Health Care Reform: Growth Opportunities for Food and Drug Retailers

Written by Dave Nazaruk
Author of Retailing’s Critical Role in Revolutionizing Health Care and Revitalizing the Economy
Executive Summary

The purpose of this paper is to expose senior-level executives at retail organizations and their supplier partners to the billions of dollars in product sales and new business opportunities that can be gained by capitalizing on emerging health and disease management trends.

Food and drug retailers have a window of opportunity to transform health care in the U.S. by participating in a virtual network that provides broad-based health management programs aimed at wellness, through disease awareness, prevention and management – especially in the crucial areas of obesity and medication adherence. Such a network would effectively dwarf all other health care organizations and media outlets currently competing for share of voice, new models of care, advertising dollars, and emerging new business opportunities in the consumer health care space.

Beyond the positive financial benefits, the resulting network would make a tremendous contribution to public health – with all the attendant positive publicity and enhanced consumer goodwill such success would foster. Further, by adopting such programs themselves, retailers will be better able to defend against serious profit margin erosion as a result of rising health insurance costs on behalf of their employees. Ultimately, helping consumers lead healthier lives will spark increases in retailers’ core business of selling food and drugs, as well as creating new and highly profitable revenue streams, four of the most promising of which are detailed in this paper.
Introduction

Food and drug retailers have an opening to transform health care in the U.S. – especially in the crucial areas of obesity and medication adherence.

During the health care debate, stated goals for reform included providing greater access to and improved quality of health care for currently covered Americans as well as for the millions of consumers without health insurance, all while simultaneously lowering the cost of health services.

Now that the Patient Protection & Affordable Care Act – the official, if less widely known, name of the health care reform law – has been enacted, questions remain if these goals will actually be achieved, including concerns that the legislation will have just the opposite effect, exacerbating existing problems of poor access, inconsistent levels of care, and excessive cost.

Some caution that the retail industry stands to be particularly hard hit; immediately following passage of the new legislation, many of the industry’s trade associations – including the Food Marketing Institute, the National Grocers Association, the National Retail Federation, and the National Association of Chain Drug Stores – released cautionary statements about the law’s potential impact (some positive, but mainly negative) on behalf of the retail industry.

In spite of potential pitfalls, however, myriad ways now exist for food and drug retailers to capitalize on the situation by leveraging their position – unique from any other sector of the health care delivery system – to make up for deficiencies in the legislation around lowering cost while increasing access for the consumers they serve. Recognizing increasing opportunities to engage employees and shoppers about health and wellness concerns, many retailers are already implementing laudable programs to connect with their health conscious consumers.

Retailers making such efforts are to be commended, as many of their initiatives have achieved impressive results – some even providing demonstrable ROI in lowering employee health costs, and almost all garnering positive publicity and enhanced loyalty from their health-aware shoppers. Still, the overall impact of these efforts is hard to gauge, since the reach of programs offered by even the largest chains, while substantial in terms of consumers potentially touched, is done in isolation from “official” public health initiatives – and the attention of the research community studying those initiatives.

Retailers that invest in such programs to gain a competitive edge might be averse to coordinating their efforts and energies with other retailers, many of which are direct competitors. However, the lack of a coordinated strategy, benchmarks, and standards will limit the effectiveness and impact of even the best conceived, funded, and executed programs, if they are done in isolation rather than as part of an industry-wide effort. By putting aside the traditional view of competition and considering the expanded competitive landscape, the retail industry could literally create a new paradigm for delivering health in this country in the immediate future.

Food and pharmacy retailers already exist as community institutions in nearly every neighborhood in the U.S. – boasting an existing infrastructure, professional staff and the data necessary to drive efficiencies beyond other segments of the health care delivery system or any start-up experiment. Consider the dollars budgeted for community, media, and technology providers that will never funnel to those stores if the industry fails to act during this crucial opening to re-engineer health care.

Retail’s opportunity to transform health care in America

A coalition of major retail chains could provide the leadership on health care reform that this country needs and craves; they alone can merge the critical aspects missing from all currently debated solutions of:

» **Consumer relationships** – accessibility, trust, behavior change through incentives/rewards.

» **Infrastructure** – IT resources, financial know-how, economies of scale, data.

» **Commercialization** – it can be reasonably argued that altruism without enterprise and financial incentives is doomed to relegate any government-based solution to even more massive spending without impacting underlying consumer behaviors.

For all these reasons, the retail industry is best positioned to drive the very development and implementation of the new model of health care delivery in this country. It alone possesses the unique combination of capital and people resources, supply chain infrastructure, creative and technological expertise, and shared collaboration incentives to create its own solution for a nation eager for leadership on this issue.
Retail’s unique, under-leveraged position in the health care system

Food and drug retailers are an economic force to be reckoned with, collectively employing millions of consumers, driving between $800 – $900 billion in annual sales, and delivering a “total annual economic impact of $2.42 trillion… the equivalent of approximately 17% of the gross domestic product… every one dollar spent in these stores creating a ripple effect of $2.93 throughout other segments of the economy.”

