

# Former MedCath execs to target obesity with clinics

## NewHope Bariatrics plans to build surgery centers around country

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Two former executives of specialty heart hospital pioneer MedCath Corp. have raised close to \$2 million to build a company aimed at fighting obesity using surgical options.

David Crane and Dennis Kelly are working to develop markets nationwide for Charlotte-based NewHope Bariatrics to enter and hope to have one or two key projects in play over the course of the next three quarters.

The company will develop and operate ambulatory surgery centers and short-stay surgical hospitals concentrating only on treating the morbidly obese.

"Once we have those (markets) identified, then we will figure out how to fund those projects," says Crane, former president and chief executive of MedCath. "We're running an entrepreneurial enterprise, and it's very liberating."

He estimates the first projects will cost between \$5 million and \$20 million, depending on the size and scope of each center.

"There are 52 million Americans defined as obese, and that number is growing," Crane says. "We were looking for an area of health care where we think we are making a difference."

More than 65% of adults over the age of 20 are overweight or obese; other obesity-related health issues such as high-blood pressure, diabetes and arthritis are on the rise, according to the National Center for Health Statistics.

"We were flabbergasted by the overall size of the market," says Kelly, former MedCath chief operating officer. "It's incredible."

A projected record of more than 171,000 Americans underwent weight-loss surgery in 2005, according to the American Society for Bariatric Surgery.

And at least 10 million Americans are heavy enough to be eligible for the surgery, which means they are at least 100 pounds overweight and have at least two conditions such as high-blood pressure or diabetes.

Despite the increase in the number of bariatric



photo courtesy NEWHOPE BARIATRICS

**David Crane, left, and Dennis Kelly have raised almost \$2 million for launch of a new company that will develop day-surgery centers costing \$5 million to \$20 million.**

candidates across the country, less than one in 500 opt for surgery.

The most popular gastric-bypass operation is called the Roux-en-Y, in which a surgeon creates a small stomach pouch that can hold an ounce of fluid and constructs a tiny outlet to slow the speed of food leaving the stomach.

The compelling statistics of an untapped market are one of the factors that swayed the executives in the direction of bariatric surgery rather than other specialties they considered, including radiation/oncology centers.

"We wanted a sector that was significant in size, in demand and one that was going through a technological change," Crane says. "From the beginning, we were fascinated by how little we knew about obesity surgery."

They decided NewHope Bariatrics would endorse the Lap-Band procedure rather than the more dramatic Roux-en-Y operation because it will create an opportunity to perform bariatric surgery on an outpatient basis.

The Lap-Band system, created by California-based Inamed Corp., was approved by the Federal Drug Administration in 2001. A band is used to create a small stomach pouch and control the flow of food from the upper part of the stomach to the lower part.

Unlike gastric bypass, the band is adjustable, reversible and can be performed in an outpatient setting.

Physician involvement is one key to the venture, Crane says. "We also wanted a sector with the fundamental driver of physician involvement. We are good at partnering with physicians to change the way health care is provided."

The business model for NewHope Bariatrics, creating specialized facilities with one focus, is similar to the one used by MedCath but with distinct differences. "Because every large, tertiary-care hospital already has a cardiac program, and that patient population is actively accessing care, by definition what MedCath did was very threatening," Crane says. "In bariatric surgery, however, we can enter a market in many different ways, some very non-threatening."

And NewHope will be able to operate in states that regulate health-care facilities with certificate-of-need laws. MedCath, while based in North Carolina, could not operate a specialty heart hospital here because of those laws.

"The discipline for us is to be flexible," Kelly says. "We want to be physician-partnered, patient-focused and offer a quality and efficient care model."