FRONTIERS

OF HEALTH SERVICES MANAGEMENT

Foundation of the American College *of* Healthcare Executives
for leaders who care®

Real Estate and the Rise of Retail Medicine

Feature articles by
Scott A. Mason, FACHE
Denise B. Prince and Thomas Graf

Commentaries by
Richard P. Miller, FACHE
George F. Kerwin, FACHE
Alexander J. Hatala, FACHE

VOLUME 31 • NUMBER 3 • SPRING 2015

FRONTIERS

OF HEALTH SERVICES MANAGEMENT

Frontiers of Health Services Management **is committed to providing our readers with compelling, in-depth features and commentaries that are of current importance to the practice of health services management by drawing on the expertise of the best practitioners and scholars.**

ACHE and the editorial staff of ACHE publications reserve full editorial control over the content of ACHE publications.

CONTENTS

Retail and Real Estate: The Changing Landscape of Care Delivery

Scott A. Mason, FACHE

Summary • By its nature, retail medicine is founded in real estate. That retail medicine has expanded so dramatically in a relatively short period of time has taken people by surprise. This rapid growth of integrating healthcare services into retail real estate begs the question of whether real estate will eventually take on the importance in healthcare delivery that it has in retail. This article advances the view that it will. In the end, what retail and healthcare have in common is that they both reflect the attributes of demanding consumers as part of an experience-based economy, where products and services are sought based on how they fit with their lifestyles and how they make them feel (Pine and Gilmore 1998). Changing the selection process for healthcare services to be more like retail is already expanding how and where healthcare services are delivered.

Scott A. Mason, DPA, FACHE, is executive managing director of the Healthcare Practice Group at Cushman & Wakefield.

FEATURE

Introduction

Few initiatives demonstrate the power of disruptive innovation in healthcare better than the rise of retail medicine. Experts have been noting for some time that lessons for repositioning healthcare can be learned from the retail industry (Bernstein and Vanderlinde-Kopper 2008; Mehrotra et al. 2010).

Retail medicine was first introduced in the late 1990s to some fanfare. The initial reaction of providers was perhaps predictable. As with other disruptive innovations, those people embedded in traditional healthcare delivery raised objections: allegations of inferior care, a severed connection to the healthcare community, concerns that retail medicine staff would exceed the bounds of their licenses.

Demographics, psychographics, environmental sustainability, design, and location all drive real estate and retail medicine.

Most of these projections have proven false. Observers increasingly recognize that retail medicine can represent not just a singular new delivery modality but a new approach to service delivery that could reshape the entire industry.

Demographics, psychographics, environmental sustainability, design, and location all drive real estate and retail medicine. In this article, I touch on these and additional factors, with a particular focus on location, the rise of convenient care clinics, operational sustainability, and the future landscape of retail medicine and real estate.

The Real Estate–Healthcare Connection

When one thinks of real estate and healthcare, medical office buildings (MOBs) typically come to mind. While the MOB is a favored asset class in real estate from a sales and acquisitions perspective, healthcare real estate is really about much more than MOBs.

The Concept of the Retail Experience

Retail at its core answers the need and desire to find goods and services in a safe and convenient location. It is *an experience*. And part of this experience is social, one that is to be shared with others. In fact, the more a brand carries value for the consumer, the more the consumer is compelled to share that trusted brand *experience* with others. Trusted brands are the essence of retail stores located in a variety of settings, including community shopping centers and regional malls.

Factors That Drive This Experience

It is no coincidence that retail medicine is taking off at a time when 77 million baby boomers are entering their senior years. Having raised their families largely in the suburbs, older boomers are now more attracted to urban environments, as among their greatest fears in growing older are isolation and boredom. Clearly, this shift is affecting the healthcare environment, as seniors require increased access to health services. Boomers who have exhibited disruptive behavior in changing education and financial services have not yet had their full impact on healthcare delivery. Retail medicine could be one early example of the coming changes in healthcare influenced by baby boomers.

