

# Retail clinics: *Update and implications*



# Contents

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Foreword	1
Introduction	2
Current retail clinic market landscape	3
Market maturity	4
Growth forecast for 2009-2014	5
Factors critical to wave-two growth and sustainability	6
Looking ahead	10
Conclusion	12
Authors and Contacts	13

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# Foreword



Retail medical clinics are a relative newcomer to the U.S. health care landscape, offering consumers lower-cost, non-urgent health care services in convenient settings such as pharmacies and grocery stores.

The emergence of retail clinics has sparked controversy. In some states and localities, regulators are fearful that it represents a compromise to safe and effective care. In many communities, local physicians have actively campaigned against retail clinic openings and advised patients to seek care elsewhere.

For satisfied consumers, receiving health care services at a retail clinic is an attractive alternative to traditional long waits in a physician's office. As a less costly alternative to primary care physician or emergency room visits, health plans increasingly are covering care at a retail clinic.

This report by the Deloitte Center for Health Solutions, part of Deloitte LLP, offers an update on this emergent innovation, as well as implications for the future.

Respectfully,

A handwritten signature in blue ink that reads "Paul H. Keckley". The signature is fluid and cursive, with a long, sweeping tail that extends to the right.

Paul H. Keckley, Ph.D.  
Executive Director  
Deloitte Center for Health Solutions

# Introduction



In August 2008, the Deloitte Center for Health Solutions, in its report *Retail Clinics: Facts, Trends and Implications*, concluded that retail medical clinics would become a staple of the U.S. health care delivery system: "...retail clinics are not a fad – they are a disruptive innovation with a sustainable value proposition (price, quality, service) that is welcomed by consumers. Stated simply, retail clinics are an important and growing part of the U.S. primary care delivery system."<sup>1</sup>

Two years ago, retail clinics' value proposition seemed solid: convenient locations, low-cost services, and high-quality clinical care for the subset of non-urgent conditions which can be safely treated in a retail setting. However, as is true for many new business models, the path to sustainability is not without risk. Some have characterized the initial wave of retail clinic growth as a bubble likely to burst. Indeed, store closings in 2008 caught the attention of industry observers, while investors challenged operators for stronger returns and business model refinements.

What is the status of retail medicine today? What is ahead? This report addresses these important questions.

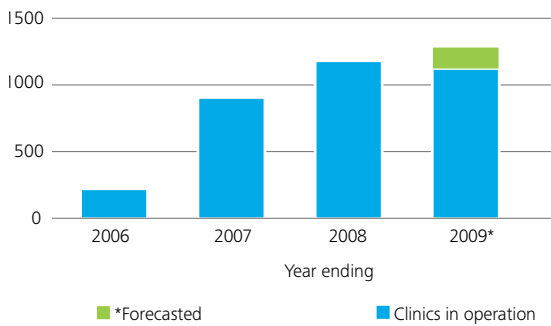
<sup>1</sup> *Retail Clinics: Facts, Trends and Implications*, Deloitte Center for Health Solutions, August 2008

# Current retail clinic market landscape

Growth in the retail clinic market while diversifying to new entrants, has slowed overall. Since July 2008, the number of operators has increased nearly 40 percent, but the number of clinics has increased just 15 percent.<sup>2</sup> This reinforces the “bubble theory” espoused by some industry watchers.

As of July 2009, there were approximately 1,107 retail clinics in operation (Figure 1) in the United States.<sup>3</sup>

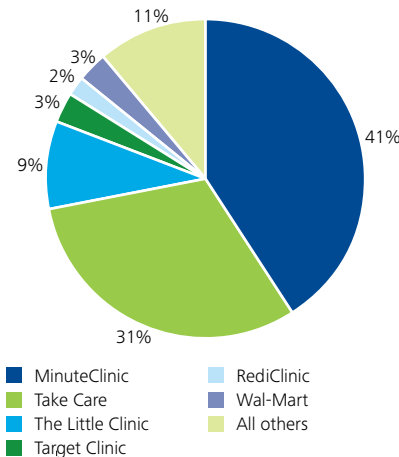
**Figure 1: Total retail clinics in operation**



Sources: *The New York Times*, Merchant Medicine, Deloitte Center for Health Solutions

Two operators, MinuteClinic and Take Care, dominate the market (Figure 2), with 72 percent market share between them, comprised of 451 and 346 clinics in operation, respectively.<sup>4</sup> An additional 17 percent of the market resides with four remaining operators/hosts: The Little Clinic (103 clinics), Wal-Mart (36), Target Clinics (28) and RediClinic (21).<sup>5</sup> Wal-Mart is a hybrid host/operator, self-branding about a third of the clinics and collaborating with local health systems to operate them. In excess of 50 small operators (primarily health care systems operating community clinics) have divided the remaining 11 percent of the market (approximately 137 clinics) among themselves.

