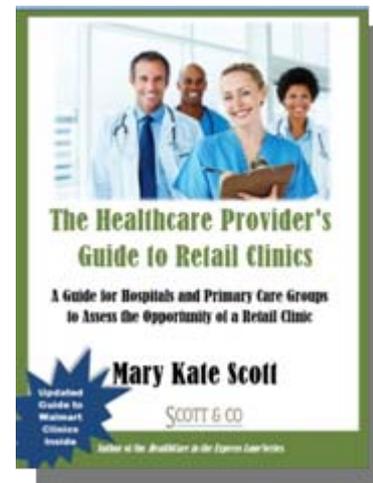


The Healthcare Guide for Retail Clinics

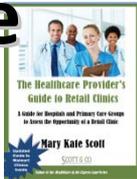
A Guide for Hospitals and Primary Care
Groups to Assess the Opportunity of a Retail
Clinic

March 2010

SCOTT & CO



Independent reports on the retail clinic care and business models



Health Care in the Express Lane: The Emergence of Retail Clinics

HEALTH AFFAIRS

Early Clinic Evaluations
 The Emergence of Retail-Based Health Care in the United States
 September 2007

Retail-based health care is a rapidly growing phenomenon in the United States. This report examines the early evaluations of retail-based health care, including the emergence of retail-based health care in the United States. The report discusses the benefits and challenges of retail-based health care, and provides a framework for evaluating the opportunity of a retail clinic. The report also discusses the role of retail-based health care in the overall health care system, and provides a framework for evaluating the opportunity of a retail clinic.



Health Care in the Express Lane: Retail Clinics Go Mainstream
 September 2007

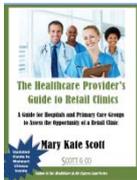
The Healthcare Provider's Guide to Retail Clinics
 A Guide for Hospitals and Primary Care Groups to Assess the Opportunity of a Retail Clinic
 Mary Kate Scott
 SCOTT & CO
 Author of the *HealthCare in the Express Lane* Series

Updated Guide to Walmart Clinics Inside

The Hospital Retail Clinic TOOLKIT
 Mary Kate Scott
 SCOTT & CO

Retail Clinic at Walmart?
 Healthcare Systems to Assess the Opportunity of a Walmart Healthcare Clinic
 Mary Kate Scott
 SCOTT & CO

Big shifts in care: location, provider, payer, technology



- From hospital, to doctor's office to clinic to home
- Shift in Provider from specialty physician to midlevel to consumer
- Engaged "new payers": consumers, employers, government
- Enabled by technology, regulation and engaged consumer

Hospital



Doctor's office



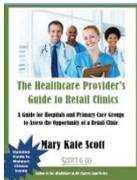
Clinics



Home

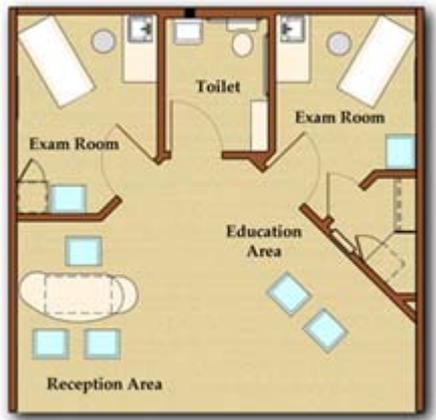
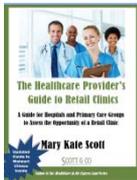


Retail Clinics

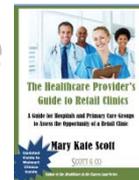


- The care and business model
- The players: consumers, operators, retailers
- How healthcare systems can and are using retail clinics – how to assess your options
- Economics of your market
- Keys to success
- Retail clinics 3.0 – using retail clinics to meet broader hospital goals

Retail clinics in grocery, drug and mass merchandise stores



Brand promise is immediate relief with a healthcare issue that requires professional care – **business model** is based on fast care, through limited scope and low cost delivery



Scope of Service

- Now services are mainly acute episodic care; some fast simple preventative and chronic care; future see expansion
- Quality assurance through technology based protocols and EMRs

