

THE NEW FRONT DOOR TO HEALTHCARE IS HERE



THE NEW FRONT DOOR TO HEALTHCARE IS HERE...

A new Oliver Wyman survey finds that consumers' use of alternative sites of care is on the rise. More than that, many people find the experience at these sites better. A significant portion of current healthcare spend is now poised to flow to these alternative sites, and the implications – for all industry segments – are vast.

Over the past few years, there has been much discussion about the need for a “new front door to healthcare.” In general, this refers to moving certain types of care out of the emergency room and doctor’s office and delivering it through more convenient and affordable means. Providing care in more convenient settings (like the local drug store or a person’s own living room) can drive consumer engagement, and that can lead to higher satisfaction and – most importantly – better health. Right care in the right place at the right time is a compelling value proposition, and one that has the potential to disrupt the entire marketplace – if designed and executed correctly.

The “new front door” is not about replicating today’s healthcare system in a more convenient setting. Instead, the new front door is about bolstering today’s healthcare system with a variety of consumer-friendly access points. The new front door is multi-dimensional (urgent care centers, retail health clinics, telehealth consultations, mobile apps). It is very clear that individually, none of these can deliver the full promise of the new front door. In fact, if offered as individual point solutions, consumer experience, health outcomes, and cost could suffer. An integrated new front door strategy, however, holds tremendous promise for consumers, payers, providers, and retailers alike.

...AND OPEN FOR BUSINESS

The new front door offers the possibility of an always available, easier-to-navigate healthcare experience. Yet the migration from traditional sites of care has not occurred at the pace some expected.

For many consumers, the loyalty to traditional sites of care is likely due to limited awareness of other options. As recently as our *2013 Consumer Survey*, one-third of consumers said they were unfamiliar with retail clinics, and 57 percent said they were unfamiliar with remote or virtual care.

But in the two years since that survey, retailers have made aggressive moves into the retail health space. CVS Health, for example, now operates more than 1,100 Minute Clinics in 33 states plus the District of Columbia and has plans to expand its retail clinic business to more than 1,500 clinics by 2017. More employers and insurers have added retail clinics and telehealth to their benefit design. And the U.S. telehealth market, a nascent \$540 million at the time of our last survey, is expected to climb to \$1.9 billion by 2018.

To gauge whether these developments are impacting consumers' view and use of the new front door, Oliver Wyman recently conducted a survey about consumers' perception and experience with alternative settings. The national online survey included more than 2,000 individuals and spanned all demographic and health segments. The survey found that consumers' awareness of alternative settings is increasing; and that's not all.

According to the survey:

- More consumers are using alternative sites.
- Many people find the experience at these sites better.
- It's not just the young and healthy who are open to alternative sites.

In other words, consumers have found the new front door, they like it, and they're likely going to start using it more and more.

This has enormous implications for all segments of the healthcare industry. Based on the survey results, along with original Oliver Wyman analysis, we project that at least \$200 billion in current healthcare spend is poised to flow from traditional venues to one or more of these alternative, new front door sites. That is a substantial figure; yet the projection is based only on the fairly narrow, clinically scoped business models in play today. As providers and retailers, and even potentially payers, venture into new business models that either extend clinical capabilities or begin to treat more of the "whole" consumer (via a full array of health and wellness services), even more care will move, and entirely new markets will be created. And that \$200 billion could grow significantly higher.

Like all evolutionary change, this level of disruption creates risk; but it also presents tremendous opportunity for providers, payers, and retailers alike. Here, Oliver Wyman presents the survey findings and delves into their implications.

WHY THIS OPPORTUNITY IS REAL

According to the survey, 57 percent of consumers are now familiar with the concept of a health and wellness visit conducted remotely via phone, voice chat, or video chat. Meanwhile, 70 percent of consumers are familiar with the concept of a health and wellness clinic within a retail store. And one-quarter of consumers have actually used a retail clinic; that's an 11 percentage point increase from the previous survey. (See Exhibit 1).

The survey also indicates that people are having positive experiences in those sites. That's because once people have tried the new front door, they say are willing to use it again. (Interestingly – and of significant note for providers and payers – is that consumers who have used a retail clinic are *less* willing to receive care in a traditional site of care than those who have never used a retail clinic. However, our survey did not explore the reasons why.) (See Exhibit 2).