Retailers of health-related products – independent and chain drug, supermarket, and mass/club retailers and their Rx, OTC, CPG and DME manufacturer partners – are uniquely positioned to impact health care and to leverage their competencies for enhanced profitability. Of all participants in the overarching health care delivery system, retailers have by far the most direct impact on consumers by virtue of the following touch points:

» Relationship: Access, frequency of interaction and preexisting relationship of trust and loyalty

» Routine: A position as an embedded part of the vast majority of consumers’ everyday lifestyles

» Rewards: Ability to deliver powerful messaging and incentives to motivate desired behaviors

Technology provides retailers with a host of data-driven opportunities in health care

Advances in technology and the availability of a massive array of consumer data provide retailers with the power to deliver best practice-driven, personalized health information—from educational content and interactive tools such as trackers and reminders—coupled with consumer-relevant manufacturer-funded ads and offers for products that promote health, enhance prevention efforts, and treat specific conditions.

Further, the integration of personal health records, health risk assessments, and other data-driven instruments with existing incentives programs to reward consumer participation would enable retailers to deliver sophisticated lifestyle and chronic condition interventions programs for a fraction of the cost and to a much wider portion of the population than currently receive these proven cost- and life-saving programs through their employers. Such programs would dramatically lower the incidence and prevalence of major chronic disease states and allow retailers and their supplier partners to position themselves as major drivers of health promotion and disease prevention.

Ubiquitous and trusted; ability to incent and impact consumers’ behaviors

The primary sectors of the current health care delivery system – physicians, public health clinics, hospitals and health systems, and managed care organizations – lack the reach and frequency (and trust, in the case of health plans) of retailers’ ongoing consumer relationships, and are therefore much less likely to successfully drive large-scale population health initiatives. Likewise, traditional media channels (network and cable TV, magazines, newspapers, radio, etc.) currently command only highly fragmented audiences which are hard, and in some cases impossible, to target and track – and are therefore becoming increasingly less attractive to marketers of health-related products seeking to engage specific populations of health-conscious consumers, especially in a measurable, ROI-quantifiable way.

Food and drug retailers, on the other hand, already aggregate enormous consumer audiences; compare, for example, the 20 million, 30 million, 44 million and 68 million, and 150 million shoppers visiting Costco, Walgreens, Safeway, Kroger and Wal-Mart on a weekly basis vs. the 21 million and 35 million viewers for such highly-rated TV shows as Dancing with the Stars and American Idol. Then further consider how these retailers are highly adept at collecting segmented shopping and pharmacy data that can be used to drive highly personalized, permission-based communications in a variety of digital (mobile, email, online, voice, in-store display, etc.) formats and frequencies – communications offering health information tailored to each consumer’s interests and needs while also providing relevant messages and offers for products addressing those needs. Most uniquely, retailers alone can also continuously deliver powerful incentives to drive ongoing excitement in and utilization of innovative programs.
Selling more food and drugs through health & wellness initiatives

**Food: growing sales by making the health connection**

Central to retailers’ role in providing health to the American public is food. Central to consumers spending more with retailers is the link between food and health.

Supermarket dollar sales totaled $557 billion in 2009, nearly 90% of which is in food products, according to data published by the Food Marketing Institute. According to FMI, in 2008 consumers went twice a week on average to the supermarket and spent an average of $27.61. While not all the food products sold in supermarkets can be classified as healthful, a major percentage is. Clearly, the purchase of food is a major touchpoint between consumers and retailers.

Health and wellness is emerging as an increasingly important decision-making issue in consumer purchasing. The Coca-Cola Retailing Research Council has posited, in its study Connecting the Dots, that not only is wellness going mainstream and is no longer a niche market, but also that food has become fundamental to the definition of wellness. According to the study, nearly 70% of consumers consider information about the health qualities of produce a factor when deciding where to shop and approximately 65% consider availability of healthy alternatives as a factor. Nearly 50% said they had used health information in the past 12 months from a supermarket, and approximately 70% got information from product packaging.

Add to those projected increases the ones that can also be accomplished through retailers linking the health benefits of food and medication, and positioning themselves as the place for wellness in the community. In doing so, the retailer not only increases the opportunity for profitability, but can help change the health landscape of America.

**Prescription drugs: increasing revenues by driving medication adherence**

The negative impact on public health from consumers failing to take their medications as prescribed by their physicians is massive. “Poor medication adherence leads to $290 billion in total annual costs, or 13% of all health care expenditures.” 10% of hospital and 23% of nursing-home admissions are due to medication nonadherence, resulting in $100 billion... spent each year on avoidable hospitalizations. Further, it has been estimated that 125,000 deaths per year are preventable through increased medication adherence.

The negative impact to revenues for retailers and manufacturers is also enormous. For retail pharmacy, the loss in revenues from dispensing fees has been estimated to be at least $8 billion annually and for the pharmaceutical industry between $25 – 70 billion per year – monies that can be recouped by providing comprehensive, consistent opt-in adherence programs to consumers who have been prescribed medications to manage their high-cost chronic conditions.

