

Executive Summary:

The United States healthcare system is undergoing sweeping changes. Healthcare costs continue to rise and policymakers seek creative solutions to address the problems of access and quality in addition to cost. Retail clinics are a relatively new phenomenon in the United States and the implementation of the Affordable Care Act is likely to see their role in the health care delivery grow in the coming years. Since retail clinics are still a new addition to the United States' healthcare system, the body of evidence is limited; however, evidence that exists does indicate increased utilization of retail clinic services in recent years, which speaks to access. Additionally, studies have found that the quality of care provided by retail clinics is no worse than that received at a primary care facility [6]. The question that remains, and is of particular interest to policymakers, is cost. Will retail clinics lower overall healthcare spending?

This analysis will provide evidence that if certain steps are taken, retail clinics can lower overall healthcare spending while providing more consumer-friendly access to services in the United States. This policy analysis includes an overview of the issues relating to retail clinics in the United States; an inventory of existing evidence on the impact of retail clinics on the health system; a clear definition of the problem around retail clinics. The analysis also includes three policy options for addressing the problem of retail clinics in the United States and a final recommendation for the FTC.

Background:

Retail clinics have rapidly become a fixture of the U.S. healthcare delivery landscape [5]. They first emerged in 2000 and by 2012 there were 1,400. That level of

growth would boost the number of retail clinics to more than 2,800 by 2015. In 2009, there were an estimated 5.7 million visits to retail clinics [5]. Retail clinics can now be found in the majority of U.S. states with nearly half of them concentrated in California, Florida, Illinois, Minnesota, and Texas [10]. Retail clinics are medical clinics established in retail locations such as pharmacies, grocery stores, and “big box” stores [8]. They offer a limited scope of care with most patients seeking care for minor infections, such as sore throat; allergies; skin irritations; and similar ailments. Retail clinics also distribute a high number of vaccines [10]. Patients who come in with issues that are outside of the scope of the retail clinic’s practice are usually referred to primary care or hospital services.

Initially the costs of care at a retail clinic were paid almost exclusively out of pocket; however, insurers, including Medicare and Medicaid, now cover visits retail clinic services for their customers [4]. The inclusion of retail clinics in services covered by most insurers in 2008 brought with it a large increase in utilization of retail clinic services. Analysts believe that the implementation of the Affordable Care Act will flood the market with a large newly insured population and that retail clinics are likely to provide many of the services to these new customers [7].

The appeal of retail clinics from the patient perspective is namely in their convenience. Retail clinics do not require patients to make appointments in advance, and they are open later on weekdays than primary care facilities as well as on weekends [5]. Additionally, retail clinics “employ non-physician clinicians, charge relatively low, set prices for services, and display prices prominently so consumers are aware of the costs before receiving care [3]. Appointments tend to be quick- between 15-20 minutes, so patients do not feel inconvenienced and can visit on their own schedule.

The typical retail clinic customer is a young adult who does not have an established relationship with a primary care provider. Other populations that utilize retail clinic services include minority families and families with children [10]. These users are likely drawn to retail clinics for their convenience. Lacking strong ties to a primary care provider and barring a serious medical condition, these populations make up the ideal customer base for retail clinic services.

To date, the federal government has not enacted any policy to regulate retail clinics. Some state legislatures, however, have considered legislation and even, in some cases, passed bills into law. Many support retail clinics as, “a convenient and affordable alternative for people with relatively minor health care needs” [9]. On the other hand, opponents argue that the clinics will disrupt continuity of care while others cite conflicts of interest as a point of concern [9]. Given that the majority of retail clinics are located in retail locations with pharmacies, some analysts are concerned that practitioners at such clinics will steer patients towards filling prescriptions at the affiliated pharmacy [9].

Evidence:

While a complete understanding of how retail clinics fit into the United States’ healthcare delivery model is unavailable at this time, studies of things like utilization, cost, and other trends are available. These studies, as well as a look at the legislation that has been passed thus far by some states regulating retail clinics and the general debate over scope of practice laws informed this analysis.

Problem:

The problem of retail clinics is two-fold. First, the case has been made that retail clinics disrupt continuity of care. Second, it is difficult to assess the financial implications of retail clinics on all stakeholders and health spending overall given the data available. According to the RAND report, “Retail clinics’ relationships to other part of the health care system are still being shaped and defined” [10]. Since retail clinics emerged in 2000, there has been controversy surrounding their role in the healthcare delivery system. The American Medical Association, the American Academy of Family Physicians, and the American Academy of Pediatrics “have in the past all spoken out against the clinics. The primary concern these groups voice is their potential to disrupt patients’ relationships with their primary care physicians and to interrupt continuity of care” [5]. Physicians feel strongly that the relationships they build with their patients over time leads to better quality care. Several studies have been conducted of quality of care at retail clinics; however, and the results have generally found high levels of satisfaction and feelings that retail clinics could “complement the services offered by primary care providers” [10].

