

IN-STORE CLINIC OPERATOR PULLS OUT OF OREGON MARKET

Despite the outcome in Portland, experts predict today's 180 in-store clinics across the country will jump to 2,000 in 2009

By Tyler Chin, AMNews staff, October 30, 2006

Take Care Health Systems LLC, a major operator of in-store clinics, has exited the Oregon market after concluding it couldn't earn a profit there. But observers don't expect the news to cool off the red-hot growth of in-store clinics across the country.

On Sept. 28, the Conshohocken, Pa.-based company closed clinics it operated out of half-a-dozen Rite Aid drug stores in Portland, Ore.

"What we found after operating there for close to a year was that there wasn't as much of an access to [care] problem as in other markets," said Lauren Tierney, a spokeswoman for Take Care Health Systems. "In turn, there was a lack of patient demand, which made it unsustainable for the business model."

Along with Kansas City, Kan., Portland was one of two markets Take Care Health Systems selected in July 2005 to test the concept of using nurse practitioners to treat minor conditions on a walk-in basis at retail sites.

The concept has become one of the hottest trends in health care in the past year as retailers such as Wal-Mart Stores Inc., Walgreen Co. and Target have increasingly leased space to clinics staffed by physician extenders. The stores have made the move to enhance customer service, and drive sales of prescriptions and nonprescription goods. Based on the expansion plans of major operators in the field, some experts estimate there will be 2,000 clinics in 2009, up from about 180 as of early October.

Rite Aid continues to be committed to the in-store clinic concept. The Camp Hill, Pa., company, which recently announced it will open nine clinics in California, plans to partner with another company to reopen clinics in Oregon.

The decision to shut down the Portland clinics was solely Take Care Health Systems'. "We believe that there is always a need for convenience, affordable quality health care and access to quality health care," said Rite Aid spokeswoman Jody Cook. "The decision to open these pilot programs ... was a joint decision that was made after executives from both companies visited the market, visited the stores, did market research and demographic research."

And Take Care Health Systems continues to back the idea of in-store clinics as well. "We have full confidence in our model, we know what enables success and we still have a strong commitment and desire to expand across the country and to deliver upon the need for access and affordable health care," Tierney said. The company plans to operate 49 clinics in Kansas City, St. Louis, Pittsburgh and Chicago by Dec. 1. It still anticipates opening 100 clinics by July 2007 and 1,000 by 2009.

Demand in other markets

Take Care's pullout represents a setback specific to that company, but it won't curtail investors' willingness to financially back expansion plans for clinics, said Mary Kate Scott, principal at Scott & Co., Los Angeles, who teaches about new health care business models at the University of Southern California's Marshall School of Business.

The investment is being fueled by what Scott calls two "irreversible trends" -- the shortage of primary care physicians and consumers paying more for their health care.

These trends make the clinics an appealing alternative to investors -- and consumers -- because they offer a way to address health care access and affordability issues, Scott said. "We'll see these clinics in one form or another. I don't think that they are going to go away," she said.

Still, Take Care's experience in Oregon offers a lesson, some say.

"The lesson I'd take from it is location, location, location. That's rule No. 1 for retail businesses. You have to be some place where you will get enough volume [of patient visits] to break even," said Regina Herzlinger, professor of business administration at Harvard University School of Business in Boston.

Because Take Care's business model is built on nurse practitioners delivering care and has fixed labor, space and technology costs, its decision suggests that "either their costs were too high and/or they couldn't generate the volume to break-even," Herzlinger said.

Because of the reason the company gave for its pullout, "it seems like it's the latter -- that they were located in areas where there was so much physician coverage that they just couldn't generate the walk-in volume they needed to break even."

Tierney confirmed that was the case. Abundant competition from physicians and other health care practitioners led the company to downsize the number of clinics at Rite Aid stores to six from 10 several months ago and, ultimately, throw in the towel in Oregon.

"We found that when people weren't healthy or felt the need to get care, they were able to get it [outside our clinics]," she said.

The Oregon Medical Assn. had no comment about Take Care's withdrawal from the state, OMA spokeswoman Paige Webster said. In general, however, the society and its members are concerned that patients could use the clinics as a substitute for primary care physicians, she said.

The medical association also is concerned that in-store clinics don't provide the same quality of comprehensive care that physicians provide, Webster said.