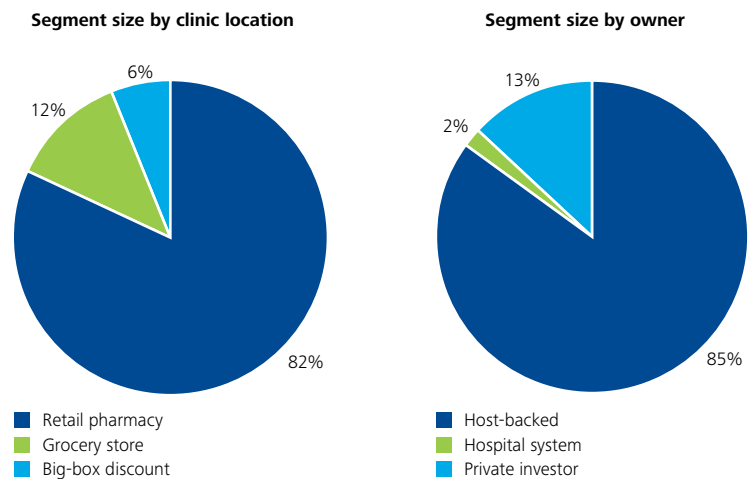
**Figure 2: Retail clinic market share**



Sources: Operators' websites, Deloitte Center for Health Solutions

Most retail clinics operate in retail pharmacy settings (Figure 3) operated as a department or wholly owned subsidiary of the host organization (retail pharmacy, grocery or big-box discount store). Notably, 2009 has seen increased activity by acute care organizations entering retail medicine via contractual arrangements with drug store and grocery chains.

**Figure 3: Clinic locations and owners**



Sources: Largest six operators' websites, Deloitte Center for Health Solutions

<sup>2</sup> Merchant Medicine, July 2008 – May 2009

<sup>3</sup> Merchant Medicine, July 2009

<sup>4</sup> MinuteClinic website (<http://www.minuteclinic.com>) and Take Care website (<http://www.takecarehealth.com>) clinic counts as of July 2009

<sup>5</sup> The Little Clinic website (<http://www.thelittleclinic.com>), Wal-Mart website ([http://i.walmart.com/iff/hmp/fusion/Clinic\\_Locations.pdf](http://i.walmart.com/iff/hmp/fusion/Clinic_Locations.pdf)), Target Clinic website ([http://sites.target.com/site/env/spot/page.jsp?title=clinic\\_home](http://sites.target.com/site/env/spot/page.jsp?title=clinic_home)), and RediClinic website (<http://www.rediclinic.com>) clinic counts as of July 2009

# Market maturity

Retail clinic market growth has slowed from an astronomical 350 percent in 2007 to 30 percent in 2008, and it trended negative (-5 percent) in the first five months of 2009. The economic downturn that began in December 2007 had a chilling effect on retailers; conditions also were challenging for private investors backing start-ups in retail medicine.

Fewer than 150 clinics closed in 2008, and 55 percent of these were linked to smaller retail operators and start-ups that ultimately exited the market.<sup>6</sup> Among established operators, RediClinic continued its contraction, from a high of 50+ clinics in operation in 2007 to 35 in mid-2008 and only 20 clinics remaining by mid-2009.

CVS-owned MinuteClinic shed 27 clinics (primarily those not hosted in CVS stores) and closed 104 underperforming clinics in the first two quarters of 2009, citing “consumer demand” and indicating that the clinics will be open seasonally.<sup>7</sup> The closings were in varied market settings: California lost 16 of its 59 clinics, Oklahoma lost one of four.

