

# The Daily: Healthcare— Retailers provide it, some healthcare systems deny it to patients, and consumers' trust in it falls

Audio

On today's episode, we discuss why Americans would go to a retailer for their healthcare, where most of them are going, and what the most significant deal in retail healthcare has been so far. "In Other News," we talk about why Allina Health is denying certain types of care to patients and why consumer trust in the healthcare system is continuing to fall. Tune in to the discussion with our analysts Rajiv Leventhal and Lisa Phillips.

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## Episode Transcript:

Marcus Johnson:

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Rajiv Leventhal:

So at the end of the day, yes, CVS is a trusted retail brand, Walgreens is as well, but are they trusted healthcare brands? And I think that's where really they have to make up a lot of ground to catch up to incumbents, and it could be one of the reasons why they're buying up primary care companies and home health companies.

Marcus Johnson:

Hey gang, it's Tuesday, June 13th, Lisa, Rajiv, and listeners, welcome to the Behind the Numbers Daily, an eMarketer podcast. I'm Marcus. Today I'm joined by two of our health folks. Let's meet them. We start with our principal analyst covering digital health based in Connecticut. It's Lisa Phillips.

Lisa Phillips:

Hello, Marcus.

Marcus Johnson:

Hello, hello. We're also joined by someone else on that very digital health team, one of our senior analysts based in New Jersey, it's Rajiv Leventhal.

Rajiv Leventhal:

Hey, Marcus. Thanks for having me.

Marcus Johnson:

Hey, fella. Of course, of course. Today's fact, who invented the x-ray? Well, Wilhelm Conrad Röntgen, professor of physics in Vohburg, Bavaria discovered x-rays in 1895 accidentally while testing whether cathode rays could pass through glass. He called them x-rays to underline the fact that their nature was unknown. Physicians and physicists started using them almost immediately on patients to investigate the skeleton and subsequently the lung and other organs, and this was the birth of radiology. That's quite amazing, isn't it? Today there are

about 130 million x-rays taken each year in the US, I think three and a half billion around the world. Anyway, today's real topic, retailers deliver healthcare.

So in today's lead, we'll cover retail healthcare. Then in other news, we'll discuss patients being denied certain types of healthcare and consumers' trust in the healthcare system continuing to fall. We start with the lead. Rajiv, you just finished writing about how big retailers are becoming healthcare disruptors. Why? Well, as you note, because retailers want a piece of a \$4.5 trillion US healthcare pie, and we have 84 million Americans, Rajiv. Our forecasting team estimates 84 million Americans will visit a retail clinic in person this year. Let's get this out the way quickly, what do we mean by retail clinic?

Rajiv Leventhal:

Yeah, so it's a walk-in clinic, usually inside a pharmacy like a CVS or Walgreens or a bigger box retailer like a Target or a Walmart or even a grocery store like Kroger, and they treat mostly minor illnesses and infections and consumers and patients became pretty familiar with the services offered at these retail clinics during the pandemic as they got COVID vaccinations and tests done there and that led them to get some other health conditions and symptoms checked at these clinics.

Marcus Johnson:

Okay. And so why is healthcare even attractive to retailers?

Rajiv Leventhal:

Well, I think there's a couple of reasons that even go beyond the clinics, and these clinics based on their geographic footprint are really important. But zooming out, I'd say, US healthcare is generally seen as very inconvenient and technology devoid and unaffordable. And while retailers are not going to solve all of these problems, they believe that they can bring tech focused, accessible care with transparent pricing to consumers. And I believe, as I just mentioned, I think their efforts during the pandemic with tests and vaccinations gave them more confidence in being able to accomplish this. And that served as a catalyst to some of the big acquisitions that we're going to talk about in a few minutes that retailers like CVS and Walgreens are making.

And then the other thing is, quickly, let's not leave out that healthcare is a \$4.3 trillion market and retailers want to make money and they see the ability to make healthcare a little bit more

efficient and bring costs down as a way to making that happen. And also, they think that if they're building out clinics, they'll bring patients into their stores and that could potentially boost front of store sales as well as pharmacy sales.

Lisa Phillips:

Yeah, I was going to say the key word here is retail and they're looking for foot traffic. So one key point I'd make though is if people get bad service at the clinic, they're not going to come back, probably. And it may reflect on the whole store, so retailers really have to get this right.

Marcus Johnson:

That's a great point.