Yet it is not just boomers who are influencing this trend. Millennials, at 80 million strong, are coming into adulthood, and they bring their own preferences. Millennials tend to be environmentally conscious; they want to be less dependent on fossil fuels and avoid using cars to move them where they work, live, and shop. These two factors are giving rise to walkable communities, mixed-use master designs, sometimes referred to as the *new urbanism*. And healthcare is being woven into the mix.

Another demographic factor contributing to an emerging retail orientation to healthcare is the predominance of women in the selection process. Healthcare is increasingly about choices. And the majority of health choices in most families are exercised by women. Retail is a known experience for most women, and some of the attributes that women like from retail have been missing in traditional healthcare delivery. As the healthcare consumer is at greater financial risk, his or her decision making will increasingly reflect the same attributes exhibited when shopping for other goods and services.

But the emerging healthcare experience is about more than just retail. It should offer a convenient location, use environmentally sustainable materials (see, e.g., Beale and Kittredge 2014), and be redesigned around consumer preferences—patient-centered preferences—which are covered well in the literature (e.g., McGraw Hill Construction 2014).

And it is about even more. Facility design seems on the verge of bringing creative knowledge into focus regarding how to include healthful elements into our buildings, such as encouraging the use of stairs and ensuring access to fresh air, natural light, and flowing water. New designs are being influenced by preferences for open space, moving away from the often sterile appearance of hospital environments (e.g., the Planetree model). In terms of the healthcare experience for millennials, who are comfortable with technology, a recent report of the National Chamber Foundation notes, "This generation's connectedness also demands that brands ensure or influence that the user experience is positive" (Seppanen and Gualtieri 2012). In other words, it does not matter to millennials who is behind the counter for certain services, just that the experience is a positive one.

Untethering from the Hospital

Although sustainability and design will take on greater meaning in the future, the message that retail medicine has most dramatically conveyed with respect to healthcare real estate is about location. The hospital-centric view of the world is giving way to the realization that convenience demands a wide variety of access points for health services to support a population health model. "Build it and they will come" is being replaced by consumers' demand for convenience and low cost (with quality and safety being assumed).

A broader continuum of locations—and a broader definition of *location*—is evolving in real estate for the delivery of services under an expanded definition of health—not just illness. A greater variety of *touch points* is evolving quickly and includes the home, with technology (apps) and telemedicine serving as viable alternatives to face-to-face care for health issues at the lower end of the acuity scale. Kiosks in key locations (e.g., airports) are just around the corner for providing virtual healthcare, and new generations of cell phones promise new apps destined to promote health and monitor vital health signs while connecting into the broader (secure) information highway. What brings this all home is that major retailers, including Walmart, CVS Health, and Walgreens, have demonstrated that they intend to play a major role in primary care and have taken major steps to do so.

So if retail at its core is a real estate play—think "location, location, location"—how is this likely to affect the way we look at healthcare real estate? Population health demands that services be made available on a distributed basis in accessible locations and through lower-cost offerings. The result is that what has been previously known geographically by healthcare organizations as the service area or *market* must now be segmented into smaller, more manageable areas—*submarkets*—with the realization that one size of service offering does not fit all. A successful brand in healthcare will have service offerings that provide complete coverage of all submarkets.

Population health demands that services be made available on a distributed basis in accessible locations and through lower-cost offerings.

The Impact of Psychographics

Psychographics have dominated retail and are becoming more prevalent in healthcare, especially as different facility configurations are being considered. Facilities that are numerous now and seem to go up on any street corner (e.g., urgent care) will likely evolve over time to a more standardized set of prototypes that are more precisely located to fit capacity with measured demand. Medical needs and environmental considerations will begin to inform what facilities should go where and how they should be configured. Where families dominate, pediatric urgent care may be a logical offering. Where elderly demographics dominate, chronic care models will prevail (e.g., patient-centered medical homes). And these will not be just service descriptions; they will carry certain design attributes with them as well (e.g., no waiting area, central registration, virtual access). Ultimately, sophisticated health systems will have a branded continuum of facility offerings spread throughout the relevant market in such configurations that fit targeted psychographics of each submarket.

