Retail Clinics –
The Care and Business Model, Players, and the Future

Scott & Co

April 24, 2008
Federal Trade Commission
Retail Clinics – an overview

• Clinic Players: The Care and Business Model, Operators, Retailers and Consumers

• What will most impact Retail Clinics in next 12-36 months?
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
The model is about limiting the scope of services to reduce the cost and increase consumer appeal.

**Scope of Service**
- Mainly acute episodic care; some fast simple preventative and chronic care – **75% of diagnoses and treatments are for 5-7 conditions**
- Quality assurance through scope and protocols through technology

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

**Consumer appeal**
- Convenient location near home, work, school
- Fast diagnosis and treatment
- No triage – so predictable short wait times
- Transparent pricing
Clinics are opening at a rapid pace around the country.

Number of clinics

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<tbody>
<tr>
<td>62</td>
<td>255</td>
<td>350</td>
<td>800</td>
<td>1500</td>
<td>4000</td>
<td>6000</td>
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CAGR = 311%

~1100 April 2008

Forecast:
Main clinic players include operators and retailers

Clinic Operators
- ~50+ national regional and local players
- 85% clinic players
- 15% hospitals

Retailers
- ~35+ national and regional drug grocery, mass merchandisers
- local players are emerging
Three different types of clinic operators

Retailer-Owned Operators
• retailers purchased clinics to have control over the brand and the rollout
• see the clinics as core to their business expansion across the whole pharmacy value chain

Independent Pure Play Operators
• largely owned by investors
• creating business to sell or operate at a profit
• some work with hospitals (or others) and create co-branded or joint venture clinics
• Located in drug, mass merchandising, and grocery stores

Hospital-Owned Operators
Healthcare providers are participating in this trend in different ways

**Work with retail clinic operators**
- Co-brand with retail clinics to encourage patient use of clinics
- Provide physician oversight for clinics
- Create referral networks

**Create and operate their own retail clinics**
- Integrated systems see this an opportunity to provide “right care” care by the “right provider” at the “right cost”
- Opportunity to integrate into the community

**Watch and learn from sidelines**
Hospitals will be a force as they operate and affiliate with retail clinics – connecting clinics to mainstream healthcare

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."
Wal-Mart strategy – multiple operators, all hospital affiliated or operated

• Open 400 stores by end of 2009

• All with the same brand “The Clinic at Wal-Mart”

• All clinics either operated by hospitals or affiliated with local hospitals

• Sites will be located in the front of our 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 –

• All will operate on a common electronic medical record platform using e-clinical works

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

-Alicia Ledlie
-Senior Director of Health Business Development, Wal-Mart
Consumer Satisfaction Remains High with Clinics

“Overall, how satisfied were you with your or your family member’s experience using an onsite health clinic in a pharmacy or retail chain on the following items?”

- Harris Interactive Survey, April 2007

“Very” or “Somewhat” Satisfied

- Quality of Care: 90%
- Having Qualified Staff to Provide Care: 85%
- Convenience: 83%
- Cost: 80%
Consumers like the location, NP and convenience and are interested in using retail clinics for broader purposes.  

<table>
<thead>
<tr>
<th>Service</th>
<th>Filtered for those likely to use the clinic</th>
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</thead>
<tbody>
<tr>
<td>Like the Idea the Clinic is in Grocery/Drug Store</td>
<td>73%</td>
</tr>
<tr>
<td>Satisfied with a NP</td>
<td>76%</td>
</tr>
<tr>
<td>More Convenient than my Doctor</td>
<td>85%</td>
</tr>
<tr>
<td>Wellness Programs - Stop Smoking, Weight Loss</td>
<td>54%</td>
</tr>
<tr>
<td>Preventable Care - Flu shot, Cholesterol Test</td>
<td>72%</td>
</tr>
<tr>
<td>Urgent, Unplanned Ailments w/Rx</td>
<td>86%</td>
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</table>
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Clinics operators are creating about 45-50m visits ...yet now we need only ~20m visits, suggesting an expanded scope for clinics

Number of clinics

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Clinics</th>
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<tr>
<td>Jan. 2006</td>
<td>62</td>
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<tr>
<td>Dec. 2006</td>
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<td>May-07</td>
<td>350</td>
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<td>Dec. 2007</td>
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<td>Dec. 2008</td>
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<td>Dec. 2010</td>
<td>4000</td>
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<td>Dec. 2012</td>
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Forecast: CAGR = 311%

6000 clinics is ~45-50m visits
My prediction is that retail clinics will expand in scope, demographic, technology

Expand demographic including 65+, publicly insured patients, well baby

Technology including telemedicine will increase scope

Common acute conditions will remain core

New revenues from tests and drugs

Retail clinics will capture share from ED, UC, Employer clinics

My forecast for population per clinic is 120,000 now, shrinking to 50,000 by 2012

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Technology will drive clinic scope expansion

Telemedicine bring physicians into clinics

Screening tests, consumer devices may be sold through clinics

Specialty Pharmacy Links e.g., 15 minute drug infusion for osteoporosis
HEALTH MANAGEMENT RX

HALF EMPTY VIEW OF THE HEALTH MANAGEMENT FIELD. COMMENTARY ON TRENDS, NEW CONVERSATIONS SURROUNDING PATIENT CARE PROCESSES OF THE FUTURE.

15.6.07

Feds Pay for Retail Medicine: Minute Clinic Chain to Accept Medicare

RediClinic now accepts Medicare
Specialist Clinics – including CHCs and FQHCs are evaluating and integrating the retail clinic model
Employers use clinics to reduce costs and as part of the shift to HDHP

- **Acute Episodic Care**
  - Acute care for common ailments on campus reduces cost (cheaper delivery site vs. urgent care) and reduce absenteeism

- **Preventative Programs**
  - Improve quality and quantity of chronic care programs – to reduce insurance costs, absenteeism

- **Insurance Coverage**
  - Lower premiums by implementing chronic care programs and redirecting acute care

- **Employment Health Needs**
  - Drug screenings and other employment related programs – cheaper in house
State and City Governments are considering using clinics as a venue to provide care to the underserved, perhaps through stored value cards.
Seeing published studies with data confirming quality

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Quality of Care in the Retail Health Care Setting Using National Clinical Guidelines for Acute Pharyngitis

James D. Woodburn, MD, MS
Woodburn Health Consulting, LLC, Di

Kevin L. Smith, RNC, FNP, MSN
MinuteClinic, Minneapolis, Minnesota

Glen D. Nelson, MD
MinuteClinic, Minneapolis, Minnesota

Rates of adherence to an acute pharyngitis measured as an indicator of clinical quality of acute pharyngitis was conducted. In a patient with cough and sore throat, the nurse practitioner and physician assistant staff adhered to guidelines in 99.05% of cases.
Payer coverage is continuing to expand

Harris Poll '07
42% of clinic patients were reimbursed for some or all clinic fees by insurers
Legislation will enable or inhibit clinics

☑ Federal: Stark, Medicare, ERISA, COBRA

☑ State: Nurse Practitioner Scope of Service, Prescribing Authority, Supervision and Ownership of Clinics

☑ Local: Building Codes
Other Resources
MaryKateScott.com

Mary Kate Scott
310-822-6130
mks@marykatescott.com
HospitalRetailClinicToolkit.com