Exhibit 1: Both familiarity and use of alternative options is increasing

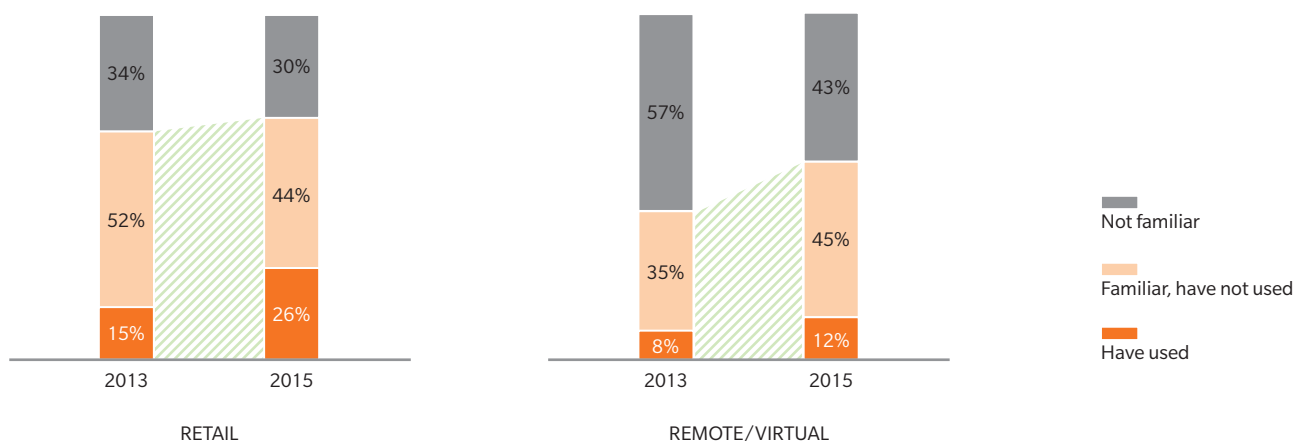
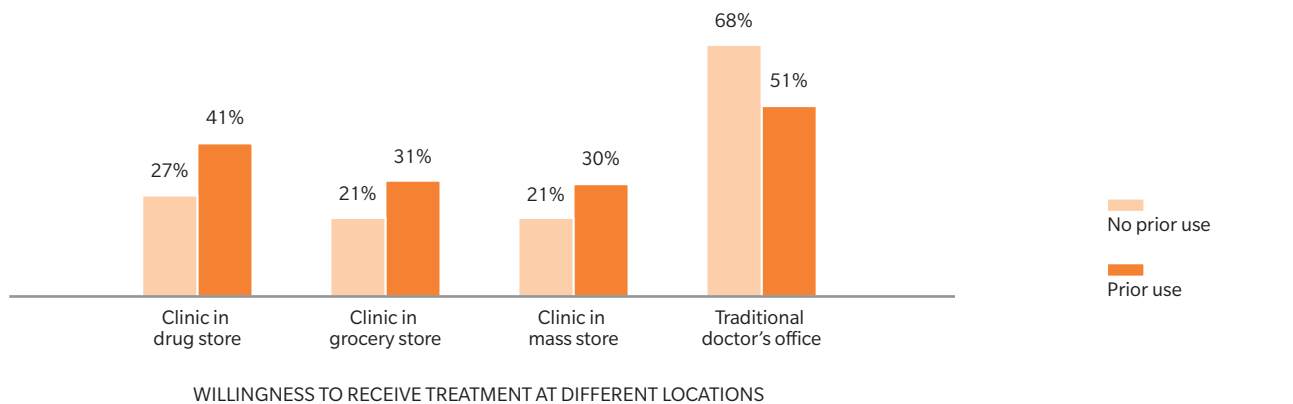


Exhibit 2: Consumers with new front door experience are willing to use those sites again; Consumers with new front door experience are less willing to use a traditional doctor's office again



Source: Oliver Wyman 2015 Consumer Survey

In fact, the survey found that new-front-door users aren't just OK with alternative sites, a sizable portion find the experience *better* than traditional venues. Almost 80 percent of consumers who had visited a health and wellness clinic within a grocery store, discount retail store, or drug store within the past two years said the experience was about the same or better than a traditional doctor's office. Of those, 22 percent said the retail clinic was better, and 9 percent said the retail clinic was *much* better.

