

Memorandum

I. Executive Summary

Retail clinics provide cost-effective primary care and preventive services at accessible locations and convenient times. Growth drivers of retail clinics include an increase in number of visits, consumer awareness, and an expansion of health insurance coverage to retail clinics. However, barriers to entry such as state regulations, restrictions on nurse practitioners' scope of practice, and limited workforce supply can attenuate their growth process. In order to meet the increasing demand for primary care services, retail clinics operating stores can expand by states minimizing regulatory barriers to entry, expanding nurse practitioners' scope of practice, and increasing workforce supply. It is recommended to expand nurse practitioners' scope of practice in order to improve access to primary care services and increase competition to lower prices and improve quality, potentially generating cost savings of \$4.4 billion annually¹.

II. Background

Retail clinics provide consumers with cost-effective ambulatory and primary care services at a convenient time and location. Often times referred to as a market disruptor, retail clinics entered the healthcare industry as a lower-cost alternative to existing outpatient services. Retail clinics have sustained growth by providing consumers with convenient locations and high-quality clinical care for non-urgent conditions at a low-cost. These clinics serve as a safety net

¹ Burns, R.M., Mehrotra, A., Welnick, R.M. *Many Emergency Department Visits Could Be Managed At Urgent Care Centers and Retail Clinics*. Health Affairs. 29.9 (2010)

for patients who do not have a primary care provider and can minimize emergency room visits by patients who require care, but not emergency care².

Retail clinics emphasize access and cost and are conveniently located in pharmacies, grocery stores, and department stores. Retail clinics are open seven days a week and provide primary care services for acute conditions such as sore throat, common colds, conjunctivitis, and sinus infection. In addition to acute care services, retail clinics offer preventative services such as annual physicals and flu vaccinations. Most clinics are staffed by nurse practitioners that have had at least six years of schooling and can attend to their patients' needs³. Most clinics refer patients free of charge to a local doctor if an illness can progress to a chronic condition. Furthermore, price transparency at retail clinics attracts individuals sensitive to cost such as the uninsured and people with high-deductible plans⁴.

Moreover, factors driving market growth for retail clinics include economic recovery, health plan coverage, consumer awareness and acceptance, and health reform⁵. Retail clinic sales will likely grow as the economy recovers and consumer spending increases. Additionally, most insurance companies will now cover retail clinic visits and some have waved co-pay fees in order to deviate beneficiaries to use retail clinics' lower-cost services. Consumer awareness on retail clinics has increased as marketing programs have been heavily focused on safety and effectiveness of clinical quality in retail clinic settings. Furthermore, retail clinics have the ability to increase access to preventive health services and meet the demand of the American people.

² Desanti, S.S. Farrell, J., Fenstein, R.A. *Letter to Kentucky Cabinet for Health and Family Services*. Federal Trade Commission. (2010).

³ Schmit, J. *Could walk-in retail clinics help slow rising health costs?*. USA TODAY. (8/28/2006)

⁴ Lave, J.R, Mehrotra, A. *Visits to Retail Clinics Grew Fourfold from 2007 to 2009, Although Their Share of Overall Outpatient Visits Remains Low*. Health Affairs. 31.9 (2012)

⁵ Gandhi, M., Keckley, P.H., Underwood, H.R. *Retail Clinics: Update and Implications*. Deloitte LLP- Deloitte Center for Health Solutions. (2009)

Implementation of the Affordable Care Act will provide subsidized health insurance plans for the millions of uninsured. This will increase the demand for primary care services, further driving investments into preventive health services.

Although there has been a proliferation of retail clinics, retail clinics are at a competitive disadvantage in the market for healthcare. Firstly, certain state regulations varying by state impose a barrier to entry. These regulations include challenges to licensing and accreditation, liability issues related to the safety and effectiveness of medical management programs, and restrictions on nurse practitioners' scope of practice⁶. Additionally, it is difficult for retail clinics to expand with a shortage in supply of nurse practitioners and physician assistants. Other challenges are physician interest groups such as the American Academy of Family Physicians who believe retail clinics will lead to further fragmentation of the healthcare system⁷. These barriers reduce competition in this industry leading to less access to primary care services and an increase in price for consumers.

III. Evidence

Visits to retail clinics serve as a key indicator for the growth of retail clinics.

