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NEWS BRIEF

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WHAT'S "IN STORE" FOR CALIFORNIA'S FUTURE HEALTH CARE? - New Options Enhance Affordability and Accessibility of Medical Care -

Burlingame, CA August 15, 2005: 45 Million Americans don't have health insurance, including 6.6 Million here in California. Millions more are under insured, have high deductible health insurance plans, or are covered by the new Health Savings Accounts. The cost of employer-paid health insurance premiums has risen by 10-20% per year for the past four years, forcing many employers to stop offering coverage for their employees or dramatically increasing the employee share of costs and co-pays. All of these factors have combined to result in millions of working Californians no longer being able to afford to see their traditional primary care doctor, at an average cost of \$80-90 per visit. In addition to a lack of affordability, many primary care doctors are fully booked weeks in advance, leading to long waits for patients and delays in treatment. The alternative for people without health insurance has traditionally been to rely on hospital emergency rooms. Non-emergency patients typically face hours-long waits to see an ER doctor. The emergency room experience is also extremely expensive, with bills of \$1000 or more for basic care not being uncommon. Lacking insurance coverage, patients are often unable to pay their emergency room bill, which has created the current financial crisis for many hospital emergency rooms. This in turn increases costs for insurance carriers, who then raise premiums, forcing more Californians into the ranks of the uninsured.

While free clinics exist throughout California to provide health care for the uninsured, and play a valuable role in the health care delivery system, they can't provide a comprehensive solution for several reasons. Free clinics often have income limits for patient access, and many uninsured are part of working families who exceed the income limits for free or charity care. Many of these clinics are only open limited hours per week, reducing access to health care. And many are staffed by volunteer physicians and supported by philanthropic donations, which inherently limits their scalability to meet the demand of millions of Californians for affordable, accessible medical care.

At the same time, consumers want to take more control of their own health care, in terms of both controlling costs and choosing to self-direct their own routine family medical care and basic diagnostic tests. Other related health care industries have gone through similar evolutions, resulting in lower costs and increased access. Examples of state-licensed health-related services evolving from individual specialist providers to consumer-driven multi-outlet retail environments include optometrists and audiologists. They serve as an example of new ways that cost-effective primary medical care can be delivered to Californians.

Several different consumer-driven health care models have emerged in California. One alternative that is being offered is the placement of Certified Nurse Practitioners inside retail drug stores. This model provides access to health care while the consumer is involved in related retail shopping activities. For a reasonable fee of around \$40, the Nurse Practitioner can diagnose common illnesses such as Strep Throat, provide a Flu shot, or offer limited health and wellness advice under the supervision of a remote physician.

Another approach, which is being launched in California, is the “retail health care store.” Located in retail shopping areas adjacent to (but not inside) major retail pharmacies, these stores offer patients access to a licensed medical doctor for less than \$40 a visit. Low cost in-store laboratories for rapid diagnostic tests and a wide range of immunizations are also offered. One example of this new retail delivery model is QwikHealth, with its first location in San Mateo. Their combination of a licensed medical doctor in a separate facility with private exam rooms provides a customer the same in-depth physical exam and diagnosis capacity that one would receive in a traditional doctor’s office.

Dr. William Schwartz, who has done many years of private practice and also has been active at the Samaritan House Free Medical Clinics, has expressed positive interest in the starting of the QwikHealth concept because it will offer people in the community an additional means of receiving medical care. “While we have an excellent medical community with superb facilities, the addition of another venue for care which will be less expensive and readily accessible is a needed medical complement to our wonderful health care system, for a community which is not fully served,” said Dr. Schwartz.

Both the in-pharmacy and stand-alone retail health care store are appropriate for serving the increasing number of uninsured and underinsured in California. They are oriented towards cash payment at time of service rather than third-party insurance reimbursements. In fact, the reduction in billing costs is one way they are able to offer lower per-visit costs to consumers. They also typically provide cost information up-front to patients (for example through a posted menu board), which allow customers to have more control over their health care spending. The convenience factor for customers is also a major advantage. Typically open before work and in the evenings and often on weekends on a drop-in basis with no appointment necessary, these retail providers are often more accessible to working families than the typical 9-5, Monday through Friday doctor’s office.

Besides reducing the cost of the primary care provider visit, another factor that is of critical importance in making health care more accessible to the uninsured and underinsured populations is lowering the cost of prescription drugs. While major pharmaceutical companies often offer limited discounts for uninsured customers, branded or proprietary drugs are often beyond the budget of uninsured families. When trying to balance a family budget between housing, food, transportation, and medical costs, filling an expensive prescription often is the lowest priority. Unfortunately this decision, born of economic necessity, can have an enormous long-term cost in terms of future health care

consequences. To remedy this problem, QwikHealth has negotiated on behalf of its customers a pre-priced formulary of affordable generic drugs to treat many common illnesses such as asthma, hypertension, high cholesterol, infection, etc. This formulary has attempted to limit the total cost for a one-month supply of a drug to less than \$20. QwikHealth has partnered with RxAmerica, a subsidiary of Longs Drug Stores, who provide low-cost pharmaceutical alternatives to uninsured and under-insured groups. With the QwikHealth program, consumers know in advance, at the time the doctor recommends a prescription drug, how much it will cost per month and whether or not they will be able to afford it. Prescriptions are filled for the customer at a nearby branch of a major retail drug store chain.

Traditional employer-based health insurance is covering fewer Californians, and the traditional insurance-reimbursed hospital and physician networks are no longer an affordable solution for millions of Californians. Luckily the creativity of California's health care entrepreneurs is rising to the challenge and is bringing new health care delivery options to the marketplace. The evolution of health care from a specialist service to a consumer-driven retail experience has the potential to lower costs and expand access for millions of Californians.

ABOUT THE AUTHOR: Dave Mandelkern is a veteran successful Silicon Valley business entrepreneur and the president of QwikHealth, Inc. QwikHealth is California's first retail health care store and doctor's management company where customers can drop in and see a physician for \$39. With its first location in San Mateo CA, QwikHealth is committed to providing affordable and accessible medical care to California consumers.