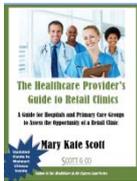
Cost Structure

- Low cost labor – through NPs
- Low cost space and inventory

Consumer appeal

- Convenient location near home, work, school with multi-task option
- Fast diagnosis and treatment -No triage – so predictable short wait times
- Transparent pricing
- Connect to a physician and/or medical home

Current retail clinic visits are for a few conditions



Right now 7 conditions account for 75-90% of retail clinic visits



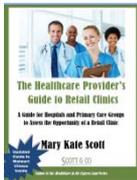
These visits make up ~17% of PCP visits or ~80m visits

And represent ~20-30% of ED visits (CDC 2007)

Do they reduce ED visits?

Yes, if patient is aware of the clinic option and incented to switch

70% of clinic consumers are 18-44, with children, with high satisfaction rates



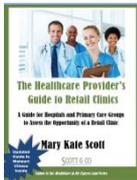
Patient characteristics

- 63% female
- 70% under 45
- 62% have insurance
- 63% don't have a PCP relationship
- More likely to have a HDHP
- Consistently high satisfaction ratings with quality of care, experience, convenience; high scores of recommend to family / friends
- 96% recommend to family/friends



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Why not simply connect patients to PCPs and a medical home?



PCP shortage

- Simply not enough appointment times available and clinics allow less complex patients with less complex needs to be treated in a simpler, lower cost model

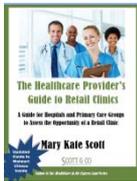
Complement to the medical home

- For patients without medical homes, it's an opportunity to connect them to a PCP
- For patient with a medical home, the visit and record is sent to the PCP – increase with EMRs (2014)

Consumer Preference

- Preference to use clinics given convenience, location, NP

Do retail clinics offer quality care?



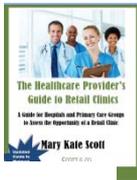
Limited Data - yet indications of high quality

- Retail clinic practitioners adhered to clinical guidelines 99.15% of the time – appropriateness of treatment for strep test (Woodburn, Smith: AJMQ 2007)
- MinuteClinic performance on the Health Plan Employer Data and Information Set (HEDIS) pharyngitis measure is 99.8% (highest in MN)
- Less prescribing of antibiotics (Tennessee BCBS 2007)

Technology as a support to providing quality care

- All retail clinics have electronic protocols that NPs must use, “constraining” them to use evidence based medicine

Who are these clinic operators?



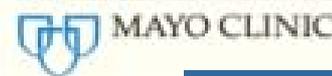
Retailer-Owned Operators

- Retailers purchased clinics to have control over the brand and the rollout
- Clinics as core to their business expansion
- 70% of all clinic sites



HealthCare System-Owned Operators

- 20-25% of all clinic sites



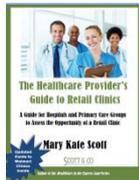
Saint Alphonus

Independent “Pure Play” Operators

- Investor owned
- Few partner with hospitals and create co-branded or joint venture clinics
- 5% of all clinic sites



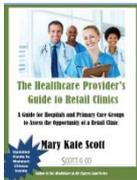
The emerging landscape



- Retailer owned will continue to dominate the market with their strengths from real estate, capital and brands
- **Healthcare providers will be a force** – from ~20% clinics operated by or affiliated with clinics to ~40%+ in next 18 months – or 1800 clinics
- Healthcare providers have **strong local brands, medical community relationships, NPs for clinics, physicians for oversight, and can generate demand**
- **Long term relationship**



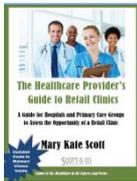
What are a hospital or PCP group's options?



- Integrate the principles of a retail model into your existing PCP operations
- Create own clinic in a retail location
- Create a limited service clinic inside the hospital
- Walmart offer
- Partner with an operator
- Be part of a franchise

Quick Strategic Assessment

6 questions when considering a retail clinic



Strategic

1. What is the physician strategy and how will a retail clinic support this strategy?
2. The goals for the clinic: new patients vs existing? Revenues? Cost reductions?