Take Care announced it had no plans to close clinics.<sup>8</sup> Instead, the company has assumed the growth driver position that MinuteClinic previously occupied. Take Care will likely double their clinics in operation in just over a year, reaching similar growth rates achieved by MinuteClinic in 2008.<sup>9</sup>

These data suggest that the period of contraction during the current economic downturn might be a “breather” prior to retail clinics emerging with a more refined business model to drive a second, albeit slower, wave of growth. Lessons learned from the first wave include:

- Size matters: The biggest two companies have made their mark and driven the growth of retail clinics in the last three years, while capturing over 70 percent of the market.
- Site matters: Retail clinics operating in retail pharmacies and grocery stores offer opportunities for sell-through of services in addition to prescription fulfillment and over-the-counter health care products. Additionally, consumers appear comfortable in retail settings.
- Season matters (to some): Utilization appears to be cyclical, with MinuteClinic being forced to close over 15 percent of its clinics outside of flu season; this trend will likely prompt a calculated service expansion to ensure that clinics can stay operational 12 months of the year.

<sup>6</sup> Merchant Medicine, <http://www.merchantmedicine.com/uploadeddocuments/Article%20Charts.pdf>

<sup>7</sup> *The Chicago Tribune*, <http://www.chicagotribune.com/business/chi-tc-biz-cvs-clinics-0311mar11,0,4570454.story>

<sup>8</sup> Walgreens Q2 2009 Earnings Conference Call

<sup>9</sup> *The Chicago Tribune*, <http://www.chicagotribune.com/business/chi-thu-notebook-retail-clinics-dec04,0,7047218.story>

# Growth forecast for 2009-2014

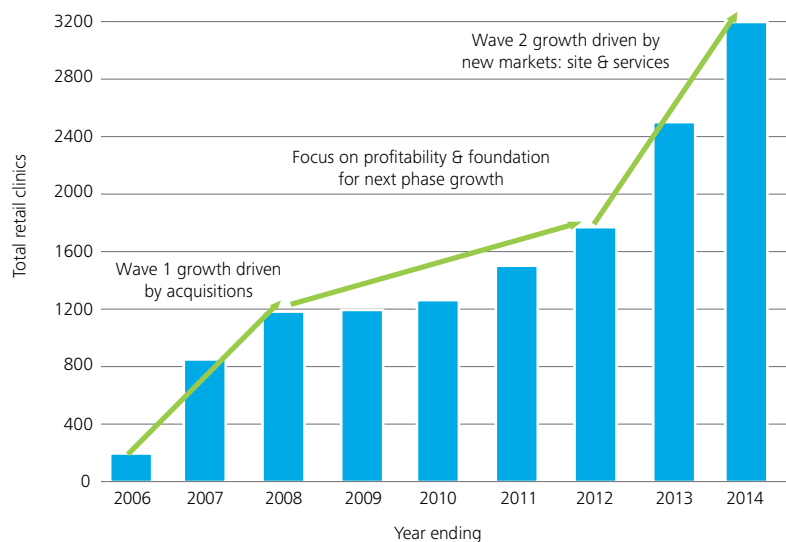
2009 marks a pause between wave one and wave two of retail clinic growth. Cautious growth is likely to resume from 2010-2011 and then accelerate from 2012-2014 (Figure 4).

Despite forecasts from a variety of organizations estimating 5,000 clinics by 2010<sup>10</sup> and perhaps 6,000 by 2012,<sup>11</sup> data suggest those numbers are unattainable in that timeframe. Merchant Medicine, a leading tracker of retail clinic operators, has suggested that the market may, in fact, top out at 4,000 clinics in 2015.<sup>12</sup>

The 65 percent annual growth rate of clinics from 2000-2007 will likely slow to 15 percent from 2008-2009; the growth rate will likely remain at 10-15 percent from 2010 through 2012 and accelerate above 30 percent from 2013-2014.

The next two sections of this paper examine the short-term goals of retail clinic operators and discuss how they can achieve long-term growth.

Figure 4: Estimated clinics in operation



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<sup>10</sup> *Managed Healthcare Executive*, <http://www.managedhealthcareexecutive.com/mhe/article/articleDetail.jsp?id=439158>

<sup>11</sup> California Healthcare Foundation, <http://www.chcf.org/topics/view.cfm?itemID=123218>

<sup>12</sup> Merchant Medicine, <http://merchantmedicine.com/News.cfm?view=24>

# Factors critical to wave-two growth and sustainability

## Profitability and volume

At current demand levels, the retail clinic industry is marginally profitable. Clinics in appropriately targeted locations and settings typically break even in 12-18 months. Visits priced at \$60-\$80 each represent a distinct advantage over primary care physician services but require high patient volumes to break even. MinuteClinic and Take Care have characterized their near-term strategies as cautious, with expected profitability in 2012.

