Hospital Urgent Care Operations: A Pathway to Profitability

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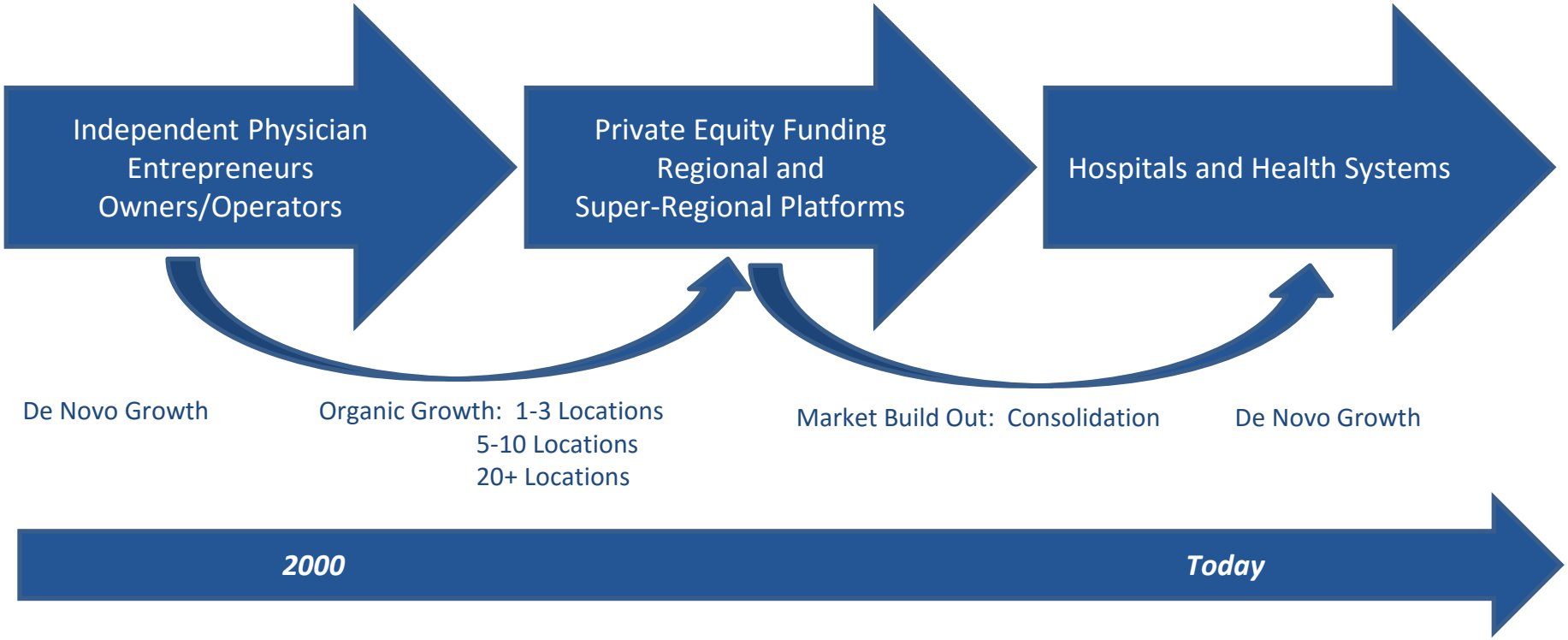
Urgent Care is “Retail” and “Retail is Detail”

Urgent care’s success depends on mastering the retail elements of the delivery model:

- High-traffic, high visibility locations
- Extended evening and weekend hours
- Walk-in, on-demand convenience
- Short waits with rapid throughput
- Transparent, hassle-free transactions
- Patient experience emphasis

Evolution of Urgent Care



Business Case for Hospital Urgent Care

- Expanding the hospital's geographic catchment
- Capturing a more favorable commercial payer mix
- 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.

Urgent Care: Gateway to the Health Care System

Reciprocal referral relationships strengthen the urgent care center's standing in the community and improve coordination of patient care.

Referral Sources	Downstream Providers

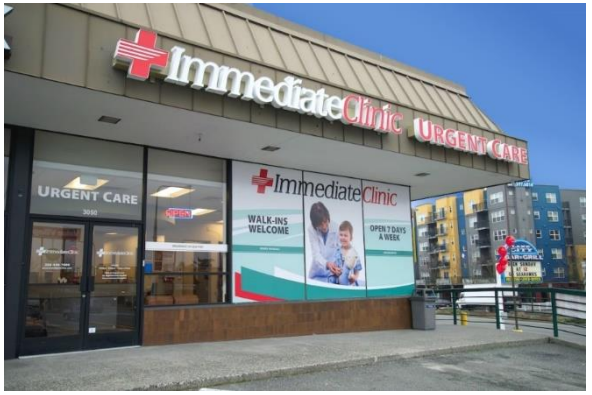
• Primary care physicians
• Medical specialists
• Retail health clinics
• Hospital emergency departments
• Employer on-site clinics
• Student health services
• Ambulance/EMS services
• Public health departments
• Pharmacies
	• Diagnostic imaging
	• Laboratory
	• Primary care offices
	  ○ Family practice
	  ○ Internal medicine
	  ○ Pediatrics
	• Medical specialists
	  ○ OB/GYN
	  ○ Dermatology
	  ○ Podiatry
	  ○ Physiatry
	• General and specialized surgery
	• Hospital emergency departments
	• Physical therapy/rehabilitation
	• Pharmacies
	• Durable medical equipment

