketing student at the University of Cincinnati who now also holds a full-time job as general manager of the Blue Wisp Jazz Club. **G3**

VENTURES

Health insurers doing just fine

The prospect of a health care overhaul isn't hurting the profits, revenue or share prices of the biggest health insurers.

Conventional wisdom once held that household-products companies like Procter & Gamble were recession-proof. Recent reports of the big health insurers show they may be the ones now immune to a sick economy.



David Holthaus

Third-quarter profit reports by the top three insurers in the area revealed an across-the-board trend: Despite rising unemployment, meaning fewer people enrolled in their health plans, they managed to collect more in premiums than they did the year before.

Humana posted a jaw-dropping 65 percent increase in profit for the quarter. Enrollment at the region's second-largest insurer fell 4 percent because people lost jobs, but it collected 6.5 percent more in premiums - \$7.4 billion.

Profits at UnitedHealth Group jumped 12.5 percent to \$1 billion. Enrollment fell 6.5 percent, but it still collected 8 percent more in premiums, \$19.7 billion.

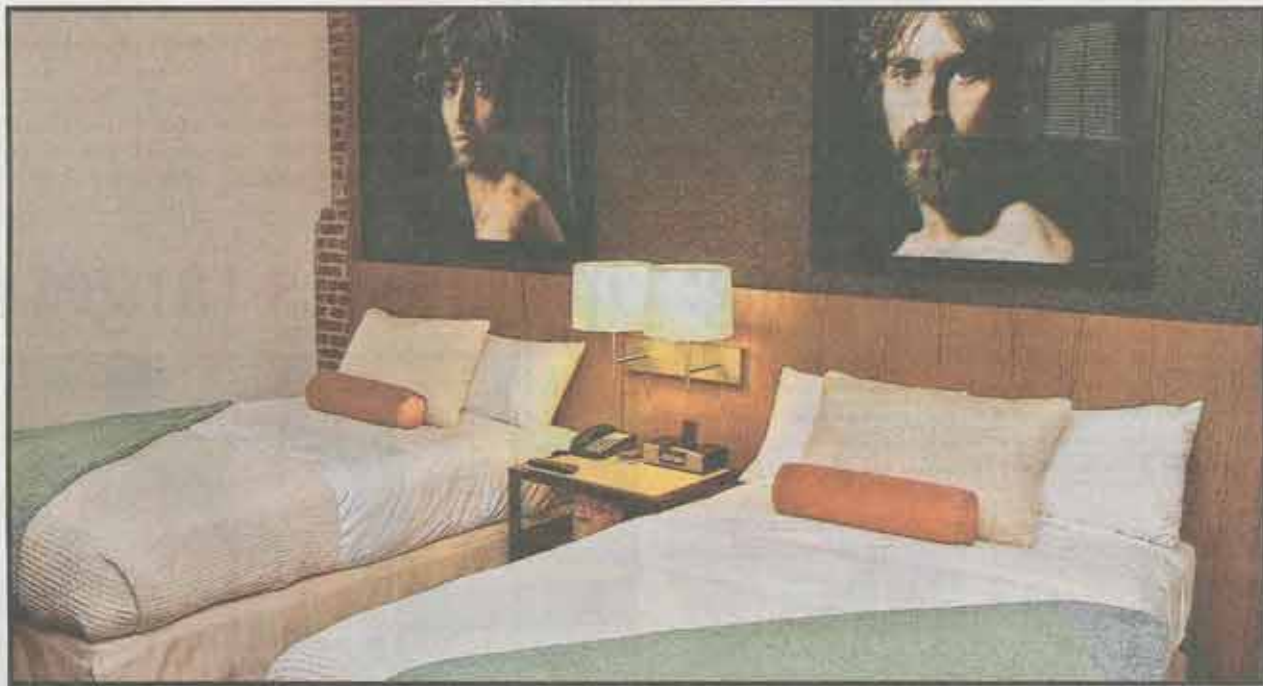
The area's biggest insurer, Wellpoint, owner of Anthem Blue Cross and Blue Shield, had \$730 million in quarterly profit. That was down from a year ago, but revenue rose 3 percent despite enrollment dropping.

Wellpoint and the others raised premiums even as their main customers suffered from declining sales and job cuts. The insurers say their premiums are based on the cost of medical care. Profits may have increased year over year, they say, but the industrywide profit margin is only 3 percent, much lower than oil or pharmaceutical firms.

Rising premiums are increasingly being shifted to workers. We're paying more, and getting less.