Several studies suggest that retail clinics' patient volume appears strong, based on growing consumer use and acceptance:

- Deloitte's *2009 Survey of Health Care Consumers* revealed that 13 percent of consumers had used a retail clinic in the last 12 months.<sup>13</sup>
- Forrester Research found that 11 percent of consumers had used a retail clinic in the last 12 months (survey period Q2 2008; study released September 2008), up from 5 percent in 2007 and 3 percent in 2006.<sup>14</sup>
- Harris Interactive found that 7 percent of consumers have used a retail clinic (survey period in 2008; study released in May 2008), a level equivalent to 2005 findings.<sup>15</sup>
- The University of Michigan C.S. Mott Children's Hospital National Poll on Children's Health found that nearly 17 percent of parents in communities with a nearby retail clinic had taken their children for a visit (survey period in 2008; study released in August 2008).<sup>16</sup>
- National Business Group on Health's employee survey found that 16 percent of employees of large employers had used retail clinics (survey period in 2008; study released in October 2008).<sup>17</sup>

## Health plan coverage

Deloitte's *2009 Survey of Health Care Consumers* found that 30 percent of respondents are likely to use a retail clinic if it would cost them 50 percent less than seeing their physician. Increasingly, health insurance plans are offering coverage of retail clinic visits in their benefits packages for individuals and employers – "covered lives" is a key to growth:<sup>18</sup>

- MinuteClinic reported that third parties paid for 80 percent of its fourth-quarter 2008 visits, up from 70 percent in the third quarter.<sup>19</sup>
- Harris Interactive found 62 percent of clinic users had their visit covered at least partially by their health insurance, up from 42 percent in 2007.<sup>20</sup>
- National Business Group on Health found that 42 percent of employers provided a benefit for retail clinics in their 2009 Plan Design Survey.<sup>21</sup>

Cost savings, proof of adherence to evidence-based practices and satisfied enrollee use experiences have led to health plans' expanded integration of retail clinics:

- Blue Cross Blue Shield of Minnesota waived co-pays for retail clinic usage in 2008 due to internal studies that showed 50 percent savings per visit, totaling \$1.25 million in savings during 2007.<sup>22</sup>
- A *Health Affairs* study found that for comprehensive treatments (i.e., inclusive of the visit, lab testing and pharmaceuticals) of five basic illnesses, retail clinic visits were \$51 less than a trip to an emergency room and \$55 less than a visit to the primary care physician.<sup>23</sup>

As health plans increasingly sell individual policies and high-deductible products, retail clinic use will likely increase. Some plans are beginning to understand the power of the retail channel for engaging consumers, including Highmark, BlueCross BlueShield of Florida, and others who have opened branded retail stores to offer insurance and additional member services to support enrollee satisfaction.

<sup>13</sup> *2009 Survey of Health Care Consumers*, Deloitte Center for Health Solutions, March 2009, <http://www.deloitte.com/us/consumerism>

<sup>14</sup> Forrester Research, <http://www.forrester.com/Research/Document/0,7211,47211,00.html>

<sup>15</sup> Harris Interactive, <http://www.harrisinteractive.com/news/allnewsbydate.asp?NewsID=1308>

<sup>16</sup> University of Michigan, <http://www2.med.umich.edu/prmc/media/newsroom/details.cfm?ID=527>

<sup>17</sup> National Business Group on Health, <http://www.businessgrouphealth.org/members/secureDocument.cfm?docID=1501>

<sup>18</sup> *2009 Survey of Health Care Consumers*, Deloitte Center for Health Solutions, March 2009, <http://www.deloitte.com/us/consumerism>

<sup>19</sup> CVS Caremark Q4 2008 Earnings Conference Call

<sup>20</sup> Harris Interactive, <http://www.harrisinteractive.com/news/allnewsbydate.asp?NewsID=1308>

<sup>21</sup> National Business Group on Health, <http://www.businessgrouphealth.org/members/secureDocument.cfm?docid=1427>

<sup>22</sup> *Healthcare Finance News*, <http://www.healthcarefinancenews.com/news/blues-plan-supports-retail-health-use>

<sup>23</sup> "Use And Costs Of Care In Retail Clinics Versus Traditional Care Sites," *Health Affairs*, vol. 27, no.5 (2008)

### Marketing and consumer awareness

Despite increased insurance access, consumer awareness of retail clinics remains relatively low and is an issue of concern for operators. For most retail clinics, the sole marketing effort is in-store. Advertising is not part of the promotional mix nor are contractual strategies with employers that might drive wholesale volume. This is changing rapidly, as major operators MinuteClinic and Take Care have overhauled their marketing efforts and are leveraging the advertising space already owned by CVS and Walgreens.

