Mike Miele: Entrepreneur

Mike Miele's day begins around 8:00 am, taking his kids to school. By 9 am, Mike is laying out the daily workplan for one of his houses that he is renovating. "Running a renovation project is pretty simple compared to running a large software implementation project". Since he sold his company, CDMS, to Landacorp Inc. in 2000, he has retired from full-time actuarial work, but not from being a full time entrepreneur. And for Mike, a trip to the health club now means a visit to one of the health clubs he owns in Northern New Jersey. "Once a pricing actuary, always a pricing actuary" Mike says. "Health club membership pricing is similar to setting up a flexible benefits pricing structure – providing incentives to enroll in different programs while protecting against adverse selection".

Mike could be the poster-child of entrepreneurial actuaries. He is one of the select band of actuarial millionaires, achieving his status well before the age of 40. He is now working on a whole new range of non-actuarial enterprises, dividing his time between identifying investment opportunities, renovating houses, running his health clubs and spending time with his family.

How did Mike do it? "It happened mostly by accident. I was in the right place at the right time". The son of an insurance executive, Mike knew he wanted to be an actuary since high school. As usual, Mike was ahead of the curve: "The guidance counselor in high school didn't even know what an actuary was". Mike is always on the go, searching for ways to turn an idea into a successful, profitable business. As an actuarial student, Mike did well on his exams, but often got into trouble: "I'm not politically correct, and I love confrontation - not the ingredients for a successful corporate career". Mike changed jobs every two years, trying consulting at various large firms, but never really finding a job to call home until 1992 when he joined Price Waterhouse. While building a health care practice at Price Waterhouse, Mike saw an emerging trend: pharmaceutical manufacturers were moving closer to the health care delivery system in the area of Disease State Management, where more focus is placed on managing the patient's actual disease, rather than the individual services provided to the patient by health care professionals. Managed Care Organizations (MCO's) were asking pharmaceutical manufacturers to take a greater amount of financial risk in the form of product guarantees and capitation. To Mike, the opportunity to link the needs of pharmaceutical manufacturers and the skill sets of actuaries was the basis for a business. In late 1995, Mike left Price Waterhouse to found Capitated Disease Management Services (CDMS) in the basement of his home in Montclair, New Jersey.

For the first 2 years Mike focused on his mission, providing consulting services to Pharmaceutical Companies. When employees came to Mike's office with new ideas, he would take out a sheet of paper with a list of great ideas formed during the early brainstorming sessions. "Here are 20 great ideas for related businesses. We are still working on idea number 1". Mike adds, "For an early-stage services company to be successful, it needs to make money. To make money takes time and effort, and focus on doing it right. The customer has to perceive tremendous value from the service, and to feel that the service provided would be hard to find elsewhere".

CDMS was fortunate in the early days, landing lucrative data management and consulting contracts with several large pharmaceutical companies, providing data services and consulting for their disease management services. "We were happy to provide our services through pharmaceutical companies", Mike says, although he adds that this practice of “Private Labeling” services, while good during CDMS’s start-up, made it difficult to add new customers. “Pharmaceutical companies demand proprietary services – where we agree to not provide similar services to competitors. We were also constrained from selling directly to the MCO customers of the Pharmaceutical Companies”.

Business grew slowly for the next two years. CDMS and Mike struggled to grow out of “the basement”. Again, Mike’s lack of patience for meetings, consensus-building, and other “necessary evils” of the corporate world resulted in many set-backs for the young company. “We couldn’t gain any traction in the market. We needed a product that automated many of the services we provided, and, we needed to start to provide disease management services directly to HMOs”. CDMS began to develop software products that streamlined many of the complex analyses done for its consulting business.

In late 1998, several large MCO’s expressed interest in directly contracting with CDMS for services and software. “It was a tough sell at first, since MCOs we used to performing these services internally, or getting these value-added services from the pharmaceutical companies. Also, we wanted to this move to be viewed as a positive for our pharmaceutical customers”. At the time, CDMS had about 12 employees and revenues of about $1.5 million. Finally, in 1999, the big break came: CDMS had a chance to work directly with an HMO. The deal was to provide approximately $1 million in services, on an at-risk basis - that is, no payments (other than for travel) would be paid until CDMS could demonstrate that its services saved the HMO money. If and when the customer was convinced that the program saved money, the money would be paid. “1999 was a tough year. We had to save that customer money or we would be out of business. By October of that year we had demonstrated enough savings to get paid as well as receive a multi-million dollar contract going forward”, Mike says. CDMS staff grew to a high of 26 in 2000, there were more customers, as well as potential buyers for the company.

By mid-2000, CDMS as growing fast, forecasting $5 million in revenues for the full year. Suitors were holding discussions with Mike about potential mergers and acquisitions. By the end of the summer, CDMS agreed to be sold to Landacorp, a large medical management software company. “The deal looked great. A real software company with a real research and development group, a trained sales force and established management team”. As often happens following a merger, however, almost the entire CDMS management team, including Mike, left within the first 6 months. “Landacorp was a much bigger, older, established company. Originally we hoped the two different cultures would fit, but, for a variety of reasons, it just didn’t happen”.

Today, other than his seat on the Landacorp board of directors, Mike has not been involved in the business, preferring to pursue other business interests and to catch up on lost time with his family. “I was pretty burned-out by the time we sold. I worked 7 days a week and traveled all the time. It just wasn’t fun anymore. In retrospect, I guess we sold at the right time. I miss having such a successful business and team, but I’m glad to be free. Having your own business with employees and customers is a tremendous responsibility. You can’t just change jobs if things don’t work out. You have to provide great service to your customers and to provide a stable work environment and benefits for employees and, after all that, pay yourself some money.”

How did Mike Miele do it? He applied many of the characteristics of a classic entrepreneur to an actuarial business:

- He recognized opportunities early. In Mike's case it was:
    - Data Analysis, and
    - Risk Management
- He was able to articulate his vision clearly, not just to customers, but also to employees.
- Mike had a large network of contacts, and was able to leverage them successfully.
- Mike believed in himself and his product, and was able to convey this belief to clients.
- Mike realized that he needed to develop a repetitive income stream. To do so, he migrated the company from pure consulting to data management and software tool development.
- Once he determined the mission of the company, he focused all attention on the mission.

Like other entrepreneurs, Mike made mistakes.

- The focus on the company mission meant that other opinions and ideas were not heard.
- Mike insisted on keeping control to himself and did not delegate, even when the company grew larger.
- Mike hired his relatives; this ensured staff loyalty, but was perceived negatively by non-family employees.
- He underestimated the difficulties of integrating a start-up, entrepreneurial company into an established organization.