

Health Care Aisle

Retail medicine pushes competition, price transparency

BY BETTY JOYCE NASH

I stopped by CVS/pharmacy for a tetanus shot, saving my time and my insurance company's money. The CVS Minute Clinic price list hangs above the computer where I entered personal information and electronically signed the required privacy form. Like many of the clinic's services, the shot cost \$62. This clinic employs nurse practitioners, not doctors, and no receptionists; they are open seven days a week and handle routine and nonurgent medical care.

Medical innovation has channeled routine care into these lower-cost venues as screening and diagnostic devices have gotten smaller and smarter. These retail outlets have created new competition. And it's having an effect on traditional health care delivery — some doctors have added weekday and Saturday hours.

This niche earned \$545 million in revenues last year, according to the market research group Kalorama Information, and may reach \$1 billion by 2013. It's still only a sliver of the market, but there's no doubt that the clinics are introducing competition.

In-Store Delivery

To survive, clinics must cope with at least some of the same burdens that dog physician practices. After starting as cash-only outlets, they now take health insurance and cope with those administrative costs. Some are Medicare and Medicaid certified, adding another layer of paperwork for the clinic. They also need to turn a profit for the private companies such as CVS that, in some cases, acquired them to attract customers.

Retail clinics have proliferated for almost a decade. They're about 1,100 strong nationwide and differ from urgent care in that practitioners don't stitch up wounds or take X-rays, and handle only routine complaints and preventive services.

The rationale behind the clinics isn't hard to grasp: An estimated 60 percent of patients who show up in the ER have medical needs that don't require emergency treatment. The clinics can also relieve overbooked primary care doctors, who are in short supply.

The clinics are changing the \$2.3 trillion health care industry in small ways. They charge less than a doctor's office — most services cost between \$50 and \$75 compared to \$55 to \$250 at doctors' offices.

The clinic concept could grow along with consumer-driven health plans with high deductibles. Those comprised 20 percent of health plans in 2008 for the biggest employers, ones with more than 500 workers, according to the global consulting firm Mercer. That percentage rose from 14 percent in 2007. Among "jumbo" firms with more than 20,000 workers, consumer-driven plans are offered by 45 percent of employers.

As benefits grow in cost, for employers and employees



alike, people may opt into tax-advantaged health savings accounts with the high-deductible insurance designed for catastrophic illness. Patients would then pay out-of-pocket for routine care, leading to more price awareness. Currently, about 8 million people have such accounts, an increase of about 24 percent over 2008, according to the most recent member survey by the American Health Insurance Corp.

On average, people pay only about 15 percent of the cost of medical care, yet when polled, most say that's too much, according to health care expert Henry Aaron, a senior fellow at the Brookings Institution. "The real problem is total cost, of which few people are aware." There's no incentive to seek out a cheaper tetanus shot if your co-pay will remain the same regardless. But time is money, too, and the clinics are convenient. This may be incentive enough for some health care consumers — even those with lavish insurance coverage — to visit clinics.

Clay Christensen of the Harvard Business School and author of *The Innovator's Prescription* notes that the clinics treat problems for which diagnostic and treatment patterns are clear. For example, clinic nurse practitioners identify and treat, when appropriate, strep throat. This "precision medicine" removes judgment from the equation, Christensen says, noting that no retail clinic has been sued for malpractice because practitioners follow the rules. The Minute Clinic, in fact, is accredited by the Joint Commission on Accreditation of Healthcare Organizations, an independent group that certifies hospitals.

The way to improve health care and save money is to drive technology to the point where sophisticated care can be performed in the office or even at home by lower-cost caregivers, according to Christensen. There's the home blood pressure monitor for a process that formerly was done in an office. Even dialysis machines are now the size of a bread maker, and patients can cleanse blood at home rather than in a hospital or dialysis center.

