

## Making a healthy investment in urgent care

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Private equity firms have spent a lot of time lately knocking on Tom Kelly's door.

Kelly is managing partner of the Doctors Express urgent care clinic, which opened on Main Street less than 10 months ago, and already has begun turning a profit.

Kelly plans to build two more Danbury clinics within the next 18 months.

Officials at CVS, meanwhile, opened several MinuteClinics in their Fairfield County stores, including Bethel and Ridgefield. They plan to open at least seven more in Connecticut before the year is out.

Urgent-care and retail-clinic businesses are booming these days. The tremendous growth is due, experts say, to the continued decline in the number of primary care physicians, an increase in the number of insured as a result of the Affordable Care Act and customer demand for more convenient and affordable services.

"What is happening in Connecticut right now is reflective of what's going on throughout the nation in urgent care," said Alan Ayers, a board member of the Urgent Care Association of America and associate editor of the *Journal of Urgent Care Medicine*.

"Regardless of the business model, whether it's urgent care or retail clinics, consumers are looking for a place to go to have their medical problems solved," Ayers said. "While the shortage of primary care physicians in the state is certainly a factor, people are also drawn to the convenience and affordability that these businesses offer. These clinics usually don't require appointments and have both extended and weekend hours."

Kelly said about 30 percent of the patients they've seen to date at Doctors Express on Main Street don't have a relationship with a primary care physician.

"If someone doesn't have a primary care physician already it can be difficult to find one that is accepting new patients," he said.

Newly insured

Nancy Gagliano, chief medical officer for CVS's MinuteClinics, said nearly half of the clinic's patients don't have primary care providers. They are often referred to as the "medically homeless" and, she said, they will increase in number as those who are newly insured through the Affordable Care Act begin to look for services.

"Over the next few years there will be about 30 million newly insured patients throughout the country who will be looking for access to medical care," said Gagliano, who spent more than two decades working for Massachusetts General Hospital in Boston before joining CVS. "What we saw in Massachusetts when the health care system there was expanded is that there were a lot more people with access but they didn't have primary care providers. The emergency rooms became flooded."

While urgent care clinics aren't trying to replace your family doctor, Kelly and Ayers said the growth in urgent care can be part of the solution to fixing a broken health care system.

"Our business model is not primary care providers," Kelly said. "We have a great relationship with providers in the area who we refer our patients to. We help not only by solving our patients' issues but also by ushering them into the health care system."

Ayers said urgent care clinics reduce costs within the health care system by providing patients with a convenient option other than the emergency room.

Emergency rooms, he said, are so expensive because they have to be staffed and equipped to handle just about any trauma or emergency.

"The health care system is the most efficient when the acuity of the patient's condition matches the capability of the facility they are using," he said. "Urgent care offers a lower acuity than emergency rooms. They provide assistance for people with minor medical conditions that require treatment but at a lower cost."

That has caught the attention of insurance companies, he said. While insurance companies in some states don't pick up the bill for urgent care centers, that is not the case in Connecticut.

"In Connecticut, the insurance companies are including urgent care and retail clinics as part of their plans because they recognize the value they offer," he said.

Wooing investors

As the needs for these facilities increase, the more entrepreneurs will be drawn to it, Ayers said.

"That's what's attracting the private equity firms," he said. "Ten or 15 years ago you wouldn't have seen venture capital money going into health care -- the industry was stagnant and the margins weren't very high. But now they are being attracted to the growth and opportunities in the industry. Many firms are taking regional operations and turning them into larger footprints."

Such is the case recently with Urgent Care of Connecticut, which is based in Brookfield and has seven locations. Officials with the company announced in November a significant capital investment from Pulse Equity Partners and PineBridge Investments.

The company's chief medical officer, Dr. Jeannie Kenkare, said at the time she plans to use the infusion of cash to "open numerous centers in locations already identified in Connecticut and elsewhere by the end of 2014."

Gagliano said CVS has about 800 MinuteClinics in the United States, with 20 in Connecticut so far, and they're adding about 150 locations annually.

MinuteClinics are located in Bethel, Ridgefield and New Milford, and one is planned for Fairfield and is expected to open later this year.

"By the end of 2017, we expect to have about 1,500 locations in the United States," she said, "and about 60 percent of the country's population will live within 10 miles of a clinic."

Despite being courted by private equity firms, Kelly said he is determined to maintain the current business structure while increasing the number of locations.

Kelly said he is looking to open two more locations in Danbury in the next 18 months, and other operators are planning to open in Stamford and Bridgeport in the next three months.

"A lot of these private equity firms want to come into the region, built urgent care centers then flip the business," he said. "We're not looking to build this business and move on. We want to provide quality health care and be part of the community. At the end of the day I want to go home and feel good about what I've done."