One focus of marketing programs will be the safety and effectiveness of clinical quality in retail clinic settings. Harris Interactive Poll has tracked consumer perception of retail clinics since 2005 and noted in 2008 improvement in a number of metrics:<sup>24</sup>

- 65 percent of consumers agree they are worried about staff qualifications (down from 71 percent in 2005).
- 65 percent of consumers agree they are worried about missed diagnoses (down from 75 percent in 2005).

### Channel expansion: employer sites, big-box discounters

While retail pharmacies and grocery stores are the primary hosts for retail clinics – offering prescription fulfillment services, over-the-counter self-care remedies and convenient settings and hours of operation – other channels might open and facilitate additional growth.

Retail clinics in industrial plants or employer settings offer incremental growth opportunities if no nearby retail settings with clinics are accessible to employees. Several of the major operators are testing industrial site models:

- Walgreens acquired and consolidated CHD Meridian and Whole Health Management with its Take Care retail clinics in a new Health and Wellness division that is split into consumer-facing and employer-facing segments. Recent reports indicate that Walgreens has captured 16-20 percent of the employer-site clinic market through these acquisitions.<sup>25</sup>
- MinuteClinic (CVS) has entered the employer-site market, although at a slower pace than Take Care.

Employer sponsorship of onsite retail clinics is a key factor in their potential growth. By hosting and partially underwriting a clinic's costs, employers have the potential to reduce employee health costs and lost worker time due to long wait times at physicians' offices. One forecast suggested that 32 percent of large employers (those with greater than 1,000 employees) will have onsite clinics by 2009 – a total of more than 2,400 sites.<sup>26</sup>

The employer-site clinic model is somewhat different from the traditional retail channel: typically, hours of operation are fewer and services are limited to primary, non-urgent care. Dispensing is supported through a nearby retail pharmacy, but many additional services might be accessible through an employer-hosted retail clinic.



<sup>24</sup> Harris Interactive, <http://www.harrisinteractive.com/news/allnewsbydate.asp?NewsID=1308>

<sup>25</sup> *American Medical News*, <http://www.ama-assn.org/amednews/2008/04/28/bisb0428.htm>

<sup>26</sup> *Business Week*, [http://www.businessweek.com/magazine/content/08\\_32/b4095000246100.htm](http://www.businessweek.com/magazine/content/08_32/b4095000246100.htm)

Big-box discount department stores offer another channel where in-store customer volume and services for store employees can offer unique opportunities to reduce health care costs and improve care.

- Wal-Mart announced plans to open 400 clinics by 2010 and re-organized its dental, optometric and pharmacy services into a health care business unit.
- Target has announced no expansion plans for its retail clinics and has not grown from its current two markets.

Wal-Mart is partnering with local hospitals to offer retail clinic services and is expected to coordinate these with related health services in its stores (e.g., dental, optometry, and pharmacy).

### Local provider relationships

In the past few years, local hospital systems and medical groups have entered the retail clinic market, typically offering turnkey clinic operational services on an exclusive basis to leverage their brand or protect patient referral patterns. Hospital systems currently have more than 120 clinics in operation, a 60 percent increase from 2008.<sup>27</sup>

The most recognizable health systems now in the retail clinic mix are Intermountain Healthcare (five clinics within grocery stores in Utah),<sup>28</sup> Mayo Clinic (two clinics in Minnesota),<sup>29</sup> and The Cleveland Clinic (primary referral channel for nine MinuteClinics operating in the Cleveland area).<sup>30</sup>

Key to the successful operation of the retail clinic is back-up and ancillary support from a local provider organization that is responsive to its need for a medical director to review charts, manage referrals, oversee quality controls, and write orders for drugs, tests and follow-up care. Increasingly, retail clinics' patient data will likely be warehoused in the electronic health records held by providers. Therefore, retail clinics will necessarily require ongoing collaboration with a local provider organization while resisting pressure to modify their operating model to accommodate "traditional" approaches to care.



