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The Rise of Retail Healthcare

EXECUTIVE BRIEFING

July 27, 2015

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PRESIDENT



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NYC Health Business Leaders hosted a fascinating **panel discussion** on the rise of retail healthcare on June 3, 2015. Held at the preeminent law firm **Cooley**, the standing-room-only crowd demonstrated the immense interest in this topic and the implications for healthcare delivery.

Retail health encompasses a wide range of services – pharmacy-based health clinics, urgent care centers, on-demand telemedicine, direct-to-consumer lab testing. At the core, it’s about giving consumers more control over of how, where and when they receive services.

Our event moderator, **Charles Boorady**, General Partner of **TT Capital Partners**, is a healthcare veteran who has followed the industry for years as both a highly ranked Wall Street analyst and active investor. He spotted the trend early and noted his observations in this prescient article: **A Glimpse at Healthcare’s Retail Future**. As Charles wrote, “The intersection of healthcare and retail is rapidly moving off the white board and onto Main Street.”

SPEAKERS

Jon Cohen, MD

*SVP and Chief Medical Officer,
Quest Diagnostics*

Brad Fluegel

*SVP, Chief Strategy and Business
Development Officer, Walgreens*

Richard Park, MD

CEO, CityMD

**Charles Boorady
(Moderator)**

*General Partner, TT Capital
Partners*

Our speakers represented different parts of the health ecosystem: pharmacy, lab testing and care delivery. All are grappling with the move toward a more consumer friendly environment. **Jon Cohen**, Chief Medical Officer of Quest Diagnostics, explained, “Being direct to consumer is a huge issue for all of us in healthcare. Quest has always been physician or hospital affiliated, but now we are spending a lot of time figuring out how to directly interact with the consumer.”

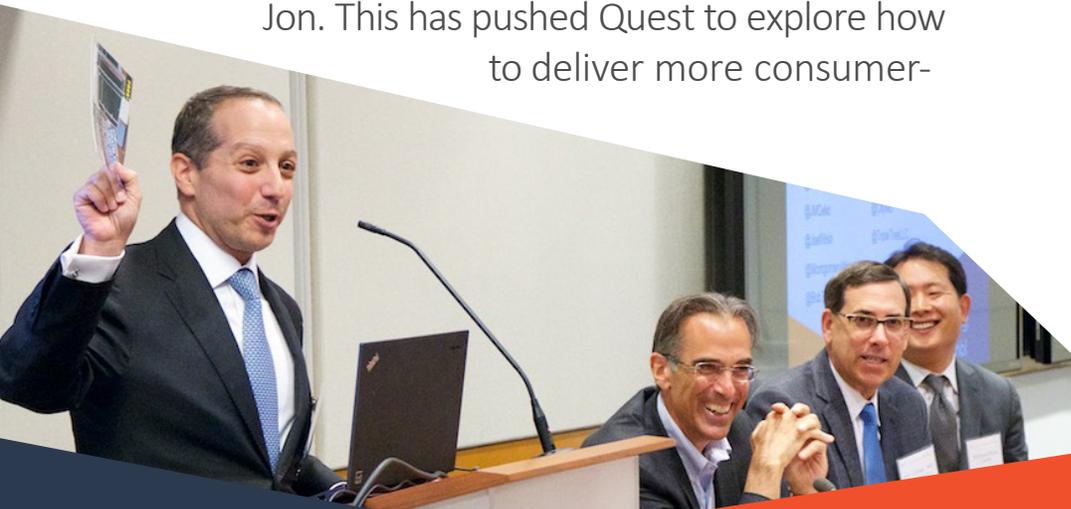
MOVING IN A NEW DIRECTION

For Quest, the reasons are clear. **Quest Diagnostics** is the country’s largest diagnostic company, performing 600,000 live tests nightly and touching one-third of the U.S. population. Until 2014, patients did not have access to their own lab results in most states; they were forced to get them from a physician. Quest was one of the companies that led the charge to change this regulation and is now witnessing the effects. “We have 20,000 people a week signing up on our portal to get their laboratory results. It is unbelievable how interested people are in their healthcare results and understanding them,” said Jon. This has pushed Quest to explore how to deliver more consumer-



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— Jon Cohen
SVP and Chief Medical Officer,
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focused services, such as providing interpretive data along with the results to help patients with their decision-making.

Walgreens is the nation's largest drugstore chain serving over 8 million people daily; New York's Duane Reade became part of the company in 2010. **Brad Fluegel**, SVP, Chief Strategy and Business Development Officer of Walgreens, described the strong investment in retail health, most notably their nearly 450 healthcare clinics. "We're trying to find spaces where there's a convergence of retail and healthcare, where services can be done quickly, inexpensively and conveniently in our stores and they will help to drive our brand as well as drive prescription volume." In addition to providing acute care for individuals in an accessible and low-cost way, Walgreens provides chronic care in collaboration with local health systems, primarily through the 2,500 nurse practitioners they employ.

