Urgent Care Trends, Opportunities and What to Expect for 2017

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Evolution of Urgent Care

1. Independent Physician Entrepreneurs Owners/Operators
2. Private Equity Funding Regional and SuperRegional Platforms
3. Hospitals and Health Systems

Organic Growth: 1-3 Locations
5-10 Locations
20+ Locations

Market Build Out: Consolidation
De Novo Growth
What Business Are You In?

Merely delivering a “service” makes for a commodity provider that by definition has no brand loyalty and no competitive advantage.

Success in urgent care requires resolving the medical problem that is the reason for the patient’s visit—efficiently and courteously—in a way that creates a positive emotional connection with the patient.
Urgent Care

Retail-oriented delivery channel for low-acuity medical services differentiated from the ED and primary care by:

- High-traffic, high visibility locations
- Extended evening and weekend hours
- Walk-in, on-demand convenience
- Short waits with rapid throughput
- Lower cost than the ED
- Customer service emphasis
Differentiation in Retail
Differentiation in Retail, cont’d.
The Sea of Sameness

Consumers generally view all urgent care centers as “equal.” Few centers have established differentiated brands.
Saturation of Major Markets

Charleston, SC Population: 127,000 (664,000 in MSA)
Number of Urgent Care Centers: 44
Existing Centers Struggling for Profitability

• “Volume-driven” means:
  • A minimum number of visits are required to cover the center’s variable operating costs
  • Each incremental visit contributes to the bottom line
  • Organic growth occurs through signage, advertising, word-of-mouth, and repeat business from loyal patients
  • Centers sustain operating losses until break-even volumes are attained
  • Operating losses are absorbed by the center’s working capital
  • Exhausting working capital prior to break-even is the top reason why urgent care centers fail
Fast Pace: Focus on Rural Markets
Trillium Health: Urgent Care Door to the Community
New Operating Models

- Maturity of occupational medicine/lack of traction of mixed-model UC/Occ Med centers.
- Freestanding EDs expanding to new states.
- Hybrid models: UC/FSED, UC/PCP
- Pediatric urgent care
- Orthopedic urgent care
- Psychiatric urgent care
Telemedicine from Home

- Cheaper and more convenient than urgent care?
- Issue of trading high NRV urgent care visits for low NRV telemedicine consults?
Difficulty in Recruiting and Retaining Doctors

Urgent care benefits from the shortage of primary care providers but it’s also dependent on the primary care workforce to staff centers.
Case Rate

- Fee-for-service “conflict of interest” is increasing reimbursement by providing more reimbursable services, including “defensive medicine.”
- Case rate provides a flat fee per urgent care visit, generally $115-165:
  - E/M code must be billed
  - Includes all services, supplies, medications/vaccinations, lab and x-ray
  - Center makes more money on low-acuity visits and less on more complex visits
- To maximize profits under case rate:
  - Staff with mid-level providers
  - Use diagnostic services sparingly (don’t staff RT during slow periods)
  - Refer complicated/time-consuming cases to the emergency room
- True “ED Diversion” requires a higher acuity of care (stat labs, observation, advanced imaging, IV hydration, etc.).
- Case rate incentivizes a lower acuity of care, leading to little differentiation from retail clinics (despite urgent care’s higher operating costs).
Business Case for Hospital Urgent Care

- Expanding the hospital’s geographic catchment to suburban markets
- Creating competitive parity without building new hospitals
- Providing downstream referrals to hospital specialists/ancillary services
- Providing overflow/after-hours coverage for hospital-affiliated primary care, building a quality panel of PCP patients
- Decanting over-crowded emergency departments
- Minimizing leakage outside the system, especially of self-insured employee populations
- Increasing market share in pediatrics, among other demographic segments
- Reducing hospital re-admissions of recently discharged patients

In addition, as hospitals engage in accountable care, urgent care enables integrated systems to align the acuity of patient needs with the capabilities of providers and facilities.
Strategy Shift: Build Platforms for Health Systems, Joint Venture, Mgmt Services
Hospital UC Strategy: Downstream Revenues

Historic: Filling Hospital Capacity
- Expand brand into community to gain market share.
- Flanking/catchment strategies to expand footprint.
- Capture specialist referrals/downstream revenue.
- Offset low acuity visits from the ED.
- Overflow/after-hours coverage for primary care.
- Practice opportunity/equity participation for physicians.
Ortho Urgent Care: Downstream Revenues Equal Higher Cost of Claim
Kaiser Permanente: Raising Urgent Care Acuity in a Capitated System
Zoom+: Integrated Delivery System on an Urgent Care Platform
The New Insurance Marketplace

- Fee-for-service urgent care lacks experience with capitated/risk- /value-based reimbursement methods.
- Accountable Care Organizations control costs by limiting access to network providers and directing care within a primary care medical home model.
- High-deductible plans result in high write-offs for urgent care centers lacking front office processes to verify and collect patient financial responsibility at time of service.
What Patients Want and Expect

Focus on Throughput: Practicing Urgent Care Medicine, Maximizing Provider Efficiency, Reducing Non-Value Added Activities
Functional Shifting
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