

Former Aetna execs cross over to the other side

They'll deal with HMOs, providers for you

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WEST CONSHOHOCKEN - A few years back, Michael J. Cardillo and four of his lieutenants helped run one of the nation's largest managed-care companies out of posh administrative offices in Blue Bell.

Today, these five work in a converted, sparsely furnished West Conshohocken warehouse.

And instead of working on behalf of an HMO, they've switched sides and are helping consumers maneuver through the complexities of the nation's healthcare system.

The quintet of former Aetna U.S. Healthcare administrators founded their new company, Health Advocate, in September. In January, the company starting marketing its services, designed to assist people with problems they routinely confront when accessing healthcare services and dealing with insurers.

Health Advocate, which has 16 employees, is led by Cardillo, president and CEO and the former president of Aetna U.S. Healthcare.

Other former Aetna U.S. Healthcare colleagues joining him at Health Advocate are Dr. Arthur Leibowitz, who was the managed-care company's chief medical officer; Thomas A. Masci Jr., former senior vice president of finance, and Davis S. Rocchino, former head of sales and marketing, and Martin B. Rosen, who ran communications and advertising.

With the exception of Rosen, the group worked together at the manage-care company when it was still U.S. Healthcare, started by Leonard Abramson. They left one by one in the years following the company's 1996 acquisition by Aetna - and the gradual shift of power in the corporation from Montgomery County to Hartford, Conn.



Ready to confront HMOs and providers: Mike Cardillo (left), president of Health Advocate, and Dr. Arthur N. Leibowitz, executive VP and chief medical officer.

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"When I knew I was leaving, I called up Mike to see what he was doing," said Leibowitz, who left Aetna U.S. Healthcare in October 2000. "We could all see ourselves doing something together in the future. We got together for lunch and started talking about what we might want to do. Pretty early on, we hit on the idea of a company that would help people navigate the health-care system."

The ex-colleagues kicked in a total of \$500,000 to launch Health Advocate. The company recently raised another \$200,000 from private investors. Now operating in the red, Health Advocate expects to break even by the time the company is 18 months old.

For now, the executive team is keeping costs low by deferring salaries and working out of the converted warehouse space, last used by a fastener manufacturer.

"Certainly our surroundings are Spartan, but that's the way we want it," said Leibowitz.

Health Advocate is armed with the two tools it needs most:

telephones and computers.

Instead of marketing its services to consumers, the company is selling its programs primarily to businesses as an employee benefit. Their pitch is that a small investment upfront can bring a healthy return on investment in terms of reducing lost productivity from workers who need to spend daytime hours resolving health-related issues.

Cardillo said studies have shown 14 million Americans have the responsibility of caring for elderly parents, which, collectively, require billions of hours of calls to provider and insurers.

"They end up having to make calls at work because that is when you can reach people," he said. "I'm not saying whether that's right or wrong. That's just what they have to do. With us, it's one call and we handle the problem."

The cornerstone of Health Advocate's services is its "personal health advocate" who is assigned to

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Advocate: Help available, at \$2 per head per month

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each member. The advocate is a registered nurse who is responsible for helping members interact with providers and insurers, assisting in such areas as appointments, follow-up services, claims submissions, and grievances and appeals.

The company's other offerings include:

- _ CareQuest, which helps clients locate medical specialists across the country, arrange for second opinions, and seeks out ancillary-care programs, medical products and services;

- _ HealthLinx, which includes and Internet-based personal-health records system that facilitates access to information in a secure environment;

- _ DoctorReach, an optional program that seeks to enhance the patient-doctor relationship by getting a Health Advocate member's physician to provide extra access by e-mail and cell phone after normal office hours (Physicians who agree to participate in the program are paid a monthly retainer fee that is charged to the patient).

"Our services are not meant to be in conflict with any providers or insurance plans," Cardillo said. "Our services are not meant to be combative in nature.

"We're taking a menu kind of approach where a company can tailor our products to the individual needs of their employees. That way, we can appeal to a software company with 50 people or a corporation with 50,000 workers. And we are national in scope, this isn't a regional play."

Customers can pay a flat rate of \$2 per employee per month, or they can purchase a block of time starting at 10 hours for \$995. Health Services also offers a subscription

rate through which services can be purchased for executives or other individuals for annual fees starting at \$1,500 per person.

Leibowitz said about 65 percent of their work involves ensuring that members with chronic health needs are getting the medical treatment they require from the most qualified providers. The company is also doing a lot of work with the administrative paperwork required of both providers and insurers, and helping people access medical resources in their own community for services like senior care.

Since the start of the year, Health Advocate has signed 30 contracts with employers and unions that represent more than 60,000 employees and their dependents. The company also markets its services to third-part administrators and insurance brokers.

Advanta Corp., Deb Shops Inc., Roy F. Weston Inc., and Subaru of America Inc. are clients.

Stanley A. Uhr, vice president and corporate counsel for Deb Shops in Philadelphia, said the company signed on with Health Advocate using the retainer payment mode.

"Based on what they do and the fees they charge, it was a no-brainer," he said. "There's very low risk. If you don't use them, you don't pay them and if you do use them, the cost is very low...What we found is they are good at getting things done with the snap of a finger because they know the right person to talk to or the right form to fill out."

Uhr said Health Advocate already helped one employee resolve a situation where a family member was having trouble being discharged from the hospital and allowed to

receive antibiotics at home.

"We just couldn't get through the red tape," he said. "But it was something they were able to do quickly."

Uhr said another Deb Shops management-level employee was being forced to leave work early and come in late to deal with a family member's illness. "It was all a matter of coordination between the hospital, doctor and insurer," he said. "They solved the problems in a matter of minutes, and it enabled the manager to go back to work free of that burden."

Health Advocate competes with dozens of smaller companies that offer advocacy health-care services, but none, according to Leibowitz, that provide as wide a range of products. Leibowitz said other companies with similar models have failed by trying to sell their services directly to consumers, and basing payments on a percentage of savings.

He noted they recently helped one person avoid paying an erroneous \$20,000 bill. If the company's payment rate was 25 percent of the savings, Leibowitz said, they would have had to try to collect \$5,000 from the member.

"There was now way he had that kind of money," he said. "That kind of model doesn't work." •

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