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SPECIAL INTERVIEW

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Providing Personalized Healthcare Services

DR. ABBIE LEIBOWITZ — HEALTH ADVOCATE, INC.



DR. ABBIE LEIBOWITZ is a Founder, Chief Medical Officer and Executive Vice President of Health Advocate, Inc. He is a nationally recognized leader in the healthcare industry and an authority on managed care, clinical management, quality assurance and medical data and information systems. Before co-founding Health Advocate, Dr. Leibowitz was Executive Vice President for Digital Health Strategy and Business Development for Medscape, Inc., and a member of the company's Board of Directors. While at Medscape he developed the company's healthcare data and information services group, aimed at demonstrating the value of electronic medical records systems in clinical practice. Under

his leadership, Medscape successfully focused its business development efforts on payors, pharmaceutical companies, large national employers, and regulatory and governmental agencies. For the four years prior to October 2000, Dr Leibowitz served as Chief Medical Officer for Aetna U.S. Healthcare where he was responsible for directing and developing the company's patient management and clinical activities and relationships with hundreds of thousands of physicians, hospitals and other healthcare providers. He was also responsible for overseeing US Quality Algorithms (USQA), the company's information management subsidiary, which houses the nation's largest health data warehouse, and was the medical liaison to Intellihealth, the company's award winning health information Website. As a member of the company's executive leadership team, Dr. Leibowitz played an instrumental role in ensuring that clinical and operational systems were fully integrated. Dr. Leibowitz joined U.S. Healthcare in 1987 and served in a number of senior level positions with the company. He spent three years as corporate medical director prior to the company's merger with Aetna. Before joining U.S. Healthcare, Dr. Leibowitz spent 12 years in private pediatric practice in suburban Philadelphia. He built and managed a seven physician pediatric group serving a diverse urban/suburban population of over 25,000 patients. The practice served as a teaching site for medical students and pediatric residents. Dr. Leibowitz received his Medical degree from Temple University Medical School and his BA from the same institution. He completed his postgraduate training at Children's Hospital of Pittsburgh, is board certified by the American Board of Pediatrics, a fellow of the American Academy of Pediatrics and a member of the Philadelphia Pediatric Society. He is an affiliate of the Department of Pediatrics of the Children's Hospital of Philadelphia. He is a member of numerous professional and industry organizations and committees including the Partnership for Quality Education, the American Academy of Pediatrics' Section on Computers and Technology and the Section on Ambulatory Care and Practice Management.

SECTOR – HEALTH SERVICES

(WAY913) TWST: Would you start with a brief history and overview of Health Advocate?

Dr. Leibowitz: In the summer of 2000, when I knew I was leaving Aetna, I called Mike

Cardillo, who had been the President of US Healthcare and then the President of Aetna US Healthcare. Mike had left the company in the spring. We started talking about what we would like to do after our experience in the world of man-

aged care, and hit upon the idea of a company that would help people navigate through the healthcare system. I went off and worked for a year doing business development for Medscape/MedicaLogic in the Internet and electronic medical records space, but Mike kept the idea going. He brought some others into the group and I rejoined them. We met with a number of business leaders, consumer groups, and healthcare consultants. It was immediately clear that there was great interest in service like this, and in the spring of 2001, we incorporated Health Advocate as a company.

We went into the marketplace to sell to customers right before September 11, not exactly the best time to launch a business, but once we all recovered a bit from the tragedy and the world got back to work again, there was a renewed interest in human relationships in the workplace, and we were certainly playing to that concern. We hired two nurses, set ourselves up in a converted warehouse in suburban Philadelphia, and went into business to serve clients who would go “live” with us on January 1, 2002. Five of us, all of whom had worked together in the past, started the company. David Rocchino, who had run national sales at Aetna, and Marty Rosen, who had done communications and marketing, joined Mike and I. Tom Masci, one of the senior finance people at US Healthcare before the merger with Aetna, became our CFO and Kelly Johnston came on to run operations. Kelly is one of the most experienced people in healthcare management, having run self-insured account operations for Mike and, later, patient management operations for me at Aetna.

We started the company with our own money and we hit January 2002 with six or seven clients. They included the computer company that did our office networking, some contacts we had

from our old relationships that were willing to take a chance with us.

Things just mushroomed from there. We now have more than 400 clients across the country. We serve about 400,000 individual subscribers. The service covers the employee, his/her spouse, dependents, parents, and parents-in-law, so all told, we serve over 1.5 million in every state in the nation. Our largest client is Home Depot, but we also have a division of Westinghouse, Bertelsmann, based out of New York, Riggs Bank in Washington, DC, Lowe’s Home Improvement Centers, a number of large regional law firms, state legislative bodies, municipal governments, eight unions and their welfare trusts, not for profit and charitable organizations like the United Way in Pennsylvania, school boards, and six colleges and universities. Our client base ranges from large companies to small, and as you would expect, the large companies are generally self-insured and the small ones are fully insured.

