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Letter from the Chairman: Tracking Healthcare Trends: Retail Medicine



In this issue, we discuss another in a continuing series of issues that are very topical and of interest to West Virginia physicians, that being retail medicine. While we live in an overall rural state, thereby making this trend affect us less than in more urban areas at this juncture, it is clear that it is an evolving and increasing phenomenon. Over the past several years, the number of private equity company deals involving retail health companies have increased by 34% annually, as reported in Forbes in April 2018. Indeed, proposed mega healthcare company mergers will almost certainly impact physicians nationwide if they go through. One such merger is the Aetna and CVS deal, which has the potential to vastly increase CVS's MinuteClinics around the country and in West Virginia. It bears noting that the AMA has gone on record as opposing this merger, primarily

because of a concern about the potential impact on pharmaceutical costs by limiting patient choice. Walmart has expressed an interest in merging with Humana, which would make the combined company significantly larger than the current number 1 health plan, UnitedHealth, in terms of annual revenue. As is obvious, Walmart has a potential distribution system for retail clinics that is second to none with a built-in pharmacy network giving one-stop shopping. It should be of interest to all of us that Amazon, Berkshire Hathaway, and JPMorgan have announced plans to form an independent healthcare company for their employees in the US. The combined financial strength of these 3 entities is staggering, and the impact on the market could be monumental. However, I am old enough to remember previous attempts to redefine the healthcare marketplace by business leaders of the past. Notably, Lee Iacocca, he of automotive industry fame and giant ego, boldly predicted that business leaders in the 80's and 90's would be readily able to "fix" the healthcare industry by applying sound business principles. Many years later, we still have an essentially broken system, so it is clear that disruptive change in our industry will be difficult but certainly not impossible.

What does all of this mean for practicing physicians in our state, particularly primary

care physicians that are the most vulnerable to commercial sector retail clinics? Indeed, studies have shown that younger Americans, particularly millennials, demand flexibility regarding when and where to see a physician about medical problems, instead of what have been normal business hours for medical appointments in the past. However, while many Americans do seek care in such settings for relatively non-complex issues such as immunizations, sore throats, and other less serious complaints, it is clear that the vast majority still prefer an ongoing relationship with a private practicing physician for management of more significant problems, especially chronic disease care. Also, studies have shown that retail clinics, particularly urgent care centers, staffed by mid-levels are far more likely to prescribe antibiotics inappropriately for minor conditions, so quality of care is an issue for all of us.

Please be reassured that your Mutual will continue to monitor important healthcare trends such as this one, and that we always have your best interests at heart, since we are *Physicians Insuring Physicians*.



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Retail Medicine Emergence and Impact on Primary Care



There are many news stories about the expansion of healthcare in the retail setting. Retail health clinics can be described as walk-in clinics that operate within pharmacies, grocery stores and other retail establishments with high consumer traffic. This expansion is driven by not only improving care and efficiency, but also in response to healthcare consumerism. This article will review some of the advantages and challenges of retail clinics, discuss recent mergers and acquisitions and discuss the impact on primary care offices.

Advantages to Retail Medicine

There are thousands of these clinics operating in nearly every state. We have not seen a significant proliferation of retail clinics in West Virginia, however, there has been growth of urgent care clinics, as well as traditional offices that have expanded hours or added weekend hours designed to accommodate patients' needs. Cabell Huntington Hospital recently partnered with Fruth Pharmacy to open a walk-in clinic at its Hurricane store. So, at least one local healthcare organization is also looking at this model to expand their footprint within the state.

As noted above, consumerism will drive much of the success of retail medicine going forward. Better business hours including nights and weekends are generally considered more convenient than those

maintained by traditional physician office practices. Also, more convenient locations seem to be preferred. Many traditional offices are located near hospitals and other healthcare facilities, which are only frequented by patients for the receipt of healthcare services and usually require making a special trip. There is also improved scheduling flexibility. Most of these retail clinics accept walk-ins and do not require appointments.

Much of the literature from proponents of retail medicine promotes retail clinics as an avenue to improve preventive care and reduce visits to the emergency room. It remains unclear as to whether the latter is happening. Allowing emergency medicine providers to spend their valuable time treating more serious issues is obviously much preferred.

Potential Disadvantages in Retail Medicine

Some studies conducted on retail medicine have shown these clinics may, in fact, not reduce emergency room visits and may increase healthcare spending. A 2017 study published in the *Annals of Emergency Medicine* found that there was no meaningful reduction of in low-acuity emergency room visits. Also, in 2016, Rand Corporation published findings that indicated that the "majority of visits (nearly 60 percent) were for routine medical care that patients otherwise would not have

sought: this represented an increase in utilization of services." So, it appears that the jury may still be out regarding the impact of these clinics to the overall healthcare industry.

Another potential disadvantage is related to the established physician-patient relationship. Over time, these clinics have the potential to slowly erode longstanding relationships between primary care physicians and their patients. Providers at these clinics would likely not have a full history of the patient's health. So, patients are trading this comprehensive knowledge and understanding of health history for immediate access and more convenience. Most of these clinics do not market themselves as a replacement for primary care, but many patients in larger cities have begun to migrate toward this model rather than establishing relationships with individual physicians. So, it is worth monitoring this trend as retail medicine continues to expand.

