The Healthcare Provider's Guide to Retail Clinics

A Guide for Hospitals and Primary Care Groups to Assess the Opportunity of a Retail Clinic

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Scott & Co
Independent reports on the retail clinic care and business models
Big shifts in care: location, provider, payer, technology

- From hospital, to doctor’s office to clinic to home
- Shift in Provider from specialty physician to midlevel to consumer
- Engaged “new payers”: consumers, employers, government
- Enabled by technology, regulation and engaged consumer

Hospital         Doctor’s office          Clinics         Home
Retail Clinics

1. The care and business model

2. The players: consumers, operators, retailers

3. How healthcare systems can and are using retail clinics – how to assess your options

4. Economics of your market

5. Keys to success

6. Retail clinics 3.0 – using retail clinics to meet broader hospital goals
Traditionally retail clinics are inside a store, operated by a clinic provider.

- Inside a retail store
- Offer routine medical care on an ongoing basis
- Staffed with NPs who can write prescriptions
Retail clinics in grocery, drug and mass merchandise stores
Brand promise is immediate relief with a healthcare issue that requires professional care – business model is based on fast care, through limited scope and low cost delivery.

**Scope of Service**
- Now services are mainly acute episodic care; some fast simple preventative and chronic care; future see expansion
- Quality assurance through technology based protocols and EMRs

**Cost Structure**
- Low cost labor – through NPs
- Low cost space and inventory

**Consumer appeal**
- Convenient location near home, work, school with multi-task option
- Fast diagnosis and treatment - No triage – so predictable short wait times
- Transparent pricing
- Connect to a physician and/or medical home

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Current retail clinic visits are for a few conditions

Right now 7 conditions account for 75-90% of retail clinic visits

- Sinusitis
- URI
- Pharyngitis
- Otitis Media/Externa
- Bronchitis
- UTI
- Immunization

These visits make up ~17% of PCP visits or ~80m visits

And represent ~20-30% of ED visits (CDC 2007)

Do they reduce ED visits? Yes, if patient is aware of the clinic option and incented to switch
70% of clinic consumers are 18-44, with children, with high satisfaction rates

**Patient characteristics**

- 63% female
- 70% under 45
- 62% have insurance
- 63% don’t have a PCP relationship
- More likely to have a HDHP
- Consistently high satisfaction ratings with quality of care, experience, convenience; high scores of recommend to family / friends
- 96% recommend to family/friends
Why not simply connect patients to PCPs and a medical home?

PCP shortage
• Simply not enough appointment times available and clinics allow less complex patients with less complex needs to be treated in a simpler, lower cost model

Complement to the medical home
• For patients without medical homes, it’s an opportunity to connect them to a PCP
• For patient with a medical home, the visit and record is sent to the PCP – increase with EMRs (2014)

Consumer Preference
• Preference to use clinics given convenience, location, NP
Do retail clinics offer quality care?

Limited Data - yet indications of high quality

• Retail clinic practitioners adhered to clinical guidelines 99.15% of the time – appropriateness of treatment for strep test (Woodburn, Smith: AJMQ 2007)

• MinuteClinic performance on the Health Plan Employer Data and Information Set (HEDIS) pharyngitis measure is 99.8% (highest in MN)

• Less prescribing of antibiotics (Tennessee BCBS 2007)

Technology as a support to providing quality care

• All retail clinics have electronic protocols that NPs must use, “constraining” them to use evidence based medicine
Who are these clinic operators?

Retailer-Owned Operators
• Retailers purchased clinics to have control over the brand and the rollout
• Clinics as core to their business expansion
• 70% of all clinic sites

HealthCare System-Owned Operators
• 20-25% of all clinic sites

Independent “Pure Play” Operators
• Investor owned
• Few partner with hospitals and create co-branded or joint venture clinics
• 5% of all clinic sites
The emerging landscape

- Retailer owned will continue to dominate the market with their strengths from real estate, capital and brands

- Healthcare providers will be a force – from ~20% clinics operated by or affiliated with clinics to ~40%+ in next 18 months – or 1800 clinics

- Healthcare providers have strong local brands, medical community relationships, NPs for clinics, physicians for oversight, and can generate demand

- Long term relationship
What are a hospital or PCP group’s options?