TWST: You say that Home Depot is a client. Are you serving everybody at Home Depot?

Dr. Leibowitz: We have about 150,000 of their employees. That’s the group to which they offer benefits. We cover one of the divisions of Westinghouse, about 4,000 employees. We cover the employees of Wawa Food Markets, a convenience store chain, who are eligible for benefits. So different companies position us in different ways.

We have also signed contracts with a two health plans. Vytra, a division of HIP on Long Island, will be rolling out our services for their members as a feature of their member services program. We have a similar relationship with Health Market, the consumer-driven health plan in Connecticut. A number of TPAs have built our program into the services they offer their clients. Brokerage Concepts, for example, the largest independently

owned TPA in the East, includes our program as part of the services they offer their clients. Many brokers do the same thing: you get Health Advocate as part of what you get when you buy insurance through them.

TWST: What is it that you are providing the customer?

Dr. Leibowitz: It's very straightforward. You get the ability to contact a nurse, who then becomes your Personal Health Advocate, at any time, for any issue that affects the health or medical needs of a member of your immediate family. It's as open-ended as that. The message that goes out to an employee is, "Here's a phone number that you can call whenever you need to discuss any medical problem or need help with a health question." The issue can concern access to care, a billing or coverage problem or a benefit question that affects you or someone in your extended family. About half of what we do involves the clinical side of medicine. We get inquiries from people asking for help: "Help me find a doctor; I just moved into Manhattan and I'm looking for a pediatrician for my child." Or, "Mom's got breast cancer and I really need to know who the best person to treat her is." Or "What are generic drugs? Now the pill is pink. It used to be blue. Why?" We get many people who call us, honestly, on cellphones leaving the doctor's office saying, "Look, after he said diabetes, I don't know what he meant, but I've got five prescriptions in my hand, and I don't know what to do." So we get involved in all types of situations on the clinical side of health issues.

You need to appreciate that this is not a referral service. We don't say, "Oh, you can go on the Internet and look that up." Or, "Here are three names of doctors you can call." We do the work for the member. So the person calls us on our toll-free number and a nurse answers the phone. That nurse becomes the member's Personal Health Advocate

from that point forward. We do a brief intake to understand the issue and we get them a HIPAA compliant release that lets us be their representative dealing with their issues.

Our message to the member is, "Go back to your life, go back to your job. We'll take care of this for you. What is a convenient time for us to talk to you about it?" Depending on the nature of the problem, we may contact them next week, say, for a claim problem, or it could be later that afternoon if we're working to help the member find health information or find a specialist for a serious need. In many cases, we make appointments for people. We make sure their medical records get transferred to the doctor they're going to see and if they need testing before the visit, we help arrange it. We interface with the member's health plan to handle things like pre-certification requirements, and coordinate with the insurer's case managers and disease management staff. That's half of our world. That's the clinical side of our involvement.

The other half of what we do involves benefits and claims and coverage and cost issues, especially at a time when employees are being told to take greater financial responsibility for their health care. Many people are shocked at the size of their part of their medical bills. For example, many people do not understand the real cost of going out of network for care. We help members stay in network and use their benefits wisely. If you have to pay a large amount as your out-of-pocket responsibility, you appreciate having someone to help you be sure that the service was billed correctly and that the insurance company paid correctly, and if not, helping you get the problem straightened out. So half of what we do involves benefit questions, policy issues and claim matters. Again, we take ownership of the problem and resolve it for and with the individual.

At times, people want or need services that are not covered benefits. Refractive eye surgery is rarely covered, but that does not mean the member doesn't want to have it done. Most plans have limited benefits for infertility care, but many couples want this service. We can often help people access qualified providers for services that fall outside the scope of what's covered by their plan. We can sometimes negotiate for lower prices and lower out-of-pocket costs for the members.

Even though two halves make a whole, there is another part of what we do that involves helping members with needs that are not really health services in a benefits sense. I'll give you an example. We were sitting with the CEO of a company that ultimately became a client, and he said, "I get it. I know just what you do. I want you to talk to my administrative assistant. Her husband just had a stroke." In fact, at a fairly young age, in his late 50s, her husband had a stroke and was mildly disabled. He was unable to work, and if she stayed home with him, then she'd be unable to work and they'd have no income. They certainly didn't have the wherewithal to arrange for full-time help or place him in a nursing home, and he didn't really need that level of care.