Consumers who experienced care at an urgent care center had similar reactions, with 79 percent reporting the experience was about the same or

better than a traditional doctor's office, and 11 percent saying the experience was *much* better than a traditional doctor's office. (See Exhibit 3).

People have found the new door, and it turns out they like it.

While some might expect younger or commercially insured consumers to be early adopters of telehealth and retail clinics, our survey shows that these sites of care are used fairly equally across demographic and health segments. In other words, it is not just millennials and healthy who are willing to try the new front door to healthcare. (See Exhibit 4).

Exhibit 3: Most people who have used retail and urgent care options found the experience the same or better than a traditional site of care

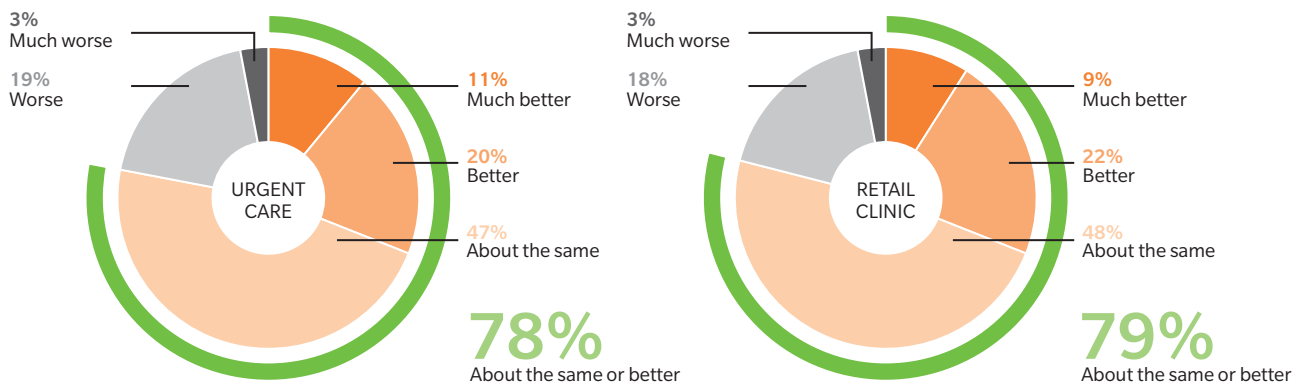
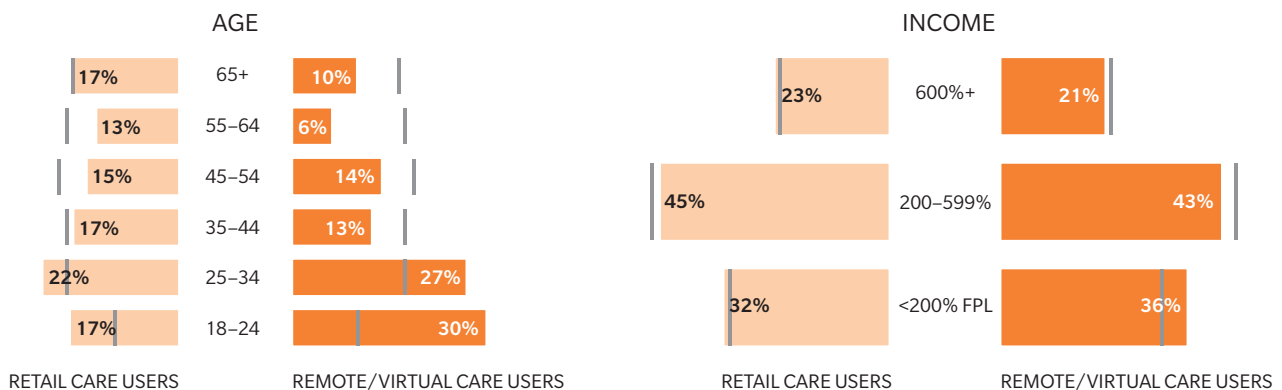


Exhibit 4: Alternative sites of care are equally used across demographic segments



— represents percentage of overall survey sample

Source: Oliver Wyman 2015 Consumer Survey

Consumers are clearly comfortable receiving some healthcare services in alternative settings; but, unsurprisingly, they are not yet ready to receive *all* their care in those settings. For example, about 12 percent of consumers said they would use retail for some things related to wellness, but not for any “medical” needs. As for why they felt that way, the majority said they did not feel comfortable receiving medical care outside of a doctor’s office, emergency room, medical center, or

hospital. And 35 percent said they actually didn’t trust retail stores to provide this service. (See Exhibit 5).