Understanding the Business Model of Retail Medicine

As a result of these considerations, real estate can no longer be meaningfully summarized for the overall market as simple pins on a map. Healthcare executives are better served by focusing on several levels from the big picture down to the individual experience. To affect the consumer experience, different factors arise within each dimension at the region, neighborhood, building, and workspace levels, as illustrated in Exhibit 1.

Hospitals that recognize the impact of these dimensions are already offloading certain services from inpatient settings to more convenient retail settings, which has the side benefit of freeing up needed space within the hospital.

So where exactly does retail medicine fit into the new healthcare real estate model? What is so remarkable about retail medicine has been its ability to scale while spending very little capital by connecting healthcare delivery to other existing services/products in retail space (real estate). Retailers focus on visibility, access, and adjacency. The sweet spot for retailers is commodities, and a significant segment of the healthcare industry is being commoditized. Are we suggesting that all healthcare become retail? No. But a better understanding

Exhibit 1 Dimensions of Healthcare Real Estate

Region
- Growth patterns
- Utilization trends
- Mortality and morbidity
- Supply and demand for specific clinical services
- Distribution of clinical service lines
- Competitors

Neighborhood
- Block-level demographics/psychographics
- Transportation and infrastructure
- Proximate businesses, shops, and amenities
- Future development

Building
- Floor plate size and shape
- Adjacency and cotenants
- Visibility and branding potential
- Floor level
- Foot traffic

Space and design
- Look and feel (e.g., sterile and clinical or welcoming and warm?)
- Natural light
- The greeting/hospitality program
- Onstage and offstage offerings
- Flow

of the critical factors that have made retail medicine operationally sustainable will help healthcare leaders in attempting to respond to the new rules of healthcare reform.

When one thinks of retail, a number of attributes come to mind:

- Commodities
- Convenience
- Price transparency
- Pricing discounts
- Shopping experience
- Visibility
- Bricks and clicks

The retail medicine business model embodies all of these attributes.

For purposes of this discussion, retail medicine is defined as a model of service delivery that offers a select set of standardized medical services for a fixed price at a safe, convenient location in or near a retail zone. As is often the case with a new service in a tradition-bound industry, the term *retail medicine* has come to be used to cover a broad category of offerings (e.g., medical malls, off-site ambulatory surgery, urgent care). And the consumer seems eager to access health services in new settings. According to a recent Oliver Wyman (2014) healthcare consumer survey, "There is both strong interest in receiving traditional services in new locations and strong interest in new services." As entrepreneurs recognize the opportunities that arise out of an industry that is challenged to fully meet expanding consumer expectations for cost, quality, and access, this interest will only grow.

The term retail medicine has come to be used to cover a broad category of offerings.

Urgent care clinics, ambulatory surgery centers (ASCs), and freestanding emergency departments all represent early retail medicine efforts that have taken off relatively slowly (mostly because of regulatory and insurance coverage barriers) but are consistent with this trend toward retail medicine offerings. They have all untethered from the hospital campus and can involve brand extension into the market with locations that are far more convenient and accessible to consumers than the typical main hospital facility.

To provide greater strategic insight into this phenomenon of retail medicine, the next section focuses on one segment of retail medicine: convenient care clinics (CCCs).

Convenient Care Clinics as Retail Medicine

According to UnitedHealthcare (2014), a convenient care clinic is "a walk-in health care clinic located in a retail store, supermarket, or pharmacy that treats uncomplicated minor illnesses." Some healthcare consumers are looking for an uncomplicated healthcare experience to satisfy their basic medical needs, similar to the relatively straightforward "experience" approach to flying that the lower-cost airlines branded for themselves (e.g., Southwest Airlines). Such consumer demand is one reason that CCCs, in contrast to earlier retail medicine efforts, have scaled dramatically in recent years.

