

Handling House Calls in a Managed-Care World

A government trial is testing whether visits at home actually save money.

By DEE GILL

THE day when doctors treated patients at home disappeared decades ago in most of America as house calls gave way to more cost-effective office visits. But a small company that devised a way to charge for doctors' house calls could encourage a return to the practice — not just as a service for the rich, but as the most economical way for Medicare and private insurers to care for their frailest patients.

Care Level Management, a company based in Woodland Hills, Calif., that employs about 100 doctors in five states, offers medical service to 13,500 chronically ill patients. It pairs each patient with a doctor who provides a cellphone number and urges the patient to call for a home checkup at the first sign of trouble.

Medicare and private insurers pick up Care Level's bill (the patient is usually charged a co-payment as well). Care Level takes on the 2 percent to 5 percent of the insurers' patients who have amassed the highest medical bills. Its average patient is 76, battling 11 chronic conditions like diabetes, hypertension and congestive heart failure, and has been hospitalized often.

Care Level says that its house calls save insurers money by drastically reducing emergency room visits and hospitalizations. In fact, it guarantees savings.

For example, in a three-year trial Care Level is conducting with the federal government's Centers for Medicare and Medicaid Services, Medicare pays Care Level a monthly case rate and a fee per visit to care for up to 25,000 patients in Texas, California and Florida. But Care Level must return the money unless net costs for its patients are at least 5 percent lower than the costs for patients in a control group. The company splits any saving above 5 percent with Medicare.

The company has used a similar payment structure to charge private insurers, although most of its private customers have switched to flat fees. Care Level says that independent audits show that it has reduced hospital admissions for private-insurer pa-

tients by 60 percent on average, for a net cost saving to clients of about 30 percent.

Medicare will not release data about the trial until the numbers are crunched when it ends in August 2008. Officials at the Centers for Medicare and Medicaid Services do say that Care Level's patients and families often call Medicare offices to praise the program, sometimes crying in gratitude. "This personal visiting physician service, with 24-hour access to doctors, has some real promise for reducing costs," said James Flick, the Medicare administrator for the region that includes California.

Insurers have long understood that a tiny percentage of customers spend most of the insurers' money, Mr. Flick explained. The top 2 percent of Medicare consumers spend about 25 percent of Medicare's annual budget, he said. The top 5 percent — about two million people and growing — spend 43 percent of the budget. A program that reduces care costs for this population can strikingly reduce the system's overall costs, he said.

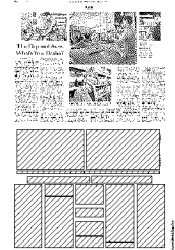
Doctors who work in other house-call programs say that Care Level's model can invigorate their fledgling industry, which has struggled to find profits.

"We absolutely believe this is one of the best ideas for Medicare reform that's around," said Constance Row, executive director of the American Academy of Home Care Physicians.

The academy includes doctors from medical centers that have house-call programs, as well as those in small practices. The organization is lobbying Congress for permission to bill Medicare and Medicaid using a Care Level-type model that includes monthly rates, rather than paying for each visit.

Dr. Henri Becker developed the model for Care Level in 1995, when he was the medical director of the Huntington Provider Group in Pasadena, Calif. Dr. Becker found he could cut repeat hospital admissions by treating the sickest patients at their homes, before their medical problems grew dire. In 2001, he teamed with Raouf Khalil, an entrepreneur who had sold a successful home-infusion business, to start the company.

Care Level has grown to about \$65 million in annual revenue with 350 employees in California, Arizona, Pennsylvania, Texas and Florida. Mr. Khalil, the chief executive, would not disclose income amounts, but said



the company was profitable. About 85 percent of its patients are in the Medicare trial, with the rest coming from commercial insurers.

At WellPoint, the nation's largest health insurer, Josh Valdez, the management executive for the Pacific zone, is one of Care Level's most ardent fans. Care Level takes care of 300 of WellPoint's chronically ill California patients under 65.

Mr. Valdez was regional director for the federal Department of Health and Human Services in 2002 when he first heard of Care Level. He was also fielding daily calls from his sick father at home, who had diabetes, hepatitis C and other health problems. He said that sorting out his father's doctor appointments, medications and medical emergencies "was just exhausting."

He says that Care Level saves WellPoint a lot of money, although he was not specific. He says he is more impressed with the care the company gives.

"You could see that they fell in love with their doctors," he said of patients, recalling home visits he attended with a company doctor. "In 21 years in health care policy, I had never seen that."

One Care Level doctor is Richard Powell, who left his private practice in Tampa, Fla., after nine years. With Care Level he sees five or six patients a day. Despite the 24-hour access, he says, they rarely call him in the middle of the night. (The average salary for Care Level doctors is \$175,000; they also have minimum paperwork.)

In Sanford, Fla., Mary Garland, 75, welcomed Dr. Powell into her home with a hug. In past years, Mrs. Garland said, she had waited in emergency rooms to get treatment for her lung and orthopedic problems. But the last time she had trouble breathing, she called Dr. Powell, who treated her at home several times over a week.

She says she called 911 when she fell in

April, but after paramedics stanching the bleeding, she sent them away and called her doctor's cellphone. He was there two hours later, she said.

If Mrs. Garland needs intravenous antibiotics or an X-ray, Dr. Powell can call a Care Level nurse to arrange it. Mrs. Garland has not been to the hospital since joining the program in August.

A few teaching hospitals have also found they can make chronically sick patients healthier and reduce their costs by giving them 24-hour access to doctors at home. But the programs lose money.

"I estimate we save Medicare \$1 million a year per physician in reduced hospitalizations, nursing home stays, emergency room visits, etc.," said Dr. George Taler, a co-director of the Medical House Call Program at the Washington Hospital Center in Washington, D.C. His two teams, each with a doctor, a nurse practitioner and other staff, treat about 650 patients. "Yet we are losing \$125,000 per physician per year," he said.

Dr. Jeremy Boal, executive director of Mount Sinai Hospital's 800-patient Visiting Doctors Program, said government reimbursements cover less than a third of costs. Medicaid payments for services "barely cover the taxi ride to get there," he said.

The payment problem has put a damper on reviving house-call practices, said Ms. Row of the Academy of Home Care Physicians. The number of house calls doctors billed to Medicare rose about 36 percent from 2000 to 2004, but she says that it has since leveled off, and that many of these practices are struggling.

Dr. Roberta Miller has run a home-visit practice for about 500 patients in the Albany area with her husband and another partner since 1998. She sees little chance for profits under Medicare's payment plan. Overhead costs are kept low, she said, "but we can't see a patient every 15 minutes."



T.L.C. Dr. Richard Powell of Care Level Management on a house call with Mary Garland, who lives in Sanford, Fla., with her husband, Gene. Care Level employs about 100 physicians in five states.