In New York, as well as the rest of the country, the trend toward on-demand care is accelerating. One manifestation is the growth of walk-in urgent care clinics, which treat non-life-threatening but acute health issues. **CityMD**, a growing presence with 40 offices around the tri-state region, has supplanted the hospital emergency department for many. Retail comes naturally to its CEO, **Dr. Richard Park**. After graduating from high school, he opted to open a photo



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CEO, CityMD

processing store on the Upper East Side instead of going directly to college. “One-hour photo, one-hour urgent care. It's the same thing I did 25 years ago,” he told the audience with a laugh. CityMD has seen roughly 1.1 million patients this year alone, 1.8 unique patients overall. “We want to take care of everyone, whether you are yellow, green, rich or poor, whether you have commercial insurance or Medicaid. Everything is to serve people, that's our core DNA. That's how we see the world.”

CONSUMERISM – THE TIME IS RIGHT

The idea of consumer-driven healthcare has been around for over two decades, so why is the retail phenomenon finally happening now, asked Charles.

“The number one driver right now for consumer healthcare is high-deductible plans,” declared Jon. “For the first time in the history of healthcare in this country, the American public is responsible for huge amounts of their cost of care and how they're going to spend it.”

A second factor is generational. “Millennials are going to drive it,” predicted Richard. “They are different. They will not engage the healthcare system the way it used to be done.” Their size - 92 million millennials compared to 77 million baby boomers – is a factor but so is their reliance on

technology. This generation, with an average age of 26, was raised on instant access to everything from video to music to social interactions.

The pervasiveness of technology, particularly mobile, is a third reason consumerism is finally taking hold. As Brad pointed out, “I suspect many of you would like to interact with your doctor by video chat on your smartphone or email or text. You would like to have access to test results and not wait for your doctor who may or may not actually call you.”

As we can experience conveniences and access made possible by technology in other parts of our lives, we come to expect it everywhere, including healthcare. Jon agreed, “When you link consumerism with mobile health, those two factors are what's disrupting our current healthcare system.”

WHAT HAPPENS TO CONNECTED CARE?

Charles pushed on the issue of care coordination: “What's the downside of this shift towards instant access? Doesn't it disconnect the patient from the primary care physician, the doctor who knows you and your family?”

Richard explained that many of the patients who walk into CityMD don't have a PCP. “They're coming in droves. These patients effectively are not getting preventative care. I don't speak for all of urgent care



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because it’s a very diverse group. But for CityMD, we’re not trying to fracture care. We’re trying to put it back together to be honest.”

That said, CityMD has no intention of venturing beyond urgent care into primary or specialty care. Rather the focus is on treating the patient, getting her home and connected to ongoing care. CityMD developed a call center, now staffed by 120 people, to do just that. “We are experts in care coordination. Our job is to identify and notify,” said Richard.

Walgreens is not interested in supplanting the doctor-patient relationship either. They want to be an adjunct and supplement to what the existing patient’s care team is doing. “What’s important is that retail health not be an island of care that’s separate and distinct from all of the other care that’s being delivered,” said Brad.

Walgreens is uniquely situated to play this role given its position as the gateway to treatment for many patients, whether it’s for medication, monitors, test strips, even wearables. Add to this that the pharmacist is among the most trusted of healthcare providers. “In many communities, people interact with their pharmacists all the time, particularly people with chronic conditions,” noted Brad. A typical patient might see a doctor twice a year, but one with diabetes will visit the pharmacy 20 times a year. “Those are all opportunities for us to help them deal with their condition or have an intervention because they know and trust us. We try to use those as opportunities to close those gaps,” he added.

PATIENT ENGAGEMENT – A LONG WAY TO GO

All agreed that ultimate success of consumerism lies with patients themselves. While many are working to tackle patient engagement, there's still a long way to go. Jon was emphatic: "Most patients are not engaged in their healthcare. The data is overwhelming. Seventy-five percent of people still get recommendations from physicians in hospitals or from their friends and family. Sixty percent of people do research for a car or appliance but only 30% for a doctor."