The American Academy of Family Physicians' policy on retail clinics cautions that these clinics have the potential to further fragment patient care. "Care delivered in retail clinics can be a component of patient-centered care, but must work in coordination with the patients' primary care physician to ensure that care is not further fragmented. Fragmentation and unaccountable silos of

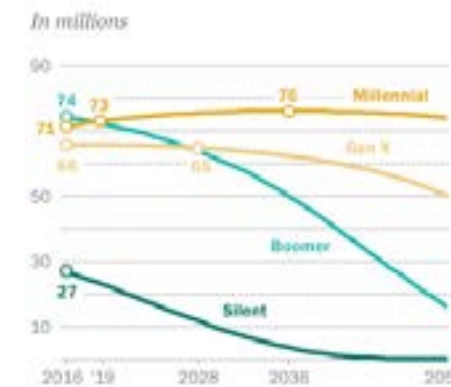
care are in direct opposition to achieving continuous whole-person care with improved health outcomes for both the individual and society. While the AAFP recognizes the demand for the advancement of patient centered-ness in the American health care delivery system, it should not be at the expense of comprehensive coordinated longitudinal care."

Status of the Retail Medicine Market

Consulting firm KaufmanHall released a report earlier this year highlighting mergers and acquisitions within the healthcare industry. 2017 proved to be a record year with over 115 transactions. This is up over 13% from the previous year. Leading the way was the CVS and Aetna merger. This transaction will help CVS further expand its clinic operations. This was just announced at the end 2017, so it's still unclear how quickly CVS will expand its retail clinics. It currently operates clinics in 33 states, so there is clearly room to move into other states.

Fig. 1

Projected population by generation



Note: Millennials refer to the population ages 20 to 35 as of 2016.
Source: Pew Research Center tabulations of U.S. Census Bureau population projections released December 2014 and 2016 population estimates.
PEW RESEARCH CENTER

Amazon is already a licensed wholesale pharmacy in several states and recently purchased the company PillPack, which distributes pre-packaged, pre-sorted medications. Apple has also explored the purchase of a medical-clinic startup, Crossover Health.

As tech companies begin to enter this arena, it is quite possible that other forms of care

will emerge. For example, companies are already offering services that provide care to patients in an Uber-like format. Heal is a company that allows patients, in certain US cities, to book a house call using an app that shows you which doctors are in the area and which have availability. Similarly, Uber itself has begun partnering with healthcare providers to help them coordinate non-emergent transportation for their patients.

KaufmanHall expects these mergers and acquisitions to continue for the foreseeable future. It also expects many non-healthcare companies to continue to compete for healthcare assets. A good example of this would be the recent announcement of a Walmart/Humana merger. Walmart already has a large footprint with clinics in some of its stores. It could easily roll out clinics at more of its locations at a rapid rate. There is a potential for this arrangement to quickly transform the industry.

A recent study by the Pew Research Center indicates that the Millennial generation will surpass the Baby Boomer generation sometime in 2019 (see Figure 1). This is significant for the growth of retail clinics because research shows that Millennials prefer the use of retail clinics over traditional primary care offices more so than both Baby Boomers and Generation X.

Impact to Traditional Physician Offices

Without a doubt, healthcare business models have changed and will continue to change as the markets change. Traditional physician practices may want to seek ways to coexist with these retail clinics. As mentioned previously, one of the disadvantages to this model is a lack of personalized care. Many times, patients may be seeing a different provider each time they visit a retail clinic. This could translate to a lack of trust which could lead to a failure to share important information with the provider. Also, patients may not get the same perceived quality of care at a retail clinic. The care itself may be comparable, but a relationship with a family physician may be perceived by the patient as being of higher quality than seeing a provider in a pharmacy or retail store. Lastly, a physician office may have more flexibility in the services it can offer in the office. Many of the existing

retail clinics limit what type of symptoms they can treat, and a traditional physician practice may be able to differentiate by offering more or expanded services.

Healthcare consumers will ultimately determine whether retail medicine will become the norm in the US. Utilization in larger cities has become common and Millennials prefer this model over the traditional relationships with physicians. Many large companies continue to invest in this model, and there is transformative technology available that will continue to disrupt the industry norms. It is important for physicians in traditional practices to monitor this trend and to continue to differentiate themselves from retail medicine in order to keep patient care from becoming more fragmented under this evolving model.

Additional C.A.R.E. and Loss Control Seminars Scheduled

All sessions will include a C.A.R.E Skills Development Workshop and a Loss Control Seminar. Dinner and registration begins at 5:30 PM and the programs will begin promptly at 6:00 PM.

September 18, 2018

C.A.R.E. and Loss Control Seminar
Holiday Inn – South Charleston
400 Second Avenue, South Charleston, WV

October 23, 2018

C.A.R.E. and Loss Control Seminar
Princeton Community Hospital
122 12th St., Princeton, WV

October 25, 2018

C.A.R.E. and Loss Control Seminar
Washington & Jefferson College
Burnett Center
292 E Wheeling St, Washington, PA 15301