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Growing Profitable Revenues in a Maturing Urgent Care Industry

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Alan Ayers

President, Urgent Care Consultants
Senior Editor, *The Journal of Urgent Care Medicine*

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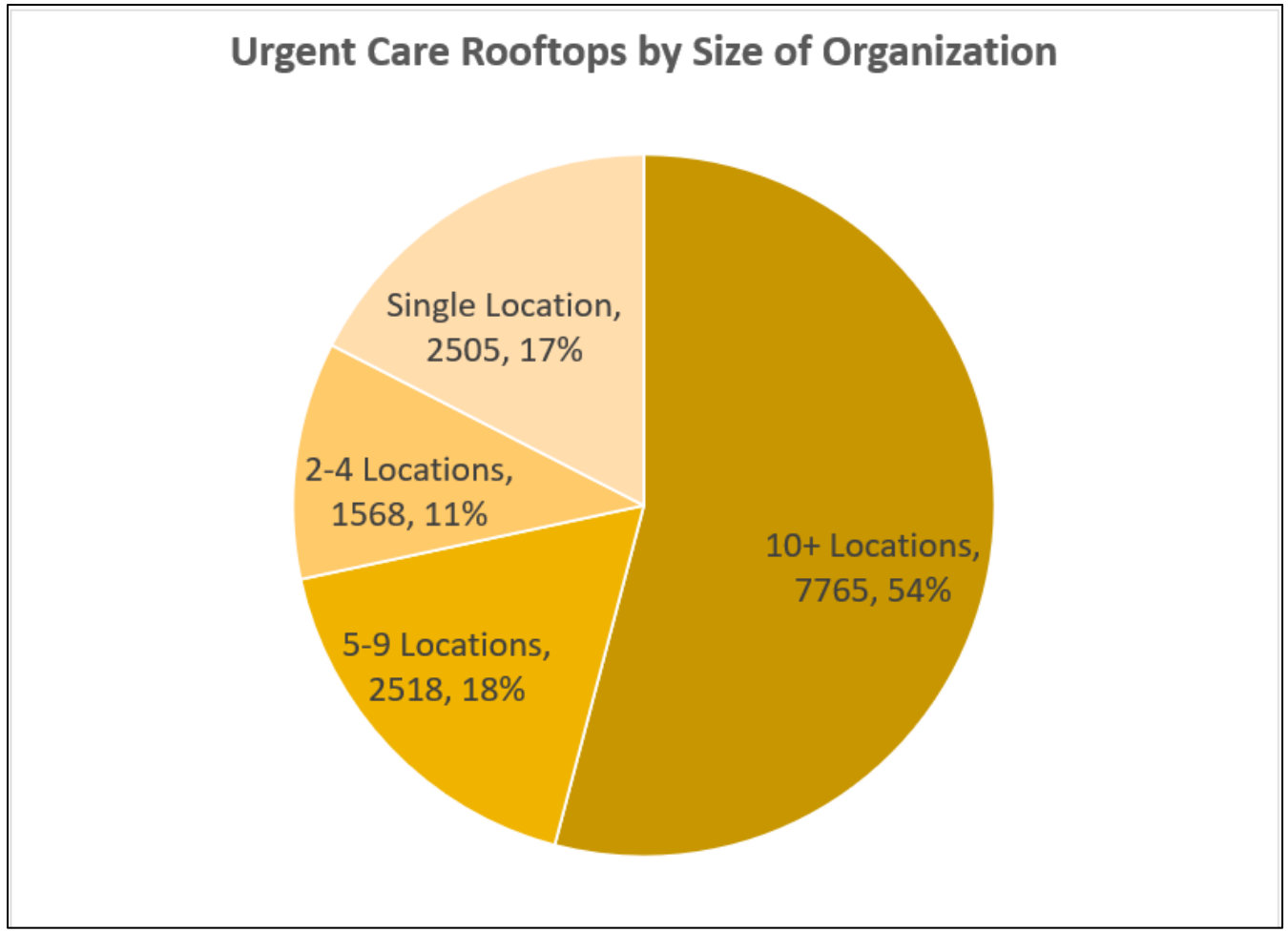
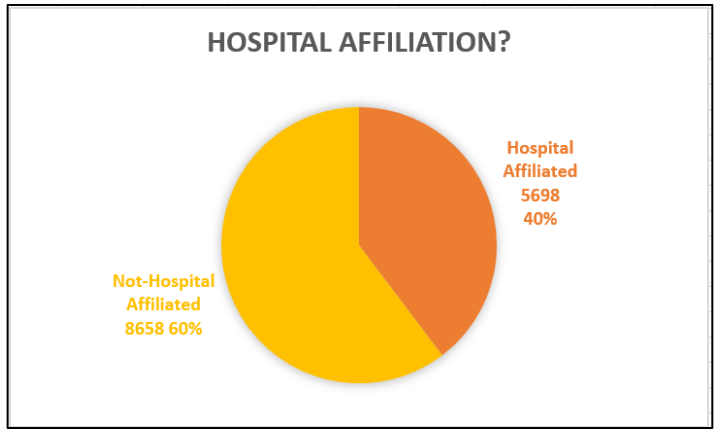
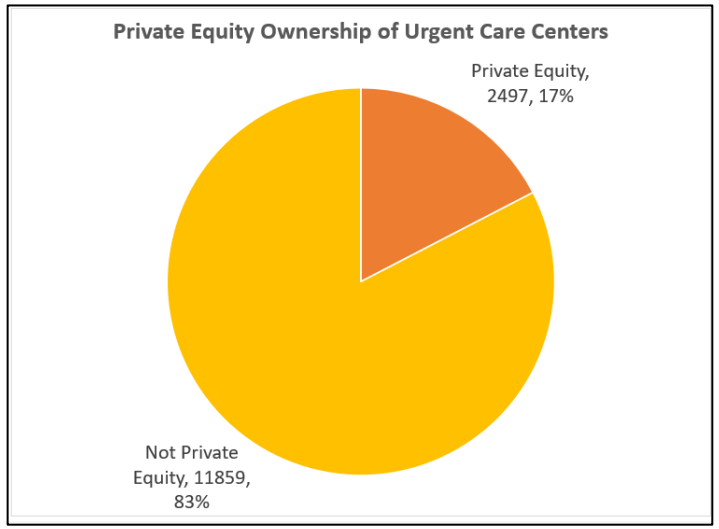
14,356 Urgent Care Centers in the United States







Source: National Urgent Care Realty, 12/31/2024

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Urgent Care Investors Expect Revenue Growth

New Patients:

- Millions “new” introduced to urgent care during pandemic
- New populations (esp. pediatrics, rural)

New Payers:

- Medicaid privatization and expansion
- Cost savings from Medicaid ER diversion
- Rural Health Center designation

New Services:

- Primary care and specialist integration
- Set-up for value-based care innovation
- Ancillary services not relevant to the UC presentation

