Healthcare Systems and Services Practice

Distributed sites of care: At the tipping point?

Shubham Singhal
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Increasingly, consumers are seeking services at sites of care outside of the traditional health system infrastructure. This shift has important implications for how health systems think about their asset base and scale.

Today’s consumers, having grown used to on-demand services and online access, are increasingly looking for convenience when it comes to healthcare. Each year, $330 billion in consumer out-of-pocket spending on healthcare is now up for grabs, and consumers are increasingly seeking services in nontraditional settings.¹

A significant amount of care delivery now occurs at sites of care outside of the traditional health system infrastructure. For example, while few pharmacies offered immunizations in 2009, approximately 20% of adult vaccinations were delivered in a retail clinic or pharmacy by 2012.² Additional volume may be poised to shift away from hospitals and physician offices to more distributed, consumer-oriented settings such as retail clinics, urgent care facilities, and virtual modalities. Many diagnostic tests could be moved into retail care settings, and researchers have estimated that 14% to 27% of emergency department visits could be handled at urgent care centers.³ Providers are also experimenting with delivering some care for chronic conditions remotely through telehealth platforms.⁴,⁵

At present, the change may be most notable in the rise of health clinics in retail stores. These clinics have been expanding rapidly and have stronger revenue growth than do somewhat more mature retail sites of care (e.g., urgent care and ambulatory care centers) (Exhibit 1). Between 2010 and 2015, retail health clinic revenues increased at a compound annual growth rate of 20%. In contrast, inpatient utilization declined during this period. Though growth in the number of locations has partially contributed to the increase in retail healthcare revenues, same-store sales have also risen as retail clinics attract more volume and expand their service offerings.

The volume that could migrate to retail clinics could increase in the next few years, because large retailers have a significant opportunity to expand the presence of clinics across their locations. In 2015, the footprint of one prominent retail clinic chain was sufficient to serve only about 8% of the US population (Exhibit 2). However, if a retail pharmacy chain such as Walgreens were to open a health clinic in each of its stores, more than half of the US population would have convenient access to its clinics. If Walmart were to take a similar course, more than three-quarters of the population would be covered.⁶

Some evidence suggests that a portion of the care that consumers seek in retail settings represents new utilization, perhaps driven by lower friction costs in accessing care (e.g., lower out-of-pocket costs, more convenient locations and hours). However, one study found that 42% of retail clinic visits are a substitute for a visit to a physician’s office or emergency department—
representing a shift in volume away from traditional providers.\(^7\)

While retailers are experimenting with different models of ownership and contracting to deliver healthcare in their stores, increasing consumer demand for convenient and affordable options suggests that the number of retail clinics is likely to continue to grow. In a survey of healthcare consumers we conducted in 2016, 12% of the respondents indicated a preference for accessing routine medical care through a retail clinic or pharmacy; another 12% indicated a preference for accessing routine care through an urgent care clinic.\(^8\) The top reasons given by consumers for their preferred site of care included convenient location (cited as the most important reason by 13% of respondents) and great customer service (8%). Another data point: respondents were asked where they would seek care if they moved to a new location. While 43% of consumers indicated that they would go to a primary care provider’s office to receive care, 25% said that they would visit an urgent care provider, and 6% said they would seek care from a clinic at a pharmacy or retailer.

Consumer demand for more convenient, distributed sites of care has important consequences for traditional health systems. An environment that rewards broader distribution of assets could make geographic scale more advantageous; many health systems are already beginning to rethink their asset base to expand regionally or nationally. Some health systems are crafting their own

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**EXHIBIT 1 Healthcare delivery at distributed sites of care has seen strong growth**

<table>
<thead>
<tr>
<th>Location</th>
<th>Growth, number of locations</th>
<th>Growth, 2015 Revenue, $ billion</th>
<th>Compound annual growth rate (2010–15), %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail clinics</td>
<td>1,360 2,050</td>
<td>1.3</td>
<td>20</td>
</tr>
<tr>
<td>Urgent care</td>
<td>8,600 10,080</td>
<td>16.2</td>
<td>4</td>
</tr>
<tr>
<td>Ambulatory surgery</td>
<td>10,190 11,250</td>
<td>27.5</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: Kalorama; IBISWorld

\(^7\)\(^8\)
EXHIBIT 2  The percentage of the US population with potential access to a retail health clinic suggests an opportunity for further growth

In 2015, 8% of the US population had convenient access to a clinic operated by one prominent retailer

If a major retail pharmacy \(^1\) were to open a clinic in each one of its stores, over half of the US population would have access

If a major retail giant \(^2\) were to open a health clinic in each one of its stores, more than three-fourths of the population would have access

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\(^1\) Analysis based on data on Walgreens locations in 2015.
\(^2\) Analysis based on data on Walmart locations in 2015.

Source: AggData; McKinsey Geospatial Analytics
retail care portfolios—some are investing in or forming partnerships in the retail space, while a few are operating virtual care kiosks and portals. One winning strategy may be broader geographic scale paired with greater specialization of services. A strong brand also becomes more important to attract consumers across a wider geographic footprint.

For health systems, moving into distributed sites of care is not without its challenges, however. Perhaps the biggest challenge is a mental one: to shift from a worldview in which hospitals are at the center of care delivery to one in which consumers are.

For most consumers, hospitals are at the periphery, serving only a narrow subset of their needs.

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**FOOTNOTES**

8. 2016 McKinsey Consumer Health Insights Survey. Eight percent of the respondents indicated a preference for accessing routine medical care through a retail clinic, 4% through a pharmacy, and 1% through a retailer (N = 2,809).