Convenience and after-hours accessibility are drivers for the increase in visits. Visits to retail clinics grew fourfold from 2007 to 2009 with an estimated 5.97 million retail clinic visits in 2009 alone⁸. After-hours accessibility is demonstrated by the 44.4% of visits from 2007 to 2009 that were on the weekend or during weekday hours when physician offices are typically

⁶ Gandhi, M., Keckley, P.H., Underwood, H.R. *Retail Clinics: Update and Implications*. Deloitte LLP- Deloitte Center for Health Solutions. (2009)

⁷ *American Academy of Family Physicians Statement of Non-Endorsement of Retail Health Clinics*. AAFP. Retrieved from: http://www.aafp.org/about/policies/all/retail-clinics.html?cmpid=_van_587

⁸ Lave, J.R, Mehrotra, A. *Visits to Retail Clinics Grew Fourfold from 2007 to 2009, Although Their Share of Overall Outpatient Visits Remains Low*. Health Affairs. 31.9 (2012)

closed⁹. Additionally, consumer awareness also serves as an indicator for retail clinic growth. In 2010, nearly 7 million American families reported ever using a retail clinic¹⁰.

Moreover, cost-effectiveness is another driver of the rapid growth of retail clinics. Studies have demonstrated that retail clinics have the potential to lower health care spending by providing access to low-cost primary care services. Costs of care at retail clinics are \$279-\$460 less than emergency room costs¹¹. Potential savings would be nearly \$4.4 billion annually if the 16.8% of the 104 million emergency room visits in 2006 that did not result in a hospital stay could have taken place at an alternative setting such as retail clinics¹². Potential cost savings could be dramatically increased if all states allowed nurse practitioners to practice and prescribe independently. For instance, a study showed that national cost savings in 2014 from retail clinics would be \$810 million greater if all states allow nurse practitioners to practice independently and \$472 million greater if nurse practitioners could both practice and prescribe independently¹³.

Furthermore, growth of retail clinics will be observed with the implementation of Affordable Care Act. The increased demand for primary care services might reduce access to primary care physicians, which may increase the demand for retail clinics. In addition to expanding access to care primary care services, the Affordable Care Act expands health

⁹ Lave, J.R., Mehrotra, A. *Visits to Retail Clinics Grew Fourfold from 2007 to 2009, Although Their Share of Overall Outpatient Visits Remains Low*. Health Affairs. 31.9 (2012)

¹⁰ Boukus, E.R., Tu, H.T. *Despite Rapid Growth, Retail Clinic Use Remains Modest*. Health System Change. 29. (2013)

¹¹ Burns, R.M., Mehrotra, A., Welnick, R.M. *Many Emergency Department Visits Could Be Managed At Urgent Care Centers and Retail Clinics*. Health Affairs. 29.9 (2010)

¹² Burns, R.M., Mehrotra, A., Welnick, R.M. *Many Emergency Department Visits Could Be Managed At Urgent Care Centers and Retail Clinics*. Health Affairs. 29.9 (2010)

¹³ Bazarko, D., Parente, S.T., Spetz, J., Town, R.J. *Scope-Of-Practice-Laws for Nurse Practitioners Limit Cost Savings That Can Be Achieved In Retail Clinics*. Health Affairs. 32.11 (2013)

insurance coverage. Cost savings, proof of adherence to evidence-based practices and satisfied enrollee use experiences have led health plans to expand coverage to retail clinic use. For instance, Blue Cross Blue Shield of Minnesota waived co-pays for retail clinic visits in 2008 due to a 50% saving per visit, totaling \$1.25 million in savings during 2007¹⁴.

Expanding health insurance coverage and an increase in demand for primary care services indicates a continuing demand for retail clinics for the provision of cost-effective acute and ambulatory care.

IV. Problem

The Affordable Care Act will expand access to primary care services and provide Americans with affordable health coverage. With an increasing demand in primary care services and a limited supply of primary care physicians, retail clinics can help meet the increase in demand. Indicators –such as an increase in visits to retail clinics due to its convenience and lower-cost services, increase in consumer awareness, and expansion of insurance coverage to retail clinics- have demonstrated an increasing demand for retail clinics. However, retail clinics face barriers to entry that can attenuate their growth and lower competition causing an increase in price for consumers seeking primary care services. State regulations on advertisement, facilities and operations requirements impede on the expansion and operation of retail clinics. Furthermore, an unanticipated consequence of current restrictions on nurse practitioners' scope of work such as requiring physicians' involvement, and limiting the number of nurse practitioners whom a physician can supervise, increases the operational costs of retail clinics¹⁵.