Employees' share of health care premiums has nearly doubled in the past five years, according to Hewitt Associates. At the same time, out-of-pocket costs have more than doubled, as we're paying more in deductibles and co-pays, now more than \$2,200 a year here, Hewitt says.

Health insurance is now dominated by giant, for-profit, shareholder-owned



Portraits by Pierre Gonnord adorn a guest room at 21c in downtown Louisville.

Provided photos

Developers are celebrating the deal to bring 21c to Cincinnati. Could the artsy hotel be starting a

BOUTIQUE BOOM?

By Lisa Bernard-Kuhn
lbernard@enquirer.com

For starters, there are the giant penguins.

At 21c Museum Hotel in Louisville, the recycled plastic statues are perched everywhere - a nod from an Italian team of artists to the globe's endangered Galapagos species.

But the precariously placed birds only hint at what sets 21c apart from your typical hotel stay.

Ranked No. 1 in the nation and No. 6 in the world in Condé Nast Traveler's prestigious 2009 Readers' Choice Awards, the 21c concept is coming to Cincinnati in 2012.

It will be the first new downtown hotel since the Hyatt Regency opened on Fifth Street in 1984. The new 21c Museum Hotel in Cincinnati also could be the first of a potential local boomlet in "boutique" hotel brands. Planners have been talking for years about the possibility of locating smaller, unique-to-the-region hotels in and around downtown.

Closing the 21c deal was a coup for developers who have helped spur roughly \$125 million in



The boutique hotel 21c encourages its guests to move its large plastic penguins throughout the hotel.



Proof restaurant at 21c Museum Hotel in Louisville offers entrees ranging up to \$36.

private investment on downtown improvements since 2006. But the news also comes in the midst of a colossal clobbering taken by the hotel industry in the past year. In the quarter ending on Sept. 30, U.S. hoteliers saw declines in all three key metrics that measure their health.

Occupancy rates dropped 7.9 percent to 60.5 percent from the same period last year. The average daily room rate fell 9.8 percent to \$96.84. And revenue per room (the money hotel operators put in their pockets after you pay your bill) slid 16.9 percent to \$58.61, according to Hendersonville, Tenn.-based

Smith Travel Research Inc. Cincinnati hasn't skirted the slide.

Average rates at downtown's 2,600 hotel rooms dropped 6.7 percent to \$113.15 in September, compared to a year earlier. Occupancy fell 4.3 to 58.8 percent, according to Smith Travel.

Hotel construction was down more than 40 percent nationwide in October, Smith Travel reports.

"There's almost nothing you can get funded," says Scott Brush, founder of the Miami-based hospitality consulting firm, Brush & Co. "Very few

See **HOTELS**, Page G4



Downtown sites

Several sites have been considered in recent years as potential makeovers into upscale boutique hotels. 21c Museum Hotel announced this month that it is planning a renovation of the Metropole Apartments into a hotel and contemporary arts venue.



The Enquirer/Mike Nyerges

What is a boutique hotel?

Across the globe, a broad range of boutique hotel brands exists - each striving to be more unique and edgier than its competing counterparts.

Typical chain hotels they're not - but they're not necessarily \$1,000-a-night rooms, either.

"I describe them as a glorified bed-and-breakfast, in that they are typically smaller hotels that offer some type of theme or distinct experience, but have a more modern feel," says Reed Woodworth, vice president of the Boston office of PKF Consulting, a national hospitality research firm.

Several downtown Cincinnati sites have been considered in recent years for potential makeovers into upscale boutiques. Downtown's first peek at a boutique will come in mid-2012 when 21c Museum Hotel expects to unveil a \$48 million renovation of the Metropole Apartments at 609 Walnut St. into a 160-room hotel and 8,000-square-foot contemporary arts venue.

The hotel will be downtown's first to open since the mid-1980s. It also marks Louisville-based 21c's only other hotel.

"It would be easier if we're just creating a chain and made them all the same, but that's not what we're going after," says Steve Wilson, co-founder of 21c Museum Hotel in Louisville. "Making each one distinct is what's going to make each one successful, and make the people in Cincinnati happy."

'RACINOS' AT ISSUE

Gambling foes work to meet deadline

By Alexander Coolidge
acoolidge@enquirer.com

Less than two weeks after

fall that the question should be decided by voters.

LetOhioVote.org spokesman Carlo LaPore said the

claim expanded gambling is the only way their tracks will be able to lure enough visitors to prevent them from going



To see listings of regularly scheduled meetings, go to Cincinnati.Com.

