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Walmart Health: Scaling During a Pandemic

Marcus Osborne, Vice President for Health and Wellness Transformation for Walmart, gazed at the long line of cars approaching a makeshift tent in the parking lot of Walmart's Northlake, Illinois store. Opened just the day before, on March 22, 2020, the Northlake site was the first drive-through testing center run by Walmart, the largest retailer in the United States. As each car approached the tent, a health care provider in full personal protective equipment (PPE) collected a nasopharyngeal swab from a patient in the vehicle and prepared the sample to be analyzed for the presence of COVID-19, a novel coronavirus that had spread across the globe after initial detection in China in November 2019. The number of confirmed COVID-19 cases in the U.S. had ballooned from 13 on February 15th to approximately 3,000 on March 15th and over 65,000 just 10 days later.¹ As many noted the lack of testing capacity in most communities, the U.S. federal government announced a public-private partnership, which included Walmart, aimed at rapidly increasing the availability of diagnostic testing.

For much of the week leading up to the opening of the Northlake site, Osborne had been on what seemed to be a continuous conference call with his colleagues to discuss the design and implementation of Walmart's testing efforts. Prior to being consumed by planning Walmart's COVID-19 response, Osborne's team had been fully occupied with planning for the continued expansion of the nascent Walmart Health business. The first two Walmart Health clinics in Dallas, Georgia and Calhoun, Georgia opened to considerable acclaim in September 2019 and January 2020, respectively. Clinic volumes were high, as were consumer satisfaction scores. Patients noted the benefits of the clinics' proximity to Walmart stores, ease of scheduling, and transparent and low prices.

With respect to COVID-19 testing, Osborne was impressed by how quickly his team was making the decisions necessary to rapidly scale what was essentially a new service (i.e., the collection of potentially highly contagious patient samples) in a new setting (i.e., a drive-through layout in a parking lot). This is precisely what Osborne's team had been asked to do in developing Walmart Health, so he was not surprised by the rapid progress made on the testing sites. Yet despite the laser focus on COVID-19 for the moment, Osborne knew that it would not be long before his team would need to return to the topic that occupied all of its time prior to the COVID-19 crisis—planning for the continued expansion of Walmart Health.

Osborne wondered whether and how the team's experience with COVID-19 testing might impact planning for the growth of Walmart Health. How quickly and where should the clinics scale across the

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country? What services should Walmart offer to address broader gaps in public health exposed by the COVID-19 pandemic? Finally, how could he prove the value proposition of Walmart Health to both customers and the leadership of Walmart? He felt as if each of the cars lined up in front of him contained another question about the future of the new business he and his colleagues were building.

Walmart Overview

Sam Walton founded Walmart in 1962, opening its first retail location in Rogers, Arkansas. Walton was driven by a belief that discount retailing would rise to prominence. Though other retailers focused on larger cities, Walton was convinced that rural settings would allow Walmart, and its everyday low price (EDLP) strategy, to thrive. With an expansion strategy to “put good-sized discount stores into little one-horse towns which everybody else was ignoring,”² Walmart initially focused on towns with fewer than 9,000 residents, many of which were located in the southeastern United States. In these communities, Walmart became the go-to retailer for basic necessities, including general merchandise, pharmacy, and even grocery.

Walmart’s pursuit of rural markets presented unique challenges. For example, procurement in rural areas was limited, so the company built its own distribution network to support stocking its stores. After placing a distribution center, Walmart would open stores in the surrounding area until that market achieved saturation, at which point it would build another distribution center in a different location.

From the beginning, Walton focused the company on continuous improvement. This involved both rigorous tracking of competitors as well as continuous analysis of internal operations. Though regional vice presidents were all based at Walmart’s headquarters in Bentonville, Arkansas, they travelled weekly to their stores to identify opportunities for improvement. Ideas were then shared with Walton during Saturday meetings in Bentonville.

Walmart was continuously innovating in the area of supply chain management, investing heavily in technical infrastructure to connect its distribution centers with stores in an effort to drive down inventory costs. Similarly, early adoption of point-of-sale scanners, and sharing of this information with suppliers, continued to drive costs down. These savings were passed on to consumers through the EDLP strategy.

Over time, Walmart expanded its footprint into new store sizes and formats. This growth included new brands such as Sam’s Club, with its warehouse-format stores, and Neighborhood Markets, with its urban, small-format stores. In the late 1990s, many of Walmart’s discount stores were replaced with the larger-format “supercenters”, which vastly increased the products offered in any given location. By 2020, Walmart had grown to 5,355 retail locations in the United States, 3,571 of which were supercenters.³ Its network of distribution centers had similarly grown to over 150 locations across the United States, with an additional six relief centers to aid communities in the event of a natural disaster.⁴ **Exhibit 1** provides summary financial and operational data for Walmart.

Walmart’s \$348 billion in US revenue⁵ was supported by a workforce of more than 1.5 million employees, referred to as associates, across the country. As of 2017, this workforce made Walmart the largest private employer in 22 U.S. states (see **Exhibit 2**). Associates had always been central to Walmart’s success, with profit sharing beginning in the early 1970s. As Walmart grew, it came under the scrutiny of unions for its wage and benefits practices. In 2005, an internal memo that appeared to discuss strategies to limit benefits for employees was leaked to the press.⁶ While Walmart argued that it, like all other large companies, was seeking to control soaring benefit costs, its public reputation came

under scrutiny. Walmart took several steps to address these concerns. In February 2015, Walmart raised the starting wage to \$9 per hour—\$1.25 above the federal minimum wage—for all of its U.S. employees. In 2018, Walmart once again raised starting wages to \$11 per hour. Further, the company offered employees extended parental leave (up to 6 weeks), extended maternity leave (up to 10 weeks), and financial assistance for employees seeking to adopt a child.