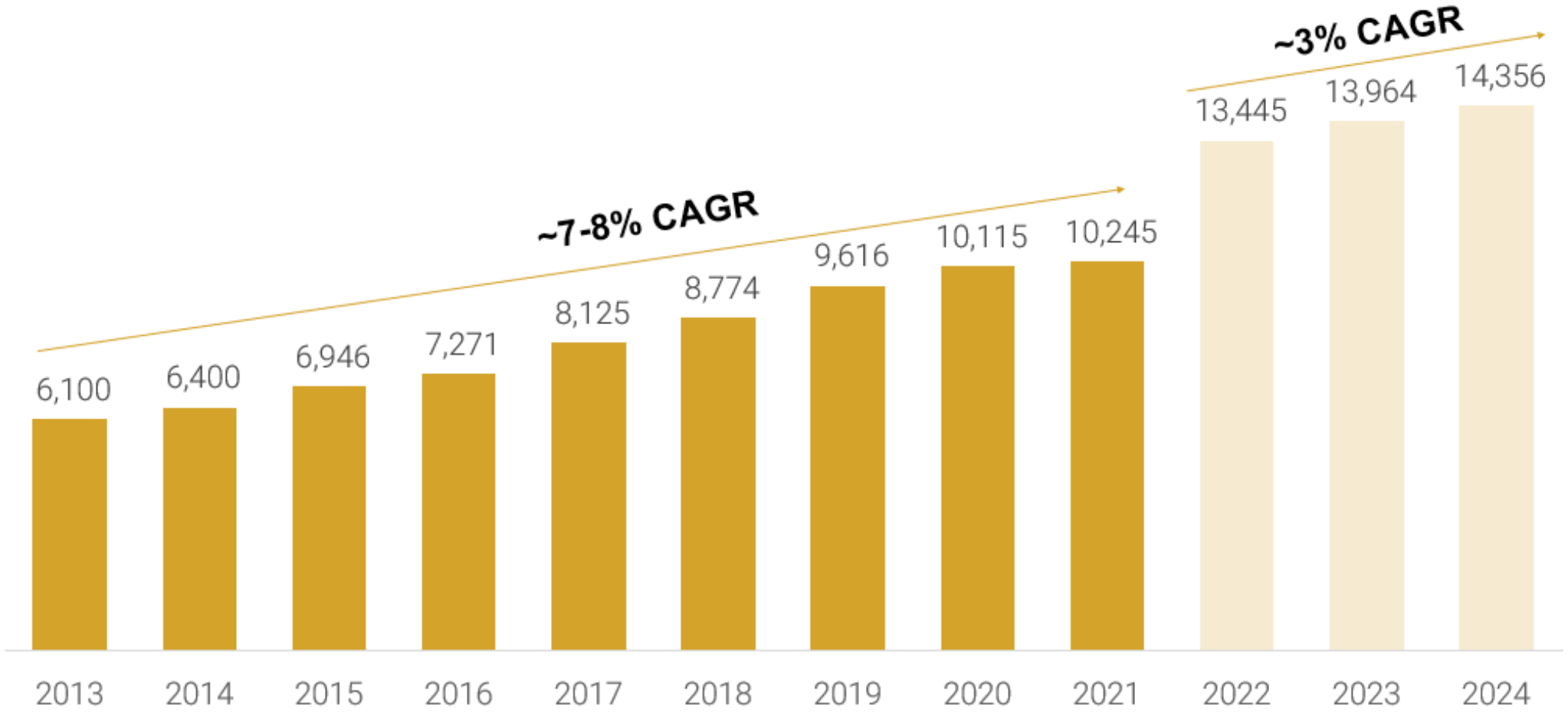
New Rooftops:

- Continued de novo growth (enterprise)
- Continued start-ups (independents)
- Need to relocate first generation centers

New Geographies:

- Rural and urban fill-in
- Changing traffic patterns and trade area definitions

2014-2024 Year-Over-Year Urgent Care Rooftop Growth



Sources: Urgent Care Association (2013-2021), National Urgent Care Realty, 12/31/2024

Rooftop Growth: First Generation Struggles, Rural Growth Leads

Changing retail trade areas and market saturation threaten first generation providers:

- Up to 1/4 of first-generation urgent care centers could be considered for relocation
- Understanding population growth patterns and shifts in traffic patterns and retail trade areas to add or relocate centers
- Increasing need to flank, intercept, box in, and/or out-position competition

Practice Management

CME: This peer-reviewed article is offered for AMA PRA Category 1 Credit™ See CME Quiz Questions on page 7.

Rural and Tertiary Markets: The Next Urgent Care Frontier

Urgent message: Given the oversaturation and resulting fierce competition among urgent care chains in the affluent suburbs of major cities, the underserved rural health-care market offers tremendous growth opportunity for the forward-thinking urgent care operator.

ALAN A. AYERS, MBA, MAcc

Urgent care began as a suburban phenomenon—and continues to be, as evidenced by the Urgent Care Association's *2018 Benchmarking Report* that asserts 78% of its recorded urgent care centers are in suburban areas, while those in rural areas represent only 4.1%.[1] While UCA's report speculates that "reimbursement does not support the costs to staff and operate urgent care in the most sparsely populated rural areas," understanding the history and evolution of urgent care perhaps provides greater context.

The first urgent care operators were largely entrepreneurial ED doctors, who opened the original practices in the affluent suburbs of sunbelt cities where they chose to work and live. Likewise, the new "urgent care" concept held great appeal for the affluent suburban consumer with disposable income, as they were more than willing to pay a copay differential for immediate, walk-in care as opposed to the long appointment waits generally associated with their primary care provider or the cost and hassle of ED visits.

Moreover, at the time, urgent care in general wasn't recognized by Medicaid (or Medicaid reimbursement was insufficient to cover urgent care's operating costs), so urgent care relied heavily on commercially insured patient populations for its financial model to work.

This confluence of opportune factors—high demand for fast injury/illness episodic care without needing an appointment, locations in affluent areas, the time and savings realized from avoiding the ED—converged to contribute to urgent care's meteoric rise. This fast growth attracted the attention of the private equity sector, which began scaling urgent care while it simultaneously played a key role in its growth, development, and widespread acceptance.

While scaling its urgent care chains and platforms, private equity closely mimicked the model of the big-box retailers by clustering together in "retail zones" where urgent care centers would see ample disposable income amid a dense consumer population. Actively

Alan A. Ayers, MBA, MAcc is Chief Executive Officer of Velocity Urgent Care and is Practice Management Editor of *The Journal of Urgent Care Medicine*. The author has no relevant financial relationships with any commercial interests.

Practice Management

Rural Urgent Care Growth Continues, But Challenges Remain

Urgent Message: Rural urgent care is the industry's fastest growing segment, influenced by rural primary care shortages, hospital closures and extended ED wait times, but operational staffing and reimbursement complexities must be navigated.

Alan A. Ayers, MBA, MAcc

Citation: Ayers A. Rural Urgent Care Grows, But Challenges Remain. *J Urgent Care Med.* 2024; 19(3): 17-21

As access to care in rural areas continues to decline, urgent care (UC) can play a pivotal role in the market to fill that gap. Many rural hospitals are facing financial strain as well as pressure to consolidate with larger urban healthcare systems, while the need for accessible alternatives such as urgent care is greater than ever.[1]

Today, rural UC is the fastest-growing and perhaps most operationally complex of all geographic segments—a fact previously outlined in the December 2019 edition of *JUCM*.[2] Understanding the underlying dynamics of rural healthcare provides essential context that may help UC operators successfully navigate expansion into these underserved areas.

