

## The Scoop on Walmart's Newest Clinic Model

By Alan A. Ayers, MBA, MAcc

"In ambitious bid, Walmart seeks foothold in primary care," read the *New York Times* headline of August 7, 2014. According to the article, Walmart has opened six walk-in clinics — offering a broad array of services including chronic disease management — and that Walmart will be rebranding itself as a "one-stop shopping destination for health care." Furthermore, given Walmart's largely rural store footprint, the article touted Walmart's unique ability to increase medical access in areas suffering provider shortages.

Walmart's sheer size means this announcement could be perceived as a total "game-changer" in the delivery of health care in the United States. Consider:

- Walmart is the world's largest retailer with \$473 billion in global sales and 2.2 million employees. In the United States, Walmart operates approximately 4,800 stores and employs 1,300,000 associates.
- Walmart controls approximately 30 percent of the United States grocery market. There is a Walmart within 15 minutes of 90 percent of Americans' households, and one-third of the U.S. population enters Walmart every seven days.
- The average 150,000 to 200,000 square-foot Walmart Supercenter employs 250 to 500 people, averages \$75-100 million in annual sales, and attracts 76,000 to 92,000 vehicles per week.
- Walmart shoppers are 72% female, with 42% making less than \$40,000 per year. Walmart shoppers are more likely to be on Medicaid and have a higher body mass index than non-Walmart shoppers.

Walmart's demographics reflect a price-sensitive population who could benefit from improved access to health care. Just as they rely on Walmart for savings on food, clothing, prescriptions, and other necessities, it's logical they could depend on Walmart for routine medical treatment. But also this is not Walmart's first attempt at health care delivery:

**Landlord/Tenant Model:** Starting around 2005, Walmart contracted with a number of independent providers around the country to open small-footprint, limited scope clinics in its stores. Protocol-driven and staffed by nurse practitioners, the entrepreneurs who became Walmart's tenants had established a similar business model to the clinics in Walgreens, Target and CVS but with one major difference. Walmart's competitors fully owned their clinics, meaning they could sustain operating losses in the clinic as long as its patients generated foot traffic for the store — to buy not just prescriptions and over-the-counter drugs but also high margin front-of-house goods like cosmetics and snack foods. Under the Walmart model, it was Walmart who benefited from additional store sales but when its clinic "tenants" didn't turn a profit, they began to abandon Walmart.

**Hospital/Health System Affiliation Model:** Around 2008, Walmart realized that entrepreneurial in-store clinics were unlikely to attain profitability as stand-alone ventures. Understanding that hospital systems frequently justify investments in outpatient facilities if they serve some other purpose — i.e., reducing excess utilization of the emergency room by Medicaid populations, capturing referrals to the hospital's affiliated primary care and specialist networks, providing marketing and brand awareness, etc.— it became clear that well-funded hospital/health systems could absorb extended operating losses. In addition, hospital partners would provide a "brand halo" improving patient perceptions of the quality of care offered in Walmart. While placing clinics in Walmart — which is non-unionized — did raise objections by nurses unions in some areas, for the most part hospitals likely found the scope of services they could offer in 300 to 400 square feet extremely limited and struggled to calculate an ROI based on intangibles like "brand building" or downstream revenue attributable to the in-store clinic. As a result, the hospital model stalled out at around 100 clinic installations.

Whereas Walmart previously functioned as a landlord only, in its new model the company will operate the clinics directly—paying for supplies, hiring and managing staff, contracting with clinicians, and processing payments. The scope of care has expanded beyond the very basic to longitudinal care for more serious and chronic conditions. And it's speculated that Walmart will expand its clinical capabilities further by partnering with specialists and health systems.

## Taking a First Hand Look

A visit to the newest Walmart Care Clinic in Carrollton, Texas—an ethnically diverse and densely populated North Dallas suburb—revealed some significant changes from what Walmart has attempted in the past:

- The clinic is noticeably larger than 1,000 square feet and is self-contained with a private waiting room, two exam rooms, a consultation room, lab, and lavatory. There is no x-ray in the clinic.
- The clinic is staffed by two medical assistants and a nurse practitioner. No narcotics are prescribed or kept on site.
- The clinic is open Monday through Friday, 8 a.m. to 8 p.m.; Saturday, 8 a.m. to 5 p.m.; and Sunday, 10 a.m. to 6 p.m.
- The clinic accepts walk-ins and scheduled appointments. Within the waiting room there is an iPad for self-registration.
- The waiting room and some treatment space is an appendage to the Walmart building meaning the clinic itself does not take away valuable selling space. Exterior clinic signage is visible from the freeway.
- There is a somewhat non-descript entrance from inside the store but patients can also enter directly from the parking lot. There are no windows into the clinic and the doors are frosted glass to protect patient privacy.
- Within the store there is no wayfinding signage to the clinic but the clinic is widely promoted to shoppers through point of sale materials. The clinic is not located near the pharmacy but rather, near seasonal merchandise.