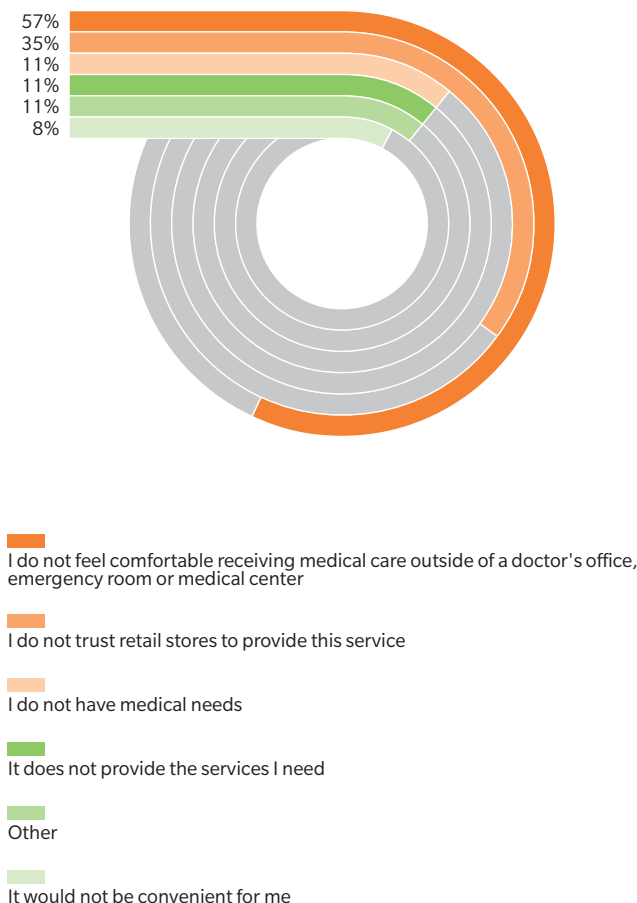
Consumers also seem to draw distinctions between the various types of retail settings. Twenty percent indicated that they would seek health and wellness services at a drug store, but not at a discount retailer or grocery store.

Exhibit 5: Reasons why customers would not use a health and wellness clinic in a retail store^{*1}

WOULD USE A RETAIL CLINIC ...



NO, BECAUSE ...



*1 Respondents could select multiple choices.

Source: Oliver Wyman 2015 Consumer Survey

Some of the reasons cited for preferring a drug store to discount retailer or grocery store include:

- They feel more comfortable going to a drug store for care because there are pharmacists on staff who they deem to be more reliable for care.
- There is a perception that the quality of care and staff is higher in drug stores than in grocery stores.
- Many consumers like the convenience of being able to get their medication in the same place as the clinic – this despite the fact that many grocery stores also have full-service pharmacies.
- Consumers also expressed concern with co-locating sick patients in the same area they would be

purchasing their groceries and a perceived lack of privacy at these retailers.