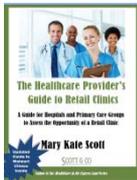
Financial

3. What will be the demand for services – larger markets?
4. What resources can you commit? Capital and operating?

Location

5. If there are location options within their own facility (e.g., near ED)?
6. What is the appetite to work with external partners and/or retailers?

Healthcare system goals for their limited service or retail clinics

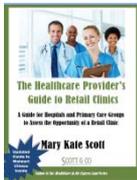


- Improving access and convenience for existing patients
- Creating incremental capacity for new and existing patients
- Attracting a new patient population
- CEO Henderson – of Milwaukee Health Services who recently opened a retail clinic on their goals: “... *we looked at retail clinics defensively and offensively ... we felt they were something we needed to know about and participate in, and we see it as a good adjunct to our current clinics. We aim **to use the retail clinic to bring in new patients to our health center and get them into a medical home with us.***”

The Economics:

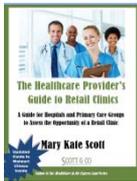
Clinics break even at 12-24 months on a per-store basis, with known medical providers making faster progress

- 85% fixed cost business – labor, space, technology
- Spaces getting smaller – now about 220 square feet, mass merchandisers around 500 square feet
- Leases at “fair market value” ~\$20-60 square foot
- Healthcare system or PCP group economics may be different – particularly overhead given the prior investments in technology, personnel
- Financial tools and details



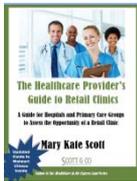
The economics cont'd: Forecasting Demand

Will the clinic generate 20 patients / day?



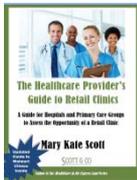
- Consider the overall market size, estimate several sources of demand, consumer interest, as well as understanding patients' alternative care options – **if they don't use a retail clinic where will they go?**
- What is the consumer interest in using a retail clinic given the location, services offered, price, and the brand?
- Existing patients – how many will be suitable for and use the new site? Consider the volume of routine acute care
- Demand from PCP patients? Cash pay? Private insurance? Employers?
- Consider the use of surveys

The economics cont'd: Estimating Resources



- Capital costs – Depends on size and type of facility
 - Construction \$25-50k inside the healthcare facility; \$90-\$120K inside a store
 - Signage and Technology
- Operating costs – Depends on how busy and large the clinic is
 - Labor ~70%
 - Rent, supplies, marketing ~30%
- Revenues – review the demand forecast, estimate the payment per patient (co-payment and reimbursement)

Integrated Excel Spreadsheet Tool



Patient Traffic & Revenue Estimator

 Cells to insert estimates
 Results cells that don't require input
 Final results
 Cells that are automatically calculated and do not require input

Patient Traffic Inputs	Year 1				Year 2	Year 3	Year 4
	Q1	Q2	Q3	Q4			
FQHC							
What % are FQHC patients?	80%	80%	70%	70%	50%	50%	50%
Co-Pay - Average	\$10	\$10	\$10	\$10	\$10	\$10	\$10
Reimbursement	\$50	\$50	\$50	\$50	\$50	\$50	\$50
Sub Total	\$60	\$60	\$60	\$60	\$60	\$60	\$60
Private/Cash							
Mix	20%	20%	30%	30%	50%	50%	50%
Payment	\$70	\$70	\$70	\$70	\$70	\$70	\$70
Patients / Day	10	15	15	20	25	35	40
Number of Working Days /Week	6	6	6	6	6	6	6
Revenue Per Patient	\$62	\$62	\$63	\$63	\$65	\$65	\$65
Annual Revenue Growth (%)	-	-	-	-	0%	0%	0%
Total Revenue	\$44,640	\$66,960	\$68,040	\$90,720	\$507,000	\$709,800	\$811,200