We put together a program of services for the family. We found a Meals-On-Wheels program that came into the house and provided him with lunches. We found a funded transportation program in the county, so that he could get over to an arts and crafts program at a YMCA several days a week. We identified an adult daycare program where he could go, and there was a church group that made visits to shut-ins, so somebody could come into the house during the course of the day and check on him. I'd say we got them about 80% of what they needed for about \$150 a month out of pocket, which they could afford.

So when you look at Health Advocate, sometimes we look a little like a social worker, sometimes we look a little like a health plan's medical director. Then there are moments when we're functioning like a nurse, and others when we're like a claims administrator. In fact, we have all those skill sets on our staff. We have a social worker, a psychologist, medical directors, nurses and people who are the experts on benefits and administrative issues.

TWST: How do you get paid?

Dr. Leibowitz: Employers buy our service for their employees and pay us on a per-employee per-month basis. Just to give you a perspective, for small clients (under 200 employees), Health Advocate costs less than \$4 per employee per month. For very large clients, the price drops into the \$1.50 per-employee per-month range, and that covers the employee's spouse, dependents, parents and parents-in-law.

TWST: Is there a charge to the employee to use it?

Dr. Leibowitz: No. There's no additional charge for using the service. It's a totally funded program. Of course, only our services are included in the fee. If we get a call from a member whose mother lives in Florida and has an appointment with a GI doctor for a colonoscopy, and the family has no way to get her to the doctor's office and back, and we arrange a car service to take her, our service of arranging a car for mom to go to the doctor is in our fee, but the cost of the car is something the individual would pay. But our service is fully inclusive and use is not limited.

An interesting recent development in health-care benefits, especially among larger employers, is the realization that although they've got every medical management and cost containment bell and whistle, the programs don't reach many employees

and, of course, healthcare costs are still increasing at double-digit rates. Their insurance plan or carrier has put up an Internet site with health information that perhaps links to their intranet as well. They have a disease management program. They have case management. They require precertification, and the plan does concurrent review and discharge planning. They have a mental health carve-out vendor. They have a PBM that is handling the pharmacy plan. They have shifted costs in a consumer-driven healthcare model. They have everything in the world in the way of medical management programs and it doesn't work. At least, it doesn't work for some significant part of their population that can't figure it all out. That's whom we serve.

We're there for the person who looks at their problem, looks at the services available to them, and says, "I don't know how to handle this." When we talk to an employer about our services, we're not going in and telling them that all the other things they have put in place are things they don't need or that don't make sense. We're trying to simply say that there is some segment of their employee population that doesn't know how to make the system work, and those people lose time from work, tend to wander through the healthcare system, becoming extremely expensive and don't get to the care they need. That's whom Health Advocate is directed to.

People will call us on the phone and say they don't understand the bill. It may well be that they're a CIGNA or Aetna or Empire member and they could access this sophisticated Internet program that allows the individual to look at their bills. We don't just tell the member to go online and look at the bill. However, we may go online for them or with them and look at their bill. We understand that the reason they are coming to us is that they do not know how to do that.

We originally established the value of our services by selling employers on the idea that we would save productivity costs by keeping employees at work instead of dealing with healthcare problems. As you can appreciate, it is more likely that you are going to spend time today dealing with your mother's health problem than your own, and that led to our extended family coverage model.

TWST: Is this available only to corporations or can individuals sign up, as well?

Dr. Leibowitz: Right now, we don't have an individual model, but we are working on one with a couple of strategic partners. However, we don't have a limit on how small the client can be to buy our program. I think one of our brokers sold Health Advocate to a three-employee company. But it's not really an individual product. We have not yet reached the point where Health Advocate is like the AAA auto club card you carry in your wallet. You carry that card because you're worried you might get a flat tire. If instead you bought that service because you had a flat tire, it would cost you a lot more. And that's really where we are. We haven't yet worked through an easy way to sell this as an individual program. We are working on it, but it is just not there yet.

TWST: But it could be done.

Dr. Leibowitz: Yes. I think we would like to sell it to individuals broadly enough so that people were buying Health Advocate for the security of having it for a future need. When we first enter into a relationship with a client, we inherit issues that have been in process for a long time. I think our oldest claim issue went back seven years! When we are first presented to employees, we typically are asked to help with all their pre-existing problems, you know, mom's got breast cancer, dad's got prostate cancer, they've got a child with a problem, and here are the bills. That situation would be tough to handle in an individual model.

