

FAST COMPANY

JULY/AUGUST
2009

NEXT INNOVATION



Not a Mickey Mouse Operation

Walgreens, the \$59 billion drugstore giant, is building its own universal health-care system, with more than 700 retail and corporate clinics. BY ZACHARY WILSON



THE WONDERFUL WORLD OF CARE
Inside the Walgreens corporate-care clinic at Disney World, employees enjoy a pharmacy, EKG and digital radiology machines, and a whimsical mural.

EVERYONE KNOWS Gary Gustin. When he walks through the halls of L-3 Communications' Camden, New Jersey, office, he gets smiles and hellos from everyone he meets. Gustin isn't the CEO or the guy who developed the defense contractor's secure BlackBerry substitute for President Obama. He's a Walgreens employee.

Not that any of L-3's 1,100 workers in Camden know, or care. When they see Gustin, they see the nurse manager who has attended to them for nine years. "They see us as a friendly face, and they trust us," he says. "And we have to work very closely with them, so we need it that way."

L-3's employees have what all

Americans, particularly the almost 46 million uninsured, want from the health-care system: convenience, ease of access, transparent pricing (in L-3's case, free), and widespread availability. As government health policy lurches from a debate to something resembling a plan, Walgreens has assembled the country's most ambitious network of

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corporate and retail clinics and pharmacies, creating a microcosm of what health care could eventually become in America.

"Whatever does or doesn't happen is good for us," says Hal Rosenbluth, president of Walgreens Health and Wellness, about the Obama administration's reform initiative. If reforms are adopted, says his colleague Peter Miller, as the duo sit together in Rosenbluth's large, well-appointed office in suburban Philadelphia, "they're going to need providers. We're a provider." And if a new health-care law doesn't pass? "There will be more people in need," Rosenbluth says, "and we're affordable, even when paying cash."

Rosenbluth, 57, is an unlikely savior for the American health-care system. A veteran entrepreneur who affects the manner of an urban cowboy in boots and jeans, he made his fortune when he sold his \$5 billion (revenue) travel-management company to American Express in 2003. Bored ambling around his North Dakota ranch after the sale, he started batting around business ideas with his friend Miller, then a Johnson & Johnson executive. "What's the biggest problem out there?" Rosenbluth asked. "High-quality, affordable health care."

The duo formed Take Care Health Systems in 2005, setting up convenient-care clinics inside drugstores. Two years later, when they had about 50 clinics, they sold Take Care to Walgreens. Since then, they've expanded to more than 350 retail clinics in 35 markets. In March 2008, Rosenbluth and Miller also acquired two leading managers of workplace-based health centers, including the one at L-3, giving Walgreens more than 700 clinics.

Walgreens's Health and Wellness division, as the business is now known, does much more than treat scrapes and colds. The work-site centers can feature such amenities as vision and x-ray facilities, a pharmacy, and a fitness center. The clinic within Disney World has five full-

time primary-care physicians. Toyota's clinic at the carmaker's San Antonio plant has dental care. Some clinics operate 24/7, in conjunction with a three-shift workforce.

The benefits to employers are immediately clear. "We want to keep our people here for as many hours as we can," says a corporate services director at a major bank in New York. "If an employee can come down to the clinic instead of taking a half-day off, we want them to do that. The clinic pays for itself, maybe even twice over." Toyota's medical director, Ford Brewer, cites similar estimates, noting specifically that the San Antonio facility provides about 60% of all primary-care visits for employees and their families.

At the retail clinics, which are open seven days a week, nurse practitioners attend to walk-in patients, with most visits costing between \$59 and \$74. If the clinic can't treat you, it will refer you to a physician or specialist. Any prescriptions are transferred electronically to the on-site pharmacy and bumped to the top of the queue so patients don't have to wait. And, of course, basic medications—and that tube of toothpaste and gallon of milk—are easily within reach. "What ends up happening is people become more loyal to Walgreens," CFO Wade Miquelon told the audience at the company's annual shareholder meeting in January. That's exactly the kind of allegiance it's counting on.

Rosenbluth and company are fond of going on about their mission as a noble venture. "In everything we do, we ask, What's right?" Rosenbluth says. "We have to do extraordinary things." For Walgreens corporate, the benefits are more tangible. "What it's really about is, it's an incredible way for us to leverage our existing footprint," says Walgreens CEO Greg Wasson.

The company certainly has a large foot—almost 6,800 retail locations in every U.S. state except Alaska. Some 68% of Americans live within 5 miles of a Walgreens, and 5.3 million people enter one every day. If Rosenbluth achieves his long-term goal of putting

a clinic in one-third of Walgreens stores, that's about 2,200 clinics. According to Wasson, the pharmacy makes up two-thirds of Walgreens's overall revenue, and with up to 30% of retail-clinic patients becoming new pharmacy customers, it's clear that the clinics will drive big business for Walgreens stores. But the clinics aren't there solely to bring in foot traffic. "In anything we do, the model has to pay for itself," Wasson says. "The goal is for the clinics to be profitable on a stand-alone basis." Clinics are starting to break even within two to three years, the same rate as the drugstores.

That success has motivated Walgreens to expand. Earlier this year, it announced the Complete Care and Well-Being program, which offers work-site clients' employees, dependents, and retirees access to Walgreens in-store clinics and discount prescription drugs at Walgreens pharmacies, no matter where they are in the country. Rosenbluth also plans to expand coverage in the retail clinics. "It's acute episodic care now, but it's moving to full primary care," he says. "We're mimicking what's in the corporate clinics." His dream is to expand into chronic-disease management. "That's a huge part of the cost of health care," says Rosenbluth, a recently diagnosed diabetic. "We haven't figured it out yet, but we will."

Walgreens's undertaking to provide accessible health care while still making a profit isn't unrealistic. "I think they're probably right," says Elizabeth McGlynn, associate director at policy think tank Rand Health, about Walgreens's win-win. "If there is no reform, retail clinics offer convenience and lower pricing. And they may well be stimulated by policy changes that put more of a share of costs on consumers as well."

Walgreens knows this. The business part may be first and foremost for the company, but Rosenbluth's mission is to do good while doing good business, as he likes to say. "We'll do this part," he says. Now it's the government's turn. 