

BUSINESS 2.0

RETAIL THERAPY

*Diagnosis: Consumers are balking at spiraling medical bills and long waits for treatment.
Prescription: In-store medical clinics for low-priced basic care.*

By Sidra Durst, October 11, 2006

Concerned that she might be having an allergic reaction to bedbug bites, Michaela Ryfa wanted immediate medical attention. But instead of calling one of Manhattan's thousands of doctors, she ducked into a Duane Reade drugstore on her lunch break.

Within minutes she was ushered into a RediClinic examination room at the back of the store, where a nurse practitioner checked the 21-year-old dance instructor's vital signs and treated the welts on her arm. Total time: 30 minutes. Cost: \$45.

"It was quick, easy, and took care of the problem. And I wasn't in the emergency room all day," Ryfa said as she bought a tube of Benadryl on her way out of the store.

More people are adding health care to their shopping lists, as walk-in medical clinics pop up in Wal-Marts, drugstores, and other retail outlets. Typically staffed with nurse practitioners or physician's assistants, these so-called convenience clinics -- there are about 160 of them nationwide -- treat routine ailments, give blood tests, and perform minor procedures like removing stitches.

The appeal to consumers: low prices, fast service, night and weekend hours, and no insurance hassles. The appeal to entrepreneurs: Analysts think there's room for at least 2,000 basic-care outlets in a market expected to be worth \$900 million by 2011.

A prescription that makes sense

The spread of in-store medical centers with mix-and-match names like MinuteClinic and QuickClinic represents a growing opportunity to cater to consumers fed up with skyrocketing insurance premiums and overcrowded doctor's offices.

The numbers tell the story: Spending on health care jumped 8 percent in 2004, while the number of Americans without insurance hit a record 46.6 million last year. No surprise that Fortune 500 companies like Best Buy and Black & Decker encourage employees to use MinuteClinics, or that insurers are increasingly willing to cover the lower costs of convenience clinic visits.

Employers, meanwhile, are allowing workers to trade conventional medical plans for 401(k)-style health savings accounts that let them decide where to spend their health-care dollars. In other words, we're all heading out of network.

It's a sign of the changing healthcare market that convenience clinic executives are more likely to have spent their careers pushing product than toiling in corporate medicine. For instance, former Arby's CEO Michael Howe runs Minneapolis-based MinuteClinic. (Its slogan: "You're sick. We're quick.")

Paul Mango, who heads McKinsey's healthcare practice, says drop-in clinics are "truly becoming a retail-oriented business."

An ATM for easy care

That's apparent when you walk into a WellnessExpress Clinic in the back of a Longs Drugs in Davis, Calif.

There's no receptionist -- you sign in at a computer in the waiting room. Prices for procedures are neatly displayed on the wall like menu options at, well, an Arby's: hepatitis B shot (\$67), physical (\$59), suture removal (\$38). For the retailer, a clinic brings in rent money and extra revenue from shopping patients. Even health insurers are going retail. AtlantiCare, the largest healthcare system in southeastern New Jersey, has begun opening clinics in grocery stores.

Howe compares the clinics to the advent of the ATM, which made banking transactions quick and easy. Of course, he says, "just like you don't go to an ATM for a business loan, you don't go to a MinuteClinic for an appendectomy." For the most part, the clinics are targeting the same bargain-minded working-class customers who frequent Wal-Mart, as well as middle-class convenience shoppers. About 40 percent of clinics nationwide accept insurance.

The challenges of starting a clinic vary.

For instance, some states require physician oversight of nurse practitioners, which means clinics need to hook up with local doctors. Clinics that accept insurance face higher back-office costs. Securing space in a high-traffic store is crucial, of course. And then there's the attitude of the medical establishment--the clinics raise alarm among some physicians.

"[These new clinics] have to be very cautious about taking care of people who are older, on lots of medications, or have chronic diseases that may complicate procedures," says Larry Fields, president of the American Academy of Family Physicians.

But the upside is alluring, and healthcare consultant Mary Kate Scott says a profitable clinic -- staffed by one to three people -- generates \$500,000 to \$1 million in revenue. The opportunity grows if clinics start treating chronic conditions, a potential \$9 billion market, according to Scott.

"There's a lot of room for entrepreneurs in this area," she says. "Every one of these clinics is in test mode -- no one has figured out a winning business model yet."