In 2019, Walmart began its Live Better U program, which enabled associates, for \$1 per day, to pursue bachelor's and other degrees in a range of subject areas including business administration, cybersecurity, health services, and health care administration. As of February 2020, the company reported that more than 12,000 associates had completed more than 88,000 college credits under the program.⁷

Outside of salary and educational benefits, Walmart introduced new programs related to health benefits for employees. Notable among these was the 2012 introduction of its Centers of Excellence program, which provided employees with full coverage for certain surgical procedures, as long as they were performed at specific partner hospitals (e.g., cardiac surgeries provided at the Cleveland Clinic or orthopedic procedures provided at the Mayo Clinic). The goal was to provide associates with access to top-tier providers who, in return, benefitted from the volume of patients that Walmart could potentially send their way. In 2019, Walmart made the voluntary program mandatory for certain procedures while expanding the list of qualified centers of excellence (see **Exhibit 3**).

Walmart's Competitors

In its first 30 years of operation, Walmart competed largely with other big-box retailers including Ames, Kmart, and Bradlees. As Walmart leveraged its scale to lower prices, these other retailers languished, and many went out of business by the early 2000s. After going bankrupt in 2002, Kmart merged with Sears to become the third-largest U.S. retailer, but still continued to struggle. The combined entity, under the Sears name, filed for bankruptcy in December 2018.⁸

Despite its success in fending off competition from brick-and-mortar retailers, Walmart faced increasing competition online. Online sales still represented a relatively small fraction—only 16%—of total US retail sales in 2019, but that share had grown from 14.4% in 2018.⁹ Amazon was Walmart's chief e-commerce competitor with U.S. sales of \$144B in FY 2018.¹⁰ Like Walmart, Amazon had grown by building its own distribution network to control costs and deliver merchandise efficiently. To keep pace with Amazon, Walmart began to build out its own e-commerce capabilities, with its 2016 acquisition of Jet.com serving as the foundation of those efforts.

Walmart's Initial Moves in Health Care

Big-box retailers had long been part of the health care ecosystem in the U.S., though largely in their role as pharmacies. The top 5 pharmacy chains in the US (CVS Caremark, Walgreens, Rite Aid, Walmart, Kroger) had over 27,800 stores in 2019. These retailers in turn partnered with the pharmacy benefit managers (PBM) that played an intermediary role between pharmaceutical manufacturers and retail pharmacies. The three largest PBMs in 2019—Express Scripts, CVS Health, and OptumRx—comprised almost 80% of the market.

Walmart had one of the largest pharmacy chains in the U.S., operating over 5,100 pharmacies in Walmart and Sam's Club stores around the country. Those pharmacies offered prescription services, medication therapy management, and immunizations. In 2019, Walmart held a 4.7% share of national prescription revenues, while its largest competitors, CVS and Walgreens, held 24.5% and 18.9% shares,

respectively.¹¹ Walmart's pharmacy had been a leader in encouraging the use of lower-cost generic substitutes for branded drugs, having launched a \$4 prescription program for generic medications in 2006. Competitors soon followed suit with similar offerings. Together, these programs helped drive the increase in generic pharmaceutical use in the U.S. In 2018, several PBMs integrated with major health insurance companies (e.g., CVS acquired Aetna, and Cigna acquired Express Scripts). Such consolidations posed a threat to Walmart's pharmacy business by creating the potential for the chain to be left out of insurers' preferred pharmacy networks.

Outside of core pharmacy activities, several chains had introduced retail clinic models aimed at providing convenient and affordable access to basic care. One of the first retail-based clinics opened in a Minnesota grocery store in 2000, under the brand QuickMedx, with the promise of bringing health care delivery closer to patients by placing it inside a space they already frequented. QuickMedX eventually became the MinuteClinic chain, which was acquired in 2006 by CVS Caremark, then the largest retail pharmacy in the U.S. By 2014, CVS had 950 retail clinics, Walgreens had approximately 400, and Kroger had roughly 200.¹²

Walmart entered the retail clinic business in 2008 under the Clinic at Walmart brand. Previously, Walmart had rented out space to independent clinic companies that typically operated in partnership with local health care providers and primarily employed nurse practitioners. "People are willing to receive their health care from the front of a store... but customers also have said they would rather it be delivered by a trusted name, a local health care practice, a trusted local provider of care," reflected Dr. John Agwunobi, then Senior Vice President of Health and Wellness.¹³ Though its model of affiliating with health care systems was unique, the Clinic at Walmart service offerings were similar to those of competing retail clinics and were focused on the treatment of common ailments and basic preventative care.

Many of these partnerships were ultimately dissolved over the next five years. Osborne noted that health systems often viewed their partnership with Walmart as an opportunity to broaden the funnel of patient referrals – particularly for high-margin specialty care – to their hospitals and physicians. This tendency interfered with Walmart's goal of using the clinics to provide affordable and accessible care, particularly to the 55% of its in-store clinic patients who were uninsured. "The problem in partnering with health systems is that their interests are very different from ours," Osborne reflected. "They are interested in gaining referrals, which creates the perverse incentive for them to pull volume out of the clinics rather than put volume into them."