Strict adherence to a doctor-prescribed medication regimen produces the best outcomes and decreases the number of emergency room visits and other adverse and even catastrophic events (heart attacks, strokes, acute respiratory distress, etc.). Yet study after study shows that the “decay curve” for many so-called maintenance drugs—that is, the point at which patients typically “fall off” therapy (stop taking the drug or begin a pattern of very sporadic dosing) – frequently begins after the first month and quickly bottoms out by month three – producing significantly negative outcomes for everyone with a stake in that patient’s health.

For the patient, the cost can be as minimal as a lost day or two of work up to a catastrophic event possibly leading to disability, long-term impairment, or even death. For the provider, the result could be diminished health grade scoring and the financial impact on reimbursements. For the employer, lost productivity coupled with the looming specter of year-on-year double-digit increases in employee health benefits is crippling both financially as well as psychologically.

For the drug’s manufacturer, the cost in lost sales is just as dramatic, particularly in this day of shrinking pipelines and few approved next-generation blockbusters on the horizon. For community pharmacy, the lost dispensing fees on the number of prescriptions that figure represents is a staggering amount. Beyond the previously cited $8 billion in lost dispensing fees, consider that the average Medication Therapy Management (MTM) client uses 8.5 maintenance medications and spends $4,000 annually on those medications, and non-adherence is an especially critical issue with this particular population.

By more fully implementing MTM programs and deliberatively opting patients into technology-driven adherence programs – at a minimum, consistently delivering digital educational refill reminders in the patient’s preferred medium (text to mobile, emailed, voice) – retail pharmacy has the ability to recoup much of that $8 billion annual loss. Further, bills in both the House and the Senate that would increase eligibility for MTM and provide pay-for-performance incentives for those services will, if passed, drive significant gains for retail pharmacy via increased reimbursements from prescription drug plans and health insurers. Finally, because of their shared goals with manufacturers in producing more compliant and persistent patient populations, retailers need not spend their own money to pay for these patient intervention programs, as pharmacy has an even bigger stake in addressing nonadherence and has subsequently demonstrated a willingness to fund ROI-verifiable solutions.
New health & wellness business lines for food and drug retailers

Following are four growth areas in health care – along with the total corresponding market potential for each new service line – where retailers can leverage their collective clout and consumer touch points to drive new revenue and profit gains, while simultaneously improving public health outcomes:

1. Digital Messaging and Advertising

SCOPE OF OPPORTUNITY

Research shows that 75% of consumers with chronic conditions searching online for information say their online research affected their decision about how to treat their illness, and what products to buy – a trend that has given rise to the proliferation of e-health companies vying for health-seeker traffic and attendant monetization opportunities, projected to reach $2.2 billion by 2011.15,16

According to a Morgan Stanley Internet Trends report earlier this year, 2009 was projected to be the first year that total ad spending online would outpace local and national spot TV, with online expenditures rising from 10.6% of the total in 2008 to 12.2% the following year… to $24.5 billion17, while global Internet ad revenue for 2009 was projected to reach $54 billion.18

In their quest for health information, more consumers (81% of all Internet users) are turning to the Internet.19 Most of that health information-seeking traffic is going to dedicated e-health sites such as WebMD, effectively disintermediating retailers from their health-conscious consumers and attendant ad revenues. In one recent month, the top five online health networks attracted approximately 78 million health information-seeking consumers20 – all of them the retailers’ own shoppers – who are turning to these sites in the absence of similar health improvement resources that retailers themselves could be delivering.

Of these health information-seeking consumers, those with chronic or life-threatening conditions are more likely to engage intensely with online resources for health information – and report high decision impacts as a result of their engagement online. E-health sites that have sprung up because of this intense engagement and resultant monetization potential have profited handsomely the past few years. For example, the two largest e-health companies alone collected a combined estimate of $400 million in just the last year—effectively diverting those online and email-based marketing dollars from the very health product vendors that retailers work with in more traditional advertising venues. Taken as a whole, online health product advertising is a $1.2 billion/year – and growing – business, yet most retailers fail to see even a fraction of that spend.21 This extraordinary growth of online health product advertising is largely fueled by the e-health sites’ ability to offer manufacturers more precise messaging – and correspondingly higher ROI – of their ads and offers to consumers who need or already use their products, based on registration data and user preferences. They do this by offering incentives to health-seeking consumers to register – essentially filling out a brief health profile or health risk assessment – to receive e-newsletters and other eCRM vehicles addressing their specific health interests. In most cases, the incentive is nothing more than the promise of content (and in some instances, social networking tools) that are most relevant to that health seeker’s personal needs.

Imagine the numbers of consumer registrants that retailers, en masse, could gather if they were to offer:

» The same types of content and eCRM vehicles.
» The capability to connect tailored health information with what their consumers need or want (food/nutrition, medication, fitness products) to meet their health care needs.
» Savings offers on those products and additional rewards points for their active participation in the program.

Further imagine how the layering on of shopping cart data would result in the ability to offer vendor partners much more relevant opportunities to deliver better cost-efficiencies and quantifiable ROI than any traditional marketing program in which they’re currently participating. According to the Food Marketing Institute’s Food Retailing Technology Benchmark Study, retailers already capture 90% of shoppers in frequent shopper programs. Valuable data captured includes name and contact information, purchase history by product category and product name.