Key Innovations

Furthermore, a number of key innovations have made retail medicine in the form of CCCs both disruptive and sustainable:

1. *A nurse-driven model*. There will never be enough primary care physicians to meet the primary care needs of the United States. Although not well understood, the nurse-driven model adopted by CCCs is part of the breakthrough of retail medicine. As required of a disruptive innovation, it addresses a serious issue—lack of accessible primary care.
2. *Standardized services*. Standardization of CCC services addresses a simple but profound point: Healthcare, especially hospitals, has historically resisted attempts to standardize pricing. It has held to the idea of customized care that cannot be priced in advance. Although that model holds true for complicated situations, which will continue to be a factor in hospital care, the reality is that much of healthcare, for both adults and children, is fairly routine and can be offered without much risk. In other words, these are commodity services that can be offered on a fixed-price basis. Although not a popular notion, one could argue that who provides

these relatively simple services matters less than the location and the price. Again, quality and safety are assumed by consumers to be present in any healthcare delivery situation. Policymakers have made it clear that the business model built around the esoteric and unpredictable (i.e., fee-for-service) is no longer adequate when so much of medical care has become routine and repetitive.

3. *Fixed price*. Clearly, transparency has become a driver of healthcare reform. Retail medicine is one of the first examples of healthcare delivery that is transparent in that it is fundamentally predictable in both outcome and cost. The buyer can determine with some certainty, in advance of the purchase, what the value is and compare it with the cost—an essential retail test. Few other aspects of healthcare yet operate with the clarity of these CCCs.
4. *Shared real estate in a retail outlet*. It is the ability to seamlessly integrate the CCC into existing retail space that is a key breakthrough for retail medicine. However, this factor may be easily overlooked. The space was not originally built for healthcare; it was built for retail, so it is, by definition, in a convenient location.
5. *A branded shopping experience*. People shop to satisfy a product or service need. But savvy retailers understand that shopping is much more than that; it is an experience. Retailers segment their customers and develop strategies to attract each segment (e.g., impulse buyers). The bricks-and-clicks approach for retailers reinforces that there are multiple avenues by which to attract customers and generate brand loyalty. In a significant departure, major retailers such as Samsung are designing retail space (bricks) to allow potential customers to explore products but not to purchase them on-site. Just as in retail, brand is destined to become a serious selection factor in healthcare delivery under a population health delivery model.

To succeed, disruptive innovations must offer a better, less expensive service than the conventional service or product it displaces. Although not a panacea, retail medicine is a response to care delivery that seems to resonate well with consumers. As noted earlier, surveys indicate a high level of willingness to try such services in new locations and satisfaction among people who use retail medicine (Oliver Wyman 2014). The openness of people to try new experiences suggests some dis-satisfaction with conventional services. Some of the innovations in retail medicine respond to frustrations that users have identified with traditional services—what Slywotzky (2011) calls *hassles*.

Hassles can result from many things, including what he calls *value migration*. Value migrates from outmoded business models to business designs that are better able to satisfy customers' priorities. Value migration can result over time in what he calls no-profit zones, where core products or services that launched the product or service no longer generate financial gain. With declining payment rates and elimination of cost shifting to commercial payers, it is not hard to view inpatient care as an emerging no-profit zone.[1] Slywotzky (2011) recommends using "hassle maps" as an analytic tool to document what customers dislike about a given product or service in order to design innovations to eliminate these frustrations.[2]

In healthcare, the hassle map for consumers can include having to fight traffic to get to the hospital for an appointment in an inconvenient time slot, finding a parking spot in a crowded garage on the crowded campus, navigating the complex corridors of the hospital to find the lab, and then sitting in a crowded waiting room.

