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The Wellness Industry as an Echo of the Internet in the 1990s

By [STEVE LOHR](#)

At a [health innovation and investment conference in California](#) earlier this month, there was a lot of energy and excitement about the emerging health and wellness industry. The wellness movement, as it's called, is seen as both a social phenomenon and a big investment opportunity.

At one panel, Nancy Turett, an executive at Edelman, the big PR firm, said the company's public opinion polling showed that health and wellness was now like "green," meaning both a personal and social issue in America.

The business case, of course, is that an aging population, new Internet-era technology, and changing attitudes and reimbursement policies will increasingly focus on preventive health and wellness.

Dr. David M. Lawrence, former chief executive of Kaiser Permanente, explains the trend as an inevitable shift of resources. He estimates that more than 95 percent of the financial resources in America are spent in the "sick-care system" in hospitals, clinics and doctors' offices, where patients turn up ill, often with chronic conditions like heart disease and diabetes.

Dr. Lawrence, who attended the conference, figures that half the money in the sick-care system is misspent, and that much of health spending needs to move to wellness — to keep people out of costly hospitals and clinics.

New technology — low-cost computing, sensors, the Web and genetics — will play a crucial role in the transition. And in a [current Health Affairs article](#), Dr. Lawrence mentions a few representative examples of new companies that have entered the wellness business, including Social Kinetics, MedExpert, Proteus Biomed, SomaLogic and [RedBrick](#).

"It's not that any one solution is going to be revolutionary," Dr. Lawrence said in an interview last week. "But when there are all sorts of apps, that will drive the opportunity for disruption."

In short, a big jolt to the health care status quo from new technology, new economics and the resulting entrepreneurial ferment. Others share that view, notably Clayton M. Christensen, the Harvard professor, author of "The Innovator's Dilemma" and co-author

of [“The Innovator’s Prescription: A Disruptive Solution for Health Care.”](#)

To me, the wellness industry today has echoes of the Internet in the 1990s. I’m not thinking of the nutty extremes of the dot-com mania, but the fundamentals. Most of the major predictions about the disruptive impact of the Internet and the Web proved to be true — 10 years later.

The Net’s advance was inevitable, but most people got the timing wrong. They underestimated the time, cost and complexity of getting those technologies — and most important, new ways of doing things — into the mainstream.

And the Internet is basically a regulatory Wild West. Not so with health care and medicine. For an insightful overview of the history of medical innovation and resistance, there is [a talk by Dr. David J. Brailer](#), national health information technology coordinator in the Bush administration and chief executive of Health Evolution Partners, a specialist private equity firm. His firm was host of the California conference; he gave the talk in March at the Galen Institute.

The wellness industry, undoubtedly, will spawn many successful companies. But I suspect that things will unfold more gradually than many people expect.

In [an article published Sunday](#), I wrote about a start-up, Watermark Medical, that seems promising. It offers an at-home device for monitoring sleep apnea and a Web-based service for the diagnoses. If it succeeds, it will be because it understands the complexity of the system it is navigating, including the technology, distribution, business model and reimbursement. In fact, the company founders did not get into the business until the Centers for Medicare and Medicaid Services finally approved reimbursement for at-home testing for sleep apnea in 2008.

That was not true of one of its leading rivals, Sleep Solutions, founded in 1992. It tried for years to get insurers and the government to see the wisdom of at-home sleep tests as an efficient, inexpensive alternative to testing in sleep clinics.

Their efforts were long resisted by physicians who operated sleep clinics, said Dr. Thomas Fogarty, an inventor, investor and surgeon, who developed the original at-home testing device for Sleep Solutions.

“That company almost went belly-up three or four times, but now it’s moving forward,” said Dr. Fogarty, managing partner of Emergent Medical Partners, which invests in medical devices.

“The biggest challenge to innovation,” Dr. Fogarty observed, “is replacing the old, both attitudes and practices. And that’s especially true in medicine.”

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