Rajiv Leventhal:

Retailers want to establish a presence in the very expensive \$4.3 trillion US healthcare market. "The US spends more per capita on healthcare than any other developed nation," as noted by the Commonwealth Fund, but patients still struggle to access convenient and affordable care, and that's pretty incredible when you think about it. And retailers believe that that's an opportunity for them to challenge the status quo.

Marcus Johnson:

Yeah, you mentioned patients struggling to access convenient and affordable care. So I went and looked. I was like, "Okay, how many people are struggling to access this care?" So 43% of working age adults in America inadequately insured in 2022, 43%. That's 89 million people. But so inadequately insured, what does that mean? 9% uninsured, 11% had a gap in coverage, so that's 20% total, so nine plus 11. So nine uninsured, 11% had a gap in coverage in the past year, 23% were insured all year, but were underinsured, meaning their coverage didn't provide them with affordable access to healthcare. So you've got nine plus 11 plus 23 gives you that 43% of working age adults in America who were inadequately insured last year.

Lisa Phillips:

I wonder, though, when they say inadequately insured, if somebody was forced to buy a virtual first policy or a virtual only policy, meaning all you get is telehealth. I mean, that is inadequate, but those policies are out there and employers are offering those.

Marcus Johnson:

Yeah, it's a great point.

Rajiv Leventhal:

I wonder if they count underinsured as high deductibles, which-

Lisa Phillips:

That's true, yeah.

Rajiv Leventhal:

... I think you can make an argument because if you don't reach your deductible, then you got to pay out of pocket until that point. So it could get-

Lisa Phillips:

And in small companies, a lot of people have to ensure themselves through the local state healthcare exchanges, which don't offer great plans. And the older you are, I can tell you, the more you spend on your own healthcare. And so you come away with, "Well, I've already spent \$12,000 on healthcare premiums, it's only June, and I can't afford to go to the doctor because it's going to be another \$85."

Rajiv Leventhal:

Yeah.

Marcus Johnson:

So as we mentioned, 84 million Americans are these retail clinic patients, folks who get care in a retail business location, a grocery store pharmacy, things like that. And before the pandemic, there were 53 million, so now there are 84, so we've added about 30 million people over the last couple of years. However, after an explosion in renew retail clinic patients over the last few years, growth appears to be stuck in the low single digits for this year and next year, how come?

Rajiv Leventhal:

Well, one reason would be, as you mentioned, the big jump from 2019 to '20 and '21, is the pandemic. Vaccinations were free. Tests were free, I believe. It's been a while since I got my

first COVID test inside of a pharmacy. But that no longer is going to be the case for everybody. For some people, but not for everybody depending on your insurance.

So for example, Walgreens just reported its earnings, and I wrote about this in the report, in it's Q2 2023 earnings that it administered 2.4 million vaccinations in the second quarter of this year compared to nearly 12 million in the second quarter of 2022, and I'd imagine 2021's numbers were even higher. So less of a need for vaccinations and tests, that's going to reduce the growth rate of retail clinic patients. However, I will say that the convenience that clinics provide and the growing comfort levels that consumers have as retailers being actual healthcare providers, you're going to see a large number of patients get care at retail clinics. But I think the slowdown of the growth rate can be attributed to fewer vaccinations and tests compared to that bump in 2020 and 2021.

Marcus Johnson:

So you've got a third of Americans visiting retail clinics in person this year, pretty much the same share next year. However, further down your report, you note the share of Americans who go to see a primary care physician has been falling. So that's going in the other direction. Even though the retail health clinics are going to add four million people next year, so that's going a little bit up into the right, people who are going to primary care physicians is going in the other direction. [inaudible 00:09:45]-

Rajiv Leventhal:

It takes too long, We've talked about this on the pod so many times, it takes too long to get an appointment at a primary care physician. Convenience is really king now in this healthcare age that we're in, and I can go right online and search CVS Minute Clinic near me and if there is one, I'll probably get an appointment by five o'clock, or by five o'clock tomorrow. And that is not the case in your traditional primary care/family medicine doctor in your community.

Marcus Johnson:

So we are seeing that correlation, people saying, "All right, I'm not going to go to my primary care physician any more because of the accessibility, of the convenience of it." And they're heading to these clinics and yeah, it's been falling since 2021, you point out, losing about a million patients from 2021, to today, losing a further two million next year. They still have a lot more patients, double the number of patients as retail health clinics, but those trend lines are going in different directions. And millennials, as you point out, are leading the charge. 11% of



them are retail clinic people compared to just 5% of Boomers. Gen Z is growing the fastest, assumingly because they're coming off their parents' healthcare plans and starting to figure out healthcare themselves.

