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Health Advocate expects to remain independent despite interest from large industry players, CEO says

by Danielle Duran Baron

Health Advocate, the Plymouth Meeting, Pennsylvania-based healthcare advocacy and assistance company, has been approached by interested buyers and investors several times, said CEO Michael Cardillo. The private company, which reported USD 21m in sales last year, expects to remain independent for the time being, explained the executive, who founded the company seven years ago.

Although not actively looking, small acquisitions may be a possibility for the company. “We could be interested in some small company that has something that might align with what we do, but won’t use M&A as our main growth vehicle,” explained Cardillo. Health Advocate, which has about 3,500 corporate clients and serves 12 million members, expects its business to grow dramatically within the next five years. As carriers face more pressure and demands from patients, they will either develop their own departments or outsource advocacy to companies like Health Advocate, the executive said. For this reason, the company could be an attractive target for major health carriers and large employers interested in offering the services to their large self-insured populations.

“We have 300 million Americans out there and believe our services should be available to all of them. So there is a huge growth potential for us,” says Cardillo. Health Advocate’s corporate clients include large national accounts, such as Johnson & Johnson, American Express, GSK and Home Depot, in addition to various middle market and regional companies and some small enterprises. The advocacy company also has relationships with some major health carriers, such as Blue Cross/Blue Shield Western New York known as Health Now, Minnesota Blue Cross/Blue Shield and Hip-GHI New York.

Cardillo said that Health Advocate remains debt free and although not looking for immediate acquisitions, has recently hired someone new to “keep an eye in the market and talk to the investment community.” The five co-founders remain the main shareholders and do not have existing relationships with bankers or lawyers. The company has never raised money to date.

Currently, Health Advocate has 220 professionals on staff, most of them registered nurses and claims assistants. The company markets directly to employers and plan sponsors who then communicate their services to their employees. Cardillo, who still handles some cases himself, says he spends most of this time on the road interacting with clients and prospects. Although a few companies have incorporated the term “advocacy” to some of their existing products, Cardillo says no one out there offers the clinical and administrative support that Health Advocate does, which makes the company unique and attractive.