**Table 1.0: Facility Overview of Walmart Care Clinic in Carrollton, Texas**





**Walmart Care Clinic Pricing and Promotion**

Walmart’s branding for its new clinic is consistent with its price-leadership philosophy: “quality health care at an everyday low price.” Promotion for the clinic is through point-of-sale displays in the store, leading with “\$40 visits” and fliers promoting specific services such as “\$30 school physicals” and “\$8 cholesterol tests.” Table 2 provides examples of in-store marketing for the clinic. With the exception of a Pap Smear (\$36) and STD Screening (\$33-70), a wide selection of point-of-care and send-out lab tests are all priced between \$8 and \$15, according to price sheets available in the clinic. Likewise, immunizations start at \$25 for flu and go as high as \$209 for shingles. For all services, Walmart advertises “savings of 45% or more.”

It is significant that Walmart’s clinic does not accept major insurance plans — only the Walmart Employee Health Plan and Medicare — although the staff indicated that the clinic would be joining additional networks in the future. For now, its consumer business is cash-pay and Walmart will issue a receipt for patients to file for out-of-network reimbursement. Not accepting insurance will likely be a major limitation in Walmart’s ability to grow clinic volume.

**Table 2: Walmart Care Clinic Pricing and Promotion**



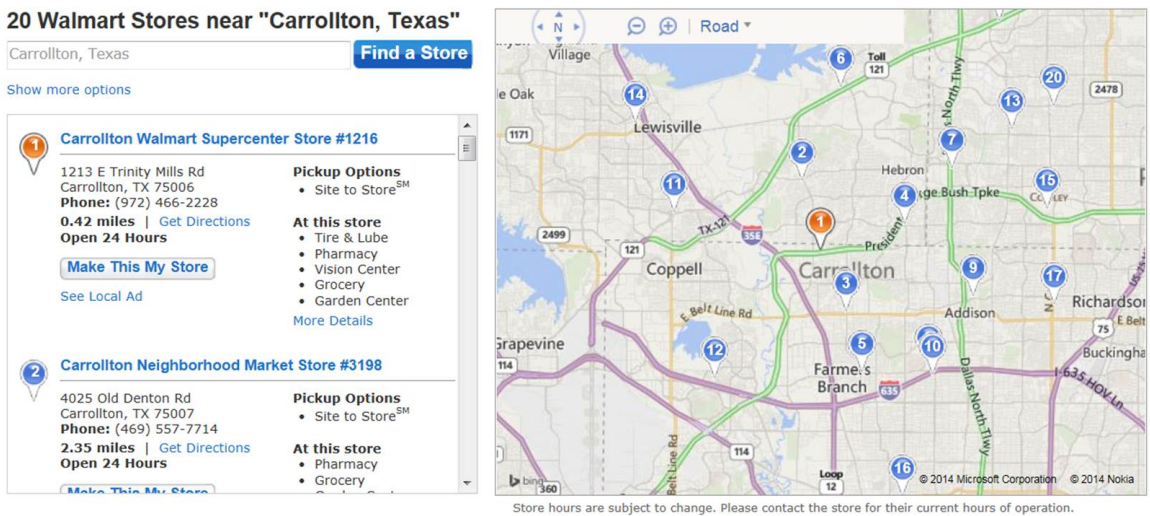
**A Convenient Care Clinic or an Employer On-Site Clinic?**

That Walmart accepts only its own employee health plan and Medicare raises an interesting question: Is the intention of this facility truly to serve the public or is it intended to reduce medical costs for Walmart employees? Although the *New York Times* reported that Walmart is targeting communities with shortages in primary care, such could not be credibly

said of North Dallas which has an abundance of nearly every care model imaginable including urgent care centers, competing retail health clinics, and low cost cash-pay clinics targeting the Latino and Asian-American communities.

If Walmart's intention is to provide primary care to the under-served, then perhaps North Dallas would not be the place to locate a clinic. But if Walmart's intention is to serve its own employees, as Figure 3 illustrates, Walmart has 20 stores within 10 to 12 miles of the Carrollton clinic location. This particular store is located at the convergence of two major freeways making it the ideal "hub" for all other Walmart stores in the area. Based on company averages, this 20-store footprint should employ 6,000 to 10,000 associates — a sufficient number to support a dedicated employer on-site clinic. Different from the past when Walmart's entrepreneurial and hospital clinic operators had to turn a profit to survive, Walmart may devise a viable business case for an employee-focused clinic based solely on medical cost savings to its own health plan.

**Figure 3.0: Map of Walmart Stores in North Dallas**



When asked if the center performed drug screens, physicals, or treated workers comp, response of the staff was "not yet," indicating that Walmart may extend the clinic's capabilities to other services for its employees.

## Conclusion

As the world's largest retailer and largest private employer, when Walmart acts, it can easily capture headlines. It's too early to predict whether the Walmart Care Clinic will even survive, much less transform health care by increasing access to primary care. And it's also uncertain as to what extent consumers, including Walmart's own employees, will trust the company as a quality health care provider. While the initial reaction of urgent care operators could be that Walmart's debut is a threat that siphons off potential patients and devalues health care by pricing visits below cost; for now, it appears that Walmart has created a model that can survive foremost as a benefit to its own employees. And because the capabilities of the Care Clinic are still somewhat limited, there could be opportunities for urgent care to partner for x-rays, procedures, workers comp, and other moderately acute visits.

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