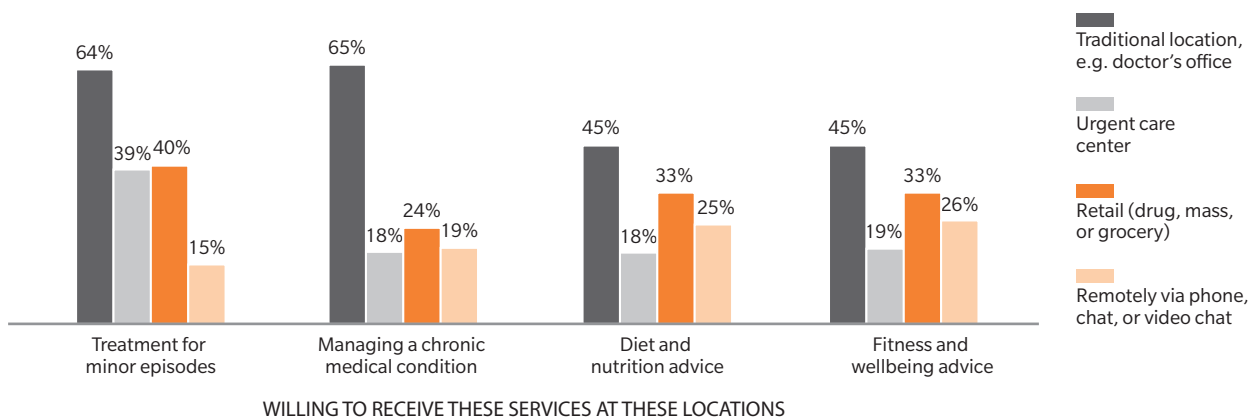
Despite these reservations and preferences, there is a marked shift in consumers’ willingness to use alternative sites. Consequently, we expect their use of alternative sites is going to continue to grow. Already, consumers are as willing to receive advice on diet/nutrition and fitness/wellbeing at alternative sites as they are at a traditional location. (See Exhibit 6). These findings indicate consumers are ready for the new front door. The question is: Are providers, payers, and retailers?

“Drug stores are more associated with health and wellness, in my opinion. I feel comfortable going to those stores for medical needs like prescriptions and medicine.”

“Somehow, clinics in grocery or retail stores seem out of place. But since it’s a relatively new concept, my acceptance of them could change.”

–Survey respondents

Exhibit 6: Consumers show willingness to receive health and wellness services in variety of locations



Source: Oliver Wyman 2015 Consumer Survey

BUILDING FOR THE NEW FRONT DOOR

Each of the major stakeholders – providers, payers, and retailers – is going to play a key role in building and operating the new front door. And so all industry constituents must reconsider their market strategy – not to mention benefit design, network structure, incentives provided, services offered, and business model.

The new front door will likely require significant collaboration amongst industry constituents. Pursuing a path alone will be challenging. This is why we now see Walgreens joining forces with large, regional health systems (Advocate Health Care in Illinois and Providence Health & Services in Oregon and Washington) to run, operate, and staff its in-store clinics; and why Rite Aid is partnering with provider organizations (via its Rite Aid Health Alliance) to manage poly-chronic patients with in-store disease management services and care coaching.

But not everyone is teaming up. Walmart, for example, has decided to go it alone. While the retailer used to lease its retail clinic space to outside providers, it now is shifting its investment to new, wholly owned

and operated primary care clinics. At the same time, a number of provider organizations are foregoing retail partnerships to build out their own convenience access points.

These varied strategies illustrate that even within industry segments there is no playbook or single path to follow. Right now, the new front door is about iteration and innovation. Already, individual retailers are iterating their models. (For example, Target has sold its pharmacy and clinic business to focus on a better-living business model.) Within this changing landscape, the pressing issue for *all* stakeholders – with \$200+ billion dollars in play – is how to capitalize on the opportunity of the new front door, and how to make sure it doesn't slam in your face.

Drawing on our survey findings, our interactions with industry leaders and innovators, and the level of activity and change we are witnessing in the market, we have developed the following key considerations and implications for each industry segment.

Right now, the new front door is about iteration and innovation.



16

118

119

120

121

140

141

142

159

160

161

162

173

174

175

176

177

178

179

203

204

205

206

207

208

209

210

227

228

229

230

IMPLICATIONS FOR PROVIDERS

With the arrival of the new front door, the healthcare experience is about to undergo step-wise improvement for the consumer. Provider organizations should view this as the beginning of a fundamental reset in consumer expectations. Smart systems will leverage this to improve the patient experience, but also to greatly improve their value proposition to physicians and their care teams – helping them reset patient care and feel greater impact on the health and well-being of their patients. The implications for incumbent providers cannot be understated.

KEY CONSIDERATIONS

The new front door is a growth vehicle for providers. It will allow them to reach new patients (both consumers who currently do not have a relationship with a provider and those who have a relationship with another provider) by offering new access options.

Connecting the new front door back to core medical homes will render a fully new experience, resetting consumer expectations.

