

# LOS ANGELES BUSINESS JOURNAL

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## Up Front



Howard Marks and Paul Kessler pushing to get their business accelerator on TV. **PAGE 3**

## News & Analysis



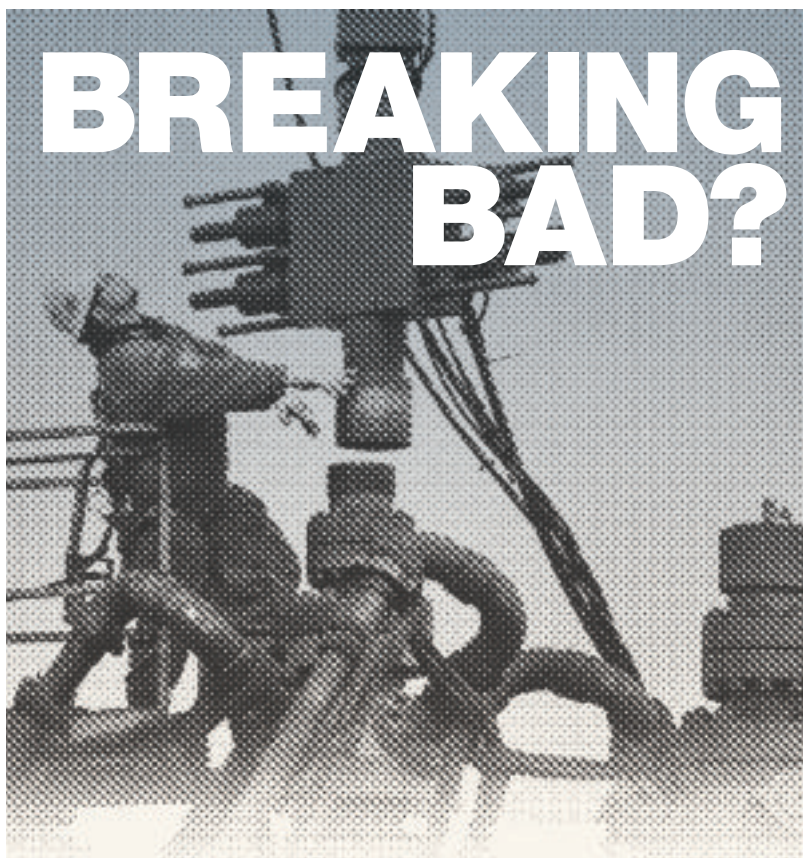
With Vincent Mehdizadeh's card, you can buy pot from vending machines. **PAGE 5**

## Real Estate



Biggest sales of 2011. **PAGE 24**

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## 'Fracking' challenges could hold up Oxy drilling

By **HOWARD FINE** Staff Reporter

**O**CCIDENTAL Petroleum Corp. has often run into political problems when drilling in such places as Libya and Ecuador. Now, as Occidental focuses more on its home turf, it faces a new political risk: environmental challenges over the "fracking" technology it uses to extract oil and natural gas.

Two environmental groups sued the federal government last month seeking to delay leases of 2,500 acres of federal land in California's Central

Valley to three oil companies, including 200 acres to an Occidental subsidiary. The groups want the government to conduct more thorough reviews of the effects of fracking before it proceeds with the leases.

As Occidental expands domestic drilling operations, particularly at its major new oil find in Kern County, the groups have made it clear that they may continue to sue and push for government regulation that limits the use or substantially raises the cost of fracking.

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## Digital Prints All Over Lab Layoffs

**ENTERTAINMENT:** Switch from film spurs Technicolor cuts.

By **JONATHAN POLAKOFF** Staff Reporter

**Technicolor SA** – a name that evokes the vivid color in films made during Hollywood's golden age – is laying off 50 employees from its Glendale film lab as the company finishes its transition from a film processor to a distributor of digital movie prints.

The company has let 46 employees go since November, with a handful to follow in coming months. With this latest round of cuts, about 500 Technicolor employees will have been laid off from the company's film processing labs in Los Angeles within the past year, according to data from the state Employment Development Department.

A company spokeswoman said the recent cuts will complete the phasing out of its U.S. 35 millimeter

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## Ojai Water Fight Drain on Business

**UTILITY:** American States unit hit with fines, fights forced sale.

By **HOWARD FINE** Staff Reporter

In the Old West, they used to say that "Whiskey is for drinking; water is for fighting over." It's a notion that applies to **American States Water Co.** in San Dimas today.