<sup>27</sup> Merchant Medicine, February 2009

<sup>28</sup> Intermountain ExpressCare, <http://intermountainhealthcare.org/services/medicalgroup/clinics/expresscare/Pages/home.aspx>

<sup>29</sup> Mayo Express Care, <http://www.mayoclinic.org/family-medicine-rst/express-care.html>

<sup>30</sup> *The Cleveland Plain Dealer*, [http://www.cleveland.com/medical/index.ssf/2009/02/cleveland\\_clinic\\_to\\_supervise.html](http://www.cleveland.com/medical/index.ssf/2009/02/cleveland_clinic_to_supervise.html)

## Additional services

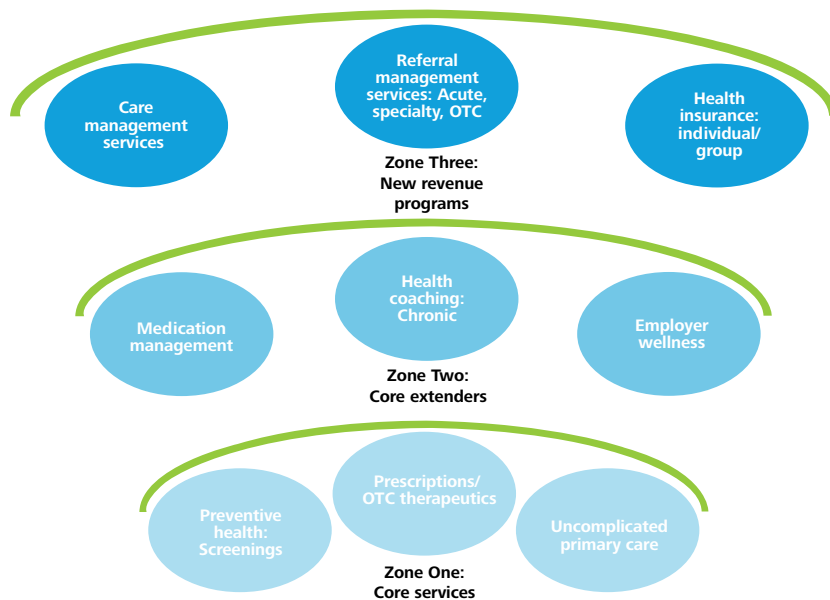
The retail clinic business model is capable of supporting additional revenue streams unrelated to its core operations (i.e., services around a non-urgent primary care visit and prescription dispensing). As illustrated in Figure 5, the evolution of this business model will likely include three sets of services.

In this model, Zone One includes primary care services, contracted diagnostic testing (lab, biometrics, imaging), prescription/over-the-counter (OTC) remedies and basic preventive screenings. Zone Two encompasses pharmacy dispensing and delivery (infusion/injection), optometry, hearing, home health aides, and additional prevention programs around wellness and healthy living. Zone Three services include advanced care/disease management, referral management and health insurance programs (in partnership with a health plan/employer).

Some major operators appear to be moving toward Zones Two and Three, based on recent developments:

- Take Care's announcement that it had abandoned its agreement with the American Academy of Family Physicians (AAFP) to limit its services has been widely viewed as a move toward increasing its scope.<sup>31</sup> For example, Take Care is piloting chronic disease management<sup>32</sup> as well as injection and infusion services.<sup>33</sup>
- MinuteClinic provided 700,000 flu shots at its locations last year.<sup>34</sup> Take Care likely provided a similar number, with parent company Walgreens stating that its retail pharmacies administered 1.1 million flu shots.<sup>35</sup>
- Several of the major multi-unit operators, including MinuteClinic, now provide obesity screenings, smoking cessation and injectables training.<sup>36</sup>
- RediClinic offers injection services, including steroids for allergies, B-12 for energy and Rocephin for infections.<sup>37</sup>
- Walgreens consolidated its health offerings into the "Complete Care and Well-Being" product and is marketing this directly to employers.<sup>38</sup>

Figure 5: Evolving retail clinic business model



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Retail clinic operators will likely continue to expand their chronic care management programs. Routine chronic care for individuals between the ages of five and 74 represents at least another nearly 130 million physician visits per year.<sup>39</sup> Medication use, routine interaction with primary care providers, lab tests and lifestyle coaching are central to chronic care programs, so retail clinics might easily contract with local/national lab services to provide a per-member, per-month service billable to plans or employers.

Finally, in Zone Three, the management of primary care relationships increases the potential for direct-to-employer insurance programs, either in partnership with health plans or independently.