- Integrate the principles of a retail model into your existing PCP operations
- Create own clinic in a retail location
- Create a limited service clinic inside the hospital
- Walmart offer
- Partner with an operator
- Be part of a franchise
Quick Strategic Assessment
6 questions when considering a retail clinic

**Strategic**

1. What is the physician strategy and how will a retail clinic support this strategy?
2. The goals for the clinic: new patients vs existing? Revenues? Cost reductions?

**Financial**

3. What will be the demand for services – larger markets?
4. What resources can you commit? Capital and operating?

**Location**

5. If there are location options within their own facility (e.g., near ED)?
6. What is the appetite to work with external partners and/or retailers?
Healthcare system goals for their limited service or retail clinics

- Improving access and convenience for existing patients
- Creating incremental capacity for new and existing patients
- Attracting a new patient population

CEO Henderson – of Milwaukee Health Services who recently opened a retail clinic on their goals: “... we looked at retail clinics defensively and offensively ... we felt they were something we needed to know about and participate in, and we see it as a good adjunct to our current clinics. We aim to use the retail clinic to bring in new patients to our health center and get them into a medical home with us.”
The Economics:

Clinics break even at 12-24 months on a per-store basis, with known medical providers making faster progress

- 85% fixed cost business – labor, space, technology
- Spaces getting smaller – now about 220 square feet, mass merchandisers around 500 square feet
- Leases at “fair market value” ~$20-60 square foot
- Healthcare system or PCP group economics may be different – particularly overhead given the prior investments in technology, personnel
- Financial tools and details
The economics cont’d: Forecasting Demand
Will the clinic generate 20 patients / day?

- Consider the overall market size, estimate several sources of demand, consumer interest, as well as understanding patients’ alternative care options – if they don’t use a retail clinic where will they go?

- What is the consumer interest in using a retail clinic given the location, services offered, price, and the brand?

- Existing patients – how many will be suitable for and use the new site? Consider the volume of routine acute care

- Demand from PCP patients? Cash pay? Private insurance? Employers?

- Consider the use of surveys
The economics cont’d: Estimating Resources

• Capital costs – Depends on size and type of facility
  – Construction $25-50k inside the healthcare facility; $90-$120K inside a store
  – Signage and Technology

• Operating costs – Depends on how busy and large the clinic is
  – Labor ~70%
  – Rent, supplies, marketing ~30%

• Revenues – review the demand forecast, estimate the payment per patient (co-payment and reimbursement)
Integrated Excel Spreadsheet Tool

Patient Traffic & Revenue Estimator

Year 1

- Q1: $44,640
- Q2: $68,960
- Q3: $68,040
- Q4: $90,720
- Total Revenue: $387,360

Year 2

- Q1: $507,000
- Q2: $769,800
- Q3: $811,200

Year 3

- Q1: $512,350
- Q2: $786,950
- Q3: $823,050

Year 4

- Q1: $528,150
- Q2: $798,350
- Q3: $834,050

Operating Cost Estimator

Year 1

- Q1: $88,039
- Q2: $67,985
- Q3: $67,932
- Q4: $67,878

Operating Profit

- Q1: $36,601
- Q2: $30,975
- Q3: $33,188
- Q4: $33,322

Integrated Cost Tool

This tool incorporates information from the linked worksheets and is automatically calculated.
Walmart offer to hospitals – we create the clinic, you (healthcare provider) staff and co-brand it

- Open in 200 stores by end of 2010
- All with the same brand “The Clinic at Walmart“
- All clinics either operated by hospitals or affiliated with local healthcare providers
- Sites will be located in the front of stores, have a new and consistent design palette and layout – 2-3 exam rooms, an ADA restroom, a lab area and a partially screened waiting space

“We have found that our customers trust the quality and care they receive with a local healthcare provider and that this brand loyalty and affiliation can encourage new customers to take that first step and visit an in-store clinic.”