Compared to a disconnected e-marketing company:

» Retailers already enjoy a personal, often devotedly loyal, connection with their consumers.

» Retailers are in a superior position to engage these consumers about their health care interests and needs.

» On a monthly basis, the number of consumers filling prescriptions–among the most health-engaged consumers–represents an enormous audience with which to have an ongoing dialogue about their health concerns, provided retailers assiduously avoid the use of protected pharmacy data in their communications and follow HIPAA guidelines for all opt-in consumer health interventions programs.

» Monthly total foot traffic throughout all stores—not to mention eyeballs to FSIs, circulars, and other advertising vehicles—is significantly larger than traffic to these e-health sites, and health-conscious shoppers represent a large percentage of consumers currently using those sites. Intelligent utilization of in-store promotion as well as traditional marketing vehicles to solicit participation in a Health Rewards program could effectively deliver millions of registered users without increasing marketing spend to acquire them.

» Through existing rewards programs and other in-store and offline incentives, retailers have the ability to convert many of these everyday shoppers into registered users of a superior online health management offering.
2. Health & Disease Management Solutions

SIZE OF PROBLEM

The economic impact of the Obesity epidemic alone – arguably the biggest cost driver for chronic disease and the area where retail can provide the greatest education and behavior modification force – is enormous, costing approximately $117 billion in the United States; the World Bank has estimated the cost of obesity in the U.S. at 12% of the national health care budget, according to the Worldwatch Institute. More broadly, the “combined costs of health care and productivity for [the leading behavior-driven chronic conditions] is estimated at $275 billion... [and] more recent studies, which include the costs of stress and inactivity, put the estimate at roughly $636 billion.” These costs are shouldered by employers, workers and states in the form of worker absenteeism, loss of productivity, health care premiums, out-of-pocket expenses and co-payments.

SCOPE OF OPPORTUNITY

Current annual spend by employer groups and health plans for Lifestyle and Disease Management services is estimated to be $3.2 billion. This spend will increase considerably with the passage of the health care reform law, as the new legislation appropriates “$7 billion in funding for fiscal years 2010 through 2015 and $2 billion for each fiscal year after 2015” for “prevention, wellness, and public health activities” and a further grant program “to support the delivery of evidence-based and community-based prevention and wellness services aimed at strengthening prevention activities, reducing chronic disease rates and addressing health disparities.” Each of these initiatives could be best and most immediately driven through retail-based solutions.

Their own positions as large employers searching for the silver bullet solution to skyrocketing costs of employee health benefits are driving more chains to incorporate employee health management programs. After proving ROI with those initiatives – such as Safeway’s much-heralded health-improving and cost-containing model – savvy retailers can build new revenue streams by offering to replicate their success with other employer groups, as in the recent Safeway Health announcement.

Community retailers’ accessibility, preexisting relationships with employees (their own and other employer groups’), and, most importantly, their ability to provide a tailored mix of incentives and messaging beyond the one-time cash or cash equivalent reward that is typical of most health management plan designs puts food and drug retailers in a stronger position than conventional health and disease management companies (or their health plan or PBM intermediaries) to provide these services to employer groups.

Partnering with those health and disease management companies as value-added resellers of their established, ROI-certified programs would obviate the substantial investment in time, money, and expertise now being expended to design and develop these solutions. Further, such partnerships would benefit both parties by expanding the base of employers utilizing such services and shortening the cycle time to acquire and implement those new clients.

Going a step further, retailers have the opportunity to become de facto integrated care coordinators (or potentially the “medical home”) around which data on much of the consumer’s health-related activity – including not only pharmacy utilization and nutritional intake but also screenings, vaccinations, and even disease management counseling as provided by pharmacists, dietitians and nutritionists, and nurse practitioners and physician assistants – is collected, consolidated, and made accessible via Electronic Medical Records (EMR) to other, non-retail-based members of that person’s care team.

Retail’s ubiquity – manifested in its convenience, accessibility and frequency of interaction with the total consumer population – makes it the most likely venue to coordinate and execute widespread screenings at which consumers’ biometric data can be collected via Health Risk Assessments (HRAs) and Personal Health Records (PHRs) and analyzed for the presence of health risks that can then be treated. Pharmacy and/or retail clinics could enhance the value of these instruments by also incentivizing consumers to get annual screenings – including but not limited to BMI, blood pressure, blood glucose, and full lipid panel – that they would administer, with the results automatically uploaded into these data-driven, interoperable tools.

In addition, the ability to continuously update information regarding nutritional and pharmaceutical intake – and the impact those key factors have on each individual’s evolving health status – makes retailers (particularly food/drug combos) ideally suited to help advance the utilization and fully harness the power of EMRs as a tool for the entire care team to produce better patient outcomes.

Retailers are in a unique position to deliver nutrition/weight management programs that are both turnkey and highly personalized for their shoppers and that can track and reward participation-making such offerings ideal new vehicles for communication opportunities on behalf of manufacturer partners. Components of a sample program could include but not be limited to the following:

» Enable consumers to set up personalized nutritional planners for themselves and family members (based on desired weight loss goals, BMI, recommended daily caloric input, etc.).

