HMPI

HEALTH MANAGEMENT, POLICY & INNOVATION

This issue of Regi’s Case Corner highlights the challenges of health care innovation. Two related cases illustrate attempts to innovate in retail medicine, focusing on the Health Stop Retail Medical Centers.

The following note provides an overview of successful and dead end routes to innovations. The cases, which include a teaching note, are available from the HBS case distribution site.

Cases and health care innovation framework

- **Health Stop Retail Medical Centers (A), HBS case 9-185-084**
- **Health Stop (B): The Medical Offices, HBS case 9-196-051**
- **Innovating in Health Care – Framework, HBS note 9-314-017**

Background: Why Do All-Too-Many Health Care Innovations Fail? The Example of Retail Medical Clinics

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Overview

Although the 2010 health reform law has had a significant effect on reducing the numbers of uninsured, its impact on cost control and quality enhancement has been more temperate. Partly this may be because while there is increasing recognition that ameliorating the dysfunction of our health care marketplaces requires encouraging competitiveness and innovation, there has been less attention paid to the fact that health care ventures, no matter how innovative, must also have clear purpose, alignment with their environments, and business plan elements to be successful.

For example, the need for solutions led the Center for Medicare and Medicaid Innovation to review pilots of new payment and delivery models on an accelerated basis, including Accountable Care Organizations (ACOs), Medicare's most ambitious experiments in health care delivery. ACO providers agree to manage care for a patient population at a variant of a fixed price, based on either historical or regional benchmarks. And yet, despite the plausibility of the idea, most ACOs have to date, yielded only tepid results in costs averted and outcomes achieved. Why?

Perhaps it is because we too frequently misidentify the fundamental drivers of success of any health care innovation. For instance, although the mergers central to ACO strategy are notoriously difficult to achieve, its architects paid less attention to these managerial issues than they did to performance measurement and characterization. Success requires consideration of questions such as: Did executive teams have the 'roll up' skill sets and experiences needed to achieve key economies of scale? How aligned was the ACO with its allies and adversaries within the structural environment? Did it have a well-thought-out business model?

Materials

To illustrate the importance of such considerations in shepherding health care innovations to success, we isolate one field – retail medicine – and examine several of both failed and successful business models that have proliferated over the years. To calibrate this field, in 2016, total United States retail medical clinic (RMC) sales were estimated at more than $1.4 billion, with as many as 2,400 RMCs offering ambulatory care, variously owned and operated by physician and non-physician investors.

The first lesson from the RMC experience is that failure often occurs when the organization targets goals that are impossible-to-achieve simultaneously, particularly in labor-intensive service organizations, such as cost control and extreme consumer-friendliness.

Failure – Health Stop

Health Stop, the subject of this issue of Regi's Case Corner, a failed New England chain of RMCs, promised both, but the thin staffing model needed to achieve the former obviated a consumer-friendly strategy.[6] In contrast, One Medical Group, based in San Francisco, adapted a strictly consumer-friendly model for primary care, funded by a $199 per year buy-in in return for customer-service trained office staff, stylish waiting rooms and relaxed physicians who could both spend more time with each patient and be available for same-day appointments. In 2015, this privately-held firm crossed the rare 'unicorn' billion-dollar valuation threshold.[7] Meanwhile, ChenMed, founded in 1985 by Dr. James Chen and his sons, had a different goal: cost-effective services for elderly patients with multiple chronic diseases through a focused clinic model that controlled costs by catering to their particular needs. Key aspects of ChenMed's model to achieve cost containment included rapid expansion to achieve scale, heavy emphasis on preventative care, and investment in technology to improve coordination of care.

Innovators sometimes fail to consider their alignment with factors that shape their environment, such as local competition and consumer characteristics. Again the RMC experience is illustrative: Health Stop's strategy hinged on locating clinics in attractive wealthy suburban markets, despite these areas already being populated by entrenched local physician offices that actively opposed their new rival. The firm's internal breakeven projections required achieving almost 40% of market share, an ambitious goal considering the competitive precincts that they chose to enter. In contrast, Iora Health, founded by Rushika Fernandopulle and Chris McKown, works with captive populations in the form of workers unions to test a new per-patient-per-month model of subscription primary care. This alignment allows Iora to stress-test its model in cooperative and diverse communities – casino workers in Atlantic City, culinary workers in Las Vegas, freelancers in Brooklyn, among others. The different experiences of Health Stop and Iora Health illustrate the importance of taking the structural environment into consideration to ensure financial solvency.

Last, innovators can fail to consider simple operational issues. Health Stop's clinic staffing ratios of a few physicians supported by other mid-level providers virtually guaranteed hour-long waits. But instead of delegating more tasks to its support staff, Health Stop tried to plug this operational hurdle by hiring more physicians, an expensive endeavor that further compromised its cost control goal. Additionally, Health Stop courted both patients who needed quick visits for acute care needs and those with chronic illnesses who could generate sustainable revenue through cross-selling of related services. But this mixture led to unpredictable variability in length of clinic visits, compounding the problem of efficient scheduling to mitigate the long waits. Finally, although Health Stop leadership included a seasoned business person and clinician, the managerial leadership lacked health care experience, while its clinical leadership lacked the relevant managerial experience.

Success – CVS MinuteClinic

In contrast, CVS's MinuteClinic could leverage existing, convenient pharmacy locations that already carried significant brand recognition. By positioning itself as a limited care provider, it effectively targeted low-risk patients with specific needs. These included younger patients who lacked a regular physician as well as employed professionals who needed after-work access to health care. It marshaled a powerful ally – insurers attracted by its ready accessibility to consumers – to counter inevitable complaints from local providers that it was stealing valuable customers. With its limited care goals, MinuteClinic developed relatively simple but effective informational technology to track adherence to its care protocols.

Relentlessly rising costs, erratic quality, and massive spending that yet leaves millions without a safety net make health care a field ripe for innovation. The opportunity figures in the trillions of dollars, and the urgency calls for a multitude of possible solutions. But an "if you build it, they will come" perspective that minimizes consideration of key business model success factors causes all too many important innovations to falter.