Fastest-Growing Segment of Urgent Care

When considering localities, "rural" areas (in which fewer than 30,000 people live in a 3-mile radius, and fewer than 60,000 people live in a 10-mile radius) and "rural adjacent" areas (in which fewer than 30,000 people live in a 3-mile radius, but more than 60,000 live in a 10-mile radius) collectively comprise 32% of all UC centers, according to National Urgent Care Realty (**Figure 1**). The rural segments are second only to "suburban" settings (areas in which 60,000 to 89,000 people live in a 3-mile radius).

Rural UC is an enticing go-to-market strategy, and data from National Urgent Care Realty reveals the 10 largest non-hospital operators that are embracing this approach (**Figure 2**). Notably, the data also shows that rural UC is the fastest-growing segment among all settings, accounting for 26% of new rooftops in 2024 (**Figure 3**). Overall this year, rural UC is adding rooftops 40% faster than suburban areas through June 2024, while urban growth is flat. Despite this surge, forecasts suggest that 2025 will see a modest slowdown in the rural segment as urban growth accelerates (**Figure 4**).

Author affiliations: Alan A. Ayers, MBA, MAcc, is President of Urgent Consultants and is Senior Editor of *The Journal of Urgent Care Medicine*.

Rural urgent care is adding rooftops 40% faster than suburban while urban growth lags.


Growing Revenues
Without Growing Profits
is Simply Working Harder,
Not Smarter

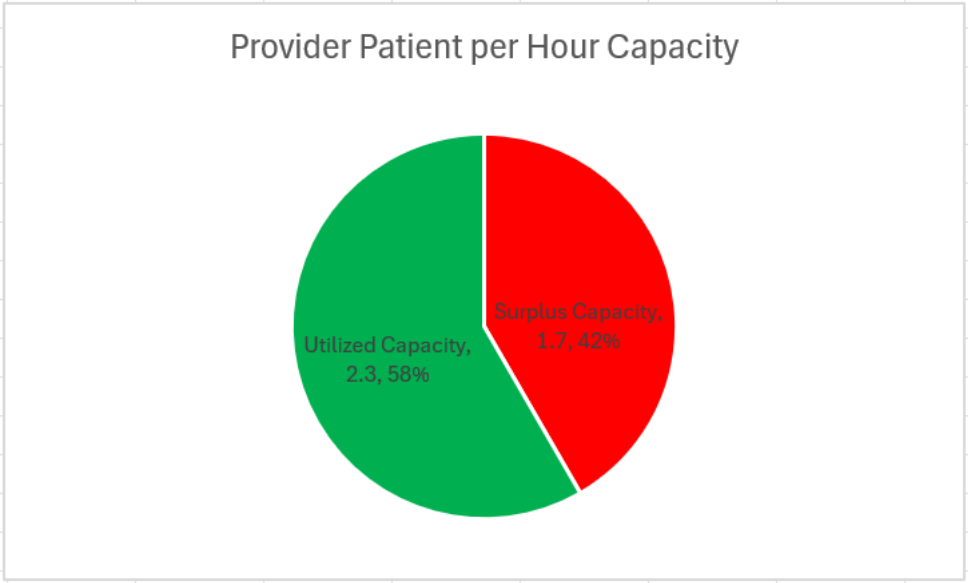
Revenue Equation: Volume x Rate

Mass Retail: Sells More for Less

Specialty Retail: Sells Less for More

Basic Economics of Urgent Care

- Revenue = Volume x Rate
- Rates are set by third parties — 36-39% of contracts are case rate
- Volume is the primary revenue driver
- Labor functions as a fixed cost
- KPI is patients per hour per provider
- Excess or unutilized capacity is the biggest issue in urgent care



**For the 85% of urgent cares seeing <50 visits per day.*

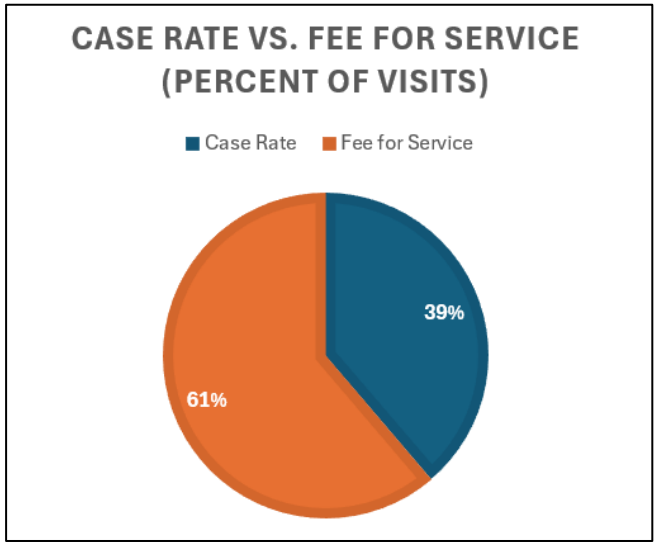
Adding Capacity Without Utilization in Service Industries

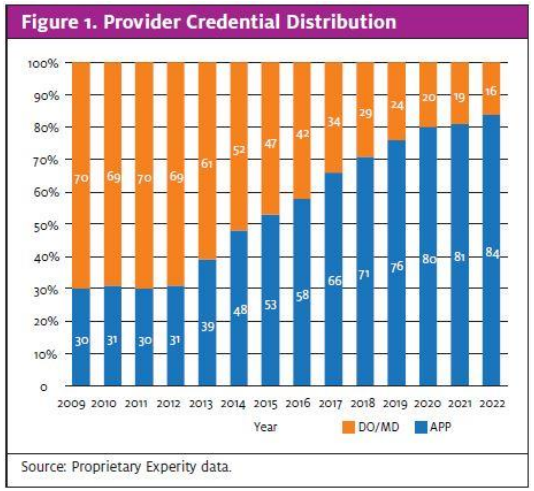
- Like patient per hour per provider capacity in urgent care, airlines sell a “perishable” service
- Southwest has been the most consistently profitable US airline by focusing on process efficiency:
  - Non-stop flights, point-to-point service
  - Fleet optimization
  - Functional shifting
  - Teamwork and cross-training
  - Quick turnaround times
- Increasing efficiency increases capacity
- Problem is…today, the airline suffers from low “load factor” (82% vs. 87% at Delta)

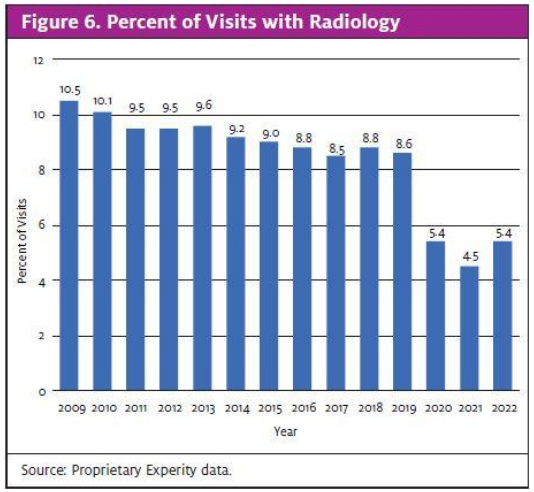
Case Rate Reimbursement and Acuity Degradation

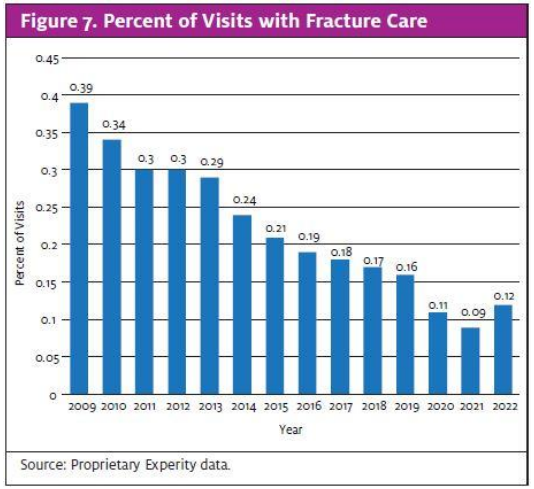
Insurance case rates and a focus on patient-per-hour productivity have degraded the scope of care offered and diminished the value proposition of "cost savings vs. the ER."

