A Checkup For Retail Medicine

Retail clinic “bulls” and “bears” offer up differing visions of where this new site of health care is heading.

by Daniel Costello

Decades after the advent of fast food, and in a 24/7 age, retail health clinics seemed destined to happen. Offering basic health care in convenient locations—with short waits and attractive prices—they went from a standing start in 2000 to becoming one of the fastest-growing segments of the health care sector. Check-Ups, a start-up operator of retail clinics, opened fourteen stores on a single day in 2007—and went on to open nearly two dozen clinics in Walmart stores in several states. But less than a year later, the chain quit paying its nurses and other vendors and abruptly shut down. Some employees arrived at work to find the clinics closed.

Check-Ups' chief executive officer (CEO), Jack Tawil, blames turmoil in the nascent retail clinic market and the impatience of the chain's investors, who weren't willing to wait long enough for profits to materialize. “From a business perspective, we were very sound,” he says, adding that the chain hopes to reopen several stores later this year. “There is a major need for more low-priced health care in this country, and smaller clinics can provide it.”

Retail Clinic “Bulls” And “Bears”

There are two distinct sets of opinions—set forth, one might say, by retail clinic bulls and bears. The bulls point out that more than 3.4 million Americans have already used the approximately 1,000 retail clinics sited in drugstores, grocery chains, and even airports across the United States, according to the Convenient Care Association, a trade group. They embrace the estimates from a 2007 report by the California HealthCare Foundation that as many as 6,000 retail medical clinics could be open in the next four years. Recent polls indicate that 15 percent of children and 19 percent of adults are very likely or likely to use a retail clinic in the near future.

The bears, by contrast, think that demand for care outside doctors' offices has been wildly overestimated and that retail clinics are facing a broader shakeout. “Most patients still like to see their doctor in a traditional doctor's office, and a lot will have to change for that to change,” says Glenn Melnick, a health care economist at the University of Southern California.

History Of Retail Clinics

Retail clinics aim to make getting basic health care convenient. That emphasis was evident in a recent MinuteClinic Web-site advertisement, clearly aimed at busy parents, offering to “Let MinuteClinic's board-certified practitioners get your camper the official camp...
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Drivers Of Growth

Both bulls and bears can find data to support their arguments that retail clinics are either exploding or imploding. The clinics’ proponents say many forces will drive future growth. They point to difficulties that many Americans have in some parts of the country in gaining timely access to primary care for those newly insured as a result of the state’s recent health reforms. Overall, Mehrotra and colleagues found that three-fifths of retail clinic patients reported that they did not have a primary care provider.

A growing number of uninsured patients may also drive clinic growth, unless future federal or state health reforms reverse that trend. In their study, Mehrotra and colleagues found that one-third of retail clinic patients didn’t have health insurance. That makes caring for those without health coverage a business proposition for San Mateo, California–based Quick Health, which has opened twelve clinics in lower-income urban areas with high rates of uninsurance. “We try to go to a neighborhood with a high proportion of working-class families and close to an emergency room where patients might go if we weren’t there,” says David Mandelkern, Quick Health’s president. The chain employs doctors rather than nurse practitioners, since many patients receive more serious acute care such as minor sutures and exams for sexually transmitted diseases.

Other clinic proponents think that another force propelling growth is that the typical U.S. primary care physician has been slow to adapt to a fast-changing health care landscape. A 2006 Commonwealth Fund study showed that only two in five U.S. doctors had arranged their practices so that patients could see a nurse or doctor after regular office hours. By contrast, 76–95 percent of doctors in six other industrialized countries surveyed in the study provided after-hours care. Add in uncertainties about the long-term U.S. physician supply and an aging U.S. population facing a greater burden of illness, and demand for the clinics can only rise, the clinic backers say.

When clinics are viewed from that perspective, patients like Larry Estrada, a sixty-three-year-old Los Angeles retiree, could represent the tip of an iceberg. Estrada visited a MinuteClinic inside a Los Angeles–area CVS
pharmacy recently for a cholesterol checkup and screening. He said he’d considered going to his doctor’s office but that it could take weeks for him to get an appointment. At the MinuteClinic, getting his blood test took just fourteen minutes—and no waiting. “They knew what they were doing,” Estrada says.

Retail clinic bulls also point out that larger clinic providers, while slowing the pace of expansion, are still continuing to invest in new outlets. MinuteClinic now has 655 centers—more than half of the industry’s total—and its president, Charles Phillips, says the chain plans to add one hundred stores over the next year. Phillips adds that this slower-but-surer rate of expansion represents “a natural evolution of a business model. We went through a rapid expansion, and now we are extracting all the lessons and trying to translate that into making good future strategic decisions.” Phillips says the chain is especially focused on studying what makes the best location for a future clinic—and correlating how a customer’s use of MinuteClinic translates into greater revenues for the retail store in which it’s located.