The clinics make organizational sense, too, according to Regina Herzlinger, also a professor at the Harvard Business

School. She calls them a type of “focused factory” that specializes in low-acuity care. That makes them more efficient. “They are chains, many use nurse practitioners rather than M.D.s, and they use IT to ensure that their care protocols are followed,” she says.

The retail clinics were first to post prices. That helps close the gap in knowledge between consumers and professionals about price and quality.

“The retail clinics are a little ahead of the game in terms of transparency,” says Tom Charland, chief executive of Merchant Medicine. The group tracks retail health clinics and consults with physicians. Higher-deductible health plans might drive patients to the clinics and encourage transparency. “If you’re paying for the first \$5,000 of health care, you will start to understand the explanation of benefits and coding,” he notes. People can’t decipher health care invoices now “because the transaction is between the doctor and the insurance company and not you.”

Also, the convenience of the retail setting may have improved access for underserved populations, according to Hertzlinger. Forty percent of clinic patients are nonwhite compared to 18 percent of nonusers of retail clinics. And 28 percent have annual household income of less than \$40,000 versus 16 percent for nonusers. Further, 12 percent of the users are uninsured compared to 6 percent of nonusers. Walgreens, owner of Take Care retail clinics, is even offering free illness/injury care to anyone without health insurance who lost a job on or after March 31, through the end of 2009. (Walgreens operates no clinics in the District.)

State and national medical groups have expressed concern that clinics may further fragment care, and have published standards that ensure continuity of care with practicing physicians. But many clinic patients have no primary care physician — 28 percent of clinic users compared to 15 percent for nonusers, according to the Deloitte Center for Health Solutions.

It’s Not Contagious

Despite the convenience, by 2007 only about 2.3 percent of American families (around 3.4 million) had ever used a retail clinic, according to a Health Tracking Household Survey conducted by the Center for Studying Health System Change.

Another study by the nonprofit RAND Corporation indicates that clinics “appear to attract patients who are not routine users of the current health care system.” Ateev Mehrota, a professor at the University of Pittsburgh School of Medicine and a RAND researcher, studied retail clinics for seven years, between 2000 and 2007. Mehrota and his colleagues analyzed 1.3 million visits to various locations of eight retail clinic operators. They found that 43 percent of patients were 18 to 44 years old — the biggest category of the uninsured — compared to 23 percent for primary care offices. In this study, 39 percent of retail clinic patients said they had a primary care physician, compared to 80 percent of people surveyed nationally.

Over the study period, the payment method changed from 100 percent out-of-pocket in 2000 to 16 percent in 2007. Ninety percent of clinic visits were for the following: upper respiratory infections, sinusitis, bronchitis, sore throat, immunizations, inner ear infections, swimmer’s ear, conjunctivitis, urinary tract infections, and screenings or blood tests. Those same conditions accounted for 18 percent of visits to primary care doctors’ offices and 12 percent of emergency department visits.

Retail clinics refer people to a primary care physician if they don’t have one, and many don’t, says nurse practitioner and manager of the Virginia Minute Clinics, Anne Pohnert. She directs patients with emergencies to the local ER, as she recently did for a construction worker with a trauma. And while the clinics offer diabetes screening, they don’t treat this chronic condition. Likewise, if a nurse detected a heart irregularity during a routine physical, the patient would be sent to a doctor.

The CVS clinic where I got my tetanus shot is in a new store, and fills about 120 square feet; there are two tiny examining rooms for privacy. Weekends, Pohnert says, are particularly busy, but when I arrived at noon on a weekday in May, I was the only patient. The busiest time is flu season.

And the off-season has led to the biggest business challenge for retail health clinics. “They are scrambling to find services that have the same impact of strep throat and ear infection cases and those sorts of things,” Charland says. “There isn’t an equivalent thing that happens in the summer unless you move into the world of injury.” There have been 89 temporary closings in 2009 for the Minute Clinic chain.

CVS operates Minute Clinics in 454 stores nationwide and 73 clinics in Maryland, Virginia, and the Carolinas. Another retail health provider, RediClinic, pulled out of Wal-Mart in Richmond in 2008 because the clinic was “underperforming,” according to a RediClinic spokeswoman.

