

Titan taps growing demand for cancer screenings

KATHY ROBERTSON / STAFF WRITER

A local company that works with doctors to build and run specialized outpatient surgery centers nationwide has expanded its services to include colonoscopies and other endoscopic procedures.

Titan Health Corp. wants to tap into the surge in demand for gastrointestinal procedures that detect cancer and other problems in an aging population. Many patients have to wait months to schedule a screening.

The local company wooed away Clay Magness, the director of business development at industry leader AmSurg Corp. in Nashville, to head the initiative. Titan limited its focus to pain medicine, spine/neurosurgery, podiatry, ophthalmology and orthopedics until now.

Founded in 1999, Titan has 10 centers nationwide, including one in midtown Sacramento and another in Granite Bay. Centers under construction in Michigan, Pennsylvania, New Jersey and Connecticut are expected to open this year.

So far, one endoscopy center is under design for 2007.

Neither of the local centers plans to expand its services at this time, although other groups of doctors in other parts of the country have shown interest.

"We are very pleased with the pipeline," said chief executive officer Marc Jang.

Routine screening: Endoscopy uses an instrument called an endoscope to visually examine inside the body to diagnose problems. The most common uses are to screen for colon cancer or check for complications in the esophagus or stomach due to acid reflux.

It's tough to get recent figures, but Medicare — the government program for seniors — spent \$282 million on colonoscopies in outpatient surgery centers in 2002. The number of these procedures paid for by Medicare rose almost 28 percent from 2001 to 2002.

Colon cancer is the second leading cause of death in the United States. At least a third of deaths from the disease could be avoided if everyone age 50 and older had regular screenings, according to the Centers for

Disease Control and Prevention in Atlanta.

"Colonoscopies are a big part of what this is all about, with colon cancer on the rise," Magness said. "Unfortunately, even with the awareness of colon cancer, the rate of people actually getting them is not as much as it should be."

That translates into opportunity for Titan. Magness' former employer, AmSurg, claims on its Web site it is the largest provider of colonoscopy services in the nation, but Titan works with doctors who can expect to recoup more money if they go into business with a private company instead of one that shares profits with shareholders.

Other competitors include hospitals that set up their own surgery centers to get back some of the business lost to doctors, or groups of doctors who decide to go into the business themselves, with help from a consultant or other company.

Low cost, high margin: Endoscopy is very specialized, and this type of center is less expensive to establish than one that attempts numerous kinds of procedures, Magness said. "And it's a lot more profitable."

The average cost for a new Titan surgery center is about \$2 million, Jang said, but endoscopic centers are expected to be less.

Hated by hospital competitors (see related story below), the independent outpatient surgery setting is attractive for patients, too.

"It's convenient, easy to access and easy to park," Magness said. "It doesn't have the scary sense of a hospital; you don't have to wind your way all round to find the right place — and the copay for Medicare is a lot less."

Medicare reimburses hospitals \$509 for

colonoscopies, but pays outpatient surgery centers \$446, Magness said. Since Medicare patients typically pay 20 percent of the tab themselves, after their yearly deductible is met, they pay less if they get the procedure done at an outpatient surgery center.

Doctor and patient convenience was what got Titan going in the first place.

Roots: Titan Health was established in March 1999 to partner with local doctors and others to develop and manage high-quality, cost-effective centers to diagnose and treat spinal pain.

Titan doctors — like others in town who have started independent surgery centers with other companies — hailed the move because it provides better access to operating facilities and specially trained staff.

The company nailed down \$5.1 million in venture capital in 2001, but uses minimum capital and buy-in from doctors rather than an aggressive acquisition and roll-up strategy.

The company's first venture, Pain Diagnostic and Treatment Center on J Street in midtown Sacramento, opened in September 2000. It now offers podiatry and some general surgery, too. Nine doctors share surgery privileges there. A total of 4,100 procedures were performed at the center in 2005.

A second local center opened in Granite Bay in July 2003. It offers pain management, orthopedics, podiatry and ophthalmology. Seventeen doctors share privileges there. A total of 1,747 procedures were performed there in 2005.

Both centers had a significant drop in income after California workers' compensation reforms signed into law in 2003 capped surgery-center fees for the first time. That income hasn't been recouped, but the market has stabilized somewhat since then, Jang said.

Titan has a national work force of about 30. Two-thirds of those work at the headquarters office on River Plaza Drive in Sacramento.

Jang said the company is profitable on operations but invests more than half its revenue on business development.

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Titan Health Corp.