

## **Publications: Mark Colby wrestles with Japan's medical system**

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Twenty-five years ago Mark Colby came to Japan to study judo, and today his career finds him in constant combat--not with opponents in the dojo, but with the outmoded practices of the Japanese health care system.

Following dental school studies in the U.S., he launched his career with a drug maker and eventually transferred to Tokyo. Since leaving his position at a leading U.S. pharmaceutical firm to strike out on his own at the peak of Japan's economic bubble, Mr. Colby has artfully fought to build five businesses in the health care sector, all under the umbrella of Colby Group International, Inc., or CGI ([www.colbygroup.com](http://www.colbygroup.com)), a holding company poised to reach consolidated sales of approximately U.S. \$7 million this year. It is probably safe to say that Mr. Colby is one of just a handful of foreigners who truly knows how the Japanese medical establishment really works. He has even published a book on the subject, and a leading publisher is now reviewing his completed manuscript for a second book.

Like many foreign entrepreneurs in Japan, Mr. Colby first found opportunity serving his own countrymen living abroad. In Mr. Colby's case, his first customer was the U.S. military, which due to import regulations was unable to procure supplies needed for its medical diagnostic test labs in Japan. Mr. Colby navigated his way through bureaucracies on both sides of the Pacific to establish a system that met everyone's requirements. Thirteen years later the company still generates profits for CGI.

"Sales are about \$5 million year. It's not growing much, but it is stable and profitable. What's more, it meets an important need, and is not easily copied," says Mr. Colby.

More important, the military provided Mr. Colby with the idea for his second business. The U.S. bases in Japan wanted to outsource some tests to local labs but found none that met U.S.-accredited quality standards. Mr. Colby consulted with a large Japanese lab and helped it pass the strict accreditation test needed to win the military account. Soon other lab customers, including university hospitals, started to demand work performed to the same standard, and CGI found itself flooded with requests for help from other Japanese labs looking to win accreditation.

"Labs are one area of the Japanese health care system where competition has been encouraged, so the economic incentive to win customers through improved quality was there," Mr. Colby says. "Working with the leading U.S. standards body in the field, we created the only training program available in Japan that leads to the accreditation, which we've sold to some of the nation's largest laboratories. As a result, about 35% of all lab samples processed in Japan are now handled by accredited facilities."

Having learned from his second business the power of establishing a new industry benchmark, Mr. Colby moved to address another area where Japan sorely lacked needed standards: hospital infection control, where Japan is famously behind its peers in the developed world. Working with the U.S. Center for Disease Control and Johns Hopkins University, he developed a standard for Japanese hospitals that is gradually becoming accepted through CGI's tireless proselytizing. As with lab accreditation, the hospital infection accreditation business involves selling training materials, consulting services, and software used to implement and monitor the standards regime.

"So far over 10,000 people have completed or are undergoing our training, and we are gradually building the list of accredited hospitals," Mr. Colby estimates. Still, he reckons it will take "five to ten years" for Japan's change-resistant health care system to fully adopt the standard. Yet Mr. Colby believes Japan's health care system is in the midst of a dramatic sea change.

"Japan is moving from a 'fee-for-service' model, whereby each service performed is reimbursed by insurance, to a system of 'prospective payments', whereby a fixed fee is paid based on the patient's diagnosis, regardless of the actual treatment the hospital chooses to administer," he says. This helps cut costs and drive efficiencies, but the system lacks a critical element: physician oversight.

"Under a managed care or prospective payment model, there is a natural tendency to cut corners, which can lower the quality of care delivered. In other countries that have made this transition, there is a strong system of accreditation and professional oversight of physicians to make sure a proper level of care is maintained despite cost controls," he points out. "Japan is very weak in this oversight area and urgently needs to address this element to balance the cost reform it is carrying out."

Mr. Colby's most recent venture focuses precisely on this issue. "New rules in Japan require all physicians who advertise themselves as having a specialty to join a government-authorized professional society, and the societies must require their members to meet a minimum continuing education requirement each year," he explains. "Mind you, the change is just a small step: all doctors in Japan can still perform brain surgery or any procedure they want, without any continuing education, as long as they don't advertise themselves as specialists in that area. Also there is no set number of credit hours the societies must require—they simply have to have a requirement, at whatever level they choose."

CGI is now signing contracts with professional societies to deliver and administer this newly required training function on their behalf on an outsourced basis. Given the lack of teeth in the new requirements, many in the industry are calling Mr. Colby "nuts" for investing so early in continuing medical education, or CME, services. But given his track record, "visionary" might be the more appropriate label, though even Mr. Colby himself concedes, "only time will tell."

Mr. Colby is full of advice for would-be foreign entrepreneurs in Japan. "Being a foreigner can work in your favor. You are allowed to rock the boat in ways the Japanese can't," he says. For example, large Japanese companies concerned about the high cost of health insurance for their employees are asking the American Chamber of Commerce Health Care Committee, chaired by Mr. Colby, to push for health care reform and cost-cutting. That's something the companies can't do themselves, Mr. Colby says, because they don't want to openly oppose their unions, who zealously fight to retain all current health benefits.

Mr. Colby urges would-be entrepreneurs to monitor government policies and regulations closely, paying special attention to signs of possible change. He also advises working to clearly understand who benefits and who loses as a result of each change. "Newly introduced standards offer phenomenal business opportunities, but standards are only widely accepted when there is a clear economic incentive," he notes.

One area where Mr. Colby predicts the government is unlikely to act quickly is lowering immigration barriers to foreign nurses and caretakers for Japan's rapidly aging population, despite a looming huge shortfall of such workers. "The government is sacrificing the very generation that rebuilt the nation from the ashes of World War II. There simply won't be enough people in the system to provide them with an adequate level of care," he says.

Still, even this challenge may offer entrepreneurial opportunities. "There are loopholes that could be exploited to bring in foreign caretakers for limited periods of time," Mr. Colby says. "Also, there are no barriers to offering elderly care services outside of the elderly care insurance system, as long as the patients pay with their own money. So truly top class, home-based elderly care service aimed at the wealthier elderly population, using Japanese staff, is potentially a big market."

Mr. Colby is clearly bullish on Japan's service sector. "Foreigners should avoid dealing with 'things', which the Japanese are already good at making and selling. Services are the way to go. The Japanese intrinsically undervalue the service sector." That makes the going tough for entrepreneurs at first, but leaves the path wide open for those willing to try, and offers the lure of outsized rewards that come after winning wide acceptance for a service innovation. "If it wasn't hard, there would already be a lot of others doing it. Be first, find a niche, and defend it," he advises.

Mr. Colby makes it all look easy, like a judo expert with technique and style honed over many years of practice. But in fact, he says, "It has been a hard road and taken a long time. When you're doing new things, you have to be willing to constantly change your approach. This has been difficult to communicate to Japanese staff and get them comfortable accepting." Still, Mr. Colby has made significant progress building his organization and delegating responsibility, freeing him up to focus on his self-appointed role as "chief salesman."

And the pot of gold at the end of the rainbow? So far, Mr. Colby has declined offers to sell parts of his operation. "Talk to me again when I'm sixty," he says. "Right now I enjoy what I'm doing day-to-day."