	Year 1				Year 2	Year 3	Year 4
	Q1	Q2	Q3	Q4			
Revenue	\$0,666	\$0,666	\$0,666	\$0,666	\$0,666	\$0,666	\$0,666
Operating Cost	\$39,996	\$39,996	\$39,996	\$39,996	\$39,996	\$39,996	\$39,996
Operating Profit	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Revenue	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333
Operating Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Operating Profit	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
Revenue	\$140	\$140	\$140	\$140	\$140	\$140	\$140
Operating Cost	\$40	\$40	\$40	\$40	\$40	\$40	\$40
Operating Profit	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400
Revenue	\$500	\$500	\$500	\$500	\$2,000	\$2,000	\$2,000
Operating Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Operating Profit	\$500	\$500	\$500	\$500	\$2,000	\$2,000	\$2,000
Revenue	\$2,500	\$2,500	\$2,500	\$2,500	\$20,000	\$36,400	\$46,000
Operating Cost	\$10,000	\$10,000	\$10,000	\$10,000	\$30,000	\$30,000	\$30,000
Operating Profit	\$3,643	\$3,569	\$3,536	\$3,482	\$12,490	\$11,755	\$11,020
Revenue	\$10,000	\$10,000	\$10,000	\$10,000	\$50,000	\$50,000	\$50,000
Operating Cost	\$10,000	\$10,000	\$10,000	\$10,000	\$118,155	\$138,020	\$158,580
Operating Profit	\$0	\$0	\$0	\$0	\$31,845	\$12,000	\$9,420

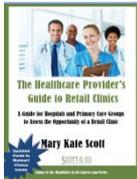
Integrated Cost Tool

This tool incorporates information from the linked worksheets and is automatically calculated

 Cells to insert estimates
 Results cells that don't require input
 Final results
 Cells that are automatically calculated and do not require input

	Year 1				Year 2	Year 3	Year 4
	Q1	Q2	Q3	Q4			
Revenue	\$44,640	\$66,960	\$68,040	\$90,720	\$507,000	\$709,800	\$811,200
Operating Cost	88,039	87,985	87,932	87,878	446,058	455,723	543,580
Operating Profit	(\$43,399)	(\$21,025)	\$108	\$22,842	\$60,942	\$254,077	\$267,620

Walmart offer to hospitals – we create the clinic, you (healthcare provider) staff and co-brand it



- Open in 200 stores by end of 2010
- All with the same brand “The Clinic at Walmart”
- All clinics either operated by hospitals or affiliated with local healthcare providers
- Sites will be located in the front of 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

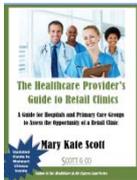
“We have found that our customers trust the quality and care they receive with a local healthcare provider and that this brand loyalty and affiliation can encourage new customers to take that first step and visit an in-store clinic.”



Sean Young

Senior Director of Health Business Development, Walmart

The Walmart Landlord-Tenant Option for Healthcare providers



← Clinic Operator “owns” 50% of the banner

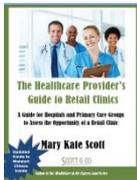
← Clinic Operator “owns” the dark blue part of the signs for the and services

↑ Clinic Operator “owns” the dark blue part of the signs for the mission

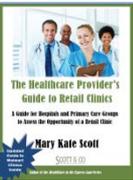
↑ These free standing signs will be replaced with banners

↑ The curved wall and photos are a core part of the design and cannot be changed

The process of securing a Walmart lease



Other options: Go it alone, Partner with an operator or Bellin Fast Care Franchise



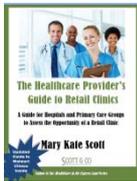
- Go it alone
 - Invest in design
 - Create the retailer relationship
 - Get the operations right
- Bellin – WI healthcare system – created a franchise model

SHOPKO®
my life. my style. my store.



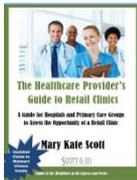
Operational Decisions

The retailer, service scope, partner vs. alone and insurance, staffing



- Drug, grocery or mass merchandise – or a combination?
Tradeoff between store traffic, consumers, market position
- Acute? Preventative? Chronic or wellness programs?
- Geographic – current market – or new geography?
- Partnerships: Walmart “directive”, Bellin “franchise”, partner with an operator, go independent,
 - Decision is based on retail options (customer, brand), operational and marketing help provided
- Insurance: private, public
- How will the clinic be staffed?

Cox Health in Missouri hosts 5 Walmart clinics



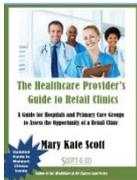
Home → The Clinic at Walmart operated by CoxHealth

The Clinic at Walmart operated by CoxHealth

When you need help for minor illnesses and injuries, you no longer have far to travel.