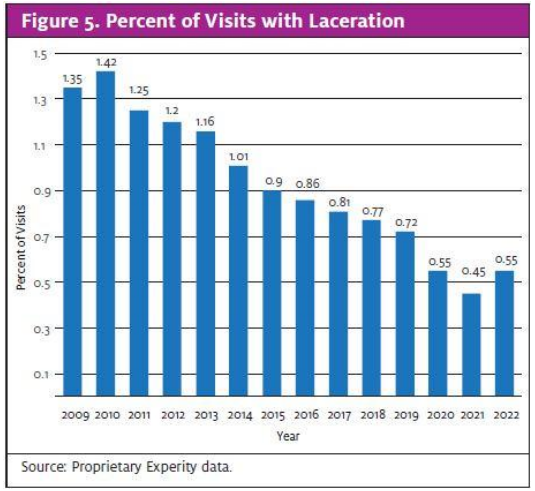
Case rate payers range from <15% to >75% of covered lives depending on a state's payer landscape, center payer mix, center place of service, age of contracts, etc.











Urgent Care Value Proposition: Medicaid Expansion and Privatization

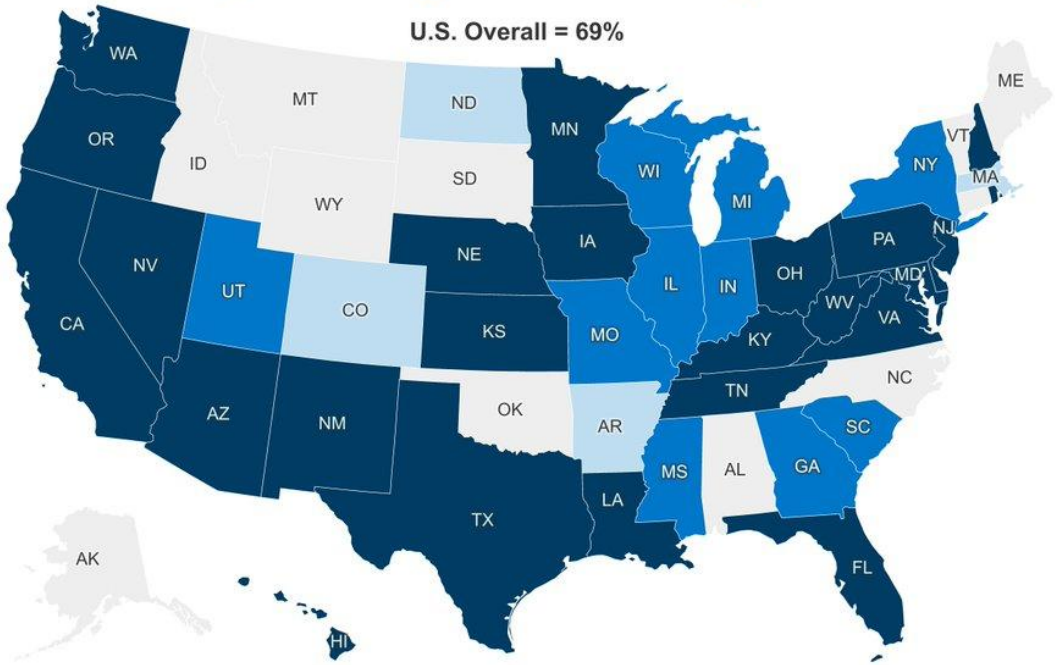
Medicaid Managed Care:

Figure 3

In Most States With Comprehensive MCOs, at Least 75% of Beneficiaries Are Enrolled in One.

Share of Medicaid beneficiaries in MCOs as of July 1, 2019:

No MCOs (11 states) | 1 - <50% (4 states) | 50 - 75% (11 states including DC) | >75% (25 states)



NOTE: ID's Medicaid-Medicare Coordinated Plan has been recategorized by CMS as an MCO but is not counted here as such since it is secondary to Medicare. DC is included in the count of states with 50 - 75% of Medicaid beneficiaries in MCOs.

SOURCE: KFF analysis of Medicaid Managed Care Enrollment Reports, Centers for Medicare and Medicaid Services, U.S. Department of Health and Human Services, 2021.

KFF

DOI: 10.1111/1475-6773.13631

RESEARCH ARTICLE

HSR Health Services Research

The impact of urgent care centers on nonemergent emergency department visits

Lindsay Allen PhD, MA[1] | Janet R. Cummings PhD[2] | Jason M. Hockenberry PhD[3]

[1]School of Public Health, West Virginia University, Morgantown, West Virginia, USA
[2]Rollins School of Public Health, Emory University, Atlanta, Georgia, USA
[3]Yale School of Public Health, New Haven, Connecticut, USA

Correspondence
Lindsay Allen PhD, MA, School of Public Health, West Virginia University, Morgantown, WV, USA.
Email: Lindsay.allen@hsc.wvu.edu

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Abstract

Objective: To estimate the impact of urgent care centers on emergency department (ED) use.

Data Sources: Secondary data from a novel urgent care center database, linked to the Healthcare Cost and Utilization Project State Emergency Department Databases (SEDD) from six states.

Study Design: We used a difference-in-differences design to examine ZIP code-level changes in the acuity mix of emergency department visits when local urgent care centers were open versus closed. ZIP codes with no urgent care centers served as a control group. We tested for differential impacts of urgent care centers according to ED wait time and patient insurance status.

Data Collection/Extraction Methods: Urgent care center daily operating times were determined via the urgent care center database. Emergency department visit acuity was assessed by applying the NYU ED algorithm to the SEDD data. Urgent care locations and nearby emergency department encounters were linked via zip code.

Principal Findings: We found that having an open urgent care center in a ZIP code reduced the total number of ED visits by residents in that ZIP code by 17.2% ($P < 0.05$), due largely to decreases in visits for less emergent conditions. This effect was concentrated among visits to EDs with the longest wait times. We found that urgent care centers reduced the total number of uninsured and Medicaid visits to the ED by 21% ($P < 0.05$) and 29.1% ($P < 0.05$), respectively.

Conclusions: During the hours they are open, urgent care centers appear to be treating patients who otherwise would have visited the ED. This suggests that urgent care centers have the potential to reduce health care expenditures, though questions remain about their net cost impact. Future work should assess whether urgent care centers can improve health care access among populations that often experience barriers to receiving timely care.

