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BUSINESS

Urgent care surge fueled by pressures on health system

■ Centers are opening at a faster rate than ever — and attracting more interest from investors.

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With more patients demanding easier access to care, and insurers pushing them to seek lower-cost options than the emergency department to get it, urgent care centers are emerging as a relief valve for those pressures.

Urgent care is experiencing a boom that "seems to be fueled by a confluence of events and awareness — primary care being somewhat hard to come by, emergency room wait times and overcrowding spreading, physicians seeing and acting on these needs in their communities, and patients driving their popularity," said Kim Harden, spokeswoman for the Urgent Care Assn. of America.

During the past two years, the number of new urgent care centers opening has doubled from an estimated 300 to 600 per year for a total of about 9,000 nationwide in 2012, according to the association, which started tracking the market in 2008. With a potential that many think is far from tapped, the market is expected to continue growing, especially with 30 million newly insured patients beginning to make their way into the health system in 2014, thanks to the Affordable Care Act.

For some investors, urgent care is an opportunity to make money from all that patient demand. For some, such as insurers, urgent care also is a chance to save money by expanding alternatives to the emergency department. For hospitals and physicians, who have long been active investors in urgent care, the sector can be a place to offer care alternatives and extend their reach and brand name.

The urgent clinic market launched on a small scale in the late 1970s, but in recent times it has expanded into services such as imaging, laboratory work and suturing. They generally send records of visits to the patient's primary care physician for follow-up care. Those in the industry say increasingly busy doctors sometimes appreciate the relief.

"Once they realize that we don't want to steal their patients, and we don't want to take care of the problems they take care of, and they can't take care of the problems that we take care of, then it's a beautiful combination," said Matt Bruckel, MD, founder of Total Access Urgent Care, a chain of urgent care centers based in St. Louis.

A magnet for investors

The Urgent Care Assn. said ownership of centers is split fairly evenly among physicians (35.4%), corporations such as private investors and insurers (30.5%), and hospitals (25.2%).

The corporate side is making a big splash at the moment. Data from Thomson Reuters show that private equity firms invested nearly $4 billion in health and medical services in 2012, up from less than $1 billion in 2009. The organization said urgent care centers fueled much of that growth.

The portfolio of Dallas-based Elm Creek Partners never included a health care-related company until it bought Millennium Healthcare Management, an urgent care chain with clinics in Louisiana and Mississippi, in 2011. It is "actively looking" to make more acquisitions, said Zach Wooldridge, principal and general partner of Elm Creek.

Wooldridge said the ACA, with its newly insured patients and preventive services that require no co-payments, helps make the urgent care market more attractive. But if the U.S. Supreme Court had ruled in 2012 that the ACA was unconstitutional and the surge of insured patients never materialized, Elm Creek still would have made the investment, he said. Access problems were the primary driver for the investment. "We don't have enough doctors to serve patients," he said.

Insurers are pointing to access issues as the reason for their interest in the urgent care market.

The first big urgent care acquisition was the health insurer Humana buying Concentra, the largest walk-in clinic chain, for $806 million, in 2010, said Tom Charland, CEO of Merchant Medicine, a walk-in medicine market research and consulting firm based in Shoreview, Minn.

In 2012, WellPoint made an investment of an undisclosed amount in Physicians Immediate Care, a 20-clinic chain in Chicago. Many insurers in the last two years have bought or launched urgent care clinics. They said expanding access through urgent care centers can help lead patients to doctors.

DID YOU KNOW:
The cost difference between an urgent care visit and an ED visit for the same diagnosis can be nearly $600.

"More insurance companies are increasingly becoming connected with health care provider organizations with access points like an urgent care center to help identify patients' medical issues and opportunities to lead healthier lifestyles," said Ted Bucknam, president and chief operating officer of Concentra.

Insurers have great motivation to keep patients out of the emergency department, as a white paper published by the Urgent Care Assn. in September 2011 pointed out.

Visits to EDs hit an all-time high in 2008, with 124 million visits, or 222 per minute. Cutting down the number of visits could result in big savings. "The difference in cost between an urgent care visit and an emergency department visit for the same diagnosis ranges from $228 to $583," the authors wrote. Using urgent care centers instead of emergency departments could result in a savings of up to $18.5 billion annually, the report said.

An easy option for hospitals

Analysts said hospitals are stepping up their urgent care activity, both to capture patients seeking care there and to make up for any revenue lost by patients no longer using the emergency department. A notable investment in the urgent care market by a hospital group was the 2012 acquisition of U.S. Health Works, the second-largest urgent care chain, by California-based Dignity Health.

Urgent care centers are relatively easy for hospitals to open compared with other facilities. They are not required to register with the government or gain Joint Commission accreditation. The centers are not subject to certificate-of-need laws, which many states have in place to control the number of health care facilities in a given area and to prevent price inflation that comes along with market saturation.

Doctors are opening centers as part of their practices, or breaking away and becoming entrepreneurs.

Dr. Bruckel worked as an emergency physician for 11 years before launching Total Access Urgent Care in 2008. Even though he said his urgent care centers can deliver almost the same level of care as an emergency department "at the cost of a doctor's office, and with the customer service of a five-star hotel," he agrees there is room and a need for both.

Some hospitals are entering into cooperative agreements with urgent care centers not only to take on the urgent cases that are not life-threatening, but also to provide other services. The Urgent Care Centers of the Carolinas, for example, provides imaging services for UNC Health Care at its Burlington, N.C., clinic.

Dr. Bruckel said physicians don't have to be financially involved with the urgent care business to see the value of cooperating with such centers. Some practices near his clinics felt threatened but soon came to realize they weren't there to compete for patients, he said. There's now an understanding that "we can't live without them, and they can't live without us," he said.

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ADDITIONAL INFORMATION

Who owns urgent care clinics?

Since 2008, the Urgent Care Assn. of America has conducted annual surveys and manual counts of urgent care centers in the U.S. and clinic ownership data. The association has the only known database of urgent care centers and their owners. According to its 2012 report, the largest percentage of clinics were owned by physicians, followed by corporations, including private equity firms and insurers.

Owner	Clinic market share
Physician or group of physicians	35.4%
Corporation	30.5%
Hospital	25.2%
Nonphysician individual	4.4%
Franchise	2.2%

Source: Urgent Care Assn. of America

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EXTERNAL LINKS

"Private equity investment in urgent care – graphic of the day," Thomson Reuters, March 19 [**link: http://blog.thomsonreuters.com/index.php/private-equity-investment-in-urgent-care-graphic-of-the-day/**]

"The Case for Urgent Care," Urgent Care Assn. of America, Sept. 1, 2011 [**link: http://www.ucaoa.org/docs/WhitePaperTheCaseforUrgentCare.pdf**]

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