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Get a Checkup In Aisle 3

Miniclinics are popping up in retail stores, offering cheap but limited service--and competition to M.D.s

By UNMESH KHER

Why do I feel so lousy? That's what Margaret Hillesheim, a grandmother of three, wondered when she woke up in her suburban Minneapolis, Minn., home a few weeks ago. She had an ugly cough and a stifling case of sniffles. What Hillesheim, 56, didn't have was an inclination to spend half the morning in a doctor's waiting room. Instead, she went to Cub Foods, her local supermarket. Specifically, she dropped by a tiny clinic nestled beside the store's pharmacy, just across from the cigarette counter. There, behind a frosted-glass partition, a nurse practitioner examined Hillesheim, typing her vital signs and symptoms into a computer before giving her a prescription to treat a sinus infection. The visit took 20 minutes and cost \$59. Hillesheim forked over \$25, the co-pay required by her insurer. "You don't have to plan your day around this doctor appointment," she says. "You just think, 'O.K., I'm going now.'"

Clinics like the one Hillesheim visited--that one run by the Minneapolis-based MinuteClinic--are expanding rapidly, popping up in Piggly Wiggly supermarkets and such drugstores as CVS and Rite Aid. Wal-Mart Stores, which has nine in-store dispensaries, has announced plans to bring the total to more than 50 this year. The clinics are open to employees as well as the public, allowing Wal-Mart to address two high-profile issues. The first is criticism that it doesn't provide medical coverage to enough of its 1.2 million U.S. employees. The second goes beyond Wal-Mart: the prospect that miniclinics not only provide better service for basic medical help but also can lower medical costs and make essential health care more accessible to the 46 million Americans who are uninsured.

Although policy wonks may debate the merits of discount doctoring, investors are jumping at the idea. MinuteClinic had 20 outlets up and running in two states last September. It now has 73 in nine states, and by the end of the year will have some 300 in 17 states. Pennsylvania-based Take Care Health Systems, co-founded by customer-service guru Hal Rosenbluth, who in 2003 sold his eponymous travel company to American Express for about \$300 million, has 19 clinics in Oregon and Kansas and plans to match MinuteClinic's numbers by next year. Take Care just got

\$77 million, primarily from Chicago private equity firm Beecken Petty O'Keefe & Co., to help finance that expansion. RediClinic, a subsidiary of the Houston consumer medical-screening firm InterFit Health, has 11 clinics and got an injection of funds from Revolution LLC, the investment house launched last year by AOL founder Steve Case with \$500 million of his online fortune.

Fueling this growth is the demand for better service. "One thing health care hasn't done as well as other industries," says MinuteClinic chief executive Michael Howe, a former Arby's CEO, "is understand the experience of the consumer." The U.S. spends more than any other country on health care--about 16% of its GDP, or roughly \$2 trillion. Yet Americans had more trouble getting timely access to primary care than people living in Australia, New Zealand and Britain (only Canadians had a harder time), according to a Commonwealth Fund survey of five countries with comparable living standards. Just a third of Americans said they get to see their doctor on the day they call in sick. "People want immediate gratification," says Rosenbluth, whose travel empire thrived on a glinting reputation for service. "If they're sick, they don't want to hear about waiting two days for help." To speed things up, Take Care has its customers check in on touch-screen computer terminals.

Entrepreneurs are betting that low prices will draw customers to their clinics, especially since ever more health-care costs are being passed on by insurers and employers through higher deductibles and co-payments. Though urgent-care centers have been around for years, they are neither so affordable nor so quick as the typical miniclinic. Another thing the clinics have going for them: it doesn't cost much to run one. Take Care's clinics require between \$250,000 and \$350,000 a year to operate, and retailers, eager to boost traffic to their stores and pharmacies, are happy to lease out precious floor space. Typically staffed by nurse practitioners, the miniclinics offer a limited menu of care, including tests, vaccinations and treatment for about two dozen minor ailments, like strep throat. "In the same way that you won't go to an ATM for a small-business loan," says Howe, "you won't go to a MinuteClinic to have a femur reset." And miniclinics pay lower malpractice premiums because their nurses, often aided by software, treat only garden-variety ailments.

But can miniclinics reduce our swelling health-care costs? Judging from markets where they are well established, yes. Blue Cross and Blue Shield of Minnesota found that for similar conditions, visits to MinuteClinics around the Twin Cities, where a prototype started five years ago, cost half as much as those to doctors' offices. It also found, not surprisingly, that people who pay a larger share of their medical costs are more likely to use the clinics. Minnesota's Blue Cross even waives the co-pay when its employees use MinuteClinics. CIGNA and Aetna, among other insurers, have also begun including miniclinics in their provider networks.

Employers, too, appear to like what they see: workers who save on routine medical care and take less time off from work to get it. Black & Decker's employees get a \$10 discount on the co-pay when they use MinuteClinics

near its headquarters, in the Baltimore, Md., area. "There are a lot of advantages to [miniclinics]," says Helen Darling, president of the National Business Group on Health, which represents more than 200 primarily FORTUNE 500 companies. "Employers ought to be looking into them."

Primary-care doctors are less enthusiastic about the idea. Yet the American Academy of Family Physicians (A.A.F.P.) has officially concluded that it is pointless to battle the clinics' proliferation, and has chosen instead to define standards of sound practice. Many doctors argue that the clinics cannot provide the ongoing relationship between patient and caregiver that is crucial to managing disease. "There's no history and there's no future implied by the interaction" between nurse and patient at a miniclinic, says Dr. John Saultz, who teaches family medicine at Oregon Health & Science University. "We take responsibility for [our patients] and look after them over time, meeting a set of comprehensive needs."

Webster Golinkin, CEO of InterFit, dismisses the concern. Half of RediClinic's customers, he says, have no primary-care physician. It's often the clinics that refer such patients to doctors. "We're not replacing any part of the health-care system," says Golinkin. "We're complementing it." And possibly improving it. The A.A.F.P. has lately urged its members to take steps to cut wait times and generally treat patients a little more like paying customers. A little competition should help drive that message home.

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