The Development of the One-Stop Shopping Business Model and the Ownership and Management of Health Clinics in Quebec by Retail and Pharmacy Chains: An Exploratory Research

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Executive Summary

In the last few years, primary health care services in Quebec have faced major changes in many areas, including the profile of the medical practice and the location of physicians' offices, to name a few.

In a context of shortage of physicians, which should remain for the upcoming ten years, one can notice certain trends affecting the medical community. These characteristics include the aging of physicians, with 45 to 64 year-olds outnumbering the other age segments, the growing presence of women within the youngest category of doctors, and, in terms of practice, less interest to invest in the ownership of health clinics because of high administration costs, fiscal burdens and other reasons. This phenomenon challenges what some would describe as "historical assets", being the ownership and the management of clinics by physicians.

Following the "Commission Castonguay-Nepveu" Report, at the beginning of the 1970s, a new configuration of access to primary health care services in Quebec was put into place: a network of publicly-owned clinics, the CLSCs, and private clinics or polyclinics generally the property of many doctors. Medical clinics owned by a single doctor were also developed. In 2005, the picture is radically different. Thus, if one compares the current situation with what existed in the mid-1980s, one will be confronted to the fact that the number of CLSCs substantially decreased and those which remain are integrated

into local networks of health centers. With respect to private clinics, much less information is available and yet a sound transformation of the system is going on. Indeed, private clinics are undergoing a concentration process, thereby reducing their number. This phenomenon can mainly be explained by the growing place of large commercial players (large pharmacy chains or large food retailers/grocers already housing a pharmacy) in the ownership of private clinics and by their decisive influence in the localization process of existing clinics. In other words, if, in the past, a pharmacy counter was generally positioned conveniently close to the clinic, their connection or link is now reversed: **the clinic is now the extension of the pharmacy**.

Which form does this metamorphosis take on and in which context is it manifesting itself? What is at stake here, in particular with respect to public benefit and common interest? How are the key actors in this health care environment positioned and also, what are the impacts? Based on a meticulous data and information mining and many interviews, the authors of this report tried to find answers to these questions while remaining conscious of the fact that it is an exploratory research; several dimensions thus remain unexplored.

The “Pharmacies Jean Coutu (PJC)” company has been involved in the quest for integration of the medical clinic and the pharmacy for nearly 20 years. This constitutes an additional facet of a business model which has been characterized by innovation since its beginning in the end of the 1960s. For the observers, one would even think that this extension was built into the genetic code of this enterprise, ranked among Quebec’s most admired companies. This integration can follow two models: one where physicians are owners of a clinic located near a Jean Coutu pharmacy and the other where the Jean Coutu Group is itself the owner of the clinic, which is called a “PJC Clinique” (PJC Clinic). This represents on the whole more than 80 private clinics where hundreds, and even more than a thousand, doctors practice. These health professionals are primarily general practitioners. The Loblaw Company Ltd is following the same path. This Canadian food and general product and service distribution giant is housing a growing number of pharmacies in its operating banners, so much so that Loblaw is now one of the leading owners of pharmacy chains in Canada. Following the footsteps of the Jean Coutu Group, Loblaw is also offering access to medical clinics; more then twenty of them are in operation in different locations in Canada but not yet in Quebec. However, considerable efforts are being invested by the company to establish this one-stop model in Quebec. Although the present research has not made it possible to document the case of other pharmacy and retail chains, we should nonetheless call attention to a strong movement of concentration, for example, in Quebec, the merger of Obonsoins and Essaim, the acquisition of Brunet pharmacies by Métro inc., etc.

In general, it should be noted that the **one-stop shop business model is very popular**. It provides people with a one-stop destination in meeting their food and everyday household needs. In this extremely competitive market, the stakes are simple: to build consumer loyalty and to make sure that the consumer stays the longest time possible in the same business environment, including when he goes out for shopping or when he makes a visit to the doctor.

The viability of this relatively new business model also resides on the degree of long-term engagement of physicians who join these clinics. The physicians benefit from their involvement in this affair, but they must also subscribe to strict conditions based in particular on the "exclusiveness of practice" (exclusive rights for large retailer or pharmacy chains) and the obligation not to work on a given territory. The ongoing lawsuit brought by two doctors against the Jean Coutu Group and the "Collège des médecins du Québec" (the professional corporation representing physicians in Quebec) should raise the veil on several of these dimensions. On the other hand, associations of physicians, as those of the pharmacists, do not feel challenged by the development of this one-stop shop business model. With respect to professional corporations (of physicians and pharmacists), as long as there are still no explicit demonstrations of prejudicial behaviour towards the public, they do not see the relevance to intervene. Some even claim that partnerships constitute interesting economic levers for the health sector.

However, the deployment of this business model does not go without generating crucial questions. In fact, this model tends to evolve in markets known as solvent, that is to say markets with a size of at least 10,000 people. If nothing is done, there could be a strong concentration of health professionals in cities inhabited by at least that number of citizens. This would deprive small communities of health professionals and could constitute a heavy handicap for any strategy of local or community development. Moreover, the development of this model, according to the concept of "walk-in medical clinics", is completely in contradiction with the current public discourse concerning the necessity of a medical follow-up of the patient (i.e. the continuum of services), not to mention that this business model does not reinforce the necessary shortage control of family physicians nor does it reinforce the importance of prevention in health care. Lastly, this new leadership of large retail and grocer chains, particularly pharmacies, in the development of these private clinics, requires paying great attention to the role and influence of the pharmaceutical industry. The propensity of this industry to promote the "medicalisation" of life events as well as the very narrow bonds between pharmacies (pharmacists) and clinics (physicians) should not leave anybody indifferent to the risk of overflow of the private interest of these actors on the public interest.

In terms of projection, one can wonder, in the medium and long run, how the competition will react to the business relation that is being developed by the Jean Coutu Group with a growing number of physicians. Will we witness an escalation of seduction tactics for the only benefit of these "health care agents", while the citizen is being reduced to a simple and passive patient-consumer? Fortunately, alternative models exist. The grouping of health professionals in centers of health services which are not "hold-all or carry-all of services" and which do not have a commercial vocation or the development of health care co-operatives as suggested by the "Association Médicale du Québec", offers very interesting perspectives.