

Home Is Where the Health Care Is

+ **DIAGNOSIS:** Chronic medical conditions cost the health-care system billions of dollars.

+ **PRESCRIPTION:** Keep patients out of the hospital by monitoring their condition at home.

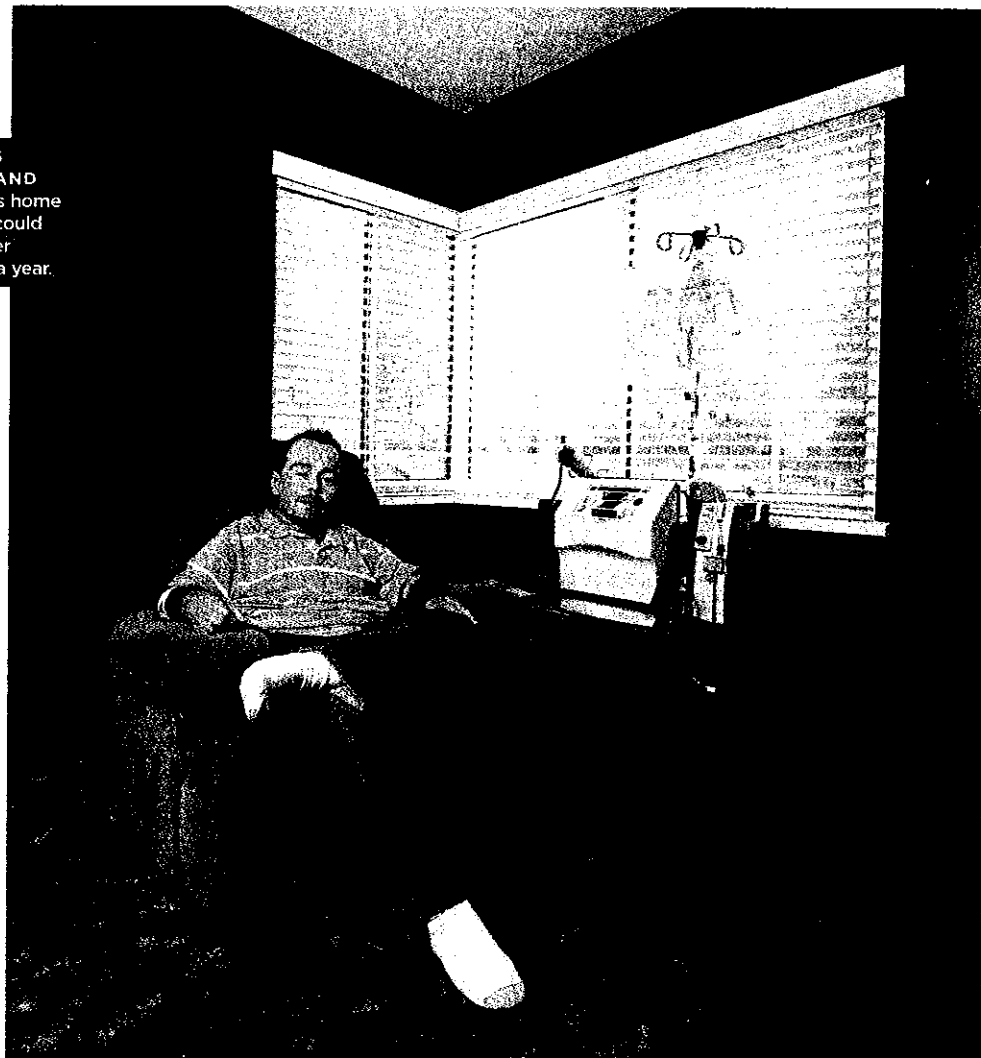
BILL HALCOMB'S THREE-TIMES-a-week sessions at a local dialysis center used to consume a total of 15 hours, depriving him of time to run his kidney patient website, Ihatedialysis.com. Now the 34-year-old Southern California man says he's reclaimed his life by controlling his treatment with a new portable home dialysis machine. "Here at home I have my laptop and my Wi-Fi, and while the machine is running, I'm working," he says.

Thanks to the advent of technology for treating and monitoring chronic diseases, Halcomb's new routine is becoming far less unusual. And it's not just patients but also insurers that are driving the trend, looking for a way to slow the spiraling health-care costs of common conditions. Diabetes and heart and kidney disorders alone account for a staggering 75 percent of the nation's medical bill. Health-care giant Kaiser Permanente, for instance, pays for Halcomb to use the suitcase-size dialysis machine rented from Lawrence, Mass., company NxStage for \$1,500 a month. Kaiser figures it can save as much as \$20,000 a year by allowing a patient like Halcomb to treat himself. The market for home dialysis is potentially huge: Nearly all of the nation's 325,000 dialysis patients are currently treated at medical centers, at a cost of about \$300 million annually. NxStage just began sell-

ing its System One machine for home use a year ago, and revenue jumped 348 percent to \$2.7 million in the company's latest fiscal quarter. "It was an unmet market," says NxStage founder and CEO Jeff Burbank, "and the patient response has been overwhelming." Analysts estimate that the market for home medical monitoring for chronic conditions could be worth as much as \$500 million a year by 2009. And demand will only increase: The graying of the baby boom generation will double the elderly population between 2011 and 2030.