Saint Alphonus clinics support their mission to serve a broad audience including a safety net population – 70%+ of clinic patients are new

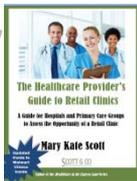


“Our clinics contribute in many ways – supporting our mission, delivering affordable health care in convenient locations (most of our patients are uninsured and do not have a PCP), and contributing to our public image in a positive way.”

Tom Reinhardt
Saint Alphonus



Mayo Clinic opens retail clinic operations –mainly to serve existing patients from busy PCP offices

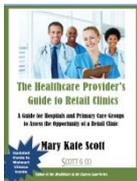


"A couple of years ago, *medical centers thought if they ignored (the trend), it would go away,*" said Tricia Dahl, associate clinic administrator at the Mayo Clinic's Albert Lea Medical Center. *"But patients tell us this is what they want."*

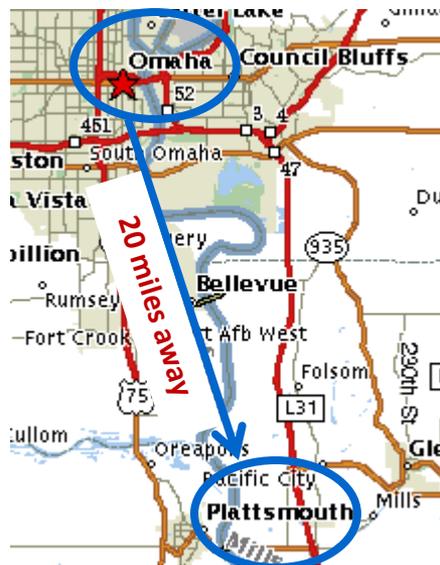
- Break-even in 8 months vs. 18-24 months across industry
- In part due to use of clinics as overflow mechanism by physicians who refer patients during peak office wait times



Alegent uses clinics attract new patients – e.g., opening in Plattsmouth to develop a new markets



Alegent opened a clinic in Plattsmouth 20 miles away from its core Omaha market – this new bedroom community didn't (yet) need a hospital but Alegent wanted this location to bring new patients from a broader area into its network and create future market potential.



Alegent Health Quick Care

Health care located between the chicken noodle soup and the pharmacy.

Welcome to Alegent Health Quick Care, where convenient, minor medical care fits into your hectic schedule. Whether you need a health screening, a status shot or treatment for a minor illness, it's now as easy as going to your local store.

How it works.
No appointments needed. Simply sign in at our clinic located near the pharmacy. The physician assistant or nurse practitioner will see you shortly. After your diagnosis or consulting, follow-up care will be coordinated with your primary care doctor, if needed.

Your healthcare professional.
Alegent Health Quick Care is not meant to replace your primary care physician. It's a convenient location for minor medical services, provided by physician assistants and nurse practitioners, when you need it.

Alegent Health Quick Care Quick Facts

Hours: 14/7c locations
7 a.m. – 7:30 p.m. (Monday – Friday)
Closed 2 – 3:30 p.m. (weekdays)
9 a.m. – 3 p.m. (weekends and holidays)

Retail Locations:
8 a.m. – 7:30 p.m. (Monday – Friday)
Closed 2 – 3:30 p.m. (weekdays)
9 a.m. – 3 p.m. (weekends and holidays)

Payment: Cash, check or credit card. Insurance accepted (starting January 1, 2018).

Patients: Serving ages 18 months and older.

Quick Care does not provide emergency services. For emergencies, dial 911 or go to the nearest emergency room.

