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## Ex-HMO officials' job: Helping navigate rules

By Karl Stark

INQUIRER STAFF WRITER

Like many businesses, the American Federation of State, County and Municipal Employees District Council 33 has seen its medical costs surge, rising by 28 percent last year alone.

The union, which represents nearly 11,000 city workers and retirees, had an unusual response. It decided to spend more money. In January it hired a Blue Bell start-up named Health Advocate to help patients navigate the bewildering complexities of health insurance and medical care.

Health Advocate operates on the notion that employees will work better if they can find the right doctor quickly and aren't spending time disputing hospital bills.

Union controller Franklin Wallace said it was too soon to say how the new service was working out. But he noted it had already saved the union \$50,000 in one case and had replaced the members' assistance program that the union had disbanded.

While Health Advocate is a new company, its founders are well-known. All five are HMO insiders who formerly worked for U.S. Healthcare, or its successor Aetna Inc. Health Advocate's president Michael Cardillo and medical director Abbie Leibowitz both served in similar roles at U.S. Healthcare and Aetna. The new head of business development Daniel Messina was a chief financial officer at Aetna and worked previously as CEO of Magellan Behavioral Health.

The health maintenance organization connections have brought the firm instant credibility - as well as skepticism.

From a difficult start in early September 2001, just days before the terrorist attacks, the fast-growing firm now helps answer the health concerns of 100,000 workers and some 300,00 relatives. The firm, which had just 10 clients in January 2002, now serves 178, including Lowe's Home Improvement.



**Michael Cardillo**  
Health  
Advocate's  
president

Health Advocate has many challenges to overcome. The top executives do not take salaries and do not expect the firm to be profitable before April. With health premiums rising at double-digit levels, it's an open question whether executives will bet more money on an unusual concept or one that may overlap the help offered by HMOs, doctors, nurses and social workers.

The leaders' past also causes some to wonder. As former HMO executives, many made a lot of money and were part of creating the administrative problems that anger many patients. Now they stand to profit again by fixing the snafus.

Leibowitz and Cardillo have heard such criticisms and call them unwarranted. "The only people who could do the business we're doing are people who have been on the inside," Leibowitz said.

The company's team of insiders makes them more valuable, says Ray Griffin, human resources senior vice president for Weston Solutions, a client in West Chester. "They learned all the tricks," Griffin said. "I kid [sales manager] David Rocchino that he's a lot better at solving these problems now than when he was inside."

Health Advocate sees itself as a honest broker, one that gets what members are entitled to, not what they want. The company will represent patients in HMO grievances and help find the right doctor in complicated medical cases. It will identify nursing homes for an elderly parent and even negotiate medical bills in advance for an uncovered procedure.

Leibowitz said many people did not know where to go, and the system often filled them with "an irrational sense of frustration." A Health Advocate nurse, he said, can communicate the case more quickly and help speed a resolution.

"Sometimes we tell the member the plan did the right thing," Leibowitz said so his advocates look for

“They learned all the tricks. I kid [him] that he’s a lot better at solving these problems now than when he was inside.”