The Retailers' Perspective

Some things had to change for retail to be receptive to offering medical services. Historically, retailers have been reluctant to wander beyond their comfort zone. At a time when Walmart was leaving competitors in its wake with its focus on inventory management, logistics, and quality control of lower-cost suppliers, other retailers would have been hard pressed to embrace nontraditional services. A central objection to adopting this particular service line in retail was the perception that people visiting the store to buy goods did not want to be around sick people. (The old definition of sick people seemed to focus on infectious disease, such as tuberculosis.) The new definition of health recognizes that, as we live longer, we all deal with chronic diseases, thus revising the idea of who is being served and hinging on the fact that it does not impact others.

The metrics that drive retail are different from those for healthcare.

Like healthcare, retail has had its challenges. One research study noted that the 2,000 regional shopping malls in the United States were experiencing increasing vacancy rates over the past 20 years, to the point where an estimated 19 percent were "dead or dying" (Uscher-Pines, Mehrotra, and Chari 2013). The authors went on to note, "The decline of shopping malls is occurring at the same time that healthcare needs are growing and medical care is becoming more consumer centric." Can there be a more clear indication of how retail space and medical space can connect? A white paper published by Deloitte entitled "Can Healthcare Rescue Real Estate?" points out that the Great Recession had a significant impact by severely limiting development of new medical office space (Meyer and Grossman 2010). The reality is that high vacancy rates in shopping malls can have a profound effect on attitudes of owners/operators.

Healthcare looks competitive until one considers the challenges of retail. In contrast to a fee-for-service system that has as a core component a determination of charges after the service is delivered (and the presence of a third-party payment system), retailers deal in transparency, including fixed-price or discounted commodities. Differentiation is a fundamental issue for retailers. For example, some have been known to go to extraordinary lengths to deliver on a "low-price guarantee" as part of a brand promise. The metrics that drive retail are different from those for healthcare (although they may come closer together in the future). Store performance is measured by gross sales or revenues and revenues per square foot of space, and stores are compared with each other as a means of optimizing that performance. Space design and product positioning are built around maximizing revenues per square foot. Other variables include flagship versus outlet retail, foot traffic, and getting people into stores.

Growth and Operational Sustainability

To the retailer, medicine is an added service that might bring new customers into the store or add value to existing customers. One study found that 40 percent of those who obtained a medical service in a drug store went there for some other reason—getting a flu shot in this scenario is essentially an impulse buy. Absent available retail space, CCCs would have had to evolve similarly to urgent care as single-use facilities focused on primary care. It is the existence of department stores and retail pharmacies in prime locations that has allowed the convenient care concept to scale so dramatically compared with earlier efforts. In short, it meets that essential test of *one-stop care*.

Revisiting the Importance of Location

We are all familiar with the real estate adage of "location, location, location." This rule of thumb translates to value (and rent rates) when it comes to determining how one location compares with another. As noted earlier, CCCs have brought additional value to such stores from a real estate perspective. Some experts have observed that valuations of off-campus healthcare real estate may ultimately exceed those of on-campus offerings. That trend, if it continues, would be a serious reversal of traditional real estate investment. As evidence, the recent sale of a property to CVS Health in Tysons Corner, Virginia, established a new valuation record reflecting its unique location in the middle of a quickly expanding mixed-use community in northern Virginia (Virginia Business 2014).

Foot traffic is manna to the retail world. It is the equivalent of walk-in care for healthcare and, in fact, could represent a major opportunity for CCC growth. This increased focus on the walk-in customer is already reflected in such activities as EDs publishing their waiting times (some on billboards) and urgent care clinics and CCCs catering to "nonassigned" patients—those who have no private physician. Healthcare reform seems to be fostering a marketplace in which not all care is prearranged, and some care is somewhat random but accessible (including via low prices). The impulse buyer is a critical segment for all retailers. Why not for certain healthcare services (e.g., flu shots)?