KEYWORDS
emergency departments, health care access, health care costs, urgent care

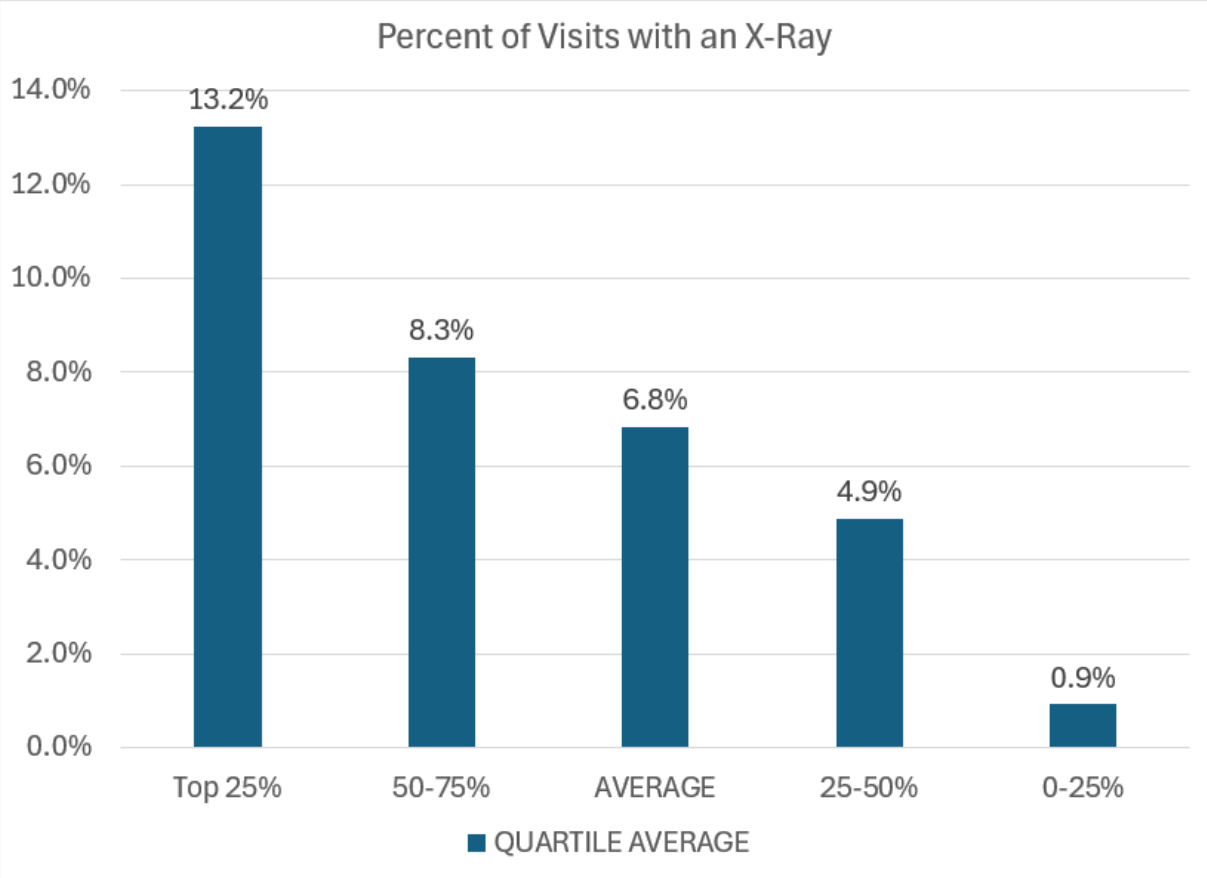
Research indicates that anywhere from 13% up to 50% of the 137 million annual US ED visits could be treated at a care site other than the ED.

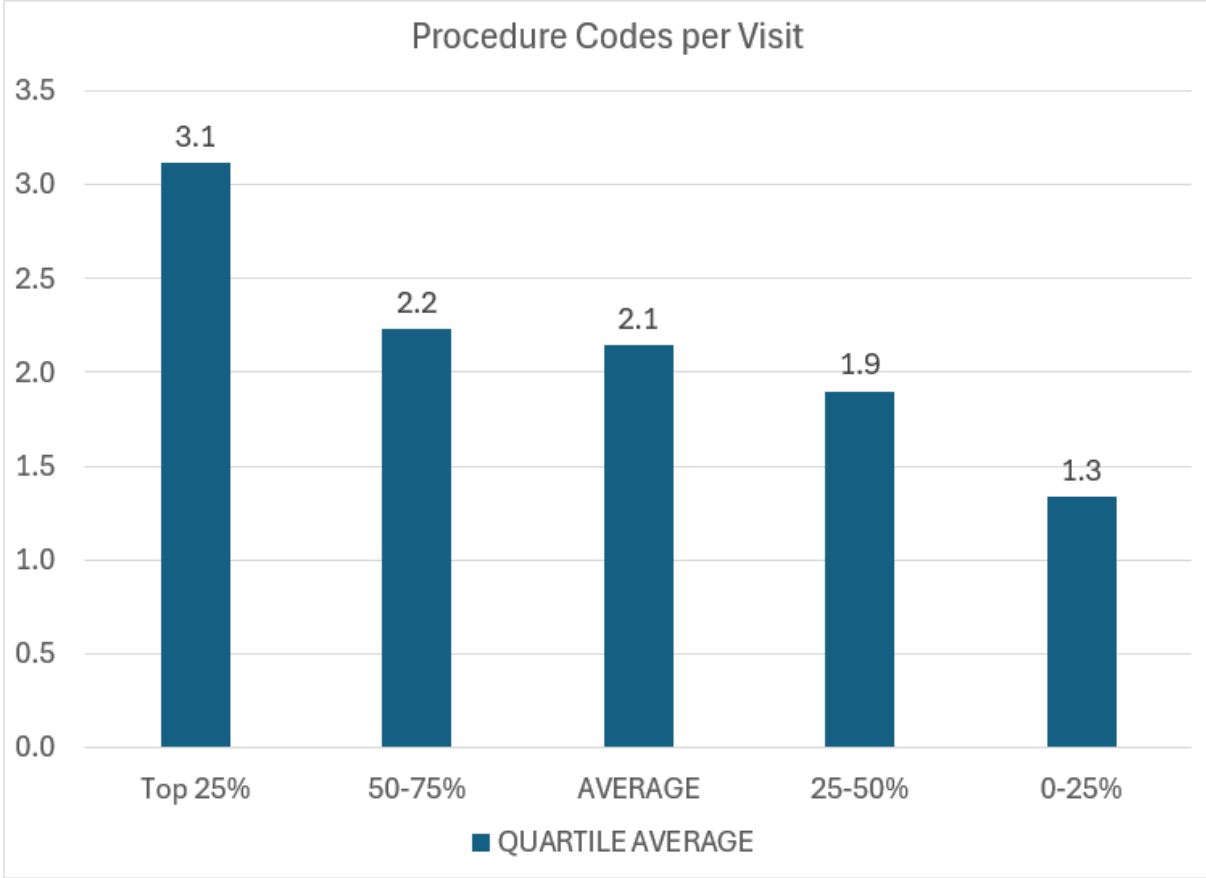

Executing Well
in the
Urgent Care
Business

Traits of Centers with Sustained Growth Pre- and Post-Pandemic

- Maintained full urgent care capabilities and hours
- Augmented urgent care with COVID testing vs. redefining as high-throughput test-and-treat
- Continued to treat higher acuity, procedures, ortho
- Found ways to remain fully staffed and assure x-ray was always available
    - Took a team approach to staffing
    - Providers doing their own MA work (intake, vitals, rapid testing)
    - Cross-training between front and back
- COVID testing built occ med employer relationships
- Grassroots marketing vs. sole reliance on digital