Health Hero Network, a privately held Redwood City, Calif., company founded in 1998, is one of more than half a dozen firms making interactive devices to remotely track patients at home. The goal: head off medical crises by reviewing patients' vital signs daily and reminding them to take their medications. A bit bigger than a PlayStation Portable, its Health Buddy features four buttons, a screen, and ports for scales, glucose meters, and blood pressure monitors. "How do you feel today?" the Health Buddy asks in the morning, prompting a congestive heart

DIALYSIS ON DEMAND
Halcomb's home machine could save Kaiser \$20,000 a year.



Prices for procedures are neatly displayed on the wall like menu options at, well, an Arby's: hepatitis B shot (\$67), physical (\$59), suture removal (\$38). For the retailer, a clinic brings in rent money and extra revenue from shopping patients. Even health insurers are going retail. AtlantiCare, the largest health-care system in southeastern New Jersey, has begun opening clinics in grocery stores.

Howe compares the clinics to the advent of the ATM, which made banking transactions quick and easy. Of course, he says, "just like you don't go to an ATM for a business loan, you don't go to a MinuteClinic for an appendectomy." For the most part, the clinics are targeting the same bargain-minded working-class customers who frequent Wal-Mart, as well as middle-class convenience shoppers. About 40 percent of clinics nationwide accept insurance.

The challenges of starting a clinic vary. For instance, some states require physician oversight of nurse practitioners, which means clinics need to hook up with local doctors. Clinics that accept insurance face higher back-office costs. Securing space in a high-traffic store is crucial, of course. And then there's the attitude of the medical establishment—the clinics raise alarm among some physicians. "[These new clinics] have to be very cautious about taking care of people who are older, on lots of medications, or have chronic diseases that may complicate procedures," says Larry Fields, president of the American Academy of Family Physicians.

But the upside is alluring, and health-care consultant Mary Kate Scott says a profitable clinic—staffed by one to three people—generates \$500,000 to \$1 million in revenue. The opportunity grows if clinics start treating chronic conditions, a potential \$9 billion market, according to Scott. "There's a lot of room for entrepreneurs in this area," she says. "Every one of these clinics is in test mode—no one has figured out a winning business model yet." — SIDRA DURST

Second Opinion on Medical Bills

✦ **DIAGNOSIS:** As insurers shift responsibility for medical spending to patients, consumers are being overwhelmed by bills and choices.

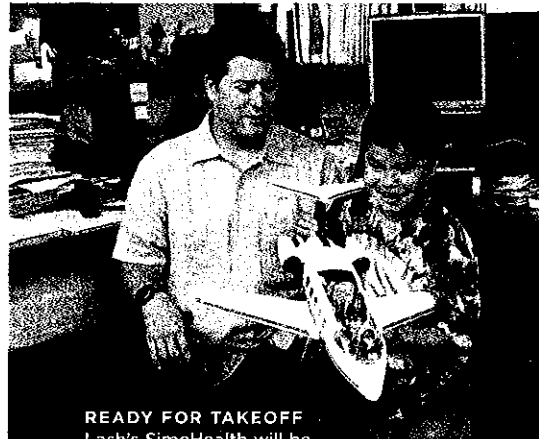
✦ **PRESCRIPTION:** New software and services to help patients track and manage their medical costs.

WHEN TECH ENTREPRENEUR TODD LASH'S SON, SIMON, WAS born seven years ago with developmental problems, he and his wife, Tracy Joe, faced a barrage of never-ending medical bills. The California couple couldn't find any software to help manage the mess, so last year Lash launched SimoHealth—named for Simon, now a happy first-grader—a PC application that organizes health-care expenses and uncovers discrepancies among medical bills, health-care payments, and insurance reimbursements.

His timing was perfect: AOL co-founder Steve Case's Revolution Health Group scooped up Simo Software a few months later for an undisclosed amount, adding Lash's startup to its portfolio of consumer-oriented medical services companies. The market for medical-expense software is not expected to exceed a modest \$15 million to \$30 million annually, but the real attraction for Rev-

olution was the chance to incorporate SimoHealth into a forthcoming health portal. "As consumers become more responsible for their health-care management and more fiscally responsible for their treatment," Lash predicts, "these tools will become ubiquitous."

That's certainly the trend: In just the past year, the number of people switching to high-deductible insurance plans and paying for medical



READY FOR TAKEOFF
Lash's SimoHealth will be part of Revolution Health's new consumer portal.

care through health savings accounts tripled to 3 million. By 2010 these so-called consumer-

directed health plans are expected to account for a quarter of the market. That's creating a huge opportunity to help consumers track, invest, and spend the \$75 billion they'll sock away in health savings accounts. Meanwhile, insurers' byzantine ways are spurring demand for software from new makers like SimoHealth and established ones like Intuit. As many as nine out of 10 medical bills contain errors, according to Medical Billing Advocates of America.

SimoHealth monitors how much money remains in your health savings account and will issue an alert when you've met your deductible for the year, green-lighting elective surgery. Best of all, it's always on duty, never plays golf, and works on Wednesdays. — JEANETTE BORZO