Providers have the chance to create a better experience for everybody – patients, physicians, and the care team – by enabling a seamless care experience.

Providers wield a tremendous advantage in that they already have consumers' trust. (Some consumers say they would use retail care only if it were affiliated with a local hospital or provider.)

Expansion to virtual channels will allow systems to unlock trapped delivery-system capacity (think Uber), fully resetting patient expectations, and the interaction and engagement model that systems can use to more proactively support patient needs.

IMPLICATIONS

There are tremendous implications for systems' ambulatory footprint. Some existing assets, such as a market-blanketing primary care footprint, may no longer be needed; and some systems will identify asset gaps. The new front door may provide an efficient vehicle to increase a provider's number of attributable and managed lives; and so getting the footprint right will become increasingly important as more providers transition to value.

Physicians and care teams must be ready to receive/operate in this environment. Performance metrics, compensation, and incentives will need to shift.

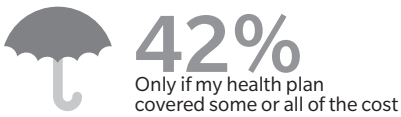
Coordinating care is easy to say, hard to do. Systems have to get it right – connecting with and transferring information between the various new front door access points in order to create a truly integrated experience. Traditional health system thinking will be an encumbrance here; systems must start with consumers' needs and hassles in mind.

In order to capitalize on that legacy brand-position, providers must move quickly and determine how they will monetize the brand plus quality plus trust advantage. As they do, they must recognize they are now operating in an arena driven by consumer expectations; what might have passed for customer service in the traditional arena won't fly in the new, consumer-centric front door.

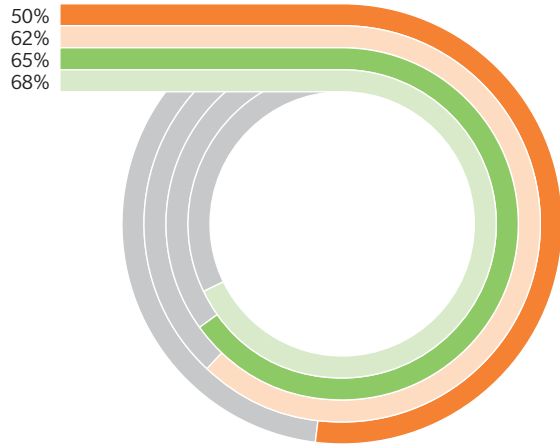
Introducing this in a manner that (1) meets with consumer/patient readiness, and (2) that can be effectively resourced (staffed) will be key to creating traction toward a magnetic and impactful experience.

Exhibit 7: Respondent reasons for the importance of a local hospital/provider affiliation*1

WOULD USE A RETAIL CLINIC ...



IT'S IMPORTANT IT IS AFFILIATED WITH A LOCAL HOSPITAL/PROVIDER BECAUSE ...



I expect more trustworthy staff

I expect information-sharing with my other health and wellness professionals

I expect more qualified staff

I expect better quality of care

*1 Respondents could select multiple choices.

Source: Oliver Wyman 2015 Consumer Survey

IMPLICATIONS FOR PAYERS

Payers shouldn't be debating whether they need a new front door strategy. They do. The real question for payers is what will that strategy be and how quickly can it be executed? Payers should be cautious about trying to optimize individual components of the new front door. Instead, they should think about the individual components working in concert to increase consumer access, convenience, and engagement. Payers also need to consider the value of the new front door beyond a network and medical-cost lens. There is value from a marketing, brand, and experience quotient. Regardless of approach, payers must move to establish relevancy in the new front door environment, as both providers and retailers have the capability to skip-step over payers directly to consumers.

KEY CONSIDERATIONS

Providers have consumer trust and credibility; retailers have brand familiarity, weekly-to-daily consumer touch-points, consumer insight, and broader health and wellness services. Payers must define their role in the new front door environment.



IMPLICATIONS

Payers need to play catch-up. Industry competitors/partners are better positioned and won't wait for payers to define their role; they will just carve out share. Payers (with their strategic control of data and money flow) have an opportunity to be the connective tissue for this new ecosystem. They also could play a significant role in care management for people with chronic disease, partnering with new front door players to encourage preventive care that is enabled by convenient, 24-hour access, and further encouraged by retail discounts and incentives for things like prescription-adherence programs. But first, they must fully embrace the new front door.