Once things settle down from the initial rush, our utilization rate is usually between 10% and 20%. That means that over the course of the year, we will interact with 10%-20% of the employee family units about some issue for some member of the family we cover. That has been a consistent utilization rate over our three-year experience handling tens of thousands of cases.

TWST: Is anybody else doing this?

Dr. Leibowitz: Not on the scale that we are. Having said that, it seems that every health plan and medical management company is renaming everything they do “health advocacy.” It’s almost funny. We’re a three-year-old company of 42 people and we have set the whole healthcare industry abuzz with the health advocacy concept. We’ve gotten some great press. We have been on Dan Rather’s newscast and on local TV news. There have been stories about us in *The New York Times*, *The Wall Street Journal* and *The Washington Post*. It seems that the new story in health care is health advocacy, and we started it! But there really isn’t anybody that does quite what we do, certainly not on the scale that we do it. That is not to say that things won’t change, but at least for now, we don’t meet a lot of competition in the market.

TWST: But there are no barriers to other people doing it?

Dr. Leibowitz: I think the biggest barrier is duplicating the experience we bring to the table and the stature and credibility we’ve established by being an independent third party not connected to your health insurer, with no vested interest in doing anything except getting to the right answer and the best outcome for the member. That’s the approach we take and it’s why a health plan could not do what we do.

TWST: What’s the response of the healthcare providers to what you’re doing?

Dr. Leibowitz: It’s actually very positive. As I’ve said, we are working with two health plans directly that have put our service in place for their members, and there are two others that we expect will contract with us over the next couple of weeks. In fact, Blue Cross and Blue Shield of Montana bought our services for their 700 employees.

When you look at it from the perspective of the insurance plans, once they get past this notion that we’re going to make them do things they don’t want to do (and we don’t), they understand that we make their work more efficient. One of the representatives of one of the large health insurance plans told me that they think we eliminate half the grievances they would otherwise have to deal with, just by helping people better understand their benefits and, when necessary, getting their problem resolved.

Our involvement not only makes the insurance company’s work easier, but to the extent that they start out with a member who has a problem and is unhappy and end up with a person that feels comfortable with the answer, they win, we win and, of course, the individual wins, as well. The truth is that we understand that sometimes a member just gets caught up in the bureaucracy, the paperwork and the process, and that can prevent the member from getting the attention they need. Overall, once they understand what we do, I think the insurers are pretty positive about us.

Physicians really embrace our service. They realize how complicated the healthcare system can be for their patients and they feel that anything that helps the individual get the care he or she needs is good.

And without exaggeration, we’ve gotten dozens of unsolicited letters and e-mails from members, telling us how wonderful our program is and how helpful our staff has been.

TWST: What's the strategy going to be over the next year or two?

Dr. Leibowitz: We continue to grow. I think there are several additional market segments we can look at. For example, some of the things we do overlap with the services an EAP offers. We're working on several strategic alliances so that we can present a combined product with an EAP, or with a Work/Life organization, and eliminate some of the fragmentation in healthcare benefit programs. We believe that Health Advocate can have multiple connections to a member's medical benefits. For example, we have an arrangement with New York State United Teachers in Albany. They offer a major medical, catastrophic coverage policy to members. When the member activates the policy, they get to use our services. **Conseco** is promoting a similar service with their disease-based insurance products. If you receive benefits under their cancer insurance policy, you get to access Health Advocate's services.

We think there is plenty of room for our organic growth. Health Advocate has gained increasing national attention and there are other ways to expand the scope of services we offer. In some respects we are like a nurse hotline, and some of what we do is what health coaching companies do. For some clients, we can certainly meet their needs in these areas and more.

I think that at the core level we can be the comprehensive integrator of health services that has been missing in the equation until now. That's the role we will be promoting over the next few years.

TWST: When companies look at what you're offering, is there an ROI to them?

Dr. Leibowitz: There really is. As I said, we started the company based around the productivity savings we create, and that's a direct savings and easy to see, although not every employer val-

ues it as they should. It became clear very early on that we also save a lot of money. It is obvious that if you come to us with a bill for \$500 or \$5,000 or whatever, and we are able to reduce what you have to pay, we have saved you money. We also bring efficiency to medical care, helping people along the way and reducing medical costs as they go.

I'll give you an example. We have a streaming video of an NBC-10 TV news piece on our Website. They interviewed three clients we had worked with. One of them is a librarian for the City of Philadelphia, who is one of the few adults with a heart condition called a Patent Foramen Ovale. It's a hole in the wall between the upper chambers of her heart that had caused her to have two strokes and needed to be closed. She'd spent seven months arguing with her insurer over coverage for the procedure. She was being cared for at what could fairly be described as the one of the best cardiac centers in the country for her condition. They told her that years ago, if she had come in with this problem, they would have had to open her heart and sew the hole closed. She would have been in the hospital for two weeks and required months to recover sufficiently to return to work. Now, they explained, they do a new procedure that floats a little patch up through a catheter in her leg into her heart. After this new procedure, patients typically leave the hospital the next day and can be back at work in a week. Importantly, the new procedure is much safer than the old way of fixing the problem.

