



HOSPITALS

Booming Demand

How Urgent Care Centers are Impacting Hospital Operations

The construction and use of urgent care centers in the health care industry has steadily increased over recent years. The growing popularity of urgent care centers presents an opportunity for hospitals to extend networks or expand partnerships in order to reach new clientele. Further, it offers an opportunity to enhance brand recognition in new and existing markets.

According to the Urgent Care Association of America (UCAOA), urgent care dates back to the late 1970s and was created with the intention of meeting a community's immediate health care needs. It was a slow but steady start for urgent care in the beginning, but the concept of seeing a physician without an appointment eventually began to gain popularity among patients. Over the past 20 years, the urgent care industry has continued to expand and earn the trust of those seeking a safe and affordable place to receive medical attention.

Today, urgent care centers are physician-staffed and typically offer extended hours (evenings and weekends), providing quality care without the costs and wait times associated with the average emergency room (ER) visit. Urgent care centers are best suited for situations that require more immediate attention; often times, this serves to be more practical than seeing a primary care provider, who can be challenged with offering consumers the hours or immediacy an illness or accident can demand.



According to UCAOA, urgent care centers reported an average of nearly 12,000 patient care visits for the 2015 Fiscal Year.

Why the Increase in Popularity?

There are various drivers behind the recent growth of urgent

care. The UCAOA estimates that growth has been steady the last several years, as between 300 to 600 urgent care centers are added per year, resulting in the current population of around 7,400 centers. Challenges on the supply side, such as difficulty in finding a primary care provider and the increase in costs associated with ER visits, are a factor in the increase. A larger demand by consumers for convenience, both in terms of proximity and hours, has also resulted in a need for more urgent care centers. More recently, lenders and investors have recognized the success of the urgent care model and have begun to look for opportunities to participate in the ongoing growth. The business model is based on low-margin, high-volume care, as the average visit costs \$150 with a total visit time of under 60 minutes in 84% of cases, compared to an ER visit that averages \$1,354 and consumes four hours of wait time¹. Costs are much lower in an urgent care setting, as detailed with some of the more commonly treated ailments shown in the chart² below:

Condition	ER Cost	Urgent Care Cost
Sore Throat	\$525	\$94
Sinusitis	\$617	\$112
Urinary Tract Infection	\$665	\$112
Strep Throat	\$531	\$112

An easy conclusion to reach would be that an urgent care center would draw lower-acuity patients away from emergency rooms, resulting in less overcrowding of the ER and improved efficiency. However, a study presented in April, 2016 by Grant Martsolf, et al, found that retail clinics opened near emergency departments are not associated with a material reduction in low-acuity emergency department visits³. This data supports the notion that urgent care centers prompt patients to seek care for conditions that might have been treated at home or at a primary care office. Thus, urgent care centers may not be an

1. http://c.ymcdn.com/sites/www.ucaoa.org/resource/resmgr/Media/UCAOA-Infographic-UCvsER_FIN.pdf

2. <https://www.debt.org/medical/emergency-room-urgent-care-costs/>

3. [http://www.annemergmed.com/article/S0196-0644\(16\)30998-2/abstract](http://www.annemergmed.com/article/S0196-0644(16)30998-2/abstract)

Urgent Care Association of America's 2016 Benchmark Report

- In 2015, 96% of urgent care centers said the number of patients increased and 90% anticipated growth in 2016.
- 73% of urgent care centers acquired or built a new location in 2015.
- 92% of patients report a 30 minutes or less wait time to see a provider. 90% reported a 60 minutes or less wait time.
- The top five urgent care diagnoses in 2015 were: acute upper respiratory infection, acute sinusitis, acute pharyngitis, cough and acute bronchitis.
- On average, there were seven exam/treatment rooms in urgent care centers in 2015.
- Urgent care centers reported that they handled an average of three patient care visits per hour in 2015.

Source: <http://c.yimcdn.com/sites/www.ucaoa.org/resource/resmgr/benchmarking/2016BenchmarkReport.pdf>

avenue for reducing ER overcrowding, but may provide an opportunity for accretive revenue through partnership or expansion. This widening of a hospital network may increase referrals and retention of patients who will seek care through urgent care centers and might find themselves referred to physicians or testing facilities within the network. If a hospital invests in quality care and branding, the uniformity of care provided in an urgent care setting will enhance a patient's overall experience and may engender confidence in the entire health care system, prompting patients to utilize other services of the hospital.

How Hospitals are Getting Involved

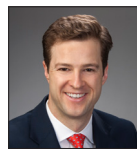
For hospitals interested in expanding their network to include urgent care centers there are several options. Some hospitals have pursued partnerships with an existing provider of urgent care services. This allows the hospital to step into a relationship with an existing provider that has experience in managing the low-margin environment that demands a unique staffing approach. This partnership has benefits for both the urgent care provider and the hospital because the provider receives benefits from the local hospital's brand recognition and gains access to physicians employed by the

hospital. In return, the hospital benefits from a reduction in initial investment requirements and receives another referral source. It is estimated that the majority of urgent care centers in the U.S. continue to be operated as free-standing facilities, while 20% are owned solely by hospitals and another 15% are structured as joint ventures⁴. Hospitals that pursue the partnership model must be aware of the challenges that come with information sharing beyond their existing network.

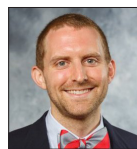
Hospitals that opt to open urgent care centers have the ability to target neighborhoods and demographics that are either underserved or have a potentially advantageous payor mix. The hospital's brand recognition can provide immediate legitimacy to the start-up centers and these centers have the ability to share complete patient information, ensuring a seamless patient experience. Hospitals pursuing this path must ensure that staffing and the scope of care provided do not tarnish the hospital's brand in the initial stages of the learning process. Traditional sources of financing for nonprofit hospitals, such as tax-exempt bonds, the U.S. Department of Housing and Urban Development (HUD)/Federal Housing Administration (FHA) Sec. 242 program, the U.S. Department of Agriculture (USDA) Business & Industry or Community Facilities program, or bank direct purchase financing, are typical options for financing these assets on a standalone basis, or as part of a larger strategic plan.

As demand for lower-cost alternatives to care that do not sacrifice quality continues to grow, opportunities for hospitals to expand into the urgent care center environment will continue to present themselves. Hospitals can act on these opportunities to grow market share and expand brand recognition, while simultaneously meeting patients' needs and providing quicker, lower-cost care than that offered in a typical ER setting.

4. <http://www.modernhealthcare.com/article/20170125/NEWS/170129940>



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