Today, clinics are located inside drug stores (CVS, Walgreens, Rite-Aid); grocery stores (Kroger, Publix, Cub Foods, ShopKo); or mass merchandise stores (Wal-Mart, Target). Some clinics partner with hospitals, especially for the advantage that comes from physician oversight. Hospitals, like stores, may benefit from the affiliation because the clinic may attract customers.

But it’s not only for-profits that are sending care closer to the consumer for convenience and availability. Valley Health, a nonprofit owner of five hospitals in Virginia and West Virginia, operates separate outpatient services including two “Quick Care” clinics. The first Quick Care opened in a strip-mall storefront in 2007 to handle common minor ailments. Valley Health opened another Quick Care earlier this year. Clinics operate from 7 a.m. until 7 p.m. on weekdays and from 9 a.m. until 5 p.m. on weekends.

“We know that if all those patients had streamed to our emergency department, the doors would have burst off a long time ago,” says director of marketing and public relations Tom Urtz. He notes revenues from the Quick Care

that opened in 2007 rose by 5 percent in 2008.

The clinics have influenced local health care delivery. “We were a leader in getting nonurgent care service available on weekends and evenings, and a number of physicians have gone into that same space following us,” Urtz says.

Geisinger Health System in Pennsylvania opened its first CareWorks clinic in 2006, through its Geisinger Ventures for-profit group. Now five clinics operate inside high-traffic Weis grocery stores, a regional chain. More than one-third of patients are uninsured. The Geisinger system also includes hospitals, community clinics, a health research center, and a nonprofit health insurance company. It integrates the retail clinics with its electronic records — lab results, for instance, can be accessed securely online — so the patients’ medical records stay up-to-date. The firm hopes to “broaden the reach” of the clinics outside of Pennsylvania, according to Geisinger’s national media director Patricia Urosevich. “We would look for a partner to do that.”

Sustaining Services

Early on, there were regulatory and even legal challenges to the clinics, many of which addressed the role of the M.D. who oversees clinic practitioners. Mike Edwards, spokesman for the North Carolina Medical Society, says society standards limit the scope of service and specify oversight arrangements to make sure “patients know in advance what they’re getting and what they’re not getting.”

When RediClinic operated its Wal-Mart-based clinic, the company partnered with Bon Secours Richmond Health System in Virginia. Spokeswoman Kim Brundage explains how the partnership worked: “Our physicians would review the charts and the questions the nurse practitioners had,” she says. And they would be on-site for limited amounts of time.

Doctors still worry that the clinics will miss something. Questions have also been raised about the potential lack of continuity of care: “When care is fragmented, with different clinics or clinicians providing care at different times, trends suggestive of serious underlying conditions may be missed, and if clinics have no explicit after-hours arrangements, complications arising from daytime care may go unaddressed,” writes Richard Bohmer in a *New England Journal of Medicine* article.

But the clinics are auxiliary services, says Urosevich of Geisinger. “The model isn’t that you retain the patient; the model is you follow up with the patient’s regular physician,” she says. “It turns out to be a pleaser, in most cases.”

While the clinics have touched a nerve among medical professionals, they’ve also tapped a niche that can serve the uninsured, especially young people. And with many in entry-level, low-wage, or temporary jobs that don’t offer health insurance, it’s not so surprising that 29 percent of the uninsured are between age 19 and 29, according to the Kaiser Family Foundation.

When Pohnert senses a problem, like the 28-year-old otherwise healthy man with high blood pressure who drinks



Virginia Minute Clinics are managed by nurse practitioner Anne Pohnert, pictured by the electronic price display at a CVS in Richmond, Va.

six caffeinated sodas a day, she recommends a primary care physician. “We always have a list of PCPs who are taking new patients.”