She okayed it and they said they would clear it with her health plan. The health plan denied coverage for the procedure, saying that it was experimental. She spent seven months appealing their decision. Her union then became our client and suggested that she talk with us. Within 10 days, we had the issue resolved. The health plan

agreed that what she was having done was not experimental and that she met all their coverage policy criteria for it. Ironically, had they found someone who would have done what they wanted her to have done, the cost would have been somewhat in excess of \$150,000, including the surgeon's bill, 10 days in the hospital, use of the bypass pump, intensive care, the whole thing. What she actually had done cost less than \$30,000. In that circumstance, we saved about \$120,000. So there are real savings that result from our involvement.

We don't pay claims and it's very difficult for us to guess what would have happened to an individual had they not come to us. Also on that video, for example, is a woman who talks about the fact that she had a headache for 58 straight days. She had been to nine different doctors. She had two MRIs, two CAT scans, two of nearly every neurologic test and she was still not better. We met her at a business meeting and she told us her story. She was scheduled to have three discs removed from her neck because one doctor felt she had a pinched nerve. Nobody had suggested that she see a group of neurologists who specialize in the treatment of people with difficult headaches. We set up the visit for her, and after a visit and a new course of treatment, she was better.

We cannot predict what would happen to the members who come to us if we weren't there for them. You would never guess that without our involvement, a patient would go to nine doctors, have multiple duplicate tests, undergo unnecessary surgery and run up tens of thousands of dollars of medical bills, and still not get relief.

So it gets very difficult to say with confidence what the ROI for our program is. We have done two studies in which we tried to do cost projections based on our previous experience and

what the medical literature says about typical costs and outcomes for similar cases. We also chased down claims payments to determine what was paid. In each study, involving hundreds of cases, the ROI was at least 2.5:1, and that is undoubtedly conservative.

There are enough of these large cases in which the savings we generate overwhelm the fees we charge, to create tremendous savings opportunities for our clients. Remember, we are talking about a service that only costs a few dollars per employee for month. It is not difficult for us to return more monetary value than that. The ROI for our program is surely far better than many of the other programs employers have put in place or are considering. And of course, there's also the value of getting to the right conclusion for the patient or the member or the employee.

TWST: In this highly litigious society, where do you stand in the whole risk equation with this approach?

Dr. Leibowitz: Fortunately, we've never been sued. First of all, we don't tell people what to do; we offer them options. We discuss the options with a member, help them come to a decision, and then we act on the decision that they make. If somebody asks us who the best surgeon in Manhattan is for a particular condition, we'll often look at the medical literature and talk to experts in the field, work with health plan medical directors and use our own database of information to come up with several names for them. We'll then work with the member to help them make a decision. We'll then make the appointment for them and make sure that on the day of the visit they know where they're going and how to get there. We don't tell someone, "You have to go to Dr. So and So. He's the only doctor in the world who can treat your condition and that's what you should do."

Of course, we realize that anybody can sue anybody. When we started the company, we went into the marketplace for liability insurance coverage. After an exhaustive time spent with insurance underwriters, they concluded that we certainly do have liability risk. After all, we're in business and we're dealing with medical issues, so of course we have liability risks. Are they great risks? They concluded no, and so our liability coverage premium is not, by today's standards, extremely expensive.

So we have the protection. We've never been sued and we're very careful to explain that we don't practice medicine. We don't really give people advice; we give them access to information and help them understand their choices. On the clinical side, we offer decision support and then we act on the choices our members make.

TWST: What's the longer-term game plan? Can you finance what you're doing as a private company or do you end up going public somewhere down the road?

Dr. Leibowitz: We're growing rapidly. We have a unique niche in the marketplace and we are

profitable. Of course, we'd like to be larger and reach more people. Our office is located in suburban Philadelphia, and as we plan for the future and our continuing growth, we are considering putting a second office in the west to more easily provide the expanded hours needed to deal with large west coast clients. We will have to finance our expansion in some way. We could become a public company down the road and use that to fuel our growth, or we could be a very happy as a profitable, private company. The key is that we're interested in growing our business and promoting the service. We have met a receptive marketplace and we want to take advantage of the opportunity.

TWST: Thank you. (TJM)

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