<sup>31</sup> American Academy of Family Physicians, <http://www.aafp.org/online/en/home/publications/news/news-now/professional-issues/20080723retail-q-a.html>

<sup>32</sup> Walgreens Q3 2009 Earnings Conference Call

<sup>33</sup> Walgreens Q2 2009 Earnings Conference Call

<sup>34</sup> CVS Caremark Q4 2008 Earnings Conference Call

<sup>35</sup> Walgreens Q1 2009 Earnings Conference Call

<sup>36</sup> CVS Caremark Q3 2008 Earnings Conference Call

<sup>37</sup> *Houston Business Journal*, <http://houston.bizjournals.com/houston/stories/2009/03/16/daily7.html>

<sup>38</sup> Walgreens, [http://news.walgreens.com/article\\_display.cfm?article\\_id=5137](http://news.walgreens.com/article_display.cfm?article_id=5137)

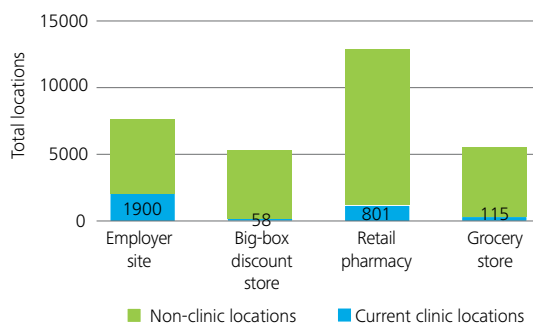
<sup>39</sup> Centers for Disease Control and Prevention, National Hospital Ambulatory Medical Care Survey: 2005 Summary, <http://www.cdc.gov/nchs/data/ad/ad387.pdf>; Total low-acuity visits were subtracted from total routine chronic care visits to eliminate any overlap – potential market is likely in excess of 200 million visits for routine chronic care alone

# Looking ahead

## Wave-two accelerators

The market potential for retail clinics remains strongest in retail pharmacies but employer sites, big-box discount stores and grocery stores have expansion opportunities if these channels selectively leverage services in Zones One, Two and Three (Figure 6).

Figure 6: Potential retail clinic locations



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It is possible that industry will grow at a gradual pace of 20 percent annually, with several factors driving this growth:

- **Economic recovery:** Retail sales will likely grow as the economy recovers. As consumer spending increases, customer traffic and sales-per-visit to retail sites should also increase.
- **Health plan coverage:** Health plans are likely to increasingly encourage retail clinics as a care option and, in some cases, waive or tier co-payments to encourage enrollee use.

- **Consumer awareness and acceptance:** One of three consumers indicates that they are willing to use a retail clinic, especially younger and middle-aged working adults.<sup>41</sup> These consumers are receptive to services in Zones Two and Three, and are commercially insured.
- **Health reform:** Although not directly implicated in current reform efforts, the likely outcome of a health reform bill is increased investment in preventive health services and increased demand for primary care services (especially as large numbers of previously uninsured consumers participate in subsidized health insurance plans). Retail clinics have the potential to accommodate pent-up demand for primary care services and benefit from additional Zone Two (preventive) services.

## Wave-two deterrents to growth

**Workforce supply and compensation inflation:** Aligned to growth forecasts, retail clinic operators will need to increase employment of nurse practitioners (NPs) and physician assistants (PAs) from approximately 3,000 full-time equivalents (FTEs) by the end of 2009 (average 2.5 FTEs per clinic<sup>42</sup>) to 6,500 FTEs over the next four years. Currently, an estimated 6,000 NPs enter the workforce per year,<sup>43</sup> as well as an additional 4,600 PAs.<sup>44</sup> Retail clinics, on average, would look to employ approximately 10 percent of the new graduates each year. However, using historic rates of NPs and PAs employed in primary care, retail clinics' capture rate would need to increase to approximately 15 percent. Current unemployment in both professions is low and, in fact, employment opportunities for the nursing<sup>45</sup> and PA<sup>46</sup> professions are expected to grow much faster than average. This suggests that short-term demand for these practitioners will be high, even in the face of the current economic downturn. Retail clinics may experience margin erosion if they elect to pay a premium to acquire 35 percent of new graduates or lure existing practitioners away from their current positions.