American State's water utility, **Golden State Water Co.**, is facing a battle over control of the water system in the Ventura County community of Ojai. Also, the company has been hit with millions of dollars of fines and reimbursements over a construction contract. Finally, state regulators could order the company to lower its profits and slow down rate hikes.

In Ojai, some residents are fed up with rate increases and want to have a local municipal water district take over the system. With Golden State so

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## Doctors Endorse Concierge Operation

**HEALTH CARE:** Firm nurses high-price, low-volume practices.

By **DEBORAH CROWE** Staff Reporter

Concierge medical practices are one of the biggest trends in health care: Doctors keep their patient rolls small, but charge the patients a retainer so the physicians can afford to give more individualized care.

Think earlier, slower-paced times when doctors even made house calls, and took phone calls at nights and on weekends.

Now, concierge medical practices have become popular enough that a cottage industry has developed

to serve them.

Locally, Marina del Rey's **SignatureMD** helps doctors make the conversion to concierge from high-volume practices by offering everything from marketing services to advice on regulations to working with insurance companies.

Founder and Chief Executive Matt Jacobson said his company helps its client doctors offer patients extra care in an era when health insurance practices make that very difficult.

"The doctors we select already were going the extra mile, delivering concierge-level care for years without getting paid for it. It's time they were given a

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At Your Service: SignatureMD's Jacobson.

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**'What I saw in health care was how inefficient the insurance companies were. I wanted to establish a more direct financial relationship between patient and physician.'**

MATT JACOBSON, SignatureMD

# Health Care: Doctors Back Concierge Treatment

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break," said Jacobson.

SignatureMD was founded five years ago. While Jacobson would not disclose annual revenue, he said that 2011's revenue was triple the previous year's, and he expects it to double again this year.

The company has operations in nine states and the District of Columbia with more than 50 general and specialty practices as clients.

Also known as boutique or executive health medicine, there are about 4,000 concierge physicians practicing in the United States, up from about 500 a few years ago, according to the American Academy of Private Physicians, a Washington, D.C., trade group. Indeed, it has only been recently that concierge medicine was large enough to support firms that provide assistance to the practices.

Most concierge doctors continue to receive reimbursements from standard health plans, but they also charge patients annual retainers that range from \$1,000 to \$7,000, depending on the market and how much extra care they provide. Patients typically keep their employer-based medical plan but pay the retainer to get the extra attention.

The practices also can generate more cash than ones wholly reliant on HMO reimbursement. One expert said doctors who convert to a concierge practice can expect to earn at least 15 percent more.

As a result, concierge practices have attracted service firms like SignatureMD, and competitors that include **NI Health** of Richmond, Va., and **MDVIP Inc.** of Boca Raton, Fla., one of the oldest and largest firms with more than 500 affiliated physicians.

Long Beach family practitioner Dr. Marcy Zwelling, chairwoman of the private physicians academy, said there were few such consultants when she decided to convert her practice more than five years ago. She opted to do it herself, converting her 2,000-patient practice over time to roughly 500 patients, who today pay \$2,000 a year for priority care.

"It did take a lot longer than it might have if I had used a consultant," said Zwelling, a former president of the Los Angeles County Medical Association. "For me, 'selling Marcy, Marcy's way' worked. But there are many physicians who would be more comfortable going with a firm."



Doctors Are In: CEO Matt Jacobson at SignatureMD's office in Marina del Rey.

Jacobson broke into the business world in Silicon Valley during the dot-com boom, launching several tech startups. After the dot-com bust, he eventually was hired at the medical division of **Zenith Insurance Co.**, an L.A. worker's compensation insurer, in 2001.

"What I saw in health care was how inefficient the insurance companies were," he said. "I wanted to establish a more direct financial relationship between patient and physician so that physicians would have the time to deliver the highest quality care, with more of a focus on prevention and wellness."

So after leaving Zenith in 2006, he launched SignatureMD at a small office in San Ramon in Northern California with a handful of staff. A native Angeleno, Jacobson moved the company south to Marina del Rey three years ago and now has 17 employees.

The company initially offered a wider spectrum of services that even included insurance for patients, such as coverage for evacuating a client injured on a vacation in a foreign country. However, Jacobson decided that it would be better to narrow the focus to services that doctors need to operate their practices.

