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# COLLABORATION HEALTH CARE

## ALIGNING INTEGRATIVE HEALTH CARE AND WELLNESS TO IMPROVE HEALTH CARE TODAY



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### A Bias for Chiropractic

We'll admit from the outset that we have a bias for this profession. One of us was a respected practicing chiropractor for over 20 years, and the other has been watching and participating in the evolution of the profession for over 16 years (primarily from the business and consumer side). We have witnessed the struggles, successes, and challenges the profession has faced both internally and externally as it fought for basic survival and become a participant in the complex and confusing delivery system we have today. We have also witnessed the benefits appropriate chiropractic care provides to patients and we have tried to be advocates of the value of chiropractic to health plans, employers, consumers, and other stakeholders. Despite the challenges that still lie in front of it, we continue to believe chiropractic care has a more important role to play in the health care system that is evolving.

### Competing Business Models in Chiropractic Create a Challenge

In January, 2008 we posted an editorial "Chiropractic's Strategic Inflection Point" suggesting that chiropractic's branding problem with the broader marketplace has likely limited the access to chiropractic services in the traditional delivery structure we have today. In the editorial we projected some changes would be occurring in the delivery system itself (but at that time we had no idea it would go to the extreme that it has) that may require the chiropractic profession in general to re-think strategies and approaches it may have used in the past to address the challenges of the future. We suggested that chiropractic providers and leadership may need to take a closer look at the business models in place today, as they may not be sustainable for the future.

Chiropractic is in a unique position today to take a more visible role in the health care system that is evolving. It is the most widely licensed of all of the "complementary" approaches (most regulated), has an exceptional educational infrastructure, has research to support its effectiveness, has the capability and expertise to expand its reach, and is positioned at the center of one of the conditions significantly impacting health and quality of life- Back/spine care.

One study estimates over \$86 billion was spent in "spine-related" care in our country in 2005 representing an increase of 65% since 1997. At the same time, a recent study sponsored by the National Center for Complementary and Alternative Medicine projected that \$4 billion was spent out-of-pocket by consumers for chiropractic care in 2007.

What happens when you put the two dollar figures together?

Even juggling the numbers to adjust for duplication and other factors- we still see a huge opportunity for chiropractic to not only become a more visible component in this \$86 billion market, but to provide services at a much lower cost than is delivered today.

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### Business Models and Disruptive Innovation

The focus on business models and business model innovation in health care delivery is a relatively new concept. Historically (and despite its broader social intent) health care delivery has primarily used a "follow the payments" strategy. This approach has resulted in the highly fragmented, specialized, confusing, and costly structure we have today. Disruptive innovation will occur in health care as business models change for providers, health plans, hospitals, and employers. Those that recognize the changes will have a wonderful opportunity to continue to participate and grow, and those that don't will likely struggle and be left behind.

#### Disruptive Innovations Have Three Elements

**Technological Enabler**- the purpose is to simplify or routinize a solution to problems previously requiring an unstructured process of intuitive experimentation

**Business Model Innovation**- can profitably deliver these simplified solutions to consumers in ways that make them affordable and conveniently accessible

**Value Network**- a commercial infrastructure whose constituencies have consistently disruptive, mutually reinforcing economic models

Primary Source: The Innovator's Prescription; A Disruptive Solution for Health Care; Christensen, Grossman, Hwang; McGraw-Hill; 2009

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## Competing Business Models (con't)

In his book, *The Innovator's Prescription, A Disruptive Solution for Health Care*, Harvard professor Clayton Christensen looks at the health care industry from a business viewpoint and integrates business concepts and case studies from other industries and applies them to health care. He believes (as we do) our health care industry is in dire need of "disruptive innovation" to make services more affordable and accessible so that a much larger population can purchase them.

### Types of Business Models and How They Work In Chiropractic

Professor Christensen believes one of the key concepts of disruptive innovation is "business model innovation" which simply means to more profitably deliver simplified solutions to consumers in ways that make them affordable and conveniently accessible. According to Christensen, there are three types of business models across all industries; solution shops, value adding process models, and facilitated networks. Interestingly, the chiropractic profession has all three operating simultaneously, sometimes working together but most of the time competing with separate agendas, customers, and expectations. To be disruptive and address the fundamental goals of expanding the appropriate use of chiropractic care, the existing structures of delivering chiropractic services will likely need to change.