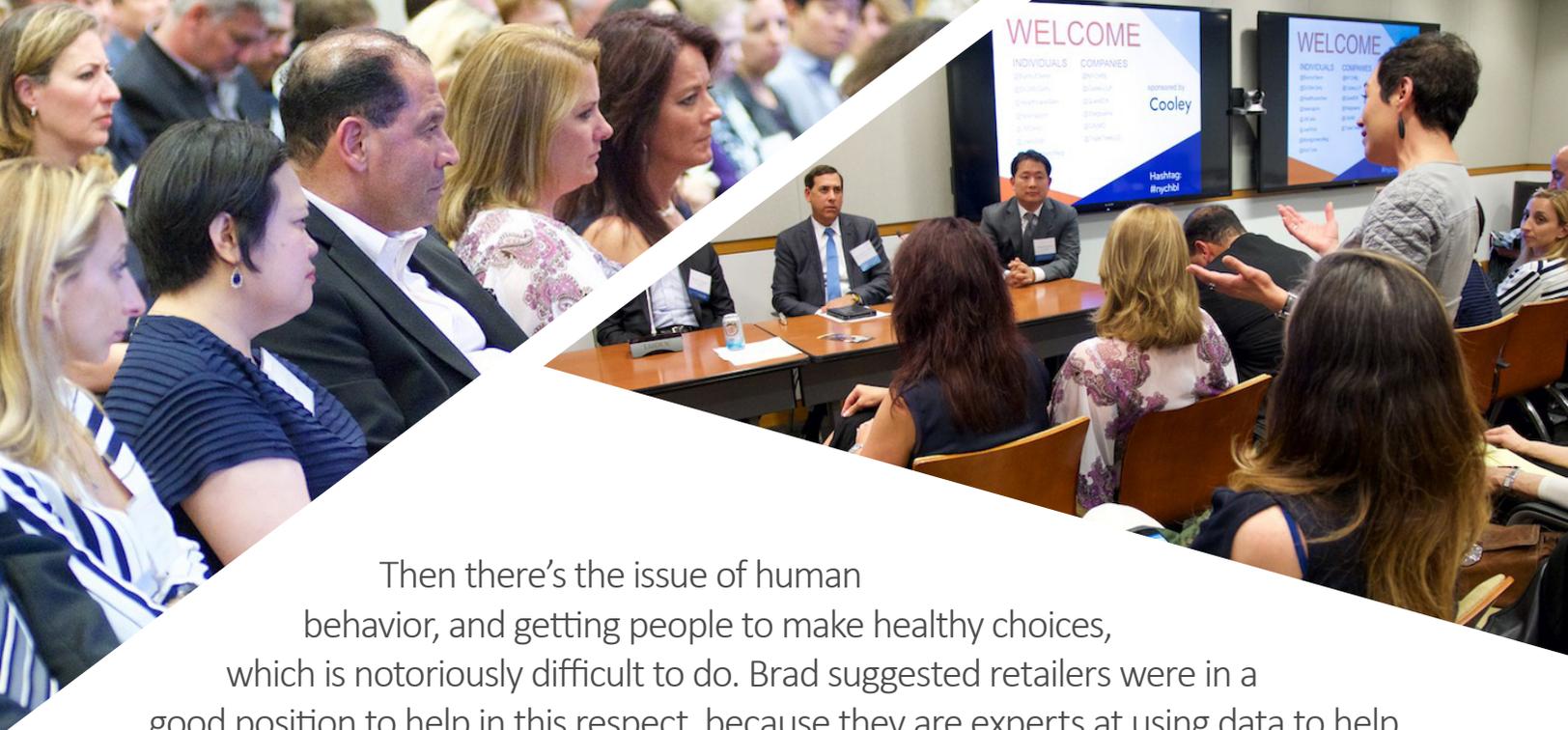
There are myriad reasons for this, including the historical reliance on the physician as all-knowing. Today people are more willing to do research and question a doctor's recommendation thanks to the ubiquity of information online, but they are still not sure where to get the right information.

"We need to teach patients how to be better consumers," stressed Jon. "Imagine this scenario. A patient needing a hip replacement asks the surgeon: 'How many patients have you had re-admitted in the last year? How many infections have you had? Give me the name of the last 3 patients that you operated on so that I can call them.' Can you imagine patients actually asking that? The answer has to be yes." (We encourage you to view Jon's 2012 [TEDMED talk](#), which is top-ranked among healthcare executives, for a deeper dive into this topic.)



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Then there's the issue of human behavior, and getting people to make healthy choices, which is notoriously difficult to do. Brad suggested retailers were in a good position to help in this respect, because they are experts at using data to help people with decision-making. "I think it's incumbent upon us as an industry to create the tools and technologies to make it easy for people to make good choices."

THE FUTURE

In the month since the event was held, Quest inked a deal with HealthTap that enables doctors on the telemedicine's platform to order lab tests for their patients, who can arrange to have them done at their convenience at a local Quest service center. Teladoc, another telehealth provider, went public in early July. According to both Rock Health and Start-Up Health, venture funding continues to pour into companies focused on enhancing the consumer healthcare experience. Brad made a great point about this changing balance of power: "More traditional healthcare systems tend to organize around what works best for the system and what works best for the providers. Being in the retail environment, we have to focus on the consumer and engaging that consumer however he or she wants to be engaged. It's a very powerful thing."

Charles was absolutely right - healthcare's retail future is now.

NYC Health Business Leaders is a professional community of 3,000 senior executives who are leading, innovating and driving healthcare forward. We have created a healthcare ecosystem in New York that spans sectors, bringing together the best minds to discuss important issues and spur innovation. We believe that by connecting the right people – leaders, professionals, entrepreneurs and physicians – we can ignite the right conversations that advance all sides of health. For more information visit www.nychbl.com or contact us at hello@nychbl.com.