One of the difficulties in assessing the implications of increased utilization of retail clinics and their place in the health delivery system is the lack of a counterfactual. We simply cannot know whether a patient who sought care at a retail clinic would have sought care at an emergency department or urgent care center should retail clinics not exist. Despite outcry from the AMA and other organizations representing primary care practitioners, the evidence that has been collected demonstrates that primary care physicians and retail clinics can establish a mutually beneficial relationship through referrals. Some practitioners agree with this view while others see retail clinics treating patients with simple medical issues as “cream skimming” and a threat to their livelihoods.

There are financial implications to the growth of retail clinics as well. The increased utilization of retail clinics could decrease overall health spending as comparison studies of cost of services have found that retail clinics offer lower per episode costs than urgent care centers, emergency departments, and primary care providers [10]. If patients forego care at these more costly providers and seek care at retail clinics instead, health spending is likely to decrease. Opponents argue that the patients seeking care at retail clinics would not have sought care elsewhere had the retail clinic not been an option. While this is a difficult notion to put to the test, should it be true, increased utilization of retail clinics would likely increase overall health spending. It is important to note that any savings to overall health spending as a result of retail clinics are not likely to be significant.

A study conducted by Accenture researchers found that retail clinics are likely to grow at a rate of 25%-30% annually and will be able to handle about 10.8 million patients annually, accounting for 10% of non-primary care outpatient visits. The study found that this growth could generate up to \$800 million in savings to overall health expenditures [7]. A study by Thygeson (2009) found that the estimated national cost savings from retail clinic expansion would range from \$2 and \$7.5 billion, the equivalent of 0.3% of the total national cost [10].

This problem is worth the consideration of the FTC because of the lack of data around the impact of retail clinics. It has been argued that they are disruptive to the market, but there is not sufficient data to support or deny this claim at this time. What is clear, though, is that retail clinics affect every link in the supply chain. Any potential federal or state legislation of retail clinics will directly affect consumers of care, retail

clinic owners, primary care providers, emergency departments, and pharmaceutical and biotech companies. Given the wide reach of retail clinics, the FTC should carefully consider its position on this issue.

Policy options to address the problem and criteria for selection:

1) Lobby Congress to pass federal legislation regulating retail clinics

Pursuing a new federal policy governing the use and scope of retail clinics has benefits. When individual states, and in some cases individual retail clinics have the autonomy to craft their own policies and systems of accountability and quality control, patients tend to suffer the consequences. While studies on quality of care at retail clinics currently yield positive data, this pattern may not continue as individual states begin to enact their own policies and individual clinics start responding to changes in the market, including the expected increase in insured patients due to the implementation of the Affordable Care Act. On the other hand, individual states are likely to push back against the notion of a federally mandated policy change in an area that fell under their purview.

2) Encourage states to implement regulations

Currently, states have jurisdiction over retail clinics. Individual states can pass legislation regulating retail clinics' scope of operations. State leaders have heard arguments from both sides of the retail clinic debate. The National Conference of State Legislatures notes, "As of April 2011, state legislation that specifically addresses these retail clinics has been relatively limited. However, 16 states have considered legislation and two bills were signed into law. One additional state created regulation governing retail clinics through executive action" [9]. Up until this point, very few states have taken

any action in terms of regulating retail clinics. Should state governments take up this issue, some of the concerns associated with retail clinics could be mitigated. One benefit of state action is the fact that the markets for retail clinics do vary by state. In some cases, this ties in with a state's scope of practice laws for nurse practitioners, who most often serve as the providers at retail clinics [2]. The healthcare landscape of the individual state will dictate, to some degree, the utilization of retail clinics in that state. It may be the case that state actors are better equipped to make decisions regulating retail clinics for their constituents.

3) *Give joint oversight responsibility to the FDA and FTC*

The health space is a challenge when it comes to oversight. Most providers are generally self-regulated within a framework of rules and guidelines set by a variety of government agencies. Given the nature of the primary concerns around retail clinics, the two government agencies best equipped to regulate effectively without limiting the potential benefits of retail clinics are the FDA and the FTC. The FDA can provide oversight over quality of care at retail clinics while the FTC can provide oversight over potential conflicts of interest.

Recommendation: Assign oversight responsibility to the FDA and FTC

These two government agencies have the combined experience and jurisdiction over the areas of concern regarding retail clinics. By tasking oversight to these agencies, the need for additional legislation is avoided and retail clinics in all states will be subject to the same regulations. Additionally, consumers across the country will be able to continue to use the services of retail clinics, enjoying their convenience and potential

cost-saving, without quality of care concerns. The FTC and FDA also have tremendous influence and can work with large providers around the nation to establish networks between retail clinics and other care providers so that continuity of care is no longer an issue. Additionally, the FDA and FTC should pursue additional research into the users of retail clinic services in order to assess potential health savings down the line.

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