Sean Young
Senior Director of Health Business Development, Walmart
The Walmart Landlord-Tenant Option for Healthcare providers

Clinic Operator “owns” the dark blue part of the signs for the mission

Clinic Operator “owns” 50% of the banner

These free standing signs will be replaced with banners

The curved wall and photos are a core part of the design and cannot be changed
The process of securing a Walmart lease

1. Sign the NDA; Provide Information to Walmart
2. Share Location Preferences
3. Visit Walmart
4. Review Master Lease
5. Sign Attachment A
6. Get costs, put final signature on Attachment A
7. Construction Phase
Other options: Go it alone, Partner with an operator or Bellin Fast Care Franchise

- Go it alone
  - Invest in design
  - Create the retailer relationship
  - Get the operations right

- Bellin – WI healthcare system – created a franchise model
Operational Decisions

The retailer, service scope, partner vs. alone and insurance, staffing

- Drug, grocery or mass merchandise – or a combination? Tradeoff between store traffic, consumers, market position
- Acute? Preventative? Chronic or wellness programs?
- Geographic – current market – or new geography?
- Partnerships: Walmart “directive”, Bellin “franchise”, partner with an operator, go independent,
  - Decision is based on retail options (customer, brand), operational and marketing help provided
- Insurance: private, public
- How will the clinic be staffed?
Cox Health in Missouri hosts 5 Walmart clinics

When you need help for minor illnesses and injuries, you no longer have to travel.
Saint Alphonsus clinics support their mission to serve a broad audience including a safety net population – 70%+ of clinic patients are new

“Our clinics contribute in many ways – supporting our mission, delivering affordable health care in convenient locations (most of our patients are uninsured and do not have a PCP), and contributing to our public image in a positive way.”

Tom Reinhardt
Saint Alphonsus
Mayo Clinic opens retail clinic operations –mainly to serve existing patients from busy PCP offices

"A couple of years ago, medical centers thought if they ignored (the trend), it would go away," said Tricia Dahl, associate clinic administrator at the Mayo Clinic’s Albert Lea Medical Center. "But patients tell us this is what they want."

• Break-even in 8 months vs. 18-24 months across industry

• In part due to use of clinics as overflow mechanism by physicians who refer patients during peak office wait times
Alegent uses clinics to attract new patients—e.g., opening in Plattsmouth to develop new markets

Alegent opened a clinic in Plattsmouth, 20 miles away from its core Omaha market. This new bedroom community didn’t (yet) need a hospital, but Alegent wanted this location to bring new patients from a broader area into its network and create future market potential.
Sutter attracts new patients with a mini Sutter experience – and keeps patients in network

A hospital-branded retail clinic inside a store gives a new patient a mini experience of Sutter’s care or connects existing patients through single EMR.
Keys to success for a retail clinic

1. Staffing

2. Business/Patient processes

3. Marketing communications: internal, in-store, in-community

4. Employers

5. Success measures

6. Renew the offer – what is Retail 2.0 and 3.0?
Implementing a retail clinic: Marketing

- 5 target audiences
- Communication vehicles – think micro media
- Working with the medical community and wider community – talk early and often
- Work with the in-store managers, check out operators, shelf stockers; create in aisle display and shelf talkers
- Planning an opening
- Talk with health plans, employers
Employers are embracing clinics for employees families and employment related healthcare

Retail clinic operators are providing a bundle of services to employers including:

- Clinic visits for acute episodic conditions (often after hours)
- Prescriptions at a standard low cost rate
- PBM management including managed generic formulary
- Screenings – related to employment
- Health Screenings for Chronic Care programs
- Chronic care (disease) management with coaching: obesity, smoking, hypertension, cholesterol, diabetes
- Online, email, phone coaching
- Flu shots
- Some may include HDHP insurance, and H.S.A. programs

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Retail Clinics 2.0
New technology is creating opportunities for clinics

Intel’s home health monitoring

21% of US homes have a BP Monitor
Retail Clinics 3.0
Meeting hospital’s broader goals

- Surgical volume
- Patient awareness
- Reduction of uncompensated care in ED
- Re-hospitalization reductions
- Medication adherence
- Social marketing
- Technology adoption
Contact details

Mary Kate Scott
Scott & Company, Inc.
mks@MaryKateScott.com
310-266-4631