In 2014, Walmart launched its first company-owned clinics under the Walmart Care Clinics brand. The first clinics, which aimed to serve both Walmart customers and employees, opened in Texas, South Carolina, and Georgia – three states that did not expand Medicaid coverage after federal healthcare reform and the passage of the 2010 Affordable Care Act.^a Walmart Care Clinics offered services related to the management of chronic conditions, such as diabetes and hypertension, not just treatment for the basic acute needs treated in other retail clinics. These expanded services allowed Walmart to serve as a primary care provider, thereby creating a repeat relationship with customers that other retail clinics did not yet provide. Prices were low and transparent: \$40 for a walk-in check-up and \$4 for the same if the patient was a Walmart associate or dependent. The clinics were staffed by nurse practitioners in

^a The Affordable Care Act was a piece of U.S. legislation, passed in 2010, designed to increase the access to and affordability of healthcare coverage. As part of the act, states had the option to increase Medicaid coverage so as to only use income level as a measure of qualification for Medicaid (standard Medicaid coverage had used a combination of income and household size, disability, family status, etc in order to determine eligibility). States that opted to not expand Medicaid coverage had fewer new enrollees in Medicaid and a greater proportion of the population remained uninsured.

partnership with QuadMed, a provider of on-site primary care for employers. By 2017, Walmart had introduced 19 Walmart Care Clinics in three states and maintained over 100 additional independent in-store, acute care clinics across the U.S. through lease arrangements.

Walmart Tests Other Models

Outside of comprehensive retail clinics, Walmart had a long history of offering a variety of other health services in select stores. For example, Walmart operated over 3,000 vision centers at Walmart stores and Sam's Clubs. The retailer first offered vision services in 1991 and soon became the largest producer and seller of prescription eyewear in the U.S. Most of Walmart's vision centers were staffed by independent optometrists who leased retail space. Customers could buy a pair of glasses, with a one-year warranty, for just \$38, compared to the national average cost of \$274.¹⁴

Walmart also offered dental care in certain stores through third-party providers. In Canada, Smile Shapers Dental Clinics had been operating within several Walmart stores since 2014. The clinics ran independently of Walmart, which simply leased space to them.

Sam's Club offered hearing centers in 450 (approximately 75%) of its warehouse clubs in the U.S. The centers were staffed by state-licensed professionals who would conduct hearing screenings before recommending a device that would best suit a customer's needs. These hearing aid specialists also provided education on the use and care of products as well as free programming, adjustment, and cleaning of devices. Some Walmart stores also offered free hearing screenings and consultations in certain stores; in New York, a third party, Hearing Health, operated hearing clinics in 13 supercenters. Walmart was constantly testing adjustments to its various models for providing audiology services.

In 2017, Walmart and Quest Diagnostics—one of the three largest laboratory and research companies in the U.S.—announced a partnership to provide laboratory testing services at co-branded sites in Walmart stores. Walmart and Quest worked to redesign the diagnostic testing experience for customers and expand the lab's capabilities to conduct a broad range of screenings. By 2019, there were Quest Patient Service Centers (PSC) in over 75 Walmart stores.

In partnership with Beacon Health Options, Walmart entered the behavioral health space in 2018 by launching Beacon Care Services, an outpatient provider of mental health services, in select stores. Beacon Care Services employed licensed clinical social workers and trained counselors to support individuals with common behavioral health issues, including depression, anxiety, and grief. The first Beacon Care Services practice opened at a Walmart store in Carrollton, Texas, a state in which only 35% of mental health care needs were being met at the time.¹⁵

A consistent finding across all of these health services was that locating them inside a Walmart store drove higher utilization. Volume for services was routinely higher than anticipated at launch and typically stayed at consistently high levels, even when the service was not being heavily marketed or run in the most-efficient manner. The step-change in utilization was most pronounced when comparing the volume from a service that had previously existed in a different site and had been moved into a Walmart store. For example, Quest Diagnostics relocated several of its standalone PSCs to Walmart stores and immediately saw an increase in volume. Osborne noted, "Within weeks the volume was anywhere from 30% to 80% higher, without signing any new contracts with providers." The volume of tests being ordered by providers was not changing; rather, adherence levels were increasing as patients presumably found it more convenient to have prescribed tests performed.

Building Walmart Health

In 2018, Sean Slovenski was hired as President of Health and Wellness, a role that was elevated from reporting to the U.S. Chief Merchandising Officer (CMO) to reporting directly to Greg Foran—then President and CEO of Walmart U.S.—who directly reported to Doug McMillon, President and CEO of Walmart, Inc. Daryl Risinger, who was hired by Slovenski into the role of Chief Growth Officer of Health and Wellness, noted, “When you have the President of Health and Wellness reporting directly to the President and CEO of Walmart U.S., you now have an equal seat at the table along with all of the other departments”. This organizational change allowed Walmart Health and Wellness to develop a distinct structure and strategy rather than simply being a service housed within the operations—and thus operating performance—of specific stores.

Risinger emphasized the importance of this restructuring for the potential of Walmart Health. “When Walmart initially dabbled in the grocery business, many people said, ‘No one would ever buy their groceries at Walmart.’ But in 1988, Walmart really leaned forward into the grocery business. Fast forward to today, and we are the largest grocer in the world. So if Walmart made a serious commitment to health care, it would not be hard for consumers and employers to connect the dots and realize that Walmart could have a compelling value proposition for them.”

Slovenski tapped Osborne to lead a team charged with taking a ground-up approach to building a new health care concept that would dramatically improve customer experience while maintaining affordable and transparent access. The team commissioned The Disney Institute to assess consumers’ needs, pain points, and views of Walmart as a provider of health care services. After hundreds of interviews and a full review of Walmart’s prior forays into healthcare, the team formulated the approach for Walmart Health. Walmart Health would maintain a focus on cost, convenience, and care. Evan Schnur, Director of Healthcare Transformation and Strategy, noted, “Our view was that if we could deliver radically transparent costs and more convenient services than patients could get anywhere else—and deliver all of that in a way that made people feel happy about what they were receiving—then we would have succeeded.”

