INSIDE CONSUMER-DIRECTED CARE

CDH, Health Plan Partnerships Help Fuel Dramatic Growth of Retail-Based Clinics

By Steve Davis, October 13, 2006

2007 is shaping up to be a monumental year for retail-based "convenience clinics." The anticipated industry boom, clinic operators say, will be fueled in part by the growth of account-based CDH plans.

The one- or two-room clinics — with names such as MinuteClinic, Take Care and QuickHealth — have been springing up in pharmacies, grocery stores and "big-box" retail stores around the country for the past several years. While fewer than 200 such stores are in operation today, that number could grow tenfold — or more — over the next few years, industry executives say.

The clinics, typically staffed by a physician assistant or a registered nurse practitioner, charge a fixed price for a variety of routine medical services, including physical exams, strep-throat tests, flu shots and other immunizations. Most treatments cost less than $50. The relatively low-cost services appeal to patients who want to conserve their health savings account (HSA) or health reimbursement arrangement (HRA) dollars.

Case in point: CDH enrollees were twice as likely to visit a convenience clinic as were people enrolled in a more traditional health plan, according to a member survey conducted by Blue Cross and Blue Shield of Minnesota. Between June 2004 and May 2005, the insurer says, its members made 22,956 visits to MinuteClinic locations. The average visit was $43 — about half the cost of a typical physician office visit ($87), according to the Minnesota Blues plan. According to claims data, the Blues plan paid about $1.13 million for the retail clinic visits. Minute-Clinic, Inc., based in Minneapolis, helped launch the convenience clinic concept in 2000, and was acquired in September by CVS Corp.

Clinics Hope to Catch 'CDH Wave'

"Consumer-driven health is the big wave we're hoping to ride," says Alan Lotvin, M.D., CEO of Southfield, Mich.-based Care Clinic, Inc. Also driving growth, he adds, are the expanding uninsured and underinsured populations. The clinic chain, one of the newest in the market, was launched by Arcadia Resources, a publicly traded provider of home health care and staffing services.

"I certainly think [CDH] is part of the equation, but there is also a growing sense of empowerment, which is something that has never really existed before in health care," adds Tom Charland, a former MinuteClinic vice president who was recently named CEO of Minneapolis-based NOW Express Care. Unlike most retail clinics, NOW Express is not backed by venture capitalists. Rather, the company works as a franchisor, and its clinics are owned and staffed by local medical providers. Some hospital systems, such as Milwaukee-based Aurora Health Care, have launched their own retail clinics. On Oct. 9, Aurora said it would open QuickCare clinics within several Wisconsin Wal-Mart Supercenter stores. Aurora says it has QuickCare sites in Wisconsin.

Too Many Too Soon?

Some industry observers predict thousands of convenience clinics will be up and running over the next three years. MinuteClinic already has more than 90 clinics in 14 states. Last October, the firm said it operated 40 clinics and had just 15 locations at the beginning of 2005. Now that it's a CVS subsidiary, the clinics are likely to open at an even faster pace. RediClinic says it will build 75 new clinics over the next nine months and will have 500 locations by 2009. Take Care Health Systems, a

Conshohocken, Pa.-based clinic chain, says it will open an average of one new clinic a day in 2007 with a goal of 200 clinics by the middle of the year. The venture capitalbacked firm — which secured $77 million in funding last February — has 22 locations and plans to open seven clinics in Pittsburgh over the next few weeks. Care Clinic's Lotvin says his company's 31 clinics, which it will open between November and early 2007, are all in some stage of construction.

But consumers might not yet be ready to support that many new clinics, which can cost as much as $60,000 each to open. Mary Kate Scott, a consultant who recently wrote a paper about retail clinics for the California HealthCare Foundation, says very few clinics have turned a profit. To break even, they need to see between 18 and 25 patients each day, she tells *ICDC*. "That's a lot. In theory, they can see four patients an hour or 50 a day. But to attract patients, they have to change consumer behavior to accept a different type of provider, a new care setting and a willingness to pay more out of their own pockets with cash rather than insurance and copayments," she says.

Last month, Take Care closed 10 clinics in Portland, Ore. Kate Ferris, chief marketing officer, says Portland was a test market for the company that didn't pan out. "The perception among many residents was that it was fairly easy to get in to see a doctor." People who perceive long waits are more likely to visit a retail clinic, she adds.

It can take time for people in a community to notice a clinic tucked in the back of a grocery store or pharmacy, says Web Golinkin, CEO of InterFit Health, the Houston-based company that launched RediClinic in 2004. "And it takes even longer before the ones who notice you come down with strep [throat]," he adds. Last October, Washington, D.C.-based Revolution Health purchased a minority position in InterFit, which bills itself as the nation's largest provider of retail health screenings and immunizations.

Another factor that could limit the growth of retail clinics is the labor market. In Boston, for example, nurse practitioners are in high demand and cost about $100,000 a year, according to Scott. "If the labor costs are too high, the business model falls apart," she says. Lotvin agrees that finding and retaining nurses is one of the key hurdles that retail clinics face. However, Lotvin's parent company, Arcadia, specializes in recruiting nurses.

Health Plans Partner With Clinic Chains

About 40% of clinics now accept health insurance. Humana Inc., Aetna, Inc., CIGNA Corp. and UnitedHealth Group all have recently inked deals with retail clinic chains.

Aetna, which has a partnership with RediClinic, has been adding clinic locations to its online provider directory. Aetna requires its retail clinic partners to have a licensed physician to act as the medical director and to be on call during the clinic's hours of operations.

"Health plans have done their homework and understand that [convenience clinics] can help them control costs," says Lotvin. While Care Clinic is still a month away from opening its first clinics, Lotvin says he's already had preliminary discussions with some health plans and hopes to partner with insurers in every region the company opens a clinic.

But the partnerships could cause some payment challenges for health plans and for clinics. Health plans, Scott explains, operate under very complex systems, while retail clinics rely on simple payment systems.

"That's a huge cultural change and a new approach" for health plans, she says. "But there are so few clinics today that health plans see [the partnerships] as a pilot project."

For clinics, there is the threat of paperwork, which can account for as much as 30% of a physician office's expenses, Scott says. While clinic operators admit payment delays could be a problem, they insist they can keep paper out of the system and work with health plans to ensure that claims are paid within 30 days.

Marshall Maran, Take Care's senior director of strategic alliances, says retail clinics can help health plans develop more efficient electronic payment systems. "The Holy Grail for health insurers is real-time claims adjudication. We help facilitate that because 100% of our claims are [submitted and paid] electronically," he explains.