<sup>40</sup> Locations are meant to be representative and only include retail clinic hosts prevalent today, including: Wal-Mart (big-box), Target (big-box), CVS (pharmacy), Walgreens (pharmacy), Publix (grocery), Kroger (grocery), H-E-B (grocery) and Safeway (grocery)

<sup>41</sup> 2009 Survey of Health Care Consumers, Deloitte Center for Health Solutions, March 2009, <http://www.deloitte.com/us/consumerism>

<sup>42</sup> Convenient Care Association, Interview on February 16, 2009

<sup>43</sup> American Academy of Nurse Practitioners, <http://www.aanp.org/NR/rdonlyres/51C6BC0F-F1C0-4718-B42F-3DED6C6F5F635/0/AANPNPFacts.pdf>

<sup>44</sup> American Academy of Physician Assistants, <http://www.aapa.org/glance.html>

<sup>45</sup> Bureau of Labor Statistics, U.S. Department of Labor, *Occupational Outlook Handbook, 2008-09 Edition, Registered Nurses*, <http://www.bls.gov/oco/ocos083.htm>

<sup>46</sup> Bureau of Labor Statistics, U.S. Department of Labor, *Occupational Outlook Handbook, 2008-09 Edition, Physician Assistants*, <http://www.bls.gov/oco/ocos081.htm>

**Price pressures from new entrants:** Primary care visits offered by “cheaper” models represent a risk factor to retail clinics. For example, American Well uses web technology to deliver cyber-primary care visits via the Internet at \$45 without insurance for 10 minutes, providing consumers with convenient access to health care. Insured visits are priced at \$10 for 10 minutes.

**Regulatory pressures:** Retail clinics face an understandable level of uncertainty about regulatory developments that might mitigate their growth. Among major challenges will be scope of practice issues related to their professionals, liability issues related to the safety and effectiveness of medical management programs, licensing and accreditation challenges, and others. In many states, regulatory challenges have slowed growth or impeded retail clinics from opening:

- Massachusetts: MinuteClinic was granted approval to open 14 clinics in the state after a lengthy process prolonged by the state medical society. The mayor of Boston, Thomas Menino, vehemently opposed the opening of any clinics.<sup>47</sup>
- Indiana: Had it passed, Senate Bill 216 would have required retail clinics to be JCAHO-accredited, provide separate entrances for the clinic, convey a retail clinic patient’s record to their primary care provider, and develop emergency response procedures. The Senate referred the bill for study prior to eventually pulling it.<sup>48</sup>
- New Hampshire: House Bill 422 sought to limit retail clinics’ scope of service to preventive and wellness care. This bill has not made it out of committee.<sup>49</sup>
- Texas: Recently passed legislation in this state actually improved the scope of practice for nurse practitioners and reduced physician supervision. Companion bills in the Senate (532) and House (800), which took effect on September 1, 2009, sought to lower onsite physician supervision from 20 to 10 percent of total operating hours and increase the number of practitioners who could be supervised.<sup>50</sup>



<sup>47</sup> *The Boston Globe*, [http://www.boston.com/business/healthcare/articles/2008/06/12/walgreens\\_plans\\_clinics\\_to\\_rival\\_cvss/](http://www.boston.com/business/healthcare/articles/2008/06/12/walgreens_plans_clinics_to_rival_cvss/)

<sup>48</sup> Indiana Academy of Family Physicians, <http://www.in-afp.org/14a/pages/index.cfm?pageid=3291>

<sup>49</sup> New Hampshire General Court, <http://www.gencourt.state.nh.us/legislation/2009/HB0422.html>

<sup>50</sup> Texas Legislature, <http://www.legis.state.tx.us/tlodocs/81R/billtext/html/SB00532F.htm>

# Conclusion



Retail clinics represent a new channel to deliver primary care services more conveniently and at lower cost to consumers. Clinic services are safe and effective, due in large measure to medical management programs that are evidence-based and supported by electronic medical records.

As a new entrant, retail clinics represent a threat to many traditional health care industry stakeholders; however, to consumers, health plans and employers they offer an important care alternative with a strong value proposition.

We expect this new sector to mature while growing its scope of services, locations and impact on population-based health status. Meanwhile, the emergence of retail clinics presents challenges and benefits to others in the industry:

- For local physicians and hospitals, developing a retail strategy that offers competitive pricing, services and value propositions to health plans, employers and consumers will be a requisite.
- For health plans, data suggests that retail clinics are here to stay; they can be safely promoted to enrollees/employers as a valuable part of benefit design.
- For consumers, retail clinics offer an alternative to inaccessible primary care services, inappropriate visits to emergency rooms and unnecessary health care expenditures.

In conclusion, the growth and evolution of retail clinics reflect opportunities for disruptive innovation and an improved value proposition for the U.S. health care system.

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