» Programmatically track and reward participation via shopping card and prescription data, following HIPAA regulations

» Increased rewards given for additional participation (daily food diary, fitness trackers, refill and manage prescriptions online, etc.).

» Personalized menu planners (based on goals and daily caloric recommendations), recipes and integrated shopping list functionality.

» Social networking modules to provide ongoing support and continuous utilization.
3. Health Information Technology

SCOPE OF OPPORTUNITY

The stimulus package passed by Congress in 2009 commits $20.8 billion for improved health information technology, of which fully $2 billion has been set aside by Health and Human Services to achieve widespread meaningful use of health IT and provide use of an electronic health record by every person by the year 2014.\(^2\)

A well-designed retail-based consumer health initiative could be eligible for funding consideration, delivering as it can the following:

» Consumer education and awareness programs: personalized for and highly relevant to the individual consumer and provided with the frequency and in the electronic format of the consumer’s own choosing (online, e-mail, text to mobile device, voice, etc.).

» Personal Health Records: Retail is uniquely positioned to drive availability and utilization of PHRs by a wide segment of the population and to incorporate data-driven capabilities that enable, among other benefits, superior prescription drug management and weight management tools for patients and their providers.

» E-prescribing: promotion and standardization of e-prescribing capabilities will result in the vast cost efficiencies and reduced medication errors envisioned by more widespread adoption, and retail pharmacy is the commercial hub through which this initiative can be most effectively driven.

» Electronic Medical Records: Retail – through pharmacy and the growing retail clinic segment (including increasing partnerships with health systems a la the Wal-Mart model) – has the greatest throughput and commercial incentive to drive connectivity across the health care continuum.

As a critical need for their retail clinic operations, progressive retailers are already making investments in EMR systems and other HIT technologies, often at a faster rate than physicians and hospitals, and the same commercial motivation (and larger resources to make such capital investments) could drive them to offer their consumers a standard Personal Health Record – potentially succeeding, by virtue of their trusted, ongoing relationships with consumers and their ability to incentivize them to participate, in driving wide scale adoption where even Google and Microsoft have failed to gain significant traction.

The potential to be reimbursed for such investments through the Stimulus Package’s multi-billion provision for HIT adoption or other federal public health funding should only add to retailers’ desire to explore such opportunities. Consider, for example, the recent National Institutes of Health (NIH) grant to SoloHealth, which, along with companies such as ADFLOW Health Networks, is at the forefront of developing the next generation of digital, interactive, in-store health monitoring and education kiosks. The $1.2 M grant – funding that provides additional capital for further product development – was driven by the company’s ability to demonstrate substantial consumer utilization in a retail environment (over 500,000 consumer interactions through a number of retail partners, including Schnucks) and to positively influence behavior change by delivering personalized health information through its self-service screening solution. But even without such government-sponsored inducements, most major retail chains are in far better position than health care providers to undertake these types of capital outlays and integrate them effectively – given their better commercial instincts and abilities, not to mention their superior knack for engaging consumers through proven customer service and satisfaction know how.

SCOPE OF OPPORTUNITY

According to PharmTech.com, “Personalized medicine has been described by analysts PricewaterhouseCoopers (PwC) as a ‘disruptive influence’ that will create both opportunities and challenges for traditional health care. According to a PwC report titled, ‘The Science of Personalized Medicine: Translating the Promise into Practice,’ the market for personalized medicine in the US is already worth $232 billion and is expected to grow 11% annually.\(^2\)

“Medical science and technological advancement have converged with the growing emphasis on health, wellness and prevention sweeping the US to push personalized medicine to a tipping point,” David M. Levy, Global Health care Leader of PwC, explained in a press statement. “We are now seeing a blurring of the lines between traditional health care offerings and consumer-orientated wellness products and services. The market potential is enormous for any company that learns to leverage the science, target individuals and develop products and services that promote health.”\(^2\)

The core diagnostic and therapeutic segment of the personalized health market is estimated to be worth $24 billion, and is expected to grow by 10% annually to reach $42 billion in 2015. However, basing its estimates on a broad view of the market that goes beyond drugs and devices to include demand for high-tech storage and data sharing, as well as products and services aimed at consumers’ heightened awareness of their own health risks, PwC predicts the market for personalized health and wellbeing as a whole to be worth as much as $452 billion by 2015.\(^2\) That’s an extraordinary amount of money, even by big retail’s standards, and represents an entirely new revenue stream for organizations that can utilize their existing assets to create new products and services to capitalize on this trend.

4. Personalized Medicine
Conclusion and Call to Action

In a white paper entitled *Retailing’s Critical Role in Revolutionizing Health Care and Revitalizing the Economy* published in May 2009 – months before the passage of the Patient Protection & Affordable Care Act – I wrote:

“The solution to revitalizing health care, consumer health and wellness, the economy as a whole and retailing in particular can be found in the retail sector itself. However, it will require a solid majority of the players in that sector, if not the entire sector, to come together in an unprecedentedly cohesive fashion to develop and deploy a unified vision and strategy that temporarily sets aside short-term competitive issues for the longer term collective good.