The Patient as Guest

Perhaps the most compelling argument for healthcare integrating more with retail is the opportunity to refocus on the patient/customer experience. It is not lost on most healthcare leaders today that the Hospital Consumer Assessment of Healthcare Providers and Systems program is ramping up to the point where it places at risk up to 7 percent of Medicare payments. This increase is dramatic when one considers that millions of dollars in payments are at risk on the basis of customer reviews resulting from a patient/customer survey. Taking a retail and hospitality orientation to service delivery should help improve the experience for many patients.

But we need to move beyond "patients." In most decent-sized markets, providers will have to compete for the loyalty of customers, as do retailers. It is time we recognize that the vast majority of healthcare customers are ambulatory, not occupying a bed. They are, in fact, better described as "guests," especially in the ambulatory setting. Further, we are not always dealing with just the patient, but also his or her family and other individuals significant to the patient for much of what is now included in healthcare. For the retail consumer who has choices, brand matters. Expect the same in healthcare.

Finally, not only is healthcare integrating more into retail, but retail is shifting more toward healthcare. CVS/Caremark even changed its name to CVS Health and has made investments that reinforce this evolved brand image, such as no longer selling cigarettes and launching a national campaign of smoking cessation programs. The result is that retail is establishing itself as a credible location on the health services continuum.

What Can We Expect in the Future?

That services can be provided more conveniently in the community and with the consumption of fewer resources is the essence of bending the healthcare cost curve. Done correctly, real estate for many hospitals and health systems will be an engine for growth. Of particular note is the shift from a largely fragmented outpatient service (i.e., single-purpose buildings in many shapes and sizes) toward a one-stop care experience.

Not only is healthcare integrating more into retail, but retail is shifting more toward healthcare.

All the same, the rules of healthcare real estate are changing dramatically (Mason 2014). What significant changes can be anticipated as real estate and retail expansion meet healthcare?

- New capital partners will emerge as healthcare real estate moves away from traditional medical office space and more toward retail-like space in and around malls. Medical malls will increase beyond the 28 or so that currently exist. But access to capital will be a major barrier to upgrading the off-campus real estate of many health systems and hospitals. Control will come to be viewed as more important than ownership, and master leases will dominate in many MOBs (Hudgins 2014), imposing a brand on what are currently unbranded, largely multitenant settings.
- Larger-sized structures, or "boxes," will be favored over smaller, carved-up space that has tended to characterize traditional MOBs. While these larger spaces typically have been used by multispecialty groups, they will also become the form preferred by regional health systems, an increasing percentage of whose medical staff are employees. One viewpoint on the future is that many of the existing single-purpose buildings will eventually be morphed into larger multiservice ambulatory centers, at least in those population centers that have sufficient base to justify this scale.
- Design innovations will flourish, featuring greater efficiency in use of space (e.g., using less square footage per full-time equivalent employee, adopting central registration and floor-level waiting areas) and more attractive, healthful designs. Some of these innovations involve relatively simple adjustments to lighting and the addition of a flowing-water feature to simulate a natural healing environment and emphasize environmental sustainability.
- New partnerships and location options will arise where healthcare occupies existing retail real estate, with and without retail partners. Walmart has already developed partnerships with

a number of regional providers for its own employee health services.

- Real estate costs will go up, and the increased demand for healthcare services that will result from implementation of the Affordable Care Act will be partially responsible for this rise. Healthcare use already commands a rent premium in some markets. This trend will place greater emphasis on savings and the elimination of unnecessary duplication of facilities and space. Real estate is being managed poorly in many healthcare settings. A portfolio analysis is a good start when attempting to determine opportunities for improvement in healthcare real estate.
- New metrics (e.g., visits per square foot per year, revenues per square foot) will reflect corporate best practices and new success factors tied to productive use of space. New analytics will be used to measure ambulatory service productivity.

As a result of these and other related changes, healthcare organizations of the future are encouraged to consider the following.

