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CVS to double number of in-store clinics

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WOONSOCKET, R.I. (Bloomberg)—CVS Caremark Corp., the largest U.S. provider of prescription drugs, will double the number of in-store medical clinics it operates within five years because of new health care legislation and the aging U.S. population.

CVS is adding clinics as baby boomers reach Medicare age and 32 million individuals are added to insurance rolls following passage of the Patient Protection and Affordable Care Act last month, CVS Chief Financial Officer Dave Denton said Monday in a phone interview. In addition, there are fewer primary care physicians, he said.

“There will be a gap in the number of providers available in an already constrained system,” Mr. Denton said. “Our MinuteClinics are a very nice complement to that environment. We will easily double the number of clinics and maybe even more than that.”

CVS operates about 500 MinuteClinics in 25 states, making it the largest such provider. The clinics don't make money, said Jeff Jonas, an analyst at Rye, N.Y.-based Gabelli & Co.

“They're trying to tweak the services they offer to keep them busy year-round, outside of the flu season,” Mr. Jonas said. “If you get them to break even and you drive a lot of extra traffic through the stores, that would be the success.”

About two years ago, CVS was losing 5 cents a share on the MinuteClinics, Mr. Jonas said. The loss is less than that now, he said. He recommends buying CVS shares.

CVS, based in Woonsocket, R.I., fell 15 cents to \$36.83 at 11:31 a.m. in New York Stock Exchange composite trading. The shares had climbed 15% this year before today. CVS has more than 7,000 retail locations.

Earaches, strep

The clinics' primary focus has been on acute care, treating ailments such as earaches and testing for strep throat, Mr. Denton said. MinuteClinics recently added services for people with diabetes, high blood pressure and asthma, Mr. Denton said. New services will be geared toward patients with chronic illnesses, he said. He declined to specify the nature of the additional services.

CVS is among drugstore chains expanding health clinics to make up for a shortage in care. Walgreen Co., the largest U.S. drugstore chain, said on a March 23 conference call that it will increase the number of in-store clinics. Gabriel Weissman, a spokesman for Deerfield, Ill.-based Walgreen's Take Care health clinics, declined to specify the size of the expansion. It currently runs 359 clinics.

Fewer physicians

Fewer primary care physicians are graduating from medical schools, which will result in a shortage of doctors as the patient load increases, Mr. Denton said. CVS plans to take up some of the slack, he said.

Wal-Mart Stores Inc., the world's largest retailer, also provides in-store health clinics. Expanding its network is a focus for the company, said Christi Gallagher, a spokesman for the Bentonville, Ark.-based chain.

In the U.S., baby boomers are defined as those people born after the end of World War II, from 1946 to 1964. About 80 million Americans will become eligible for Social Security benefits including Medicare over the next 20 years, according to data from the U.S. Social Security Administration. Medicare is the U.S. health insurance program for people 65 or older.

“The U.S. population is aging, and as a person ages they tend to take more medications,” Denton said. “Baby boomers have just entered into the Medicare stage of life.”

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