On the regulatory front, Minute Clinic senior legal counsel Sara Ratner says the fuss has abated. In Illinois, for instance, legislators in 2008 tried to impose a lengthy permitting and licensing regime. The Federal Trade Commission, in response to a legislator’s request, issued a statement that warned against anticompetitive laws. “Now that we’re almost a decade into the retail clinic concept, people are more comfortable with it,” Ratner says. “The tendency to overregulate has gone away.” The variety of state regulations may play some role in clinic location. Experts suggest market demand, population density, and primary care physician shortages play a larger role than regulation in clinic location. For instance, state penetration is highest in Florida even though that state limits nurse practitioner autonomy more than most.

Going forward, the trend to watch is represented by a pact between Minute Clinic and the Cleveland Clinic in Northeast Ohio. The medical center will consult with Minute Clinics’ nurse practitioners; the two systems also will integrate electronic medical records.

“In this partnership we might well see disease management,” Charland says. That could expand the clinics’ scope. They could, for example, handle routine tasks for patients with chronic disease, such as diabetics. That would alleviate post-season lull in business. “I think we would see these clinics open up all over the place if they could solve the seasonality issue.”

Acceptance will take time. Nationwide, retail clinic growth has slowed, with seven clinics opening in April compared to 15 during the same month in 2008, according to Merchant Medicine. And Wal-Mart has said it will not meet its 2007 target of 400 in-store clinics in two to three years.

WSL Strategic Retail president Candace Corlett has included the retail health clinics in consumer surveys for the

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occupancy. "It's happening later for the industry in general this year, that staffing up," he says.

Of course, spikes in unemployment typically occur in recessions. Nationally, the rate of increase of the unemployment rate this recession resembles the 1973-75 and 1981-82 downturns, Beth Mowry and Murat Tasci of the Federal Reserve Bank of Cleveland write in a recent article. Unemployment has nearly doubled in Myrtle Beach's Horry County in the past year, and in August was 10.5 percent, expanding candidate pools for many companies.

In March, the Myrtle Beach Area Hospitality Association held a job fair for employers in any industry. More than 8,000 job seekers attended, while only 38 vendors were present, according to Levesque. In 2008, 6,000 job seekers and 140 vendors attended the fair. "I think that their staffing strategy is just to keep the numbers low and manage from there," Levesque says.

While there were fewer jobs, the pool of candidates seeking them was larger and more diverse. That allowed Myrtle Beach Seaside Resorts, which has nine properties in the region, to find workers it may not have been able to otherwise, Eggen says. "I'm getting some people who were general managers and executives in different positions looking for work," he says. "Quite a few of our folks have four-year degrees working at the front desk."



Myrtle Beach, S.C., is the heart of the Grand Strand, a stretch of Atlantic Ocean beachfront that is one of America's tourism hotspots.

Recovery may not come quickly for tourist towns like Myrtle Beach once the bulk of the current economic storm passes. Travelers have changed their price expectations and may no longer be accustomed to booking their vacation so far in advance. "I think we'll have to change how we do business," Eggen says. "You give someone a great deal; they don't think it's a great deal. They think it's now the new standard."

Just as consumers may not change their behavior, employers may not generally boost their staffs quickly either. "I think the severity and length of this recession exceed the experience of most tourism business managers, leading me to suggest the recovery may be slower as managers hesitate to add payroll obligations," Perdue argues. **RF**

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past two years for a reason. "It just doesn't fit today's lifestyle to call a doctor, wait for an appointment, wait for an hour to see the doctor for two minutes, and spend more time with the nurse at the desk." Her consulting firm interviewed 1,500 shoppers nationwide in January 2009 for its annual shopping survey. Forty-four percent said they would expect good quality care from a clinic in a Walgreens or a CVS

but retail clinics had been used by a mere 9 percent of interviewees.

It's going to be a slow build because the retail clinic is not a fashion trend — it's health care, Corlett says. Consumers are ready for convenience and affordability, but "it's not going to take off like platform boots or the color orange." **RF**

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