Payers already have consumer-driven products in the Medicare Advantage, and individual market and exchange lines of business. This is a natural place to initiate front door strategies.



Payers need to rethink and redesign their exchange and individual-market products to create a better product that incorporates the new front door, among other innovations and differentiators. That means thinking beyond just a new network to incorporate additional consumer-centric elements such as discounts at participating pharmacies, obesity management programs available at partnering retailers, etc. This adds value and convenience for consumers without material economic impact on premiums. It also forges new bonds with the consumer that can create "stickiness" and drive retention.



Providers are the hub of today's networks; but times are changing. Network structure and provider relationships in the new front door could get messy.



Structuring for the new front door likely means upsetting some long-standing provider relationships, particularly those with providers who are embedded in the current FFS model and committed to the status quo. The ability to help physicians manage that turbulence is going to be incredibly important. Also, a payer could disrupt the market through a new front door relationship with a retailer (or tele-physician, or online partner) that changes where basic primary care is delivered. That, in turn, would change the nature of payer-provider contract negotiations, as well as the strength of each side's relative position. Providers may not be happy, putting the onus on payers to prove the value proposition and demonstrate the "win-win" economics to all members of the ecosystem.

As consumers take greater ownership of their healthcare spending, the almighty payer-employer relationship may become less important. (If a visit to the local drug store is cheap enough, a consumer might not care if it's covered.)



Consumers will be attracted to ultra-low cost primary care visits and discounts on healthy living products, and payers' product and networks better reflect this consumer desire and expanded consumer view.

Payers will struggle to succeed in the new front door on their own. Strategic alliances can help payers bolster their market reputation and position.



The playing field is limited and the partnership ecosystem is small. Plans need to shore up their alliances now or be left out of the equation. No single entity possesses the core competencies to "own" the new ecosystem of access and convenient care; capability to form alliances and joint ventures is a critical competency for payers to have.

The new front door creates a new set of quality and performance-management issues.



Credentialing, routing, quality, safety, and fraud and abuse are all issues that payers will have to prepare for and manage in this new world.

IMPLICATIONS FOR RETAILERS

Retailers, obviously, play a significant role in the new front door. And with their existing customer base, brand loyalty, physical footprint, and existing health resources, they have a significant starting-point advantage. But the survey shows not all retailers are created equal (in consumers' eyes), and every retailer must think strategically about pairing its offering with its customer base.

KEY CONSIDERATIONS

The survey shows "frequent shoppers" are very willing to receive health services in a retail location. In other words, retailers' best customers are all in.



IMPLICATIONS

If a retailer doesn't meet frequent shoppers' desire for health services, chances are someone else will. For frequent shoppers, health services can increase per-customer revenue and margin. And for the infrequent shoppers, health services can drive traffic to retail stores and be a vehicle to build customer loyalty.

Health services could be a standalone business, or it could be something much broader and encompass the entire store, changing a retailer's core offerings and adding new ones.



Competition is, obviously, much fiercer if the stated goal is "stealing" share/revenue from incumbents. The pie is bigger if retailers go after the broader health and wellness play; but the path to get there is also more difficult.

Depending on the offering a retailer is pursuing – just healthcare services or a more complete model with nutrition, wellbeing, etc. – the business model required will vary.



If the "customer" is the payer or employer, the profit model must be built around getting reimbursed for the services delivered. If the "customer" is a risk-bearing provider, the value proposition is retailers' ability to extend the care team into the store, deliver an expanded set of services, and gain a share in the value created. If the "customer" is a consumer who is "buying-up" health and wellness services, the model is focused on capturing consumers' discretionary budget (fitness, nutrition, etc.).

The capabilities and partnerships required will be determined by the business model retailers pursue. Running a successful healthcare business within a larger retailer requires a different skill-set and resources, and retailers are going to need help.



The answer may be more retailer-to-retailer partnerships. From a contracting vantage, a coalition of regional retailers all offering a common program could be attractive and a credible alternative to national retailer offerings.

Grocery and mass merchants have a unique bar and higher hurdle to overcome, as some consumers have an aversion to healthcare in a setting that sells food or general merchandise.