Independent and chain drug, supermarket and mass/club retailers, working in concert through the various trade associations (FMI, NACDS, NCPA, GMDC, etc.), supplier partners, wholesalers, and other buying groups—the sum of the parts of the retail industry truly being greater than the whole would produce even faster and more stunning results, assuming competitive issues can be resolved to accomplish this greater good.

But the time to act is NOW; there may never be another such opportunity for the retail industry to affect real change, and the alternative to swift and assertive action is relegation to an even more diminished role in the new health care delivery system.25

The intervening months since that paper’s publication have seen the passage of the new legislation – and the to-be-determined answers to the many questions that come with it – as well as an impressive number of efforts by progressive retailers to respond to the needs of their health conscious consumers.

Nowhere, however, does there appear to be a coordinated response from the retail industry to leverage its unique touchpoints with every U.S. consumer to address the legislation’s shortfalls, particularly in making available high-access, low cost health promotion and disease prevention and management solutions to all consumers.

PricewaterhouseCoopers defines this “proactively understanding and supporting individuals in managing their own health” as patient-centered care, and they devote a great deal of a comprehensive Healthcast on the subject to examining why most traditional healthcare organizations, even ones with explicit patient-centered mission statements, are not capable of delivering on the concept’s promise – noting that “Patient-centered care takes health systems out of their comfort zones, forcing them to integrate people, technologies and organizations that are not part of their current routines.”26

Could not retailers, as much more efficient business enterprises than any health system and certainly better than most healthcare organizations in customer service, satisfaction, and loyalty – all crucial elements to success in a more patient-centered, personalized care model – become the drivers for that transformative change? Thinking about the size and economic impact of retail organizations such as Kroger, Safeway, Supervalu, Wal-Mart, Walgreens, CVS/Caremark, Costco et al, what health system could afford NOT to be forced out of their comfort zones should such players stake out their own positions in healthcare reform?

CONSIDER: a chain with 1500 locations hosts 30 million shoppers each week. If just 20% of those consumers enroll in its health rewards program, that chain will have expanded opportunities to strengthen loyalty and increase shopping basket spend with 6 million of its most health-conscious shoppers, along with all the aforementioned monetization possibilities from manufacturers, insurers, and employers desiring to reach that consumer population.

Now consider if that chain was part of a Retail Health Network comprised of a large number of retailers, all aggregating a substantial percentage of their shoppers into a health-seeker population totaling 25 million, 50 million, or even 100 million or more consumers. The industry’s ability to have a demonstrable positive impact on public health outcomes increases exponentially in that scenario, as do its opportunities to create significant revenue gains by monetizing the programs detailed in this paper.

I encourage the retail industry to flex its economic muscles to insist that it be given its due place of prominence in driving the very development and implementation of the new model of health care delivery in this country. Failing that, the industry has the capital and people resources, supply chain infrastructure, creative and technological knowhow, and shared collaboration incentives to create – and if necessary even impose – its own solution on a nation eager for leadership on this issue.

See the Consumer Case Study on pages 10 & 11.
About the Author

Dave Nazaruk is Senior Vice President, Retail Business Development for StayWell Custom Communications, a division of StayWell/MediMedia USA, the world’s leading provider of patient education and consumer health information.

StayWell’s comprehensive product portfolio includes the Retail Health Platform, which combines a fully customizable private label health portal with powerful, permission-based e-marketing capabilities that enable retailers to register and then continuously deliver personalized health content coupled with contextually relevant product ads and offers to their health information-seeking consumers in a variety of formats.

For more information, contact Dave at david.nazaruk@staywellcustom.com or call 215.962.1950.

The author gratefully acknowledges the contributions to this paper from the following individuals:

Amy Biemiller, LightStream Group  Bruce Kneeland, Retail Pharmacy Industry Consultant
Bill Bishop, Willard Bishop  Dave Nussbaum, SDI
Jane Browe, Noumea Strategic Solutions  Steve Read, StayWell Custom Communications
Ed Devlin, PlusNetMarketing  Mel Stein, ADFLOW Health Networks
Bart Foster, SoloHealth  Roy White, RetailWire

Special thanks to Dave Nussbaum, whose early and ongoing advocacy of retail’s unique role in healthcare helped shape our shared vision for transforming healthcare; to Bruce Kneeland, who provided a substantial portion of the consumer vignette and serves as a tireless idea sounding board; and to Bill Bishop, who patiently lent his considerable expertise and influence on this topic through multiple critiques. They and everyone listed above have provided invaluable assistance, energy and support for this project.

About StayWell Custom Communications

StayWell Custom Communications is the leader in custom health content delivered via variety of sophisticated technology platforms. Our interactive offerings include robust web platforms, online health libraries, e-mail and mobile marketing programs, and an extensive range of multimedia tools including videos, podcasts and animations. The company serves hundreds of clients representing several channels in the healthcare industry: hospitals and health systems; health plans; employers; and retail organizations. StayWell Custom also offers a comprehensive range of print and print/interactive integrated solutions to meet a broad range of clients’ marketing and communication needs.