Search: Business agenda

■ Meetings

Monday

American Culinary Federation, Le Chefs De Cuisine: 7:30 p.m., Wetherington Country Club, 7337 Country Club Lane, West Chester Township. General meeting, free and open to the public. Details: 513-417-6062.

Association of Fundraising Professionals Greater Cincinnati Chapter and Greater Cincinnati Planned Giving Council:

Today is the registration deadline for National Philanthropy Day luncheon program, 11:30 a.m. Thursday, Nov. 19, at the Hyatt Regency Hotel, 151 W. Fifth St., downtown. Keynote speaker Helen Carroll, manager of community relations for Toyota Motor Engineering and Manufacturing, will present "You Are Key to Driving Our Community." \$50 per person, \$400 per table of 10. Details and registration: 513-554-3065.

Job Search Focus

Group: 9-11 a.m., Hyde Park Community United Methodist Church, 1345 Grave Ave. Networking and education for those in career transition. \$1 donation. Details: 513-871-0320 or www.jobsearchfocusgroup.com.

Tuesday

American Marketing Association: Register today for a luncheon program 11:30 a.m.-1:15 p.m., Friday at Xavier University's Cintas Center, Schiff Conference and Banquet Center, 1624 Herald Ave., Evanston. Luncheon program, "Going Home with the Boss: P&G's Consumer-centric Journey," with Andrew Manning. \$30 for members, \$45 for nonmembers, \$10 for student members. (Add \$5 after today.) Details and registration: 513-784-2373 or CincinnatiAMA.org.

EWomen Network: Today is the last day to register for the Holiday Extravaganza, 11:30 a.m. to 1:30 p.m. Wednesday at Maketewah Country Club, 5401 Reading Road, Bond Hill. \$35 for members, \$45 for nonmembers and guests. Details and registration: Amy Ostigny at 513-403-0301.

International Facility Management Association and US Green Building Council: 11:30 a.m.-1:15 p.m., Cincinnati Zoo, Harold Schott Center, 3400 Vine St., Avondale. Monthly business meeting will explore the updated LEED Commercial Interiors System. Free for members, \$30 for nonmembers and guests. Details and registration: Amy Ostigny at 513-403-0301.

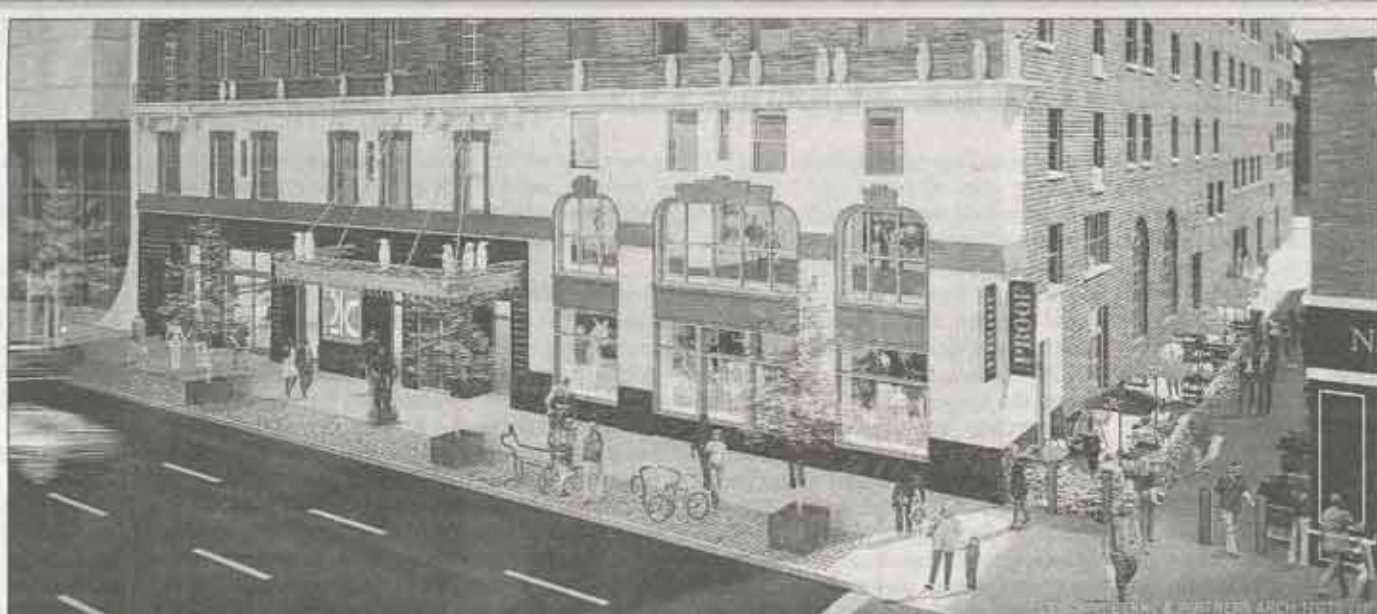
International Institute of Business Analysis: 6:30-8 p.m., UC College of Business, Carl H. Lindner Hall, Room 109, 2925 Campus Green Drive, University Heights. CIO Speaker Series: George Menyhert of Lerner, Sampson & Rothfuss. \$6 per member pre-registration, \$10 per nonmember pre-registration; \$10 per member at the door, \$15 per nonmember at the door. Details: Allen Middleton 513-322-8888.