**Ray Griffin**, of Weston Solutions, a Health Advocate client.

## Ex-HMO officials’ venture tries to fix system’s snafus

### ADVOCATE continued

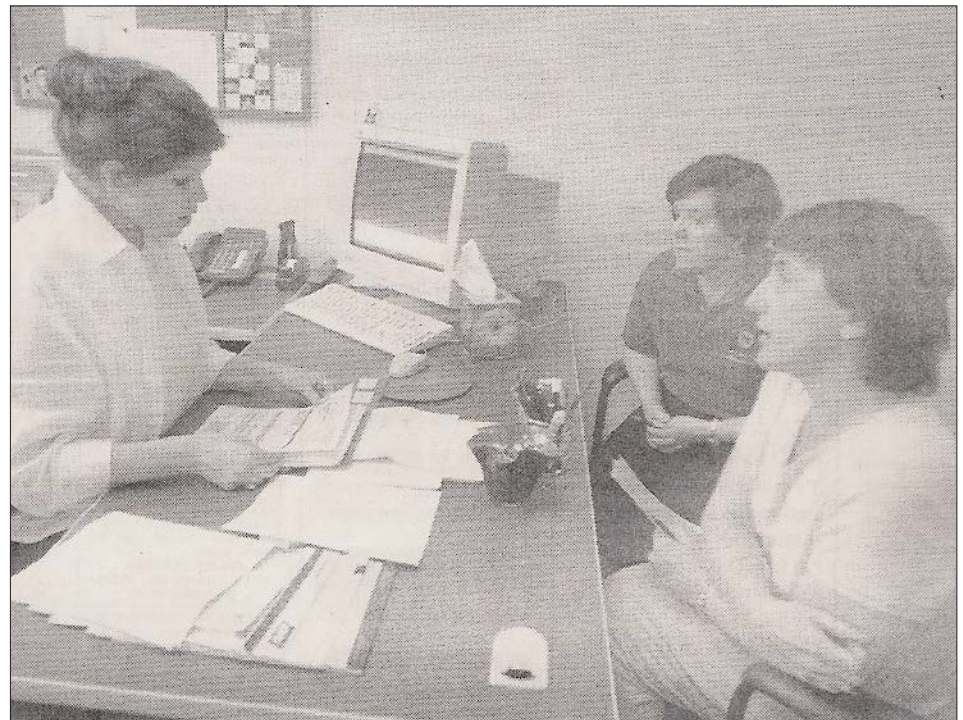
other solutions. When an insurer turned down a Montgomery County child with cerebral palsy for a standing platform to use in school, Health Advocate was able to persuade Medicaid to cover the \$12,000 device.

Health Advocate began by selling its advocacy services by the hour, but that model didn’t catch on. The company, which now has 23 employees, found more success in creating an insurance model where the costs could be spread over a large group. Employers buy the service for \$1.25 to \$3 per worker per month depending on the firm’s size. Workers then use Health Advocate to help their spouse, dependent children and parents.

The service costs \$15 to \$36 per worker per year, just a fraction of the \$6,000 that the employer pays for the average employee’s health insurance, Leibowitz said.

Individuals can also opt to take their problems to Health Advocate, but that costs \$125 an hour, reflecting the service’s true cost when it isn’t shared over a large base of employees.

Several trends are helping the company’s business. Many firms are slashing human resources departments and have fewer folks to help employees. New federal rules that improve patient privacy care are also making many employers



**Kelly Johnston**, a vice president of operations, confers with personal advocates Susan Starke (center) and Ginny Horn (right) about a client. Health Advocate answers concerns of 400,000 patients.

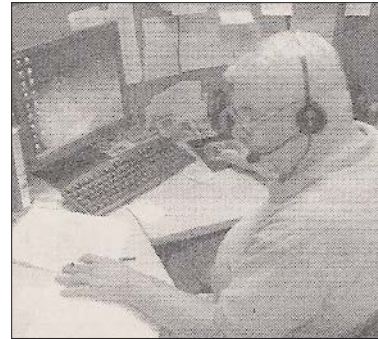
eager to hand off medical problems to qualified experts.

“We have to stay an arm’s length away,” said Cheryl Melinchak, lead Human Resources Consultant for Westinghouse Electric Co. in Pittsburgh, which hired Health Advocate in August. “They saved us – the benefits staff – a lot of time. They got results that we could not have achieved.”

One potential challenge to Health Advocate comes from its leaders’ old employer, Aetna. In January, the national insurer started offering a program with the same name – Health Advocate – that employers

can purchase as an add-on. Instead of waiting to be called, nurses in the Aetna program proactively contact the sickest members and work to see that they are getting proper care. The program has signed up companies representing 500,000 employees in six months.

Leibowitz said there were many programs like Aetna’s. “They are built around a perspective that we know what’s good for you, and we’re going to help you get it,” he said. “People want us to help them. That’s a whole different dynamic.”



**Ed Hampson**, a personal health advocate, works with a customer at the company’s Blue Bell headquarters. The firm had 10 clients in January 2002. It now has 178, including Lowe’s Home Improvement.