For retailers, SCC offers custom-branded consumer health and disease management communications solutions that enable pharmacies and grocers to position their stores as healthcare destinations of choice, enhancing health-conscious shopper engagement and pharmacist-patient interactions. For manufacturers, we offer a full array of disease and brand specific consumer communications and drug therapy adherence programs, which provide brand marketers with the ability to interact with their desired consumer audiences, drive Rx volume and build brand loyalty.

SCC’s product portfolio includes the StayWell Retail Health Platform, which combines a fully customizable private label health portal with powerful, permission-based e-marketing capabilities that enable retailers to register and then continuously deliver personalized health content coupled with contextually relevant product ads and offers to their health information-seeking consumers in a variety of formats.

SCC is a member of the StayWell family of companies, which includes Krames, StayWell Health Management, StayWell Consumer Health Publishing (A Harvard Medical School Strategic Alliance), Vitality Communications, StayWell Productions and The Red Cross Strategic Business Alliance. StayWell, which is a division of MediMedia USA, represents the largest patient education and consumer health information publisher in North America.

For more information visit www.staywellcustom.com.

About StayWell

StayWell is the consumer division of MediMedia USA, one of the largest global providers of consumer health information and patient education. MediMedia distributes print and online health media to physicians, hospitals, health systems, managed care plans, retail chains, and employer groups throughout the United States.

In addition to our extensive roster of clients at leading healthcare organizations, we are the publishing partner for such prestigious associations as the American and Canadian Red Cross, Harvard Medical School, the American Heart Association, and the American Lung Association. Additional association alliances include the American College of Physicians, the American Academy of Family Physicians, the American Academy of Pediatrics, National Institutes of Health, AARP, and the American Diabetes Association.

StayWell is exclusively dedicated to developing health communication solutions that are scientifically based, easy to understand and behavior-change focused. We also offer unparalleled editorial experience, commitment to accuracy and richness of presentation.

For more information visit www.staywell.com and www.medimedia.com.
Engaging the Health-Conscious Shopper

The following is a hypothetical illustration of the retailer's opportunity.

THE IMPETUS: Mary Jones is diagnosed by her physician, Dr. Smith, with hypertension, high cholesterol, pre-diabetes and moderate obesity. Dr. Smith prescribes a cholesterol and oral glucose-controlling medication and tells Mary she needs to incorporate some changes in her diet and exercise regimen and work to lose 10 pounds in the next 90 days.

CONSUMER MINDSET: Mary prepares to leave the doctor's office, feeling anxious and overwhelmed about managing these newly diagnosed conditions.

CONSUMER TOUCH POINT 1: Dr. Smith is aware of Super Helpful Supermarket (SHS) chain’s interactive Healthy Rewards program and recommends it to Mary as a terrific way to learn more about and manage her conditions.

CONSUMER TOUCH POINT 2: On her drive home, Mary hears about SHS’s interactive Healthy Rewards program on the radio and makes a mental note to check it out when she gets home.

CONSUMER TOUCH POINT 3: Mary remembers reading information from her health plan that it has partnered with SHS to provide health management solutions to employees of her company. She makes a mental note to check it out, recalling that enrolling in the program will result in a variety of benefits and incentives, including:
   • educational resources
   • prescription and health product discounts
   • SHS bonus points for achieving various healthy living milestones
   • reductions in her premiums and co-pays

RETAILER ENGAGEMENT 1: When Mary is filling her prescriptions at her SHS store pharmacy, she notices signage promoting SHS’s new Healthy Rewards program. In addition to discussing Mary’s medications with her, the SHS pharmacist also explains the Healthy Rewards program’s many features and benefits, and asks Mary if she’d like to enroll.

RETAIL ENGAGEMENT 2: While shopping at her local Super Helpful Supermarket location, Mary encounters the health and wellness kiosk near the pharmacy, checks her weight and blood pressure, and signs up for the Healthy Rewards program.

RETAILER ENGAGEMENT 3: Mary arrives home and goes online to Superhelpfulmarkets.com, clicking on the Healthy Rewards link for more information.

RETAILER ENGAGEMENT 4: The SHS Healthy Rewards page explains that the Healthy Rewards program is an extension of SHS’s Bonus Card loyalty program, created especially for shoppers who want to take charge of their health or the health of their loved ones. Mary also learns that Healthy Rewards program expands existing SHS Bonus Card benefits to provide points not only for dollars spent in the store but also for:
   • taking a chain-branded Health Risk Assessment
   • utilizing a chain-branded Personal Health Record
   • transferring prescriptions currently being filled in other pharmacies
   • filling and managing prescriptions online
   • refilling prescriptions on time and staying compliant
   • completing a customized nutritional plan for herself and her family (based on desired weight loss goals, BMI, and recommended daily caloric input program) and using integrated calorie counter/tracker, food diary, recipe, menu planner, and shopping list tools to meet those plans
   • frequently updating health status (including uploading biometric data from at-home and in-store monitoring devices)
   • completing a lifestyle/wellness or disease management digital coaching program
   • achieving predetermined milestones

By enrolling, members are provided with a host of educational resources that can be custom-tailored for their specific health needs and goals, as well as additional incentives and qualified product offers available to Healthy Rewards members.