There is clear opportunity for *all* retailers; it just will require more work and strategic business models. Grocers and mass retailers may be able to overcome consumers' aversion using other attributes, such as price or experience; or by increasing reliance on provider partnerships to gain credibility.

Exhibit 8: Consumers who regularly shop at a retail store are more willing to receive health services at that retail site



Source: Oliver Wyman 2015 Consumer Survey

THE NEW FRONT DOOR IS HERE

Consumers have spoken; the new front door is here. It is now incumbent upon stakeholders to build it in a way that has meaning and value to consumers.

But the path forward will not be easy; it will require hard work, strategic partnering, and a reimagining of business models and market strategies. Payers, providers, and retailers must determine if they are supportive of consumers' would-be front-door choices, or do they want to shape them? Do payers want more

or less alternative-site use? What about providers? Retailers most certainly want increased use, but will they pursue the care-delivery path or plough new ground by building, for example, a compelling food and nutrition offering?

While there is much still to be determined and defined, it is clear that with \$200+ billion on the table – and the possibility of an improved healthcare experience – the effort will be worth it and the payoff will be significant.

AMERICAS

+1 212 541 8100

EMEA

+44 20 7333 8333

ASIA PACIFIC

+65 6510 9700

ABOUT OLIVER WYMAN

Oliver Wyman is a global leader in management consulting. With offices in 50+ cities across 25 countries, Oliver Wyman combines deep industry knowledge with specialized expertise in strategy, operations, risk management, and organization transformation. The firm's 3,000 professionals help clients optimize their business, improve their operations and risk profile, and accelerate their organizational performance to seize the most attractive opportunities. Oliver Wyman is a wholly owned subsidiary of Marsh & McLennan Companies [NYSE: MMC], a global team of professional services companies offering clients advice and solutions in the areas of risk, strategy, and human capital. With 52,000 employees worldwide and annual revenue exceeding \$10 billion, Marsh & McLennan Companies is also the parent company of Marsh, a global leader in insurance broking and risk management; Guy Carpenter, a global leader in risk and reinsurance intermediary services; and Mercer, a global leader in human resource consulting and related services.

Oliver Wyman's Health & Life Sciences practice serves clients in the pharmaceutical, biotechnology, medical devices, provider, and payer sectors with strategic, operational, and organizational advice. Deep healthcare knowledge and capabilities allow the practice to deliver fact-based solutions.

Oliver Wyman launched the Health Innovation Center (OWHIC) in 2011 dedicated to promoting positive change in healthcare. OWHIC champions innovation by disseminating proven innovations; envisioning market-based solutions to today's and tomorrow's challenges; and establishing a cross-industry community of thought-leaders to share and shape ideas.

For the latest on the business of transforming healthcare, visit Oliver Wyman Health digital platform at health.oliverwyman.com.

For more information, visit www.oliverwyman.com.

Follow Oliver Wyman on Twitter @OliverWyman.

AUTHORS

GRAEGAR SMITH

Principal

graegar.smith@oliverwyman.com

HOWARD LAPSLEY

Partner

howard.lapsley@oliverwyman.com

DAN SHELLNBARGER

Partner

dan.shellenbarger@oliverwyman.com

Copyright © 2016 Oliver Wyman

All rights reserved. This report may not be reproduced or redistributed, in whole or in part, without the written permission of Oliver Wyman and Oliver Wyman accepts no liability whatsoever for the actions of third parties in this respect.

The information and opinions in this report were prepared by Oliver Wyman. This report is not investment advice and should not be relied on for such advice or as a substitute for consultation with professional accountants, tax, legal or financial advisors. Oliver Wyman has made every effort to use reliable, up-to-date and comprehensive information and analysis, but all information is provided without warranty of any kind, express or implied. Oliver Wyman disclaims any responsibility to update the information or conclusions in this report. Oliver Wyman accepts no liability for any loss arising from any action taken or refrained from as a result of information contained in this report or any reports or sources of information referred to herein, or for any consequential, special or similar damages even if advised of the possibility of such damages. The report is not an offer to buy or sell securities or a solicitation of an offer to buy or sell securities. This report may not be sold without the written consent of Oliver Wyman.