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Could Your Organization Save Money with Complementary and Alternative Medicine?

By William (Marty) Martin and Hugh Long

Some evidence suggests complementary and alternative medicine could reduce costs and improve efficiency while increasing patient satisfaction.

Growth in demand for complementary and alternative medicine (CAM) services often reflects consumer perceptions of lower price for presumably equal or better efficacy. One study showed that 13 percent of adult CAM users utilize CAM because it is less expensive than conventional medicine (Barnes, et al., “Complementary and Alternative Medicine Use by Adults, United States 2002,” *Advance Data for Vital Health Statistics*, Centers for Disease Control, 2004). However, there is also some evidence that CAM may offer the potential to reduce provider costs.

For example, it’s well known that guided imagery has reduced inpatient length-of-stay among heart surgery patients. Indeed, potential cost savings as a reason

for offering CAM services was reported by 13.9 percent of the hospitals who responded to a CAM Survey commissioned by the American Hospital Association (AHA) in 2005.

Healthcare financial managers should seek to make it easier for consumers to understand CAM choices and payment options to retain market share while enhancing provider revenue, increasing referrals to more profitable services, developing consumer loyalty, and offsetting escalating costs of more traditional services.

What Is CAM?

The National Center for Complementary and Alternative Medicine (NCCAM) defines CAM as “a group of diverse

medical and health care systems, practices, and products ... not presently considered ... part of conventional medicine.” NCCAM classifies CAM into four therapeutic domains:

- > Biologically-based therapies (e.g., vitamins and minerals)
- > Energy therapies (e.g., vibrational, electromagnetic)
- > Body-based manipulation (e.g., osteopathy, reflexology)
- > Mind-body medicine (e.g., biofeedback, hypnosis)

Available evidence supports the premise that CAM is not a passing fad. One survey determined that 36 percent of U.S. adults used CAM annually, with utilization concentrated among females (purportedly the predominant health care decision makers in U.S. households), persons who are educated or highly educated, African-Americans, and Asian-Americans (Barnes et al). CAM utilization results from several factors, including scientific/

technological innovations, legal/regulatory advances, consumer demand, and changing payment systems. Some states mandate the inclusion of certain CAM services in health insurance policies written in the state. CAM services also have consistently been associated with high levels of patient satisfaction.

Yet in 2005—the most recent year for which data are available—fewer than one-third of U.S. hospitals (27 percent) offered CAM services, according to a biannual survey conducted by The Health Forum, LLC. Half of these were 100 to 300 bed facilities, 36 percent were academic medical centers, and nearly two-thirds (68 percent) were located in urban areas.

Of particular importance to senior financial managers are the reported start-up costs and break-even targets for CAM services. According to the 2005 survey, more than 86 percent of all CAM programs had start-up costs less than \$20,000, with only 8 percent having start-up costs between \$200,000 and \$500,000 and 5.8 percent involving costs greater than \$500,000. Only about one-quarter (27.4 percent) of the CAM programs expected to break even within two years. Almost half (49 percent) of the CAM programs were part of the strategic plan of the organization.

Strategies for Success

When launching or expanding a CAM service line or program, senior health-care leaders should consider the following approaches.

Form a competitive strategy: Weave CAM into the strategic plan of the organization, preferably with a CAM-specific business plan. Consider a differentiation or niche strategy rather than a low-cost producer strategy. Additionally, develop

Taking a Closer Look: CAM Offerings at U.S. Hospitals

Inpatient CAM Services	Outpatient CAM Services
Massage therapy (37%)	Massage therapy (71%)
Music/art therapy (26%)	Tai chi, yoga or qi gong (47%)
Therapeutic touch (25%)	Relaxation training (43%)
Guided imagery (22%)	Acupuncture (39%)
Relaxation training (20%)	Guided imagery (32%)
Acupuncture (12%)	Therapeutic touch (30%)

Sources: Ananth, S., et al., *Health Forum 2005 Complementary and Alternative Medicine Survey of Hospitals: Summary of Results*, Health Forum LLC, 2006, and Tusek, T.L., et al., "Effect of guided imagery on length of stay, pain and anxiety in cardiac surgery patients," *Journal of Cardiovascular Management* (1999).

a marketing plan similar to other service lines and programs.

Consider the ways CAM can be used to reduce length of stay and achieve other efficiency goals. These improvements in efficiency could have a favorable fiscal impact on the organization.

Integrate CAM offerings into organization-wide efforts to improve patient satisfaction.

Ensure that CAM be an integral part of a teamwork-oriented patient-centered model of care delivery which emerges from the biopsychosocial model of health.

Determine the feasibility of CAM services by providing CAM as an employee benefit.

Then, conduct a cost benefit analysis. Possible returns include decreasing the rate of health insurance premium increases, increasing employee satisfaction, enhancing employee health status/productivity, retaining employees who value this benefit, and branding your organization as a "great place to work."

Create a directory of area CAM providers.

Verify whether CAM providers have medical or allied health staff membership, credentials, and privileges in your organization. Identify CAM providers who may serve as referral sources. Many networks provide directories of complementary care providers for their consumers. You might also consider lobbying for

greater inclusion of CAM in health plan-covered services, depending upon the strategic intent of the organization.

Establish departmental responsibility for billing for CAM services. Establish policies, procedures, processes, and systems that systematically support coding, billing, collections, and accounts management. Educate staff and CAM providers on how to bill for services in a legal and ethical fashion.

Educate potential and current consumers about how to pay for CAM. The NCCAM has a downloadable, 11-page guide for consumers, *Consumer Financial Issues in Complementary and Alternative Medicine* (www.nccam.nih.gov).

Engage in research and development of CAM services. Apply for funding from governmental and/or philanthropic agencies (e.g., the NCCAM or the Fetzer Institute) to support the advancement of CAM and to position your organization as a cutting-edge provider of CAM technologies. ☞

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