RETAILER DATA CAPTURE 1: Consumers can choose to self-enroll by providing:
   • Existing SHS Bonus Card number or
   • User email address and password (in time, users can be encouraged to provide additional information, including date of birth, gender, zip code, and selection of health topics of interest)

Alternately, consumers that have access to the program via their health plan can simply enter the Eligibility Code provided by their health plan or their company’s benefits administrator.
RETAILER DATA CAPTURE 2: Mary decides to enroll in the Healthy Rewards program. She reads and acknowledges receipt of SHS’s HIPAA policy regarding Personal Health Information and also clicks to give permission to share blinded data with program partners, indicating she wants to receive customized health information, special offers and other alerts from the program via her preferred method of delivery (email, mobile device, push to her personalized Healthy Rewards portal page, etc.).

RETAILER ENGAGEMENT 5: The program kicks in and provides Mary with personalized health education and awareness messaging as well as coupons and other offers (e.g., low fat salad dressing, skim milk, high fiber cereals, "light" soups and other proper nutritional items) tailored specifically to meet her health goals.

RETAILER ENGAGEMENT 6: Mary reports, at her desired frequency (with additional points provided the more frequently – daily, weekly, or monthly – she engages), on her medication and nutritional intake and exercise activity and inputs her blood pressure, glucose reading, weight and latest cholesterol levels into the system – and gets points for meeting targeted numbers and staying compliant with her medication and nutrition regimes.

Data can be captured in a variety of ways:
- Recorded at the SHS Healthy Rewards website or mobile app
- From shopping card data mapped to product nutritional scoring data (e.g., NuVal, Guiding Stars, etc.)
- Automatic upload of prescription history and other pharmacy data to the Healthy Rewards record
- At the Healthy Rewards kiosk located in the pharmacy department. By swiping her SHS Bonus Card (or entering her user name and password):
  - Mary’s latest data is automatically uploaded and stored in her Healthy Rewards personal health record, enabling her to better manage her medication usage, check out potential food and drug interactions, and sign up for FDA alerts and triggered e-reminders to take and refill her meds on time.
  - The kiosk’s video screen displays digital educational content tailored to Mary’s health needs and interests
  - The kiosk’s printer generates coupons and rebates for products specific to improving Mary’s individual health status or automatically loads them onto her Bonus Card.
  - The link to Healthy Rewards and Manage My Prescriptions prompts Mary on her medication adherence regimen with an on-screen prompt and/or electronic or mobile message.

HEALTH PRACTITIONER ENGAGEMENT: Patient-specific information (including Mary’s PHR with up-to-date medication history and nutritional intake, etc.) is shared with Mary’s physician of record and anyone else on her care team that she grants access.

RETAILER VENDOR ENGAGEMENT: Mary’s data is blinded, encrypted and aggregated with others on the program, and weekly reports on progress in healthy brand purchases and medication compliance are reported to vendor partners – Rx, OTC, and CPG manufacturers and health insurance companies. Payment is received by the retailer, who uses a portion of that payment to provide enhanced rewards to the consumer for actively participating and achieving goals.

---

**EXPECTED RESULTS**

<table>
<thead>
<tr>
<th>HEALTHY OUTCOMES FOR MARY</th>
<th>Weight loss, stabilized blood pressure, lower cholesterol levels, avoids becoming diabetic.</th>
</tr>
</thead>
<tbody>
<tr>
<td>INCREASED SHOPPER LOYALTY</td>
<td>Mary shops more frequently at her SHS store to continue to receive information, offers, and rewards that are tailored to her and her household.</td>
</tr>
<tr>
<td>INCREASED RETAILER ENGAGEMENT</td>
<td>Mary’s input and data are used to create a feedback loop to inform messaging and tactics that fit her changing behaviors and outcomes.</td>
</tr>
<tr>
<td>CONSUMER EQUITY</td>
<td>When her friends ask her how she lost the weight, she tells them about the SHS Healthy Rewards program, and they, in turn, enroll in the program.</td>
</tr>
<tr>
<td>HEALTHCARE PROVIDER EQUITY</td>
<td>As doctors receive real time feedback, they alter treatment programs and encourage more patients to enroll in the program.</td>
</tr>
<tr>
<td>RETAILER BENEFIT</td>
<td>Rx and OTC pharmaceutical vendor partners and manufacturers of CPG brands making specific health benefit claims clamor to be featured in the program for its intervention capabilities – providing the SHS chain with a multitude of ways to monetize the program.</td>
</tr>
<tr>
<td>RETAILER BENEFIT</td>
<td>Health insurers and self-insured employer groups fund SHS-administered programs, recognizing SHS’s superior ability to create and sustain awareness and ongoing engagement with at-risk employee populations.</td>
</tr>
</tbody>
</table>
The citations are included here for information purposes only and do not constitute an endorsement of the paper’s thesis, or any group or organization.