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Retail Health Centers - Could They Be Right For Your Market?

Arugula, antibiotics, sore throat, bread, milk—at your local supermarket? ShopRite, Wakefern Food Corp., and AtlantiCare Health System are making it happen in southeastern New Jersey. They have joined forces to operate a retail health center branded as HealthRite.



Retail health centers began in 2000 with the development of a company originally called QuickMedx, now known as MinuteClinic, and which most recently has been purchased by CVS. This innovative model offers quick service, an office conveniently located within a busy retail space, transparent pricing, and a limited menu of services via a nurse practitioner or physician assistant. As of September 2006, there are announced plans or health center openings in at least 30 states with entrepreneurs projecting that thousands will be in operation within the next several years. The most optimistic of its proponents assert that the retail health center is a “disruptive innovation in health care—a cheaper, simpler, good enough” offering.

This e-newsletter is the first in a two-part series that will explore this concept, and define what AtlantiCare and ShopRite expect to accomplish through this new business. The second part will be published in approximately six months and will review developments at the AtlantiCare HealthRite center and report on the early results of their relationship with ShopRite and Wakefern.

The Players

AtlantiCare is a diversified health system delivering care and customer

service at more than 60 locations throughout southeastern New Jersey. AtlantiCare is the region's largest health care organization and one of its largest employers. AtlantiCare Regional Medical Center is its flagship, operating 567 acute care beds at campuses in Atlantic City and Pomona, New Jersey.

Wakefern Food Corporation is the merchandising and distribution arm of the 190 ShopRite stores in New Jersey, New York, Connecticut, Pennsylvania and Delaware. ShopRite is a cooperative of 43 members who own and operate supermarkets under the ShopRite banner; 147 of these locations also operate pharmacies within the supermarkets and these stores are the primary focus for development of retail health centers. Due to the cooperative nature of ShopRite's organization, separate contracts must be negotiated with each owner who wishes to offer a HealthRite Center.

What is a Retail Health Center?

The first AtlantiCare-operated HealthRite Center opened in the ShopRite store located in Somers Point, New Jersey, in August 2006. At this location ShopRite serves on average 32,000 customers per week. The HealthRite Center is located in the front of the store, adjacent to the pharmacy department and occupies approximately 160 square feet. HealthRite operates seven days a week from mid-morning to early evening/afternoon for a total of 58 hours per week. The normal staffing complement is one nurse practitioner for each center and relief staff available for coverage purposes.

AtlantiCare HealthRite

List of Services and Fees:

Common Illnesses

- Allergies (ages 6+) \$55
- Bronchitis (ages 10-64) \$55
- Ear Infections \$55
- Pink Eye and Styes \$55
- Sinus Infections (ages 5+) \$55
- Strep Throat \$65
- Swimmer's Ear \$55

Skin Conditions

- Athlete's Foot \$55
- Cold Sores \$55
- Deer Tick Bites (ages 12+) \$55
- Impetigo \$55
- Minor Burns and Rashes \$55
- Minor Skin Infections \$55
- Poison Ivy (ages 3+) \$55
- Ringworm \$55
- Swimmer's Itch \$55

Additional Services

- Flu Diagnosis (ages 10-64) \$89
- Mono \$65

Vaccines

- Flu (Seasonal) \$30
- Td (Tetanus, Diphtheria) \$45



It is noteworthy that AtlantiCare has decided not to offer school physicals and childhood immunizations; this decision is based on discussions with AtlantiCare medical staff and reflects a belief that these services should be provided in the context of an ongoing relationship with a primary care physician. Customers presenting to HealthRite and requiring these services will be given priority access to nearby AtlantiCare physicians.

Earlier this year, the American Academy of Family Physicians (AAFP) adopted a policy statement on retail health centers. AAFP has outlined a series of attributes. For example, AAFP suggests that all retail centers should have a limited scope of practice, a formal connection with physicians in the local community, an explicit referral system, operate in a team-based environment, and practice evidence-based medicine. Importantly, AAFP suggests that the retail centers capture clinical information and quickly transmit it to the patient's "medical home."

Desired Attributes of Retail Health Clinics

The AAFP has identified the following attributes that are important to the patient care offered by retail health clinics. It is the individual physician's choice whether or not to work cooperatively with a retail clinic operation, using the following attributes as a guide in decision making.

1. **Scope of Service** -- Retail clinics must have a well-defined and limited scope of clinical services.
2. **Evidence-based Medicine** -- Clinical services and treatment must be evidence based and quality improvement oriented.
3. **Team-based Approach** -- The clinic should have a formal connection with physician practices in the local community, preferably with family physicians, to provide continuity of care. Other health professionals, such as nurse practitioners, should only operate in accordance with state and local regulations, as part of a "team-based" approach to health care and under responsible supervision of a practicing, licensed physician.
4. **Referrals** -- The clinic must have a referral system to physician practices or to other entities appropriate to the patient's symptoms beyond the clinic's scope of work. The clinic should encourage all patients to have a "medical home."
5. **Electronic Health Records** -- The clinic should include an EHR system sufficient to gather and communicate the patient's information with the family physician's office, preferably one that is compatible with the Continuity of Care Record supported by AAFP and others.

The Retail Health Center Business

While AtlantiCare intends to open seven HealthRite locations within its primary service area, Wakefern plans to make this service available to all ShopRite store owners throughout its four-state market area by contracting with emergency medicine physician groups to operate HealthRite centers in locations outside of the AtlantiCare service area.

Why does a food store see a retail health center as part of its mission? ShopRite already works with food manufacturers to conduct cholesterol screenings, which are consistent with their market positioning—"Live Right with ShopRite." Perhaps the most important considerations are draw and convenience. A retail health center is another reason for the customer to visit the store and stay. It helps build the image of the store as a destination and builds traffic and revenue. ShopRite also believes that this service can lead to purchases in the pharmacy or other areas of the store.

Standard & Poor's Equity Research Services validates this view. In a recently released research report, S&P views retail health centers located in pharmacies as a "potential earnings driver." The report notes that since an estimated 30 percent of the U.S. population does not have a primary care physician, instore centers represent a potentially viable and lucrative service offering. S&P further notes that the service will lead to increased prescription sales and increased sales of higher-margin front-end items.

AtlantiCare sees this health center as an opportunity to more closely partner with community businesses, provide a new access point into their system, improve convenience for consumers, allow earlier access to the

health care system, and defend their market. While the HealthRite Centers are not expected to generate a substantial margin they will be expected to eventually be profitable.

Is a Retail Health Center in Your Future?

The retail health center is an evolving innovation. The clinical model is shifting, the business model is in flux, the optimal marketing approach is undetermined, and the value added for both the customer/patient and the organization sponsoring the center is speculative at best.

How and if this innovation fits into your organization's competitive strategy is not a simple question but rather one which requires a careful analysis and assessment of your organization's competitive position. Issues to be addressed include:

- Existing primary care network and market position
- Views of professional staff on retail health centers
- Likelihood of local physicians improving efficiency and patient convenience to blunt the impact of a retail health center
- Directly operate a retail health center or align with an independent provider and capture patient referrals
- Response of local competitors to this service and likelihood of primary care market shifts
- Financial performance and demand for the retail health center

In our follow-up e-newsletter, we will look at these issues and provide an early review of how AtlantiCare's retail health centers are performing.

For more information on retail health centers, contact [Justin Doheny](#) or [Nivi Pillai](#), or call 215-636-2500.



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