¹⁴ Gandhi, M., Keckley, P.H., Underwood, H.R. *Retail Clinics: Update and Implications*. Deloitte LLP- Deloitte Center for Health Solutions. (2009)

¹⁵ Bazarko, D., Parente, S.T., Spetz, J., Town, R.J. Scope-Of-Practice-Laws for Nurse Practitioners Limit Cost Savings That Can Be Achieved In Retail Clinics. *Health Affairs*. 32.11 (2013)

Consumers are the stakeholders who will ultimately have to bear the costs. Additionally, the workforce supply of nurse practitioners is another challenge faced by retail clinics as they expand. In essence, barriers to entry should be minimized in order for retail clinics to continue to meet consumer demand for convenient and lower-cost primary care services.

V. Policy Options

A. Minimize Regulatory Barriers to Entry. Current state requirements only pertain to retail clinics and not to other health care facilities that offer similar services or staffing.

Restrictions on marketing, clinic ownership or affiliation, and operations put retail clinics at a competitive disadvantage¹⁶. These restrictions are a substantial barrier to entry for retail clinics. By minimizing these restrictions, the supply of retail clinics will increase further increasing the supply of primary care services and reduction of prices.

B. Expand Nurse Practitioners' Scope of Practice. There are state regulations preventing credentialed health care professionals from providing primary care services in retail clinics that they can provide in comparable care settings such as urgent care clinics. Services are restricted based solely on the type of basic care setting in which it is being provided.

Expanding the scope of practice increases competition and may lead providers that compete with retail clinics to lower their prices or increase the quality or convenience of the services they offer¹⁷.

C. Increase Workforce Supply for Retail Clinics. With an increasing demand for primary care services, retail clinics must increase their workforce supply to meet those demands.

Retail clinic workforce supply is predicted to increase from approximately 3,000 full time

¹⁶ Baye, M.R., Ohlhausen, M.K., Parnes, L.B., Schmidt, J. *Letter to Illinois State Representative Elaine Nekritz*. Federal Trade Commission. (2008)

¹⁷ Desanti, S.S. Farrell, J., Fenstein, R.A. *Letter to Kentucky Cabinet for Health and Family Services*. Federal Trade Commission. (2010).

nurse practitioners and physician assistants by the end of 2009 to 6,5000 over the next four years¹⁸. States should enhance pipeline programs for nurses to become nurse practitioners and a tuition elimination program if they choose to practice at a retail clinic.

VI. Recommendation

Nurse practitioners' scope of practice should be expanded to meet the demand for primary care services and increase competition to lower prices and improve quality, potentially generating cost savings. Additionally, with the increasing demand for primary care services, there will be a continuing shortage of primary care physicians and an emergence of innovative care delivery models that have focused on the potential for nurse practitioners in improving access to care¹⁹.

Retail clinics are currently at a competitive disadvantage because restrictions are only targeted to nurse practitioners practicing at a retail clinic. For instance, nurse practitioners may treat mild asthma at a service provider similar to a retail clinic but they are restricted from treating mild asthma at a retail clinic. Limiting nurse practitioner's scope of work minimizes competition leading to increasing prices for primary care services, which ultimately impact the uninsured, underinsured, and other vulnerable citizens²⁰.

The FTC should regulate current state restrictions on nurse practitioners' scope of practice at retail clinics. By regulating state restrictions, FTC can allow nurse practitioners to diagnose and treat acute conditions and prescribe medications so that their

¹⁸ Gandhi, M., Keckley, P.H., Underwood, H.R. *Retail Clinics: Update and Implications*. Deloitte LLP- Deloitte Center for Health Solutions. (2009)

¹⁹ Bazarko, D., Parente, S.T., Spetz, J., Town, R.J. Scope-Of-Practice-Laws for Nurse Practitioners Limit Cost Savings That Can Be Achieved In Retail Clinics. *Health Affairs*. 32.11 (2013)

²⁰ Desanti, S.S. Farrell, J., Feinstein, R.A. *Letter to Kentucky Cabinet for Health and Family Services*. Federal Trade Commission. (2010).

scope of practice is uniform throughout all states. There may be opposition from physician interest groups who believe that expanding nurse practitioners' scope of practice leads to fragmented care. However, studies have shown that care provided in retail clinics is of similar quality of care provided by physicians. Nurse practitioners at retail clinics are equipped with the knowledge and are guided by evidence-based protocols to practice independently.