Putting On The Brakes

Retail clinic bears, meanwhile, point to an increasingly littered landscape of failed operators as a signal that the industry’s heyday is behind it. Indiana-based Corner Care Clinics recently closed twenty-five stores. MindGent Healthcare Clinics of Indianapolis shut down a dozen stores in 2007 and subsequently filed for Chapter 11 bankruptcy protection. As many as a half-dozen other clinic operators have followed suit. Even far larger retail chains that have opened medical clinics are scaling back. Although Walmart said last year that it plans to open as many as 400 “The Clinic at Walmart” sites by 2010, the retail giant’s pace of clinic openings remains far behind schedule.

Industry analysts say many retail clinic chains face a steep uphill climb to become profitable. Mary Kate Scott, principal of Scott and Company, a retail clinic industry consulting company, estimates that average setup costs for most clinics are $50,000. Salaries for nurse practitioners range between $65,000 and $80,000 and, for physicians, up to twice that amount. As a result, Scott estimates, clinics must see seventeen to twenty-three patients a day and must remain open between eighteen months and two years to break even. Even then, margins are slim, and heavy patient volumes are essential. Profitability also depends on how much revenue clinics make per patient visit, a sum that can vary widely depending on the treatments patients receive.

As with real estate, location matters, too. Some industry analysts suspect that clinics located in suburban stores and in wealthier communities could turn out to be more profitable than those elsewhere, since patients there may spend more for services. “Overall, [retail clinics] look like they can make a lot of sense if they are located in right place,” says Stephanie Hoff, a senior retail analyst with Edward Jones, a brokerage firm. “In the best cases, retailers can make double-digit returns and drive more traffic into their stores.” But Hoff acknowledges that there are few long-term data to demonstrate that this strategy will hold up over time, in part because retail clinic operators are keeping their geographical sales breakdowns private.

Questions About Quality Of Care

What about the quality of care provided in retail clinics—a concern frequently raised by physicians who fear losing patients to them? Several physician groups cite concerns about the clinics’ standards of care in opposing the clinics’ expansion—and pushing state and federal regulators to limit the clinics’ reach and range of services. Last year, for example, the American Medical Association’s (AMA’s) House of Delegates asked state and federal agencies to investigate the clinics; some delegates argued that potential conflicts of interest could lead clinic providers to prescribe...
medications that would then be sold to consumers by the pharmacies in which clinics were housed.

There are as yet no data to support such claims or, for that matter, many data about retail clinics’ quality of care. Still, no retail clinic has yet been sued for medical malpractice, according to the Convenient Care Association. And a one-year study published last year in the American Journal of Medical Quality showed that retail clinic practitioners adhered to clinical guidelines in 99.15 percent of patient visits by not prescribing unneeded antibiotics for patients who’d received a negative rapid strep test.

**Regulatory Concerns**

States are now wrestling with the retail clinic movement in various ways: some, like Massachusetts, are encouraging growth of the clinics, while others are considering whether to put on the brakes. Sharing the AMA’s concerns, New York State regulators have investigated the business relationships between drugstore companies and medical providers to determine whether the clinics are being used improperly to increase business or steer patients to the pharmacies in which the clinics are located. The Illinois legislature is considering a bill that would bar retail clinics from opening in locations where tobacco or alcohol is sold, a move that could force many retail chains and drugstores from the industry. However, in May 2008, the U.S. Federal Trade Commission (FTC) sent a letter to Illinois legislators, pointing out that provisions of the proposed bill could restrict the clinics’ growth “to the detriment of Illinois health care consumers...without offering countervailing consumer benefits.”

In the meantime, a growing number of health care providers are taking an “if you can’t beat ‘em, join ‘em” approach to the retail clinic movement. Hospital systems are increasingly opening “satellite care centers” in retail locations—either partnering with chains like Walmart on in-store centers or going it alone. According to the California HealthCare Foundation, eighty-one of these hospital-affiliated clinics were opened by early this year, accounting for nearly one in ten retail clinics nationwide. Carolina Healthcare System in Charlotte, North Carolina, opened its first CHS Express in a local grocery store last year and plans to open others across the region. The hospital charges $40 per visit. “I think the idea of convenient clinics is a good one, but you can’t substitute for the name recognition that a regionally recognized health system like ours has,” said Frank Letherby, vice president of development for the hospital. “Patients want convenience, but they also fundamentally want to know the quality of the care they receive is top rate.”

Across the country, some doctors also are responding to retail clinic competition. A growing number are offering “retail” hours where patients can be seen for most nonacute illnesses in minutes without an appointment. Others are using a new model for scheduling patients called open-access or advanced-access scheduling that offers every patient a same-day appointment, no matter how serious their condition. Melissa Gerdes, of Trinity Clinic in Tyler, Texas, started a “QuickSicks” program in 2003 after growing frustrated that she couldn’t book a dentist appointment during lunch because the dental office was closed. Realizing she was doing the same thing to her patients, she began offering five-minute appointments for patients with basic symptoms from a list including colds and urinary tract infections. “Patients love this option,” she said. “They now ask for QuickSicks by name.” That’s a sure-fire sign, say retail clinic proponents, that even if retail clinics don’t take over the world, they may help nudge more of U.S. primary care into the twenty-first century.
NOTES


7. Scott, Health Care in the Express Lane.