Refocus on the Patient as Guest

Mass customization has been the savior of retail. Through patient-centered design, a similarly customized focus can raise performance to better serve healthcare consumers—especially those who have the means to choose—one at a time. For the retail and hospitality industries, transformation has involved significant application of customer-based technologies. Healthcare can do no less. Just how prevention and the more health-oriented components of the systems, such as spas and other fitness centers, will be better integrated has yet to fully play out. But it does not seem much of a stretch to suggest that in the future, many of these services will be under one roof with a health label—if not physically, then fiscally.

Embrace the Opportunity of One-Stop Care

The concept of one-stop care can be viewed by healthcare executives as either a threat or an opportunity. To the niche player, it will be a threat to the extent that such alternatives displace the fragmented status quo. To the integrated health system, it will be an opportunity to reinvent the hospital and embrace ways to transform healthcare delivery to be more responsive to a mobile world.

Clearly, healthcare reform will continue to favor lower-cost alternatives to traditional hospital-based services. If technology firms such as Amazon, Apple, and Netflix are driven by the Holy Grail of a "one-click world," does it not follow that "one-stop care" should be a key element of future healthcare delivery?

Aggregate Services

The antidote for fragmented healthcare is aggregation. Rather than demonizing retail medicine, the marketplace is supporting its expansion, while reinforcing the primacy of one-stop health service delivery and its efficacy in handling the demands of chronic care management.

Real estate can itself be an aggregator. Dating back to the early development of malls, retail has evolved around aggregation and adjacency, creating value for the customer and for the retailer. "Niche" specialty retailers ride the coattails of the anchor stores to which they enjoy adjacency. Should not healthcare embrace similar attributes in the interest of improved customer experience? Is it not inevitable that retail and healthcare will mix under new, more innovative arrangements? Aggregation can also occur with physician acquisition and by rolling existing practices into visible and attractive retail space. The growing trend in primary care toward patient-centered medical homes is, in essence, a formalization of aggregating team care in a single space with technology reach and a more predictable revenue stream (e.g., coordination fee).

As national retailers have evolved their healthcare offerings, the advantage of partnering with local providers is gaining recognition.

Find Partners

As national retailers have evolved their healthcare offerings, the advantage of partnering with local providers is gaining recognition. Several retailers are extending their services beyond general primary care into physician-driven chronic and specialty care (Appleby 2013). While it is too early to evaluate this particular move, it does sound more like traditional medicine and may prove a bit more challenging to the traditional retailer unless it is approached on a joint basis with local providers. I share some skepticism of retail specializing in chronic care, but I caution against taking this move too lightly. One CEO at a recent conference reported that she had been approached by a major drug store chain to enter into such a joint venture offering. Her observation was that the proposal was highly sophisticated and thoughtful, with a strong orientation toward partnering. Do not be surprised if there is a retail partner around the corner for your organization.

The same holds for real estate. Few health systems have set out to make real estate a core competency, although planning departments are starting to take more notice. With all these continuum options, a real estate partner can help navigate the challenges of land acquisition, development, leasing, compliance, and property management, which is why numerous health systems are actively engaged in outsourcing real estate services that recognize the need for both strategic and tactical expertise.

Conclusion

It is important that healthcare leaders recognize the full continuum of ambulatory care, and the real estate related to it, as it evolves. The increasingly diverse mix of care delivery modalities will better meet the needs of a more at-risk consumer begging for an enhanced personal health experience that satisfies his or her preferences and lifestyle. Retail medicine is here to stay and will be in the mix, even more than it is currently. The question that remains is the extent to which traditional providers find creative ways to join the retail team. More aggressive management of real estate, including retail medicine, promises to become a differentiator among providers struggling for brand superiority in competitive markets.

Notes

1. It is worth noting that, under some of the early population health pilots that are emerging, as in Maryland, financial penalties may be imposed for growing the inpatient component—a negative profit zone.
2. This concept is similar to experience mapping from the field of experience-

based design. It is easy to understand how attempts to document an experience map can easily result in a hassle map.