The new clinic concept would provide a wide swath of services to create a more efficient, convenient and scalable model. Osborne observed, “Walmart’s prior moves in healthcare had been in a test environment. It was mostly one-offs; a dental office in one supercenter, a vision center in another. Within any given center, multiple services might end up competing for the same retail space. Why were we doing all of these things ad hoc? Wasn’t there potentially value in bringing them together under one roof?”

By combining multiple services, Walmart Health aimed to provide a single stop for many of a customer’s health care needs. This one-stop approach was particularly helpful for the significant number of patients who had multiple chronic conditions or other health care needs. Beyond improving access to care for these patients, Walmart Health centers would allow various clinical services—previously scattered across stores—to share waiting areas, scheduling tools, and administrative costs, thereby lowering the cost per visit through economies of scale.

Walmart Health would differ from many other health care providers by having transparent pricing. Prices for each service would be listed on the website and as patients walked in the door (**Exhibit 4**). Walmart would apply its Everyday Low Prices (EDLP) model to Walmart Health, with the initial price of an annual check-up at \$30. Patients would be able to schedule visits online, schedule by telephone, or simply show up for walk-in visits.

Finally, Walmart Health emphasized the importance of ensuring a great customer experience. At the end of each visit, the customer would be asked, “Did you feel cared for?” Answers to this question would help inform provider and clinic performance and identify areas for improvement. The goal in asking this question was to orient the care team toward purpose-driven activities rather than simply completing a checklist of tasks. Both hiring and training decisions were directed toward finding health care professionals who were focused on listening to the needs of customers and ensuring a high-quality experience for them.

Site Selection

As clinic design progressed, the team had to decide on the best location in which to launch Walmart Health. Walmart Health had been developed on the hypothesis that the high cost of health care in the U.S. was not simply the result of overconsumption of services, but rather the underconsumption of basic preventative care. Lack of access to care, particularly in the earliest stages of disease, forced greater spending on complex treatment resulting from undiagnosed illness or a lack of patient compliance with prescribed approaches to prevention such as medication regimens, diet restrictions, or exercise.

To test its hypothesis, the team searched for U.S. markets currently served by a Walmart store but with relatively little access to primary care physicians. Though nationally there was one primary care physician for every 700 residents, there was substantial regional variation in this ratio (**Exhibit 5**). In some counties, this ratio could be as low as one PCP for every 10,000 residents. The team wanted to focus on the southeastern U.S., where Walmart had a strong presence and significant brand equity, both of which would increase the willingness of residents to use Walmart as their primary health care provider.

Launch and Early Performance

In September 2019, Walmart Health opened its first, 11,000-square-foot health care center in Dallas, Georgia, a city that had a ratio of one PCP per 6,562 residents. Given the limited access to primary care in Dallas, patients in this community would often need to drive 35 miles to Atlanta to receive care. Though official data was sparse, Osborne estimated that approximately 15-25% of the Dallas population was uninsured. Osborne also estimated the initial capital expenditure required for construction and equipment at the Dallas site to be between \$3 million and \$5 million.

The Dallas clinic operated 12 hours per day, Monday through Saturday, and eight hours on Sunday. Its broad range of service offerings included primary care, optometry, audiology, dental, behavioral health, x-ray, diagnostic laboratory, and fitness and nutrition counseling (**Exhibit 4**). To staff these services, the clinic employed roughly 60 staff members, including 1.5 full-time equivalent (FTE) physicians, 3 nurse practitioners, 2 dentists, 1 optometrist, and 1 behavioral health specialist on the clinical team (**Exhibit 6**). Coverage was actively managed to match provider capacity to consumers’ demands, with more availability in the evenings than the mornings. Thus, for many windows there would not be a physician available to see patients at the clinic.

Visit volume in the Dallas clinic ramped up at a faster rate than the team had expected. Within three months of launch the center was averaging 2,300 distinct visits per month (**Exhibit 7**), with over half of those being medical visits, 30% dental visits, and the remainder visits for a mix of behavioral health, hearing, and optometry services.

Over 90% of visits occurred through a scheduled appointment. Osborne noted that during the first several months the clinic was operating, few, if any, customers specifically asked to see a physician as

part of their experience. When scheduling online, customers did not have an option of picking their provider and, once onsite, typically did not press to see the PCP on duty. Schnur explained, “Initially, we unintentionally built a scheduling system that didn’t allow customers to choose specific providers or types of providers. That was a bit of a happy ‘accident’ because it started to show us that people may not have a preference for a physician. They just wanted to be seen quickly and at a fair price.”

Despite not all patients seeing a physician, customers had overwhelmingly positive experiences. The net promoter score (NPS)^b for the Walmart Health center averaged in the low-to-mid 80s; in comparison, other Walmart Health and Wellness products (e.g., pharmacy) trended in the 70s. An NPS above 70, regardless of industry, was considered excellent performance.

Among the services that were surprisingly popular in Dallas was consultation with a community health worker (CHW) to address customer needs related to nutrition, compliance with prescribed medication regimens, and other social services. Amber Bynum, Director of Operations, noted, “The CHWs have proven to be a critical component of our model. They will walk customers from the clinic and through the store to answer questions related to nutrition, selecting fresh produce, or accessing needed supplies to manage diabetes. The CHWs help us go beyond, ‘Here’s your prescription and the date for your next appointment. Have a good day.’”

A key issue related to the popularity of the center’s CHW offerings was the fact that Walmart Health did not directly charge for those services, which were typically provided to those with very modest financial means. Bynum added, “Currently, there is no charge to meet with a CHW, even if you schedule an appointment directly with one of them. The patients using these services tend to become very loyal to Walmart Health following these consultations and develop ongoing care relationships with the CHWs.”