Rajiv Leventhal:

Lisa, you just wrote about millennials.

Lisa Phillips:

Yeah. Well, millennials, yeah, they're now all off their parents', gen Z, the oldest ones are going to turn 26 this year, so they're just starting to get off.

Marcus Johnson:

Okay, is it 26? Got it.

Lisa Phillips:

Now they're learning about the healthcare system the hard way and finding out, "Oh, I have to pay for my own insurance. Well, that costs too much." They're very, very cost conscious.

Marcus Johnson:

But also convenience conscious, you could argue. They like things to be as convenient as possible, so you can see them also following this trend that millennials seem to be driving in terms of retail healthcare.

Lisa Phillips:

Well, they're just finding their new doctors, I'd say. I mean if they've had a pediatrician up to age 18, then they go to college and there's a physician on campus or something, some kind of a medical clinic there. It's once they get out, yes, and are on their own health insurance, then they start really looking around. So that's just starting. We'll see where they go once they get to be really grownups.

Marcus Johnson:

So you mentioned 84 million folks are retail clinic patients, where are most of them going? What does the market look like?

Rajiv Leventhal:

CVS and Walgreens are the top two. We have these in our forecast as well. They account for a whole big chunk, almost eight and 10 of all US retail clinic patients in 2023. Now, I don't want to get too overly confusing, but keep in mind this forecast, this number doesn't count patients who get care at... CVS just recently bought Oak Street Health, a primary care company, we're going to talk about that, but this doesn't count patients who get care in a Oak Street Health Clinic, it only counts those who get care in a retail clinic that's in a pharmacy or supermarket that we defined up top. And in that bucket, it's CVS and it's Walgreens leading the way. And if you look at the number of health clinics out there and who owns them, Walmart still only has 30 or so. Kroger has a lot, but they, for whatever reason, aren't drawing the patients that CVS and Walgreens are.

Marcus Johnson:

Okay. You mentioned CVS, Walgreens, you know that they're also the first and third most trusted retail brands of 2022 according to Morning Consult Survey. Home Depot for reference was second. Amazon and Walmart who also have healthcare services they've bought and offer, they were fifth and 10th respectively, as well.

Rajiv Leventhal:

Trust is a big, big issue for... It's probably the biggest issue that they have to overcome if they're going to become credible, authoritative healthcare providers in their communities, because at the end of the day, yes, CVS is a trusted retail brand, Walgreens is as well, but are they trusted healthcare brands? And I think that's where really they have to make up a lot of ground to catch up to incumbents. And it could be one of the reasons why they're buying up primary care companies and home health companies and specialist providers and things like that because they want to attach that credible brand to their retail reputation.

Marcus Johnson:

Right. And trust takes a long time. But as you mentioned, the convenience gets people in the door and they are quite a shocking amount of people who are willing to switch doctors for the sake of convenience. "Half of US adults will change doctors to find an available appointment, and a third will switch to a provider who offers a shorter wait time," a November, 2022 survey from PatientPop. And that's because, Rajiv, and you mentioned this stat before, but this Merritt Hawkins number, I think it's just staggering about how long it takes to get an

appointment in this country. "US patients in major cities can wait an average of three weeks, 21 days to get a new patient appointment with a family medicine doctor," a May 2022 survey.

Rajiv Leventhal:

It shouldn't have to be that burdensome. You shouldn't have to wait that long, even if your symptoms aren't really major, you still might need a prescription medication the next day or the day after and CVS and Walgreens and these other retail players are hoping that you can get that filled at their pharmacy, but you shouldn't have to wait even close to 20 days for a primary care appointment. And Lisa mentioned, I think on the last podcast, that for some specialist it could be three or six months. I mean, are you kidding me? It's just so inefficient and inconvenient and retailers know that and that's why they're moving in.

Lisa Phillips:

Well, I will say last week I wrote an article about how men use healthcare, because a bookings company came out with, "Oh, men would rather clean the entire house than go see a doctor, or they'd rather get pulled over by a cop or change a flat tire," all these answers that they've fed to into the survey. But when I dove into our own data, I found, yeah, men really want convenience. And if you're not going to see me in two weeks, I'm going to the retail clinic. I'll find someplace quicker, get my problem solved and one and done.