Percent of Visits w/X-ray, Procedure Codes per Visit

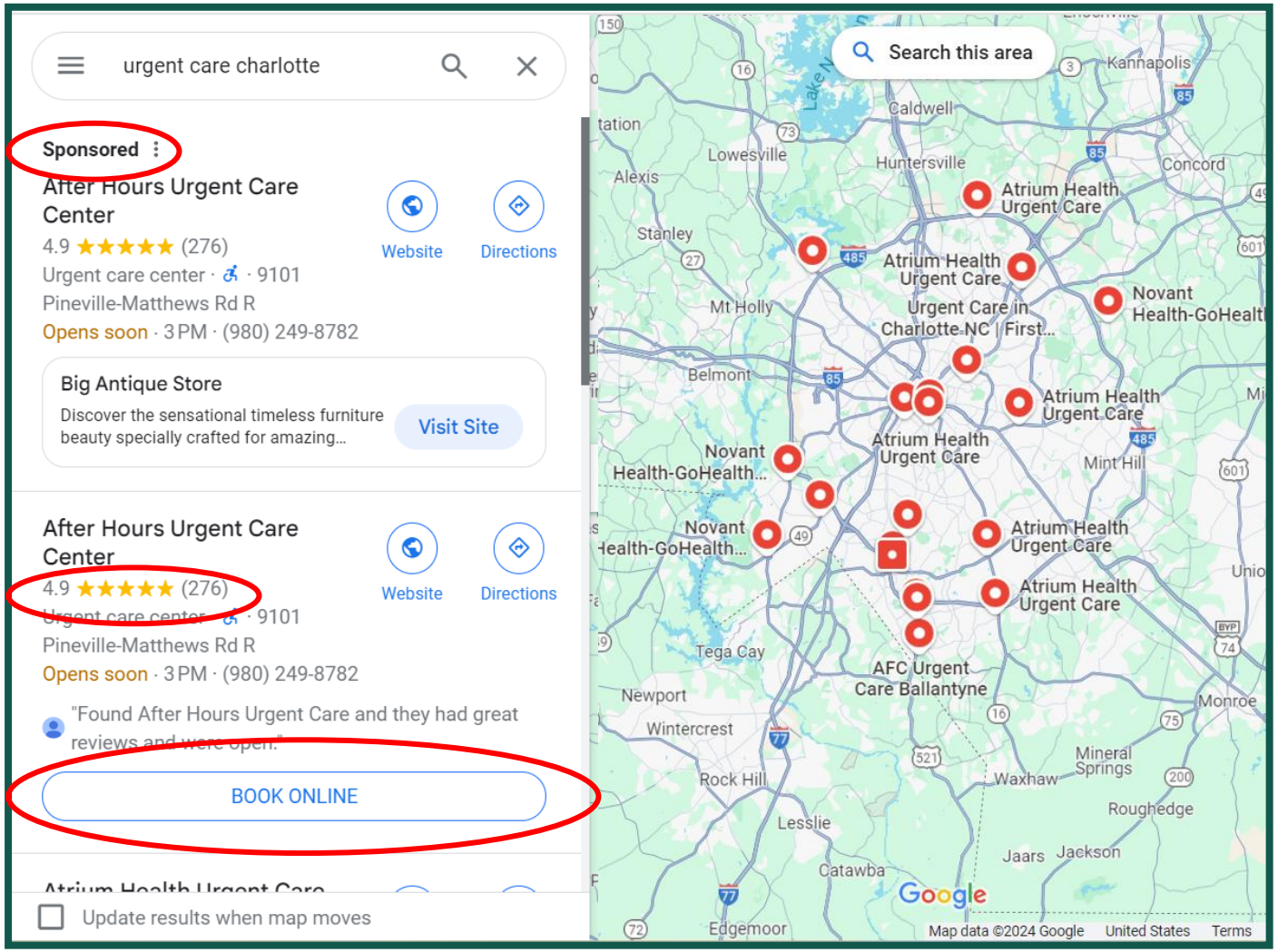




Source: Experity Data, October 2024

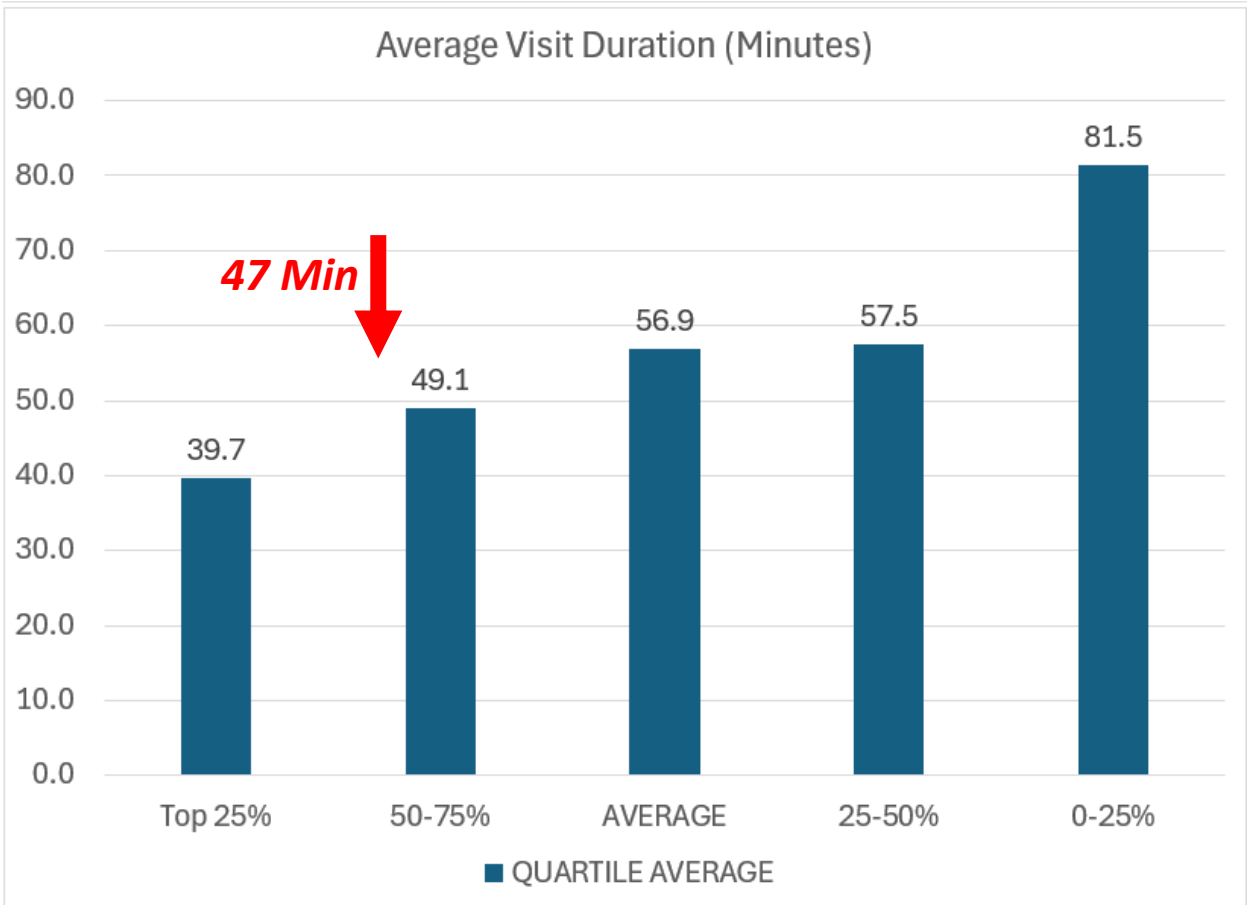
Outspending Competitors on Advertising

- SEO is driven by geographic proximity, transactional capability, reviews (quantity and quality), and AI-optimized content
- Digital tactics reinforce (but don't replace) visibility in the community
- Aggressive, guerilla grassroots tactics, especially targeting moms
- Use of conventional media (Billboards, direct mail, cable/streaming)



Solid Leadership with a Patient Experience Focus