Wednesday

Camp Washington Business Association: Noon-1 p.m., Washington United Church of Christ, 2950 Sidney Ave., Camp Washington. Meeting topic: "Industrial Plan Update." Free for members, \$5 for nonmembers. Details and registration: Joe Gorman, 513-542-1637.

The founders of 21c Museum Hotel in Louisville say they hope to transform the Metro-pole Apartments at 609 Walnut St. into a 160-room hotel and 8,000-square-foot contemporary art gallery. This is a preliminary artist's rendering.

Provided rendering



At Proof, focus is 'unique'

By Polly Campbell

pcampbell@enquirer.com

Proof on Main in Louisville, the restaurant in the 21c Museum Hotel there, has won positive national attention for its locally focused menu and use of products grown or created in and around Louisville.

So when Proof opens in Cincinnati as part of the same company's new hotel here, the restaurant cannot be a carbon copy of Louisville's. It will have the same name and concept, and it will be overseen by the same chef, but it will be adapted to its Cincinnati location.

Proof comes well-recommended. The original Proof on Main was named a "Best New Restaurant" by Esquire magazine when it opened in 2006.

When the Museum Hotel was named the country's best hotel by Conde Nast Traveler this year, Proof also received the magazine's highest ranking for food.

Chef Michael Paley's menu is based in an Italian aesthetic, he says.

"In Italy, cooks rely on their surrounding land for inspiration."

His menu also is full of items that are made in-house, such as cured meats, pickles and preserves.

It could be 18 to 24 months before the doors open at 609 Walnut St., which gives Paley plenty of time to get ready.

"I'll be cultivating local producers and farmers, seeing what's at the farmers markets. We want to reflect the local culture, see what Cincinnati lacks and to try to fill the gap."

One thing sure to be on the menu: American bison.

The owners of the 21c restaurant, Laura Lee Brown and Steve Wilson, also own a bison farm in Goshen, Ky. "Bison bone marrow" and a bison burger are among items on the Louisville menu.

Entrées are \$15-\$29, although a tenderloin of bison is \$36.

That restaurant also has its own garden. Even the cocktails are seasonal and "garden-inspired."

The bar also features a deep collection of bourbon.

When Wilson and Brown opened the hotel in Louisville, they hired the Myriad Group of New York as consultants. That group included Drew Nieporent and Michael Bonadies, who had done Nobu, Tribeca Grill and Montrachet in New York.

Bonadies wanted to stay with the project beyond the consultancy; he now is CEO of the 21c company.

Hotels: Could arrival of 21c presage more boutiques?

From Page G1

properties are moving ahead."

But for the deals that are getting done - being boutique pays off. The average room rate for a boutique brand yields about \$100 more per night compared to a traditional hotel chain, Brush says.

"In three years from now we'll be on the upswing," he says. "If you're sitting on a new property then with all the bells and whistles, while everything is aging around you, you're going to be in a good position."

Other possible locales

In Cincinnati, some pieces of 21c's financing are still coming together. But for the most part, the venture is being privately financed by 21c and Cincinnati Center City Development Corp. (3CDC).

The \$48 million plan calls for renovating the low-income Metro-pole Apartments at 609 Walnut St. into a 160-room hotel and 8,000-square-foot contemporary arts venue.

"It's really a wonderful addition to our attraction package and complements all the great momentum we've seen in development downtown," says Dan Lincoln, president and CEO of the Cincinnati USA Convention and Visitors Bureau. "I specifically use the word 'attraction' because they are a very unique property in terms of the niche market they're going after."

21c isn't the first boutique hotel concept floated in Cincinnati. The now-closed Terrace Hotel on Sixth Street once was considered for a 135-room boutique hotel and condominium development. Owners of the Terrace could not be reached for comment.