Marcus Johnson:

Yeah. And Rajiv, as you know, in the report, part of this reason is because, you say, almost half of US counties had primary care doctor scarcities, "Half of US counties had primary care Doctor Scarcities as of December of last year with only one primary care physician for every one and a half thousand residents," from Surescripts data.

Rajiv Leventhal:

And that's opened the door for other types of healthcare professionals to treat patients. I think it is important to note, not all of these retailers staff doctors, some of them are MPS and PAs, physician assistants and nurse practitioners. But because of that scarcity, that's another reason why retailers are saying, "Okay, we can staff other healthcare professionals and provide same day or next day care. But I imagine staffing could be an issue for some of these retailers as well, especially as they look to build more clinics, and then that means bringing in more providers to deliver.

Lisa Phillips:

Even pharmacists, I mean they've had to cut the pharmacy hours, a lot of them and they're still cut because they can't hire the pharmacists.

Marcus Johnson:

So Rajiv, you mentioned earlier that CVS Health, they bought Oak Street Health, a \$19 billion senior focused primary care player, Oak Street Health, they've also bought a home health tech company Signify Health, CVS that is. You've noted that Amazon dropped four billion for a primary care startup called One Medical and then Walgreens backed VillageMD teaming up with Cigna to buy multi-specialty physician group Summit Health, the parent entity of urgent care provider CityMD for nine billion. So lots of names, lots of people buying different folks, but which deal to you in retail healthcare has been the most significant and why?

Rajiv Leventhal:

Yeah, it's fascinating because I think everything you mentioned happened in the last 12 months, it's been a whirlwind and for healthcare. But it's a good question because it really depends on what lens you're looking through. But personally, I see that the nearly 19 billion that CVS Health spent on Oak Street Health, a primary care company, and Signify Health, a home health company, are the most significant. And that's because it gives CVS a lot more power in the healthcare market than it had before. It's able to replicate the model that we've seen from UnitedHealth or even a Kaiser, and that's becoming a vertically integrated healthcare giant that's using your insurance arm, remember CVS owns Aetna, and the power of referrals to steer patients to certain sites of care and that of course puts money in your pocket.

So one example that I mentioned in the report is CVS could do a home health assessment through Signify, which it now owns, and all of those patients are seniors without a primary care company. They can refer those patients to an Oak Street Health if there's an Oak Street in their community, which is a primary care company that serves Medicare patients and that could lead to a pharmacy or prescription being picked up at a CVS pharmacy. And if that's an Aetna member, you can just see the-

Marcus Johnson:

Yeah, it's quite the ecosystem.

Rajiv Leventhal:

... the wheels are in motion. This is all money going back into CVS's pocket. And that's why I see it as significant because they have that insurance component, they have the pharmacy component, they have the retail clinic component and the primary care component. So that's a lot, that's a lot of parts of the healthcare ecosystem under one umbrella.

Marcus Johnson:

Lisa, how about for you? Which deal do you think is most important?

Lisa Phillips:

I would agree with the CVS Health, although I do also think Amazon getting into One Medical after it closed Amazon Care, it's telehealth business, it's made a lot of stabs and now we're seeing One Medical coming into communities. Even last week I saw an article saying that One Medical is going to open up in Darien, Connecticut and New Canaan, Connecticut, both near me, and it's going to be tied in with Hartford Healthcare. So One Medical is expanding and tying in with local healthcare providers as well, so they can get first a brand name, but then also trust from people in the communities.

Marcus Johnson:

I mean, this chart you've got in your report, Rajiv, it's fascinating when it shows how the five big US retailers are expanding into healthcare. And you know Walgreens as the pharmacy, you know Amazon for shipping you things in 30 seconds, you know Kroger for buying groceries. But as you know, CVS Health, Walgreens, Amazon, Kroger, and Walmart, so they're the five players, all of them offer telehealth services, four of them offer in-house retail health clinics, three of them have primary care companies and two have home health companies, and that's today. I mean, goodness know, I mean, as you mentioned, a lot of these deals happened in the last year, goodness knows what this matrix will look like in another 12.

Rajiv Leventhal:

Yeah, it's really interesting. It tells you where healthcare is going. It's going virtual, it's going in the home, it's going into retail pharmacies, into supermarkets. And that's not to say that everything is going to be moved out of the hospital, but that's the trend that we're seeing, the more outpatient, more in the home, more virtual because that's the way to bring costs down and that's the way to make it more efficient for patients.

