Weekly Checkup

What's Next in Delivery System Reform?

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Fifteen years ago, health care delivery system reform and "bending the cost curve" was all the rage. A central premise of the passage of the Affordable Care Act (ACA) was that it would lower health care costs for all Americans. After its passage, President Obama asserted: "Every single good idea to bend the cost curve and start actually reducing?health?care costs [is] in this bill."

The ObamaCare approach was top-down. The strategy was to have the government figure out solutions and dictate them to the private sector. It was epitomized by the Center for Medicare & Medicaid Innovation's (CMMI) (created by the ACA) efforts to conduct pilot programs ("models") to develop new ways to deliver and pay for health care in Medicare, Medicaid, and the Children's Health Insurance Program. **Put another way, it was supposed to bend the cost curve and save health care dollars.**

It did not. In the dry prose of the Congressional Budget Office (CBO): "CBO previously estimated that CMMI's activities would reduce net federal spending but now estimates that they increased that spending during the first 10?years of the center's operation and will continue to do so in its second decade."

An alternative vision for delivery system reform was to let market forces take on the large cost centers: doctors and hospitals. In this view, "disruptors" such as urgent care facilities, retail clinics, specialty ambulatory care centers, and other entrepreneurial efforts would use emerging technology to make health care delivery efficient, accessible, and convenient while maintaining or improving quality.

Retail clinics were part of this movement. They are located in drugstores, supermarkets, "big box" stores, and other large retail settings. They are staffed by a lower-cost nurse practitioner or a physician assistant. **They offer all kinds of health services, offer prices set in advance – great for consumers – and are cheaper than a doctor's office or emergency room.** There are potential problems as well, especially in making sure that treatments and records are coordinated across all providers.

With everything going for retail clinics, at least in theory, it was eye-opening when CNBC reported:

> Despite their early promise of convenience and accessibility, in-store clinics haven't been the golden egg-laying goose many retailers originally envisioned. That's why Walmart recently announced it would?shutter its 51 in-store full-service healthcare centers.?Another symptom of the ailing market is Walgreens, which announced the?closing?of 160?VillageMD locations (Walgreens owns a 53% stake in VillageMD, which also operates free-standing clinics).?CVS's MinuteClinic, the largest in-store clinic with over 1,100 locations, has announced?dozens of clinic closings?this year in Southern California and New England.

What happened? **Retail clinics may or may not have been health care failures, but they proved to be business failures. They were more expensive to operate – and, especially, faced chronic staffing issues – and had very thin profit margins.**

Unfortunately, the whole idea of making it up on volume also did not work out.

Timothy Hoff, professor of management healthcare systems at Northeastern University, noted that one part of volume was the promise of cross-selling. **Retail chains use clinics as loss leaders to steer customers to other products and services. But it never materialized** because, as Hoff put it, "if someone is sick enough to seek care, they probably won't be in the mood to purchase a pint of ice cream or socks while they are out."?As a corollary, "people coming in for groceries won't necessarily hop over to the clinic." (For the record, I *never* buy socks without a clear head and normal temperature. It's just not safe.)

Where does that leave health care delivery in the United States? It is still stuck firmly in 2009, with costs dominated by hospitals and doctors, uneven quality, and a lack of flexibility in delivering care.

What's next?