

MILLENNIUM GROWTH STRATEGIES

for Health Care

A Publication of Health Strategies & Solutions, Inc.

June 2000

Volume Two, Number Three

Complementary Alternative Medicine Moves to the Mainstream

Complementary alternative medicine (CAM), the combined approach of alternative and traditional medicine therapies, is increasingly in the spotlight, and for good reason. The heightened interest in alternative medicine can be attributed, in part, to the role it may play in supplementing traditional medicine rather than serving as a substitute.

As of October 1999, alternative medicine, including services such as acupuncture, massage therapy, reflexology, chiropractic care, and herbal medicine, was estimated to be a \$20 to \$30 billion business in the United States. Given the current economic situation facing many hospitals and health systems, this potentially lucrative source of business could augment the more traditional services offered by hospitals and systems.

Growth and Revenue Opportunities: Complementary Alternative Medicine

The number of people seeking alternative medicine therapies increased 20% from 1990 to 1997 according to a study by David Eisenberg, M.D., published in the *Journal of the American Medical Association*. Eisenberg's study, conducted in 1990 and replicated in 1997, also revealed that consumers have doubled their spending on CAM during the same period. Presently, it is estimated that two in five Americans seek CAM treatment or therapy.

Research suggests that the complementary approach can be especially effective in the treatment of chronic illnesses, such as cancer, as it combines a mind-body healing experience. According to the Eisenberg study, the most prevalent users of CAM are females aged 35 to 49. Not surprisingly, many hospitals and health systems introduce CAM services into a women's health center of excellence. These services may include massage therapy, acupuncture, biofeedback, or stress management classes within the center.

The key to success for integrating CAM services into an existing health care organization appears to be the relationship between nontraditional and traditional providers. Physician-provider support of CAM providers and therapies allows for cross-referral relationships. Several CAM clinics surveyed in the March 1999 issue of *The Integrator*

indicated that anywhere from 20% to 50% of their business is based on referrals from conventional physicians.

Providing CAM through a team approach, where physician providers and nonphysician CAM providers communicate about the patient's treatment modalities, fosters the complementary aspect of CAM. In clinics where both traditional providers and CAM providers practice, case reviews are a vital component of the integrated approach.

Are there financial advantages to providing CAM services? Of eight clinics surveyed in *The Integrator*, half expected to have a positive operating margin, while the other half expected to reach breakeven through the first three years of operations. Sources of revenue for CAM clinics can include massage therapy and acupuncture, which are still predominantly paid for out-of-pocket. Additional sources of revenue are sales from supplements like herbal remedies and classes such as yoga,

nutrition, and stress management.

The cash nature of this business, however, may be changing. Managed care organizations are beginning to cover services such as massage therapy, acupuncture, and

continued

Use of Alternative Therapies Among Adult Respondents, 1997

Number of Visits per 1000 Population

Chiropractic	969.1
Massage	574.4
Relaxation techniques	521.2
Self-help group	402.8
Energy healing	201.9
Commercial diet	138.8
Imagery	114.3
Megavitamins	112.1
Herbal medicine	53.0
Acupuncture	27.2
Hypnosis	21.1
Biofeedback	19.5
Lifestyle diet	9.0
Homeopathy	9.0

Source: Eisenberg, D.M. 1998. "Trends in Alternative Medicine Use in the United States, 1990-1997: Results of a Follow-up National Survey." *Journal of the American Medical Association* 280(18): 1569-1575.

chiropractic care. CAM providers promote the health and wellness that managed care organizations have come to support to ensure their patients' physical health and their company's financial well-being.

The bottom line is that CAM can generate attractive margins for health care organizations that conduct thoughtful, market-sensitive planning and maximize the complementary, team aspect of CAM services. A community hospital in the Northeast estimates that in three years its integrated medicine program will generate net income of \$90,000 from \$350,000 of net revenue. This program offers such services as chiropractic care, massage and acupuncture therapies, nutritional counseling, education classes, and supplement sales.

Providing complementary alternative medicine is not only good patient care, but also good business. With so many Americans seeking alternative medicine therapies, hospitals and systems that are positioned to offer these services in a complementary setting will attract and retain patients and enhance the patient care experience.



For more information on complementary alternative medicine and other growth and revenue enhancement opportunities, please contact one of our directors:

Hugo J. Finarelli, Ph.D., CHC
hfinarelli@hss-inc.com

Alan M. Zuckerman, FACHE, FAAHC
azuckerman@hss-inc.com

Craig E. Holm, CHE, CHC
cholm@hss-inc.com

HEALTH STRATEGIES & SOLUTIONS, INC.

1429 Walnut Street, Suite 200
Philadelphia, Pennsylvania 19102
(215) 636-3500
hss-inc.com

Health Strategies & Solutions, Inc., is a national management consulting firm dedicated to helping organizations discover innovative strategies and solutions for today's complex health care challenges. Our staff has enabled hundreds of health care organizations across the country to address complex issues, make decisions that achieve lasting results, and set courses for success in the new millennium.

Millennium Growth Strategies is published by Health Strategies & Solutions, Inc. The information presented in this newsletter reflects the opinions of Health Strategies & Solutions' staff and may not be appropriate for all health care organizations under certain circumstances.

©2000 Health Strategies & Solutions, Inc.

HEALTH STRATEGIES & SOLUTIONS, INC.

1429 Walnut Street, Suite 200
Philadelphia, Pennsylvania 19102



We're on the 'Net at hss-inc.com