Optimizing Dallas

Despite early signs of success, Osborne’s team immediately set about acting to improve operational performance and customer experience at the Dallas site. Within weeks of opening, an optimization team began to identify areas for improvement. The team’s goal was to test ideas to fine tune the model that would eventually be scaled across the country. The team identified over 200 opportunities for improvement related to operations, customer experience, service offerings, pricing, and organizational structure.

One of the earliest findings emerging from the optimization team related to appointment volumes over the course of any given day. The initial staffing model for the clinic was based on an assumption derived from discussions with existing health care providers: patients prefer appointments early in the morning. To accommodate this demand, the Dallas clinic planned to have providers begin their weekday visit schedules at 7:30 AM.

Osborne observed, “What we found is that when you’re open seven days a week and into the evenings, you see very different volume patterns than you find in most primary care practices, which open at 8 AM and close at 4 PM, Monday through Friday.” The team shifted physician scheduling accordingly to increase appointment availability in the evenings until 7:30 PM. This change was met

^b To calculate the net promoter score (NPS), respondents to a customer satisfaction survey were first divided into three categories: promoters, passives, and detractors. NPS was then calculated as the share of customers who were promoters less the share who were detractors.

with some resistance, as the physician schedule was suddenly changed from the private practice model of “early in, early out on weekdays” to one with later starts and end times closer to 8:00 PM across all seven days of the week.

Other potential changes focused on maximizing use of space. The Dallas site’s waiting room was viewed as being too large and patients were spending too much time sitting in it before their appointments. The team also considered whether each of the two physicians who worked at the site needed his or her own office or if that space would be better allocated to creating an additional exam room. Many of their changes were met with resistance. “We were told that if you give a doctor an office, they sit in it. If you want doctors to engage with patients, don’t give them personal office space. Of course, every time we raise the idea of getting rid of offices with our doctors, we are told by them that doing so is going to result in a bad clinical experience,” reflected Osborne.

A final adjustment related to the scope of service offerings. For example, the dental team in Dallas observed that the patients they were seeing had typically skipped dental care for many years and thus required more advanced services than the simple cleanings and exams that were being offered. Most patients noted that prices for advanced dental care were simply too high at non-Walmart providers. This situation raised the question of whether Walmart Health should add new services to meet customer needs and, most importantly, whether the costs associated with more-complex services (e.g., additional technology and staff with specific skills) would remain consistent with Walmart Health’s emphasis on affordability.

Regarding this challenge, Schnur added, “If we decide to add more specialized services, there is still the question of how we should do it. Should we move a specialty dentist from site to site or should we have one site in a given area specialize in dentistry and send all patients from that region to it? Or should we put a specialty dentist in a mobile van and drive from site to site? These are the kind of questions we’re contemplating. And, again, it all started because we created a basic offering: teeth cleaning. We saw significant demand and learned that patients needed a lot more care than we were initially providing.”

Expansion to Calhoun and Beyond in the COVID-19 Era

The second Walmart Health clinic opened in January 2020 in Calhoun, Georgia, with two additional Georgia clinics slated to open in Loganville and Newnan during the summer months, despite the ongoing COVID-19 pandemic (see **Exhibit 8**). Osborne and his team not only had to consider how to adjust the model to open these new sites within Georgia but also how to scale Walmart Health at the regional and national level.

The initial set of service offerings in Dallas was based on the services being provided in various Walmart stores across the country. This list was supplemented by surveys to gauge whether potential customers would be interested in receiving additional services from Walmart. The final step in determining the range of offerings for Dallas was to investigate the unit economics of each service, paying particular attention to whether the implied price of the service would be deemed affordable. Osborne realized that geographical variation in the needs of consumers and the costs associated with building and staffing new services would pose a challenge to the scaling of the Walmart Health model.

Schnur added that different markets might demand different types of clinics. He noted, “One of our biggest debates is about whether we are creating *the* Walmart Health center as a model to be replicated in each new location or are we creating a few options. For example, will a center serving a rural population look different than one that is located closer to a suburban hospital?”

A broader concern emerging from the early experience in Dallas was the question of whether the providers required to staff the center—many of whom were highly trained and accustomed to the relative freedom of being in private practice—would be willing to work within the constraints of the Walmart Health model. Particularly given the emphasis on customer service and convenience, Osborne realized that Walmart Health needed to attract providers focused on a similar goal. Attracting and retaining clinical talent would thus be a particular challenge as the model was scaled. With a different compensation structure, work schedule, and mode of patient interaction, would Walmart Health be a convincing employer to the various clinicians they needed to staff their clinics?

The pricing of Walmart Health's services was another key consideration. The Dallas clinic had relied entirely on fee-for service payment in which customers—or their insurance plans—paid a fee per encounter that varied based on the services rendered. Osborne and the team wondered whether Walmart Health might want to offer a membership (i.e., value-based) model that would provide covered individuals with a fixed monthly payment for a broad range of their health care needs. Such predictability might be attractive, particularly to those customers who were uninsured or participated in high-deductible health plans^c for which customers were required to bear 100% of their health care spending up to an annual deductible amount.

Taken further, the concept of a subscription model raised the question of whether Walmart Health should partner extensively with employers to provide primary care services? Walmart Health could expand into corporate campuses or specifically build standalone sites nearby. Was the pursuit of such relationships a logical extension of the Walmart Health model or would it threaten to complicate decisions related to scaling? Would an emphasis on building relationships with employers make it more difficult for Walmart Health to remain close to the needs of customers? Regarding this tension, Risinger noted, "While a focus on the consumer is critical to building Walmart Health, we also know that we have to appreciate just how much influence employers still exert on the health and health care utilization of their employees."