Marcus Johnson:

Mm-hmm. So retailers are doing a lot in the health space, but you do have a note in your report, Rajiv, which puts things in context. You say that retailers are only making a dent in the nearly 300 billion primary care market by Grand View Research estimates. Even by 2030, retail players may account for just five to 10% of total primary care in the US, according to a July, 2022 analysis from Bain & Company.

That's all we've got time for for the lead. It would be time for the halftime report if Rajiv had hadn't beautifully summarized what we just talked about in the first half, so we move straight to the second half of the show. Today, in other news, Allina Health is denying certain types of care to patients and consumer trust in the healthcare system is going in the wrong direction.

Story one, Rajiv, you just wrote that Allina Health is denying certain types of care to patients who have racked up too much medical debt according to a recent investigation from the New York Times. This includes kids whose parents have not or perhaps could not pay their medical bills. Allina delivers care across over a hundred hospitals and clinics in Minnesota and Wisconsin. And you explained that Allina's staff have been told to block patients who have three separate unpaid bills of at least \$1,500 each, or four and a half thousand dollars in total debt from scheduling future appointments. But Rajiv, the most important point in your article is what and why?

Rajiv Leventhal:

Well, why are hospitals allowed to do this? Are they legally allowed to do this? I mean, this is just awful optics, but also really immoral and unethical. And health systems kind of have to figure out, as more of these stories... Allina's not the only health system, I think it's important to mention that there are others that do this as well, cut you off if you have certain amounts of medical debt. And it doesn't apply to emergency room services, but still people have chronic conditions and they need regular checkups. Children need care as you mentioned, but maybe their parents didn't pay the bill. But health systems really have to balance, do they want to chase down bad medical debt and cut patients out of their systems and then deal with the bad press and the public backlash and lose patient trust? I think that's a losing argument and I would expect more health systems to come out and say, "We're not doing this because, just from a PR standpoint, geez, the optics are horrible."

Marcus Johnson:

Over a hundred million Americans, as you note, saddled with medical debt. A quarter of them owe over \$5,000, according to a 2022 KFF Health News analysis.

Rajiv Leventhal:

And that's because healthcare is so expensive, so of course debt is going to be piling up. The average working American cannot pay for all of their medical bills if they're sick.

Lisa Phillips:

I also have to say, they aren't cutting it off for the emergency room services, but those are the most expensive. I mean, because you can get third party bills-

Rajiv Leventhal:

[inaudible 00:23:56]. I think there's federal law that you're not allowed to refuse emergency room care.

Marcus Johnson:

Thank goodness. Story two, Lisa, you recently wrote that consumer's trust in the healthcare system continues to fall, especially among Gen Zers and millennials. You explained that patients are increasingly going online to diagnose and treat symptoms rather than seeing a doctor. And you point to Monigle's Humanizing Brand Experience Vol 6: Health Care report that shows 42% of Gen Z and young millennials don't always trust their healthcare provider to make the right decisions for their care. About 34% of mid-30 to mid-50 year olds said the same and 23% of over 65s, all those percentages had gone up in the past year. But Lisa, the most important point in your article is what and why?

Lisa Phillips:

That when Monigle actually reported what these young people were looking for and what they valued most in their healthcare encounters, and it was the caring staff, they wanted to get information about self-care from these healthcare providers so they could manage their health independently. They wanted to see that the staff was respected by their employers and we're talking retail clinics or health systems and they wanted adequate staffing levels. What was really interesting was that the quality outcomes was ranked number seven on a list of 10 with these people. And it just shows that, I mean, they're really paying a lot more attention to what's going on around the whole healthcare setting. Not just-

Marcus Johnson:

Mm-hmm, mm-hmm, bedside manner, treat people nicely.

Lisa Phillips:

And help me manage my health, and also you're treating me as a person.

Marcus Johnson:

Mm-hmm. Yeah. That's all we've got time for this episode. Thank you so much to my guests. Thank you to Lisa.

Lisa Phillips:

Thank you Marcus. Wonderful to be here.

Marcus Johnson:

My pleasure. Thank you to Rajiv.

Rajiv Leventhal:

Thanks Marcus. I had fun as always.

Marcus Johnson:

Yes. Thank you to Victoria who edits the show, James, who copy edits it. Stuart who runs the team. And thanks to everyone for listening into the Behind the Numbers daily, an eMarketer Podcast. Sara Lebow will see you tomorrow for the Reimagining Retail Show where she'll be joined by VP of content, head of our retail desk, Suzy Davidkhanian and Jeremy Goldman, who's our senior director of briefings, and they'll be talking all about the pet world.