At 36 E. Fourth St., the mostly vacant Bartlett Building had been considered as a potential boutique site before owners Sterling Phoenix Development filed for bankruptcy in 2008. Still mired in court proceedings, the building's prospective buyer, Chicago-based Prime Group Inc., reportedly has a similar notion in mind for the property.

And along the riverfront, developers of The Banks have been very public about their hopes of luring a boutique hotel to complement the neighboring stadiums and the \$80 million residential and retail development slated to open in spring 2011.

"We're trying to come up with a brand that probably has a more recognized name and has a great bar," says Trent Germano, vice chair-



Provided photos

Penguins stand watch over the main entrance of the 21c Hotel in Louisville.



The balcony of Louisville's hotel can be used for special events, including weddings.

man of Carter Real Estate, which is co-developing The Banks.

"It probably won't be full-service hotel, but the bar and restaurant will be one that's a great place to go whether you're staying at the hotel or not," Germano says.

He doesn't think a hotel addition at The Banks would view 21c as a competitor.

"I think there's room for both," he says. "We're not talking about 500-room hotels. We're talking about 160 to 190 rooms. There are a lot of rooms downtown, but a lot of those don't satisfy your business traveler today. That's just a function of their age and location."

Stephen Leeper, president and CEO of 3CDC, agrees.

"I don't think anyone denies that our portfolio of hotels needs a face-lift, and I think this will be incentive to get that face-lift done," he says. "In our mind, all boats will rise with the tide."

Changing art exhibits

With its 500-thread-count sheets and swank upscale bar and restaurant Proof in Louisville, 21c room rates range from less than \$200 to more than \$700 a night. Now, 21c exists only in Louisville, where the 90-room hotel also is home to more than 9,000 square feet of space dedicat-

ed to the work of living artists.

Besides enjoying the frequently changing exhibits there, guests can treat themselves to a variety of packages that include stops at nearby museums and art galleries near Louisville's Main Street arts district.

"We are really and truly the only venue like us in the world," says co-founder Steve Wilson, who opened the hotel with his wife, Laura Lee Brown, in 2006. "It's really hard to describe us."

Wilson says 21c in Cincinnati will have similar offerings, with synergies already brewing with the Lois & Richard Rosenthal Center for Contemporary Art next door.

"We really pride ourselves in the fact that we started from the concept of art," Wilson says. "The traditional art experience in America, especially in the Midwest, I think, is high security with ropes between you and the art. But we are totally stimulated and dedicated to the fact that contemporary art can have touchability and an emotional connection."

The penguins, for example, are regularly moved around the hotel by guests, some playing practical jokes that leave the birds in peculiar positions.

Other pieces offer more obvious encouragement for guest interaction.

An entire wall is dedicated to digitally streamed letters that seem to fall from the ceiling to the floor - quietly collecting on the heads, shoulders and arms of guests who stand waiting for an elevator ride. Some guests maneuver to catch the letters, spelling their names or other mischievous words. Other guests meander by unknowingly - the raining letters bouncing off them and crashing to the ground.

"We don't use art as decoration," Wilson says. "Regular hotels, if they spend money on an object, it's screwed to the wall permanently. Not to be touched. We're not into that."

Exciting times

While 21c's concept may be unique, the idea of themed hotels is nothing new.

Fred Kleisner is CEO of Morgans Hotel Group, an international chain of luxury boutique hotels whose brands include Clift in San Francisco, St. Martins Lane in London and Delano in South Beach.

"For Morgans, we look carefully for 24-hour gateway cities that have a particular inclination toward music, fashion, nightlife and the arts," Kleisner says. "We want to introduce people to new experiences, because we think that's far more important."

Kleisner says his firm has been looking "carefully" at Midwestern cities.

"Honestly, the No. 1 city we like is Chicago," he says. "But having just come back from a museum tour in Columbus, Cincinnati and Cleveland, it was clear that Cincinnati certainly has a great appreciation for art."

Although the hotel industry has taken the worst beating Kleisner says he's seen in more than four decades, the upside "looks very strong," he says.

Just last week Marriott International announced that it's launching a new brand called the Autograph Collection.

Marriott is marketing the concept as an independent "upper-upscale and luxury" line with "distinctive personalities."

The chain says it hopes to have as many as 30 independent hotels in the collection by next year.

"The recovery is going to be slow, but boutique hotels will recover faster because we have a greater mix of customers," Kleisner says. "For anyone who has dry powder to invest, now's the time."