



In an uncertain reimbursement environment, how are health systems marshalling financial resources?

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Retail Clinics Solidify Their Market Niche

Christopher Cheney, for HealthLeaders Media , December 9, 2014

A potent combination of established players such as CVS Health, Walgreens, and Walmart and a crop of new entrants have retail healthcare clinics cementing their hold on a slice of the continuum of care.

The market for retail healthcare clinics, once a destination for shoppers with sore throats and sniffles, is reaching maturity.

When Woonsocket, RI-based CVS Health opened its first walk-in medical clinic 14 years ago, the focus was on a handful of conditions including sore throat diagnosis and treatment. Now the pharmacy giant is a major player. It opened 170 MinuteClinics this year and has set a goal to have 1,500 retail clinics operating by 2017, according to Nancy Gagliano, MD, a senior VP at CVS Health and chief medical officer of MinuteClinic.

Many established retail clinic players such as hospital urgent care centers and CVS Health have at least a decade of experience, and new entrants are planting stakes.

"Now, the maturation is [in] becoming part of the healthcare community... rather than being an isolated care provider," Gagliano says.

In addition to expanding rapidly, MinuteClinic is establishing [affiliation agreements](#) with hospitals and health systems nationwide. CVS Health has cut nearly four dozen of the deals so far.

Pharmacists, Gagliano notes, are well-positioned to help boost chronic disease patients' medication compliance. "Our concept is if we can provide high-quality access in the community, then we can help create high-quality access with primary care providers... We can be part of the team."



Nancy Gagliano, MD

Deerfield, IL-based Walgreens Co., one of CVS Health's top competitors, is following a similar retail clinic trajectory.

"Walgreens will have opened more than 40 Healthcare Clinics in 2014, the most it has ever opened in one year, bringing the company total to more than 420," spokesman James Cohn says. "We continue to focus on clinic growth levels by offering increased access to care and an increasing scope of services. We also continue to explore innovative ways to leverage our clinics through partnerships and collaborations with health systems and providers."

Like CVS Health, Walgreens views its Healthcare Clinics as complementary to other healthcare industry stakeholders.

"Our approach is based on enhancing access and quality of care by collaborating with physicians, health systems, and payers to leverage some of Walgreens strongest healthcare assets; including Healthcare Clinics, and in some cases core pharmacy services like immunizations and medication management services," Cohn says.

Walmart Tries Again

The largest US retailer, Walmart, is on its third iteration in retail clinics.

Walmart's first foray into retail clinics a decade ago failed because the providers who leased storefront space could not turn a profit, says Alan Ayers, a spokesman for the [Urgent Care Association of America](#). A second attempt five years ago failed because retail partnerships with hospitals struggled to attain a "critical mass" of clinics.

Now the Bentonville, AR-based company appears to have rolled out a stronger model, he says. The new Walmart Care Clinics are not only store-owned but also seek to capitalize on an internal business dynamic.

The siting of Walmart's first wholly owned retail clinic in Carrollton, TX, is telling. "It's flanked by about 20 other stores and has a significant base of Walmart employees to serve," Ayers says. The clinics appear to be designed to help Walmart drive down the company's internal healthcare costs and "any other patients they can draw off the street would be gravy."

David Schultz, founder and president of Albany, NY-based Media Logic, says a fundamental shift in health insurance has bolstered retail clinics.

"The outsized increase in the number of people with deductibles is the biggest disruptor for the healthcare industry. It has unleashed the brutally efficient 'American shopper' on all of the providers who—until this time—had been selling services to consumers who never really knew what things cost.

"Now, patients are asking questions about whether services are needed, how much they cost and why. This spells opportunity for alternative

providers, especially retail healthcare clinics," says Schultz.

'Urgent Care Entrepreneurs'

Another sure sign of market maturation is entrepreneurs stepping in to spot those opportunities—and fill gaps that established players have left unattended. "Urgent care entrepreneurs have seen there's a need for access," Ayers says.

In New Hampshire, Portsmouth-based ConvenientMD Urgent Care is filling an access gap.

"Thirty years ago, patients had a close relationship with primary care providers," says Max Puyanik, co-CEO of the new entrant into the retail clinic market. "They did everything for those patients." But as economic incentives drove medical school students away from general practice and toward specialty medicine, the country developed a primary care service shortage and a healthcare access challenge.

"[PCPs] can't provide the same scope of care that they used to," he says. "They spend a lot more of their time helping people manage chronic conditions and providing care management... Now, when patients need a half-dozen stitches, they go to the emergency room."

ConvenientMD, which opened its first clinic in Windham, NH two years ago and plans to have 10 clinics in The Granite State by the end of next year, is positioned to provide a range of care not readily available in PCP.

The clinics are equipped to treat any condition short of "life-threatening" events. The staffing model has doctors, nurses, and radiation technicians working seven days a week from 9 a.m. to 9 p.m. "We are getting people in an appropriate setting with a more pleasant experience than the ER," says Puyanik.

And the cost for consumers is significantly lower than at hospitals, "This is a thin-margin business," he says. Most ConvenientMD services for insured patients have the same out-of-pocket costs as primary care office visit co-pays. "What we're trying to do is provide a broad scope of care on a primary care financing model."

Retail Clinics Here to Stay

Retail clinics are well established, making inroads, and apparently have a bright future.

Anne Lesperance, director of emergency services at Concord Hospital in the New Hampshire capital, says her organization's urgent care facility at the city's Horseshoe Pond business park has reached a milestone.

"We are very proud that our Walk-In Urgent Care Center at Horseshoe Pond is celebrating 10 years this month. As such, it is an integral part of the Concord Hospital continuum of care. WIUCC staff participates on hospital committees and work groups, and policies and procedures are shared between all hospital locations."

Collaboration between the urgent care center and the hospital is a market differentiator, she points out. "This is perhaps the biggest benefit we offer: Connection to primary care offices and the hospital through electronic health record sharing, shared medication lists, and effective provider communication."

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