

Is this the beginning of Walmart Medicine?



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In the 80s and 90s, Walmart saw an opportunity to dominate a significant portion of the retail market. Their secret strategy was both simple and elegant at the same time. They sold their products at a lower price by cutting overhead and reducing per unit profit margins. Walmart correctly predicted that people would be willing to shop at a store with less frills, a more pedestrian atmosphere and less of a service environment, in exchange for lower prices. Their strategy paid off, and today the company has over 11,000 stores, employs 2.3 million people and takes in around \$500 billion in revenue per year.



In 1994, a little company called Amazon started as an online book store. The company quickly realized that the American shopper placed great value on convenience and that the combination of online shopping and quick delivery could be very hard to beat. Their strategy proved equally, if not more successful than the Walmart strategy. By 2015, just 20 years after the company started, Amazon replaced Walmart as the most valuable retailer, and became the 4th most valuable public company in the world.

How does this relate to health care? The U.S. health care market is a \$3 trillion a year market, and as some of the recent acquisition activities indicate, this market may be ripe for a Walmart/Amazon collaboration that could forever change the way health care is delivered in this country.

Earlier this year, United HealthCare bought SCA, a group of ambulatory surgery centers, for \$2.3 billion. Now we have the announcement that CVS, the “Pharmacy/PBM/Urgent Care Center/Infusion Center” company, is going to buy Aetna for \$69 billion and UHC is trying to buy DaVita, the dialysis company, for \$4.9 billion. Clearly the lines between payer and provider are starting to blur. So, what does this mean and how could it impact health care delivery in the U.S.?

Well, imagine a world in a couple of years where your insurance company could be part of a larger company that owns pharmacies, urgent care centers, imaging centers, dialysis centers, etc. Now imagine that if you get your care at one of these centers, your out-of-pocket expense is significantly reduced. An Aetna member who gets his/her prescription filled at a CVS pharmacy could have a \$10 co-pay while any other pharmacy charges a \$20 co-pay. A UHC member who has his outpatient surgery at one of their owned centers might have to pay \$100 for the surgery while any other surgery center or hospital may cost \$500. We could also see some plans sold where the owned network was the only option. Some Aetna members, for example, may be forced to get their prescriptions at a CVS pharmacy. The question becomes one of price elasticity. How much is it worth to keep your relationship with your neighborhood pharmacy or your primary care physician? Would you switch to save \$5 per prescription or \$10 per visit?

The bottom line is that health care is changing, and it's changing at an ever increasing pace. No one knows exactly what it's going to look like a few years from now, but we do know it won't look like this. The trick for physician groups is to look ahead and prepare to make course changes as needed. Remember, change isn't mandatory, but then again, survival isn't guaranteed.



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You don't want to miss this!

In light of the current division in DC concerning health care, Ron has offered up his unbiased opinions and detailed solutions in a white paper that was mailed to EVERY SENATOR and MEMBER of CONGRESS last month. Now it's your turn to decide whose plan would work best for America...

<http://fsdoc.com/health-care-reform-white-paper/>



It's that time of year again. The weather is getting colder, the UPS truck is making daily stops at my house, and my kids are rejoicing in watching Rudolph and Frosty for what feels like the 50th time. It's also a good time to reflect upon the past year and to count our blessings.

In addition to having a wonderful family, I have many other blessings to count. I am fortunate to have the privilege of working with an amazing team of people. I come to work every day and find myself challenged, inspired and motivated by the team here at Fulcrum. For that I am truly blessed.

I am equally blessed by the 65 physician groups who continue to put their trust in Fulcrum. It is an honor and a pleasure to work with some of the best and most dedicated physicians and administrators in the world, and to help them navigate difficult waters. Each of these groups is dedicated to providing incredible care for their patients every day. It is rewarding to think that in some small way, the team at Fulcrum is helping these incredible people serve that important mission.

So, as we come to the end of another year, I would like to take this opportunity to wish each of you a very happy holiday season. May you and yours know peace and happiness during this wonderful time of year.



Fulcrum will be closed for the holidays from Saturday, Dec. 23, 2017 until Tuesday, Jan. 2, 2018.