- Highly involved owners and managers aware of what's going on in their centers (at all times)
- Culture of “speed” realizing high throughput expands capacity and increases satisfaction
- Accept patients up until posted closing with short visit times all day



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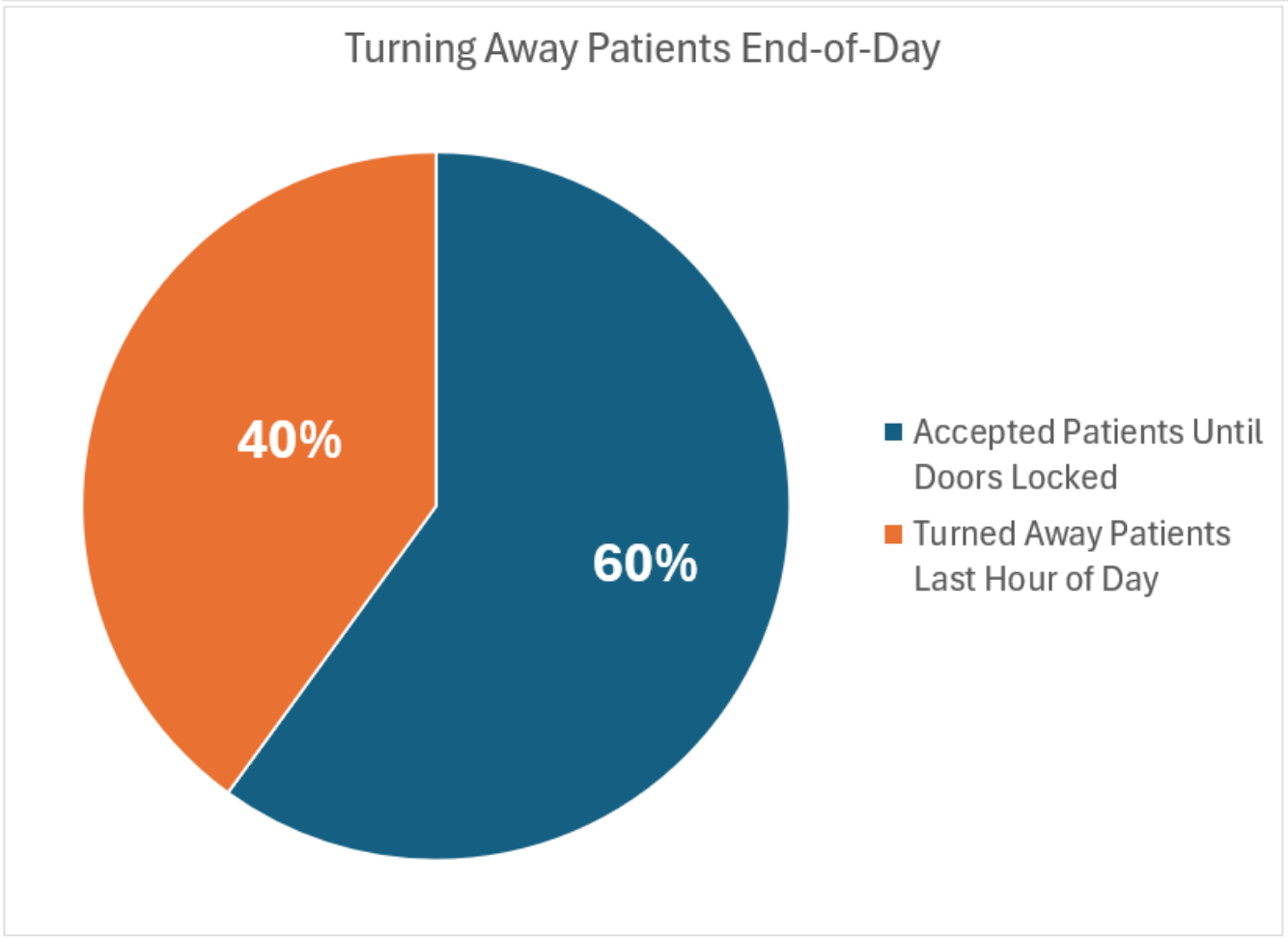
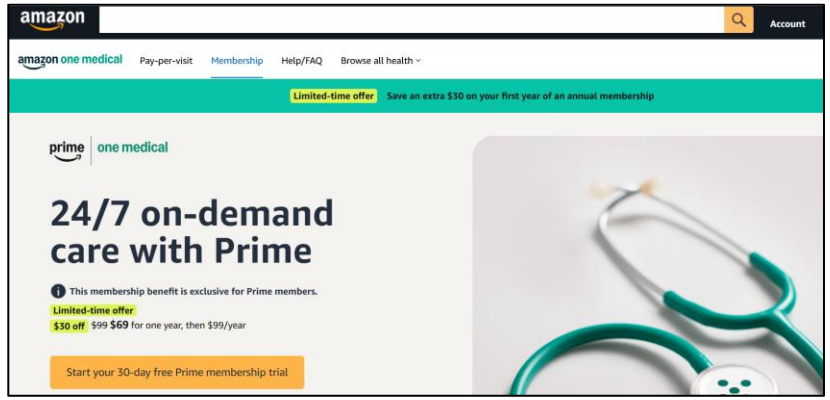
40% of centers surveyed turned away patients during the last hour of the day

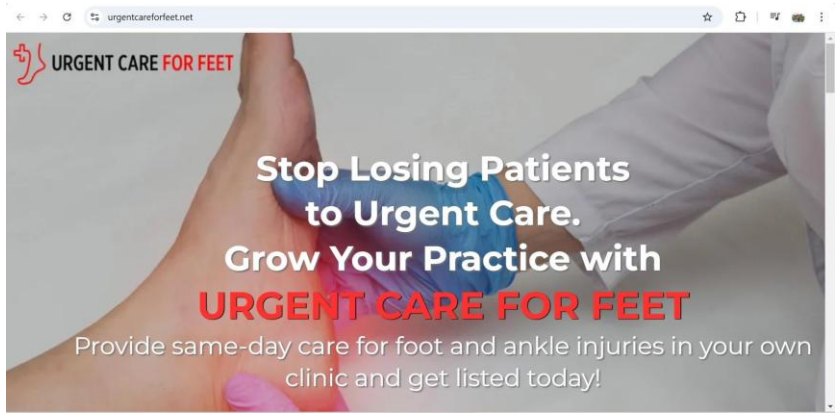


The last 2-3 patients of the day can be the difference between profitability (or not).