Quick Care Services

• Bloodwork	\$50
• Branding	\$50
• Cuts	\$50
• Ear Infection	\$50
• Ear Wax Removal	\$45
• Female Mole/Infection	\$75
• Flu/Shot	\$75
• HIV/ Skin Infection	\$75
• Hives	\$50
• Ink Rem	\$50
• Seasonal Allergies	\$50
• Skin Infection	\$50
• Sun Burn	\$50
• Strep Throat	\$75

Specialty

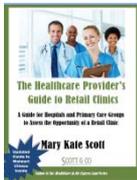
• Cholesterol/Blood Sugar	\$50
• Diaper Rash/Physical	\$50
• Pregnancy Test	\$30
• Sports Physical	\$50
• Tuberculosis	\$75

Adult Immunizations

• Hepatitis A	\$60
• Hepatitis B	\$60
• Hib/Tdap/Polio/Bo	\$60
• Pneumonia	\$60
• Tetanus	\$30
• Meningitis/Polio/Bo	\$50

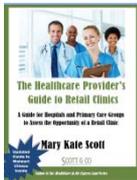
Some services may require a co-pay.

Keys to success for a retail clinic



1. Staffing
2. Business/Patient processes
3. Marketing communications: internal, in-store, in-community
4. Employers
5. Success measures
6. Renew the offer – what is Retail 2.0 and 3.0?

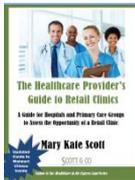
Implementing a retail clinic: Marketing



- 5 target audiences
- Communication vehicles – think micro media
- Working with the medical community and wider community –talk early and often
- Work with the in-store managers, check out operators, shelf stockers; create in aisle display and shelf talkers
- Planning an opening
- Talk with health plans, employers



Employers are embracing clinics for employees families and employment related healthcare

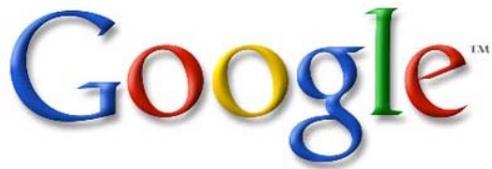
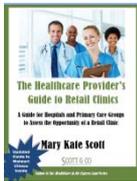


Retail clinic operators are providing a bundle of services to employers including:

- Clinic visits for acute episodic conditions (often after hours)
- Prescriptions at a standard low cost rate
- PBM management including managed generic formulary
- Screenings – related to employment
- Health Screenings for Chronic Care programs
- Chronic care (disease) management with coaching: obesity, smoking, hypertension, cholesterol, diabetes
- Online, email, phone coaching
- Flu shots
- Some may include HDHP insurance, and H.S.A. programs

Retail Clinics 2.0

New technology is creating opportunities for clinics



Intel's home health monitoring

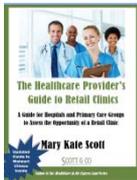


21% of US homes have a BP Monitor



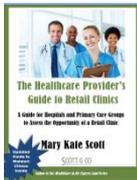
Retail Clinics 3.0

Meeting hospital's broader goals



- Surgical volume
- Patient awareness
- Reduction of uncompensated care in ED
- Re-hospitalization reductions
- Medication adherence
- Social marketing
- Technology adoption

Contact details



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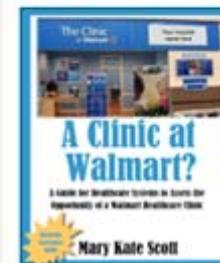
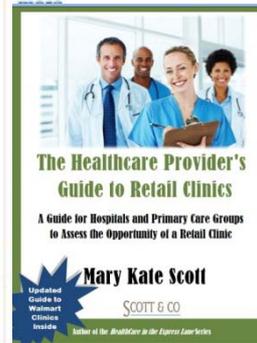
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Retail Dental Clinics
A Viable Model for the Underserved?
Millions of Americans have difficulty obtaining routine, preventive oral health care due to a shortage of conveniently located providers and high out-of-pocket costs. One potential solution: the creation of preventive dental clinics. Similar to retail health clinics, in-store dental clinics would offer a limited scope of basic dental services delivered by appropriately trained dental hygienists or other mid-level staff.

This new CHCF report by Mary Kate Scott, author of two landmark publications about retail health clinics, suggests the business model for these clinics appears promising, with projected costs in line with revenues.

[Click here to download the report and the financial model](#)



A Clinic at Walmart?
This guide and toolkit includes a comprehensive review of the Walmart retail healthcare clinic option for hospitals, healthcare systems and other healthcare providers. This independent report includes the facts and financials, and a guide to the lease process that will inform the decision making of a management team.

This guide will be updated quarterly. Free updates are included during the first 12