

San Fernando Valley Business Journal

A New Model for Old Medical Tradition

By Jonathan Colburn - 4/10/2006

San Fernando Valley Business Journal Staff

Dr. Henri Becker and Raouf Khalil have built a business around reviving a medical paradigm that's been out of style, and presumed to be too expensive to sustain, for decades – the doctor house call.

In 1992, Khalil started a home health care company, sending nurses into patients' homes. He operated the business for 11 years before selling it to a larger, national company.

After speaking with a number of his former customers with chronic illnesses, Khalil determined that it's very difficult for those patients to avoid trips to the hospital.

Chronically ill patients, he realized, needed more attention from physicians in order to stay out of hospitals.

"A nurse can't make a diagnosis or write a prescription, and by the time a nurse or family member gets in touch with a primary care doctor, he may be out of the office or not have an answer and the patient ends up going to the hospital," said Khalil. "The emergency room physician is thinking about malpractice and sees a patient with several chronic diseases and they say, "Why take the chance?" and admits the patient and calls specialists, and it can end up costing \$5,000 or \$7,000."

While working in his first business, Khalil met Dr. Henri Becker, who worked for the Huntington Provider Group, which was one of the largest medical groups in the state. Becker was in charge of the group's hospitalist division.

"After a few years of doing that, I was kind of trying to answer a question in my mind, which was 'How can some of those admissions to hospitals, for seniors with chronic conditions be prevented?'" Becker said.

It wasn't until he gave his contact information to some patients that needed extra attention that he realized patients had medical issues that they weren't bringing up in the hospital.

When Khalil sold his business, he and Becker decided to open Care Level Management, based in Woodland Hills, which would be based around sending doctors into patients' homes, and taking care of medical issues thoroughly before patients' require hospitalization.

Although house calls are no longer as common as they used to be, the advent of concierge medicine has made them more common in recent years. Concierge medicine is a system in which doctors charge patients directly and make themselves available virtually any time.

Most chronically ill patients can't afford such a service, however, which meant that Khalil and Becker needed to sell their model directly to insurance companies. They found that most medical directors didn't have any room in their budgets for house calls, but once they were able to present their business model to chief financial officers, the company was "rapidly successful," Becker said.

Care Level Management promised companies that it would save insurance companies money on the treatment of its sickest patients, and assumed 100 percent of the financial risk should their model prove wrong, but the company turned out to be successful in every case.

Since 2001, the company has expanded to Florida, Arizona, Texas and Northern California.

The company now employs almost 100 physicians with an average case load of between 80 and

120 patients. Many of the physicians applying for positions at the company are recent graduates from medical school.

"If you look at it from their point of view, young physicians have been essentially been trained in hospitals and they've had a lot of support. They know a lot about medicine but they haven't really been educated much about the business aspect of medicine, and also it's a situation where probably most of them already have a family."

Physicians are also finding that there aren't as many advantages in establishing a practice anymore, Khalil said.

"Years ago when you set up a practice it was like setting up your own business, you worked at it for years, build up some equity and sold it," Khalil said. "Now a doctor is lucky if he can sell his business for the cost of the furniture in his office."

Doctors beginning their careers at Care Level Management are paid more than most private practices will pay new physicians, and the company pays for its doctors' malpractice insurance premiums.

Dr. Gil Solomon joined Care Level Management at the beginning of the year after working as a medical director and in administrative positions for health plans like Blue Shield and Blue Cross of California.

"For me, it was great to be back seeing patients again," said Solomon. "Most of us have been unsatisfied with how office-based practice has evolved, seeing lots of patients and not being able to establish relationships."

Solomon said he sees between four to six patients everyday and that seeing patients at their homes allows him to get more complete health information and provide effective preventive medical care.

Last year, the company attracted the attention of the Center for Medicare and Medicaid Service, which awarded the firm a three-year contract for a pilot program to demonstrate its system. According to the company, chronically ill elderly patients make up only three to five percent of the program's beneficiaries, but that the top five percent uses 43 percent of the agency's total costs, mostly through hospitalization costs.

Starting last October, 15,000 beneficiaries that costs Medicare about \$800 million annually, are eligible for project.

At the end of a three-year trial period, CMS has the option to offer Care Level Management's services to a wider population.

Jeff Flick, Regional Administrator for CMS Region 9, said initial reports about Care Level Management have been positive.

"They're pretty early on in the process, but we stay pretty close to the beneficiaries, and so far I'm hearing very good things," Flick said.

Care Level Management's doctors give their patients their cell phone numbers and encourage them to call with medical questions at any time.

"They love the that the doctor comes right to their home to take care of them, and the other thing that's happening is that I'm getting complaints from other beneficiaries who want this service for themselves."