Urgent Care Draws Patients In

Death by 1,000 cuts? Consider every option available to consumers.





Build Volume by Leading w/Core Urgent Care Services

Avoid Chasing "Fads" and "Fashion":

- Divides management attention
- Dilutes marketing spend
- Consumer discretionary is fickle and fading in inflationary times
- Often more competitive than urgent care
- Urgent care lacks focus of pureplay providers
- Undermines credibility of medical services
- Lowest cost provider by definition means thin margins

Botox 40-50 units per session:

- $6.22 per unit wholesale supply cost
- $12.00 per unit average retail price
- Range: $10.00 to $15.00

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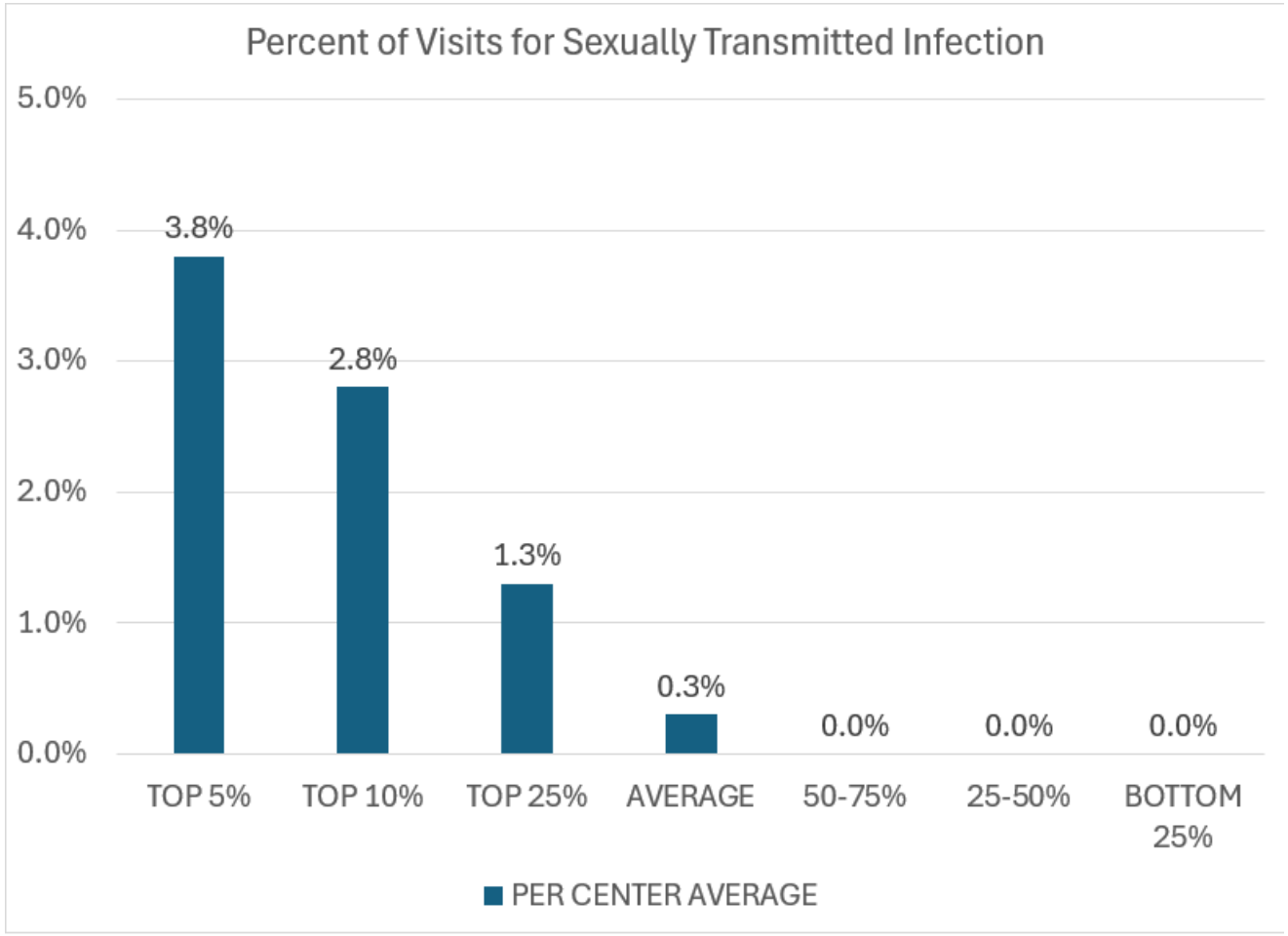
Building on Core Services: Rapid STI/STD Testing



Practice Management

The Business Case for STI Testing in Urgent Care Centers

Urgent Message: With sexually transmitted infection (STI) rates rising, urgent care centers have a unique opportunity to address a pressing public health need and increase patient volumes and revenue by adding STI testing services.

Alan A. Ayers, MBA, MAcc

Citation: Ayers A. The Business Case for STI Testing in Urgent Care Centers. *J Urgent Care Med.* 2024; 18(10):39-42

Globally, the World Health Organization (WHO) estimates that more than 1 million sexually transmitted infections (STIs) are acquired every day.[1] Given that the majority of these infections are asymptomatic, STI testing is a crucial tool for not only detecting existing STIs but also preventing the spread to more individuals.

However, the persistent stigma surrounding STI testing creates an environment where many people feel uncomfortable getting tested—particularly at their primary care provider's office. This, along with improvements to rapid STI testing kits and reimbursement policies, presents a development opportunity for urgent care (UC).

Urgent care operators are well-positioned to give patients the peace of mind they seek with a quick diagnosis. Rapid STI testing offers diagnostic value as well as the potential for revenue generation. However, UCs will be most successful if they ensure there are mechanisms in place to notify patients of results and to manage treatment or referrals to treatment when necessary.

Who is Affected?

When considering the addition of STI testing in urgent care, it's important to have a clear picture of the patient demographic that will be served. A sample of data pulled from Experity's electronic medical record (EMR) from 2023, including over 23.3 million patient visits, sheds some light on this question. The data consists of the ICD-10 codes Z20.2 (contact with and exposure to infections with a predominantly sexual mode of transmission) and Z11.3 (encounter for screening for infections with a predominantly sexual mode of transmission).

Data from this query reveals that the typical patient seeking STI testing at urgent care is male (**Figure 1**). When compared to the overall urgent care population, this trend is noteworthy given that urgent visits skew toward females, who present in 57% of visits for all conditions. Notably, male STI patients also tend to be slightly older than their female counterparts despite there being little age difference between genders for non-STI patients (**Figure 2**).

Author affiliations: Alan A. Ayers, MBA, MAcc, is President of Experity Consulting and Senior Editor of *The Journal of Urgent Care Medicine.*

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