Whether through a subscription model or Walmart Health's current fee-for-service approach, Risinger saw the potential to disrupt the relationships that employers—on behalf of their employees—had with insurers. He noted, "Consider someone in their employer's high-deductible health plan who hands over an insurance card at a doctor's office and has to pay the \$110 'discounted' rate negotiated by the insurer. Say that person is young and healthy and unlikely to reach her deductible in a given year. It wouldn't take much for her to say, 'Why should I pay \$110 when I can pay \$40 for the same service and be done?'"

Finally, Walmart Health's role in the COVID-19 crisis, as unexpected as it was just months before, raised the question of how its operating model and strategy should shift in light of various regulatory changes and public health necessities coming to light across the U.S. Among the key changes were a significant increase in provider reimbursement for—and thus use of—telemedicine, increased ability of physicians (who previously had to be separately licensed in each state) to practice across state lines without additional licensing, and greater leeway for nurse practitioners and physician assistants to practice without direct supervision from physicians (see **Exhibit 9** for a summary of several of these changes).

^c A high-deductible health plan was one in which the covered individual paid 100% of most health care expenses up to an annual deductible level. For 2019, the Internal Revenue Service required this deductible to be at least \$1,350 for an individual and \$2,700 for a family. Above this level of spending, a more traditional level of insurance coverage would apply.

Though the federal government suggested that the easing of these regulations was “for the duration of the COVID-19 crisis,” many wondered if it would be difficult to reinstate regulations that were often criticized as costly, perplexing, and interfering with access to cost-effective primary care. Bynum observed, “The drive-through COVID-19 testing that we have done in our parking lots has raised the question of whether there are other diagnostic testing services that Walmart Health could offer on a drive-through basis. Could we make things even more convenient by removing the need for some customers to enter our clinics at all?”

Osborne reflected, “I think, over the next 12 to 24 months, the clinical and economic effects of the COVID-19 pandemic will increase the number of consumers, who say, ‘I can't get the health care I need because it's too expensive and inconvenient.’ Our sense is it's going to be really hard to put that genie [of regulatory and consumer changes] back in the bottle. I don't know how you can tell somebody it was okay for a nurse practitioner to have all this authority in a moment of crisis, but when we're not, they can't have authority.”

Osborne knew, however, that the American health care system had a long history of holding on to what many felt to be an arcane set of regulations. He and his team thus had to prepare for substantial uncertainty concerning the market and regulatory environment once the first phase of the pandemic had passed. Amidst that uncertainty, they had to decide how Walmart Health's next clinics should be designed and operated to deliver on the promise of offering care of high quality at low cost and in convenient settings. Osborne realized the challenge his team had faced in the past few weeks might change, but it would not be letting up any time soon.

Exhibit 1 Walmart Financial and Operating Summary, 2016-2020

(Amounts in millions, except per share and unit count data)	As of and for the Fiscal Years Ended January 31,				
	2020	2019	2018	2017	2016
Operating results					
Total revenues	\$ 523,964	\$ 514,405	\$ 500,343	\$ 485,873	\$ 482,130
Percentage change in total revenues from previous fiscal year	1.9%	2.8%	3.0%	0.8%	(0.7)%
Net sales	\$ 519,926	\$ 510,329	\$ 495,761	\$ 481,317	\$ 478,614
Percentage change in net sales from previous fiscal year	1.9%	2.9%	3.0%	0.6%	(0.7)%
Increase (decrease) in calendar comparable sales ⁽¹⁾ in the U.S.	2.7%	4.0%	2.2%	1.4%	0.3 %
Walmart U.S.	2.9%	3.7%	2.1%	1.6%	1.0 %
Sam's Club	1.6%	5.4%	2.8%	0.5%	(3.2)%
Gross profit margin	24.1%	24.5%	24.7%	24.9%	24.6 %
Operating, selling, general and administrative expenses, as a percentage of net sales	20.9%	21.0%	21.5%	21.2%	20.3 %
Operating income	\$ 20,568	\$ 21,957	\$ 20,437	\$ 22,764	\$ 24,105
Interest, net	2,410	2,129	2,178	2,267	2,467
Loss on extinguishment of debt	—	—	3,136	—	—
Other (gains) and losses	(1,958)	8,368	—	—	—
Consolidated net income attributable to Walmart	14,881	6,670	9,862	13,643	14,694
Diluted net income per common share attributable to Walmart	\$ 5.19	\$ 2.26	\$ 3.28	\$ 4.38	\$ 4.57
Dividends declared per common share	2.12	2.08	2.04	2.00	1.96
Financial position⁽²⁾					
Total assets	\$ 236,495	\$ 219,295	\$ 204,522	\$ 198,825	\$ 199,581
Long-term debt and long-term lease obligations (excluding amounts due within one year)	64,192	50,203	36,825	42,018	44,030
Total Walmart shareholders' equity	74,669	72,496	77,869	77,798	80,546
Unit counts					
Walmart U.S. segment	4,756	4,769	4,761	4,672	4,574
Walmart International segment	6,146	5,993	6,360	6,363	6,299
Sam's Club segment	599	599	597	660	655
Total units	11,501	11,361	11,718	11,695	11,528

- (1) Comparable sales include sales from stores and clubs open for the previous 12 months, including sales from acquisitions when such acquisitions have been owned for 12 months. Sales at a store that has changed in format are excluded from comparable sales when the conversion of that store is accompanied by a relocation or expansion that results in a change in the store's retail square feet of more than five percent. Comparable sales include fuel.
- (2) As described in [Note 1](#) to our Consolidated Financial Statements, on February 1, 2019, the Company adopted ASU 2016-02, *Leases (Topic 842)* under the modified retrospective approach, and thus financial statements prior to fiscal 2020 were not recast for the adoption of this standard.