Hospitals Often Struggle with the Retail Operating Model

- Growth is often curbed by internal politics (i.e. non-competition w/primary care, ER groups) and lack of understanding of the retail model
- Contracting is at the system level; urgent care profitability is immaterial
- Systems are more focused on integration than on maintaining throughput
- Applying an inpatient patient care model (i.e. rigid work rules, compliance requirements) to an outpatient setting results in inefficiency and high costs

Shift in Strategy: Build Platforms for Health Systems, Joint Venture, Management Services

Hospital Acquisition of Urgent Care Platforms



Grow Urgent Care Organically

Health System Urgent Care Engagement Models

Level of Engagement	Description	Benefits
Contractual Affiliation	Brand licensing, clinical staffing, or participation in integrated network (ACO).	Some affiliation but the UC remains operationally and financially independent.
Management-Only Partnership	Independent urgent care provider operates health system-owned UC facilities under a management contract.	Health system owns assets but leverages expertise and efficiency in workflows, systems, training, and revenue cycle management of the independent UC operator.
Health System Minority-Ownership Interests	Health system makes a passive investment in a UC provider, who maintains governance and control rights.	Health system benefits from UC (i.e. downstream referrals) without involving in operations. Independent UC operator taps into the hospital's capital.
Health System Majority-Ownership Interests	Independent UC operator agrees to manage centers on behalf of a health system, taking a minority stake in the venture.	Aligns the financial interests of the hospital and the independent UC operator by enabling participation in the JV's equity upside.
50-50 Joint Venture	Health system and independent UC are equal partners in the UC venture.	Culturally-aligned partners are equally motivated to achieve full integration, collaboration, and engagement.

Urgent Care vs. On-Demand Primary Care

- Walk-in, extended hours services contracted as primary care
- Lower co-pay and lower total visit cost than urgent care
- Maintains patients within the medical group
- Creates confusion for patients and payers

Opportunity: Lead with Urgent Care

- Primary care is largely for children, the elderly, and those with chronic/longitudinal conditions
- Urgent care appeals to working age families with children in the home, who place a premium on their time
- Urgent care can be used to capture a high quality panel of primary care patients
- Co-pay and pricing differential for primary care patients overflowing into urgent care
- For dual models, clear policies, processes and work rules must be established (i.e. primary care is wellness, chronic and scheduled; urgent care is episodic walk-in)

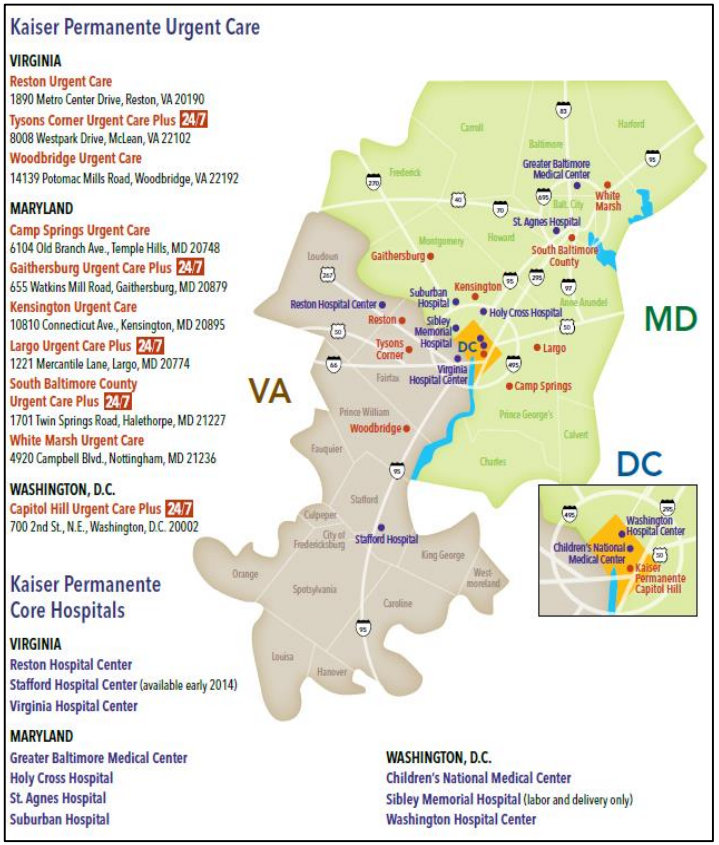
Specialty Urgent Care Pricing and Referral Patterns

Opportunity: Integrate with Accountable Care Organizations

- Narrow networks with out-of-network penalties
- Primary care medical home gatekeeper HMO
- “At risk” with integrated medical groups
- Pre-authorization, referral often required for urgent care
- Most traction in the Medicare/Medicaid space
- Low acuity plank is needed to reduce after-hours and out-of-network ER utilization

Opportunity: High Acuity Urgent Care

- Capitated payment, risk-based, coordinated care focused on reducing hospitalizations
- Higher acuity urgent care open 24/7 with advanced capabilities including observation units, on-site pharmacy with IV medications, CT and MRI, cardiac monitors and respiratory support
- True ED diversion in an outpatient setting



Commoditization of Urgent Care in Over-Saturated Markets

- Urgent care is a “retail delivery channel” for medical services
- Retail chases “rooftops” and “money”
- Just as retail clusters in the affluent suburbs of major cities, so has urgent care
- The result in some communities is an “over-saturation” of urgent care centers for the population

Limited Differentiation in Urgent Care

Opportunity: Differentiation Encompassing Product, Service, and Experience

Opportunity: Rural and Secondary Markets

- Urban and rural areas remain historically underserved by urgent care
- Little to no competition – communities welcome the services
- Pull from a wider geographic catchment (up to 30 miles)
- Adapt the delivery model including PA/NP staffing and integration of primary care

What Patients Want and Expect

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

Predicting Future Success: Net Promoter Score

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