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I write about health care and policies from the president's hometown

PHARMA & HEALTHCARE | 3/11/2013 @ 9:30AM | 9,719 views

A Boom In Urgent Care Centers As Entitlement Cuts Loom

Ann and Robert Lurie Children's Hospital of Chicago opened a new urgent care center as part of a nationwide boom to open low cost outpatient care centers. (Lurie Children's photo)

As the sequester and entitlement cuts loom, there's a boom in less costly urgent care centers opening across the country, according to industry reports and spending by large operators.

Urgent care, also known as immediate care, is similar to retail health clinics operated by Walgreen (WAG), CVS/Caremark (CVS), or Wal-Mart Stores (WMT) in that they are generally open in the evening and on weekends to treat routine maladies but also offer a board-certified physician and additional services such as on-site X-rays for broken bones.

"We really should be thought of as an after-hours doctors' office," Dr. Michael Pitt, a staff pediatrician at Ann & Robert H. Lurie Children's Hospital of Chicago told Chicago Medicine magazine in an interview about the hospital's nine-month old urgent care center just 11 blocks south of Wrigley Field on North Clark Street. "At a (CVS) Minute Clinic, they see adults and kids, but the patient might not get a board certified pediatrician or doctor."

More than 8,000 urgent and immediate care centers across the country have opened with growth estimated at 8 to 10 percent annually, according to the Urgent Care Association of America. Most of these facilities are run by nonprofit health systems like Aurora Health Care in Wisconsin, which has 37, or Utah's Intermountain Healthcare, which has 25 and was the often-mentioned example of low cost and high quality care cited by President Obama during the debate that led to passage of the Affordable Care Act.

But investor-owned companies, private equity and other financiers are beginning to move into the urgent and immediate care business as pressure from lawmakers, employers and insurers on hospitals to treat patients in less costly outpatient care settings.

Take health insurance giant Humana (HUM), which in 2010 purchased Concentra, the nation's largest provider of occupational health care services and urgent care with more than 340 locations across the country. And there are also rumblings that health insurer Wellpoint (WLP) may begin to get into the provision of outpatient medical care now that its new chief executive officer, Joseph Swedish, comes from running a large hospital system with scores of outpatient care sites.

"The urgent care market in 2012 was characterized by continued expansion and investment," Tom Charland, long-time consultant to the outpatient care industry who follows the urgent care market through his company, Merchant Medicine said in his January report. "Concentra, which entered 2011 with a new corporate parent, grew from just over 300 clinics to more than 340 by the end of the year. And just as their business model evolved from occupational medicine to a broader urgent care offering from 2007 to 2011, the company began to evolve its model further with the introduction of primary care services in 2012."

Humana's Concentra business is poised to escalate getting in the business of providing medical care, executives said last month on the company's fourth quarter and 2012 annual earnings call. "We acquired approximately 50 primary care providers that we integrated into our Concentra care delivery network," Humana CEO Bruce Broussard told analysts on the insurer's fourth-quarter 2012 earnings call last week.

At Concentra, executives are banking on the proliferation of accountable care organizations, which organize a collection of medical-care providers to care for a group of patients. ACOs work to keep patients healthy and out of the more expensive hospital setting. If ACOs are successful and reduce costs, the providers in the organization divvy up the savings with the health plans that are paying them.

"The best way to provide care for patients is by making health care accessible, through hours of operation, locations, quality medical services, and affordable costs," said Concentra Chief Medical Officer Dr. Tom Fogarty in a statement.

Those picking up the tab for health care welcome the moves by hospital operators and others toward less costly patient-care settings like urgent care, especially as Medicare and Medicaid programs move toward paying providers for coordinating care.

"Hospitals are looking at different business models," Julie Hamos, director of the Illinois Department of Healthcare and Family Services, which runs that state's cash-strapped Medicaid program, said in an interview with Forbes.

Hamos said the department is encouraging hospitals to think differently in their strategies toward outpatient care.

"This is our continuous pitch," Hamos said. "(Hospitals) are thinking outside their brick walls to moving into their community."

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