SignatureMD generates revenue by collecting the retainers patients pay for their concierge care, retaining a portion of it and passing the rest on to the doctors. The company's revenue is thus dependent on the percentage of the fee it keeps, as well as the size of the retainers and practice. Jacobson would not discuss specifics of the arrangements.

Dr. Cathy Grellet, who with SignatureMD's assistance recently finished transitioning her women's medicine practice in the Northern California community of Los Gatos, is among the company's newest converts.

One patient on the Yelp online review site noted that even before the conversion that Grellet is "the kind of doctor you always wanted — the one who listens to all the things that are bothering you, gives time for all the questions, answers her e-mails, calls back on the weekend, researches odd things and makes appropriate referrals."

Even so, the volume of patients she had to see in her managed care practice took its toll. She checked out four practice conversion companies before choosing SignatureMD.

"There can be a lot of anxiety about

whether you can support a practice with much fewer patients," she said. "But now that I've converted, every day it gets better to be a physician."

A major obstacle for many doctors who want to start offering concierge care is their high volume of HMO patients, a group that in general either cannot afford or is not willing to pay for special access to doctors.

Grellet opted to move her HMO patients to other physicians. But for physicians leery about cutting ties with those patients, SignatureMD can help find a younger associate physician to handle them. That allows the senior physician to handle only concierge patients while retaining a portion of the old HMO income stream.

Dr. Ken Rybicki, a St. Louis doctor, signed up in July with SignatureMD, which helped him find a junior associate to handle his HMO patients. Since then, he said, his workload has become more manageable.

"I was tired of seeing 35 patients a day and not getting home to my family until 8 or 9 p.m.," said Rybicki, a cancer survivor who decided he needed more balance in his life. "Now I can set aside 90 minutes for a physical for my concierge patients, and also have time for some cancer research I've wanted to do."

## Driving growth

Tom Blue, executive director of American Academy of Private Physicians, said the prospect of a new round of Medicare reimbursement cuts next year, plus uncertainty over the impact of national health care reform, is prompting more doctors to consider the leap to concierge care.

"Primary care physicians are realizing that their business model is becoming unsustainable," Blue said. "With reimbursement rates going down, just to keep the same income stream they have to see more and more patients faster and faster. It burns out physicians."

SignatureMD is gearing up for that anticipated growth, and expects to reach the 100-practice mark next year, and this month signed its first doctor in Los Angeles County. But in keeping with Jacobson's tech startup roots, the offices are modest and the majority of his employees spend their time in the field at client offices.

"We're still a bootstrap, self-funded company," he said. "Our office has a gorgeous view, but there's nothing fancy inside. The money gets poured into building the business."

# Retail: MedBox Seeks Deals for Pot-Dispensing Machines

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to mailboxes at the post office. The pharmacist loads the medicine into the back and tells the computer the drugs are available for pickup.

The customer must have a pre-established account for box pickup with a credit card on file. The customer arrives at the store, goes directly to the machine, scans his or her finger, swipes a card and the lockbox door opens. The open door immediately triggers the credit card payment from the customer's account.

Bing Lum, owner of **AM Pharmacy Consulting** in Montebello, thinks a market exists for the pharmacy lockbox, but warned that federal and state regulators will scrutinize it carefully.

"There could be a convenience factor for customers who want to pick up prescriptions from the lockbox during off-hours," he said.

"Historically, nationwide pharmacy stores have addressed that by running 24 hours. A machine like MedBox would significantly cut down on a store's expenses, but the regulatory agencies would have to approve it. That's the challenge."

Mehdzadeh said that since the pharmacist controls the drugs placed in the lockbox, he doesn't believe it will present a major regulatory issue.

## 'Street dealing'

Mehdzadeh's first career was managing law offices, but four years ago he decided to get into the marijuana business. He opened several dispensaries around Los Angeles but soon found the competition was too shady for his tastes.

"Some of these places would give out half a pound of pot at a time over the counter, and

that led to street dealing," he said. "The industry was a mess at that point."

He sold his clinics and in 2008 launched Prescription Vending Machines with \$1 million of his own money and \$260,000 from private investors. The company sold its first box in 2010.

Mehdzadeh said law enforcement does not bother his pot shop customers because MedBox retains a documented record of all transactions.

Mehdzadeh believes that with patented-protected technology and a proven business model, MedBox is ready for another round of investment. The company is currently talking to large corporations and wealthy individuals about a private placement.

MedBox's stock price is \$1.24, but no shares have traded since September. No analyst follows the company.



Vending: MedBox drug dispenser.