**Solution Shops:** These business models diagnose and solve unstructured problems. They are generally paid on a fee-for-service basis. (In our world, these are the individual chiropractic practices; *the primary customer- the individual patient*)

**Value Adding Process Business Models:** These models take in incomplete or broken things- and transform them into more complete outputs of higher value. These models charge customers for the output of their products. (In chiropractic, these are the networks that were developed as part of the managed-care evolution; *the primary customers- health plans, employers, other payers*)

**Facilitated Networks:** These models facilitate the effective operation of a group of organizations led by a common vision who collectively provide more value than solution shops or value adding process business models can provide on their own. (In chiropractic, these are the integrated practitioners starting to work together, medical home concepts, and also includes the national and state associations for the profession; *the primary customers- the chiropractors*).

### A Brief History of Business Models In Chiropractic

Historically, chiropractic has operated as thousands of individual solution shops bound together (with varying degrees of success) by the facilitated networks of the associations and other governing entities. Out of necessity, these loosely facilitated networks had to rely heavily on legislative activities and litigation to protect the interests of their primary customers- the solution shop chiropractors. However, the predominant customers in health care (employers, health plans) were looking for process, consistency, low cost, and results and gravitated to the value adding process business models (the managed networks) to bring the structure and value to their own customers. Like it or not, these networks were chiropractic's disruptive innovation 20 years ago. While disdained by most of the solution shops, these business models became chiropractic's primary entry into the third-party payer system. Over time, the models became the focal point for organizing and delivering chiropractic care through the third-party payer systems as the individual solution shops or facilitated networks could not do it on their own.

It wasn't long before the chiropractic facilitated networks and solution shops came into direct competition with the value adding process business models (the networks and health plans) because of the decisions and processes that were required to be put in place to meet the needs and expectations of their own customers. In addition to the chiropractic branding issue mentioned previously (and still exists today) the profession has had to struggle with determining which business model best meets its needs as it looks to position itself for growth in the health care system that is evolving.

### Where To From Here

As we said in January, 2008; chiropractic (and all health care professionals for that matter) will need to re-look at the business models that exist today and determine their usefulness for tomorrow. Delivering chiropractic care through thousands of individual solution shops with varying beliefs, techniques, methods, processes, and results will have a difficult time surviving alone in a health care industry that is being disrupted. The industry (including patients/consumers) will expect consistency in delivery, results, and value and will likely continue to look to the value adding process business models as a primary means to deliver chiropractic care to individuals until an alternative disruptive innovation occurs.

The development of stronger facilitated network business models within the chiropractic profession could be the disruptive innovation for the future. In its current state, we would see these networks composed of strong state and national leadership organizations with strong participation from the solution shop chiropractors and directly partnered and strategically aligned with supporting organizations guided by a common mission and vision. The chiropractic facilitated network business model would be designed to provide more value to all stakeholders (customers) than the value adding process business models that are prominent in the profession today. The new model could use what has been learned from the other models (the good and the bad), build on what works and expected by the broader market, and establish a strategy to position chiropractic effectively in the real-world of health care delivery. Aligned with Christensen's thinking, the ultimate goal of this new model is to disrupt the processes currently established for back/spine care in the traditional system (physician, surgery, medications, etc.) with an expansion of access to chiropractic providers who could provide the same value to patients at a much lower cost than what is being paid today. This would be good for the profession and good for health care delivery as a whole.

The health care industry is in need of major disruptive innovation. It will happen. The marketplace is already changing and everyone needs to take another look at the business models that are in place today to see if they will work for the future. Chiropractic has a unique opportunity for growth in the new landscape. It will just be interesting to watch and see which business model it will use to capitalize on it.

### Something To Think About

*"The greatest thing in this world is not so much where we stand, as in what direction we are moving"*

Johann Wolfgang Goethe