References

Appleby, J. 2013. "Walgreens Becomes 1st Retail Chain to Diagnose, Treat Chronic Conditions." *Kaiser Health News*. Published April 4. http://kaiserhealthnews.org/news/walgreens-primary-care-services/

Beale, C., and F. D. Kittredge Jr. 2014. "Current Trends in Health Facility Planning, Design, and Construction." *Frontiers of Health Services Management* 31 (1): 3–17.

Bernstein, A., and C. Vanderlinde-Kopper (eds.). 2008. *Health Care's Retail Solution: A Consumer-Focused Cure for the Industry*. Booz Allen Hamilton. Accessed November 5, 2014. www.boozallen.com/media/file/health-care-retail-solution-sb.pdf.

Hudgins, M. 2014. "Medical-Office Sector Leans on the 'Master' Lease: Deals to Rent, Then Sublet, Large Blocks of Space Are on the Rise." *Wall Street Journal*. Published August 12. http://online.wsj.com/articles/medical-office-sector-leans-on-the-master-lease-1407876735.

Mason, S. A. 2014. "Health Reform & the New Normal in Real Estate." Cushman & Wakefield Healthcare Practice Group. Published in 2014. http://cushwakehealthcare.com/wp-content/uploads/2014/03/CWHealthcareRulesWhitePaper_March14_.pdf.

McGraw Hill Construction. 2014. *The Drive Toward Healthier Buildings: The Market Drivers and Impact of Building Design on Occupant Health, Well-Being and Productivity*. *Smart/Market Report*. Published in June. www.aia.org/aiaucmp/groups/aia/documents/pdf/aiab104164.pdf.

Mehrotra, A., J. L. Adams, K. Armstrong, C. Eibner, P. S. Hussey, J. Lave, H. Liu, E. A. McGlynn, C. E. Pollack, M. S. Ridgely, R. Rudavsky, L. I. Solberg, N. M. Thygeson, and M. C. Wang. 2010. "Health Care on Aisle 7: The Growing Phenomenon of Retail Clinics." RAND. www.rand.org/pubs/research_briefs/RB9491-1.html.

Meyer, K., and R. Grossman. 2010. "Can Healthcare Rescue Real Estate?" White paper. Accessed November 6, 2014. www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/FSI/us_re_healthcare_270910.pdf.

Oliver Wyman. 2014. "Are Consumers Ready for Retail Healthcare? Assessing the Potential Impact of Healthcare Reform on Commercial Real Estate." Published in April. www.oliverwyman.com/insights/publications/2014/apr/are-consumers-ready-for-retail-healthcare-.html#.VFvy5TTF91A.

Pine, B. J., II, and J. H. Gilmore. 1998. "Welcome to the Experience Economy." *Harvard Business Review* (July–August): 97–105.

Seppanen, S., and W. Gualtieri. 2012. "The Millennial Generation Research Review." National Chamber Foundation, US Chamber of Commerce. Accessed November 18, 2014. http://issuu.com/mhendrix/docs/millennialgeneration/39?e=0.

Slywotzky, A. 2011. *Demand: Creating What People Love Before They Know They Want It*. New York: Crown Business.

UnitedHealthcare. 2014. "Convenient Care Clinics: The New Wave in Medical Care." Accessed November 18. www.uhc.com/employer/public-sector/government/convenient-care-clinics.

Uscher-Pines, L., A. Mehrotra, and R. Chari. 2013. "On Call at the Mall: A Mixed Methods Study of U.S. Medical Malls." *BMC Health Services Research* 13: 471.

Virginia Business. 2014. "Calkain Cos. Sells CVS Drugstore in a Record-Breaking, Net-Lease Deal." Published June 14. www.virginiabusiness.com/news/article/calkain-cos.-sells-cvs-drugstore-in-a-record-breaking-net-lease-deal.