

WALGREENS PLANS TO EXPAND IN-STORE CLINICS

The company's projected additions nearly match the industry's total growth last year.

By Tyler Chin, AMNews staff, January 29, 2007

The in-store clinic industry ended 2006 with a few whimpers, but 2007 is looking to be a boom year.

Walgreen Co. kicked it off by announcing on Jan. 10 that it would expand the number of in-store clinics from 50 to 252 by the end of August. That mirrors the growth of the whole industry in 2006, during which the number of clinics grew to 255 from 62 in 2005, according to Mary Kate Scott, principal at Scott & Co., which last year wrote a report about in-store clinics for the California HealthCare Foundation. The gain came despite a few companies pulling out of either certain markets, or going out of the business all together, because of financial considerations.

Major retailers, such as Wal-Mart Stores and Target, are planning to expand the number of in-store clinics. These clinics generally are operated by outside contractors and have nurse practitioners or physician assistants seeing patients for minor ailments, with the backup of a physician on call for questions. However, QuickHealth Inc., one of Wal-Mart's outside contractors, is retaining physicians to staff its in-store clinics. The company says it's planning to expand beyond the six California clinics it operates today.

"These clinics are still a nascent business, and they are all trying to work out what is the right business model," Scott said. Some are focusing on offering a narrow set of services and working to get insurers to cover the services; others are offering a greater set of services, including wellness, to reach a wider customer base, she said.

Walgreen is expanding the number of clinics because it is "seeing a good early response to the clinics we've opened," said Michael Polzin, company spokesman. It currently works with Take Care Health Systems, InterFit Health, RediClinic LLC and Care Clinic, and those operators will be part of the expansion, he said.

But while the overall number of in-store clinics is booming, there have been some recent casualties.

On Nov. 17, 2006, WellnessExpress Medical Clinic shut down the three in-store clinics it operated in Long Drug Stores in northern California because it ran out of cash, CEO Paul Kaufmann told the San Jose Mercury News. Founded by physicians and investors in 2005, the San Ramon, Calif., company is seeking funding to reopen, said Wesley P. Chan, MD, MPH, WellnessExpress president and an occupational medicine physician in Walnut Creek, Calif. Dr.

Chan referred additional questions to Kaufmann, who did not respond to two telephone requests for comment.

Also, last September, Take Care closed six clinics in Portland, Ore., because they weren't attracting enough business.

But experts said clinic closings by Take Care and WellnessExpress, both of which use nurse practitioners to treat patients with minor conditions on a walk-in basis, are an anomaly.

For example, QuickHealth plans to have 25 to 30 clinics by the end of the year in California, including the six it already operates at Wal-Mart, Longs Drug Stores and Farmacia Remedios drug stores in that state, said Dave Mandelkern, the company's CEO. Depending on financing and the plans of the retailers it works with, QuickHealth, which targets the uninsured and charges \$39 for a doctor's visit, may expand outside California as early as the end of 2007, he said.

Regina Herzlinger, professor of business administration at Harvard University School of Business, is skeptical that clinics staffed by physicians will be successful, based on the financial failure of a chain of physician-staffed, for-profit clinics that located in shopping malls in the 1980s and 1990s.

But Mandelkern believes that the physician model is actually less costly than the nurse practitioner model, in part because doctors can see more patients than do nurse practitioners, who are restricted by states as to what conditions they can treat.

The AMA has policy stating that retail clinics are consistent with its belief in multiple entry points for patients in the health care system, although it acknowledges that the clinics are controversial among physicians.