Source: Walmart 2020 Annual Report.

Exhibit 2 Largest Private Employers by U.S. State, circa 2017**WALMART NATION**


Walmart is the largest private employer in 22 states

Source: <https://www.visualcapitalist.com/walmart-nation-mapping-largest-employers-u-s/>, accessed July 8, 2020

Exhibit 3 Walmart Centers of Excellence circa 2019

Service Category	Center of Excellence	Location
Breast, Lung, Colorectal, Prostate, or Blood Cancer	Mayo Clinic Arizona Mayo Clinic Florida Mayo Clinic Minnesota	Phoenix, AZ Jacksonville, FL Rochester, MN
Cardiac Surgery	Cleveland Clinic Geisinger Medical Center Virginia Mason Medical Center	Cleveland, OH Danville, PA Seattle, WA
Hip and Knee Replacement	Emory University Hospital Johns Hopkins Bayview Medical Center Kaiser Permanente Irvine Medical Center Mayo Clinic Florida Mayo Clinic Minnesota Mercy Hospital Springfield Northeast Baptist Hospital Ochsner Medical Center Scripps Mercy Hospital University Hospital Virginia Mason Medical Center	Atlanta, MA Baltimore, MD Irvine, CA Jacksonville, FL Rochester, MN Springfield, MO San Antonio, TX New Orleans, LA San Diego, CA Cleveland, OH Seattle, WA
Organ and Tissue Transplants	Mayo Clinic Arizona Mayo Clinic Florida Mayo Clinic Minnesota	Phoenix, AZ Jacksonville, FL Rochester, MN
Spine Surgery	Emory University Hospital Geisinger Medical Center Mayo Clinic Arizona Mayo Clinic Florida Mayo Clinic Minnesota Mercy Hospital Springfield Memorial Hermann-Texas Medical Center Virginia Mason Medical Center	Atlanta, MA Danville, PA Phoenix, AZ Jacksonville, FL Rochester, MN Springfield, MO Houston, TX Seattle, WA
Weight Loss Surgery	Geisinger Medical Center Northeast Baptist Hospital Northwest Medical Center Scripps Mercy Hospital University Hospital	Danville, PA San Antonio, TX Springdale, AR San Diego, CA Cleveland, OH

Source: Company documents

Exhibit 4 Walmart Health Website


Quality medical care at low prices you'll love - no insurance required.

Medical <ul style="list-style-type: none"> • Sick or Injury Visit: \$40 • Annual Checkup: \$30 • Annual Youth Checkup: \$20 	Dental <ul style="list-style-type: none"> • Dental Exam: \$50 • Dental Exam Youth: \$40 	Optometry <ul style="list-style-type: none"> • Eye Exam: \$45 	Counseling <ul style="list-style-type: none"> • New Patient: \$60 • Existing Patient: \$45
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Walmart Health Services

Primary Care Medical appointments from wellness checks, physicals, sick/injury visits, immunizations, to chronic condition diagnosis, care, and management.	Optometry Eye exams, contact lens fittings, and optical refractive prescriptions provided by licensed Optometrists and their trained technicians.	Dental Dental services ranging from Dental Exams including X-Rays, Deep Cleanings, Teeth Whitening, Fillings, Porcelain Crowns, simple extractions, and more.
Counseling Counseling services with a licensed and trained behavioral health clinician for help with depression, anxiety, stress, grief, and relationship issues.	X-Ray X-Ray imaging services provided on-site.	Labs Diagnostic lab tests including A1C, Lipid Test, Pregnancy Tests, Strep Tests, Flu Tests, Drug Screenings, and more.
Audiology Hearing services with a licensed audiologist or hearing aid technician for hearing exams, hearing aid fittings, and more.	Tivity Health Fitness and Nutrition classes and activities provided by Tivity Health.	

Source: Walmart Health Website. <https://walmarthealth.com/>, accessed April 8, 2020.

Exhibit 5 Population: PCP Ratios

Population Per PCP	Counties	Total Population	% US Counties	% US Population	Walmart Supercenters	% Counties with At Least One Walmart Supercenter
≥ 10,000	63	1,200,227	2%	0.37%	9	14%
7,500 - 9,999	42	640,879	1%	0.20%	8	19%
5,000 - 7,499	177	4,250,799	6%	1.30%	61	28%
2,500 - 4,999	765	26,371,730	26%	8.09%	486	49%
1,500 - 2,499	1,012	95,638,688	35%	29.34%	1,312	70%
1,000 - 1,499	598	136,337,027	20%	41.82%	1,301	73%
< 1,000	265	61,539,264	9%	18.88%	459	63%

Source: County Health Rankings Reports <https://www.countyhealthrankings.org/reports/county-health-rankings-reports>, accessed 3/25/2020; Company documents

Note: Population and PCP data are for 2018 and 2017, respectively. Excludes 220 counties with limited data.

Exhibit 6 Key Statistics for Dallas, GA Supercenter and Walmart Health Clinic

Dallas, GA Walmart Supercenter	
Hours	24 hours
Size	203,000 square feet
Employees	400-500 associates (dependent on season)
Total Sales	\$80-\$100 million
Dallas, GA Walmart Health Clinic	
Hours	Mon- Sat 7:30 am - 7:30 pm Sun 10 am - 6 pm
Size	11,000 square feet (including pharmacy and vision center)
Employees	Total Associates & Independent staff: 60 Physicians: 1.5 Nurse Practitioners: 3 Dental: 2 Behavioral Health Specialist: 1

Source: Company documents.

Note: Represents average annual sales of moderately performing supercenter

Exhibit 7 Average Monthly Visit Volume at Dallas, GA Clinic (ca. December 2019)

	Monthly Visits
Medical	1,300
Dental	600
Other (Optometry, Hearing, Behavioral Health)	400
Total	2,300

Source: Company documents.

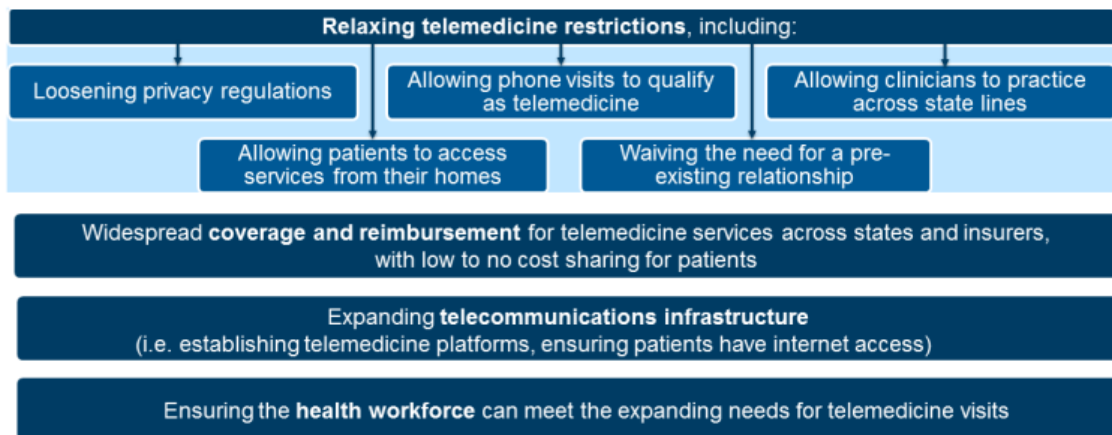
Exhibit 8 County Population Per PCP for Existing and Planned Georgia Walmart Health Clinics

City	County	County Population	County Population Per PCP
Dallas, GA	Paulding	164,044	6,562
Calhoun, GA	Gordon	57,685	2,219
Loganville, GA	Walton	93,503	3,896
Newnan, GA	Coweta	145,864	2,026

Source: Created by casewriter using data from County Health Rankings Reports <https://www.countyhealthrankings.org/reports/county-health-rankings-reports>, accessed 3/25/2020.

Exhibit 9 Summary of Telemedicine and Practice Expansion During the COVID-19 Pandemic

Figure 4

Actions to Expand Telemedicine Availability During the COVID-19 Pandemic

Source: Gabriela Wiegel et al., “Opportunities and Barrier for Telemedicine in the U.S. During the COVID-19 Emergency and Beyond,” Kaiser Family Foundation, <https://www.kff.org/womens-health-policy/issue-brief/opportunities-and-barriers-for-telemedicine-in-the-u-s-during-the-covid-19-emergency-and-beyond>, accessed August 2, 2020.

Endnotes

¹ Johns Hopkins University & Medicine Coronavirus Resource Center. <https://coronavirus.jhu.edu/us-map>, accessed June 9, 2020.

² Sam Walton and John Huey, *Sam Walton: Made in America*, reissue ed. (New York: Bantam, 1993), pp 139-140.

³ Walmart Location Facts. <https://corporate.walmart.com/our-story/locations/united-states>, accessed April 8, 2020.

⁴ Walmart Location Facts. <https://corporate.walmart.com/our-story/locations/united-states>, accessed April 8, 2020.

⁵ See Walmart Stores, Inc. Form 10-K for the year ending January 31, 2020, pp. 78.

⁶ Walmart memo suggests ways to cut employee benefit costs, <https://www.nytimes.com/2005/10/26/business/walmart-memo-suggests-ways-to-cut-employee-benefit-costs.html>, accessed April 8, 2020.

⁷ Walmart, “Live Better U Fact Sheet,” updated February 2020, accessed May 17, 2020, https://corporate.walmart.com/media-library/document/live-better-u-fact-sheet-feb-2020/_proxyDocument?id=00000170-3f9c-d590-ad71-7fde47e10000

⁸ Sears Files for Bankruptcy. <https://www.businessinsider.com/sears-files-for-bankruptcy-empty-store-photos-2018-10>, accessed April 8, 2020.

⁹ US Commerce Sales Grow 14.9% in 2019. <https://www.digitalcommerce360.com/article/us-ecommerce-sales/>, accessed April 9, 2020.

¹⁰ See Amazon, Inc. Form 10-K for the year ending December 31, 2018, pp 23.

¹¹ Top U.S. pharmacies ranked by prescription drugs market share in 2019. <https://www.statista.com/statistics/734171/pharmacies-ranked-by-rx-market-share-in-us/>, accessed June 9, 2020.

¹² Retail Clinics Are Still Here. Now What? <https://www.ajmc.com/contributor/medica-research-institute/2017/03/retail-clinics-are-still-here-now-what>, accessed June 9, 2020.

¹³ Wal-Mart Will Expand In-Store Medical Clinics. <https://www.nytimes.com/2008/02/07/business/07clinic.html>, accessed June 9, 2020.

¹⁴ A Closer Look at Your Walmart Vision Center. <https://corporate.walmart.com/newsroom/business/20150925/a-closer-look-at-your-walmart-vision-center>, accessed June 9, 2020.

¹⁵ In a 2018 study of mental health access by the Mental Health Association (MHA), Texas rated as the worst state in the country on the composite score, similarly rating worst in the country in terms of availability of mental health providers for population with mental health needs, including those with suicidal thoughts, depression, substance abuse disorder, or any other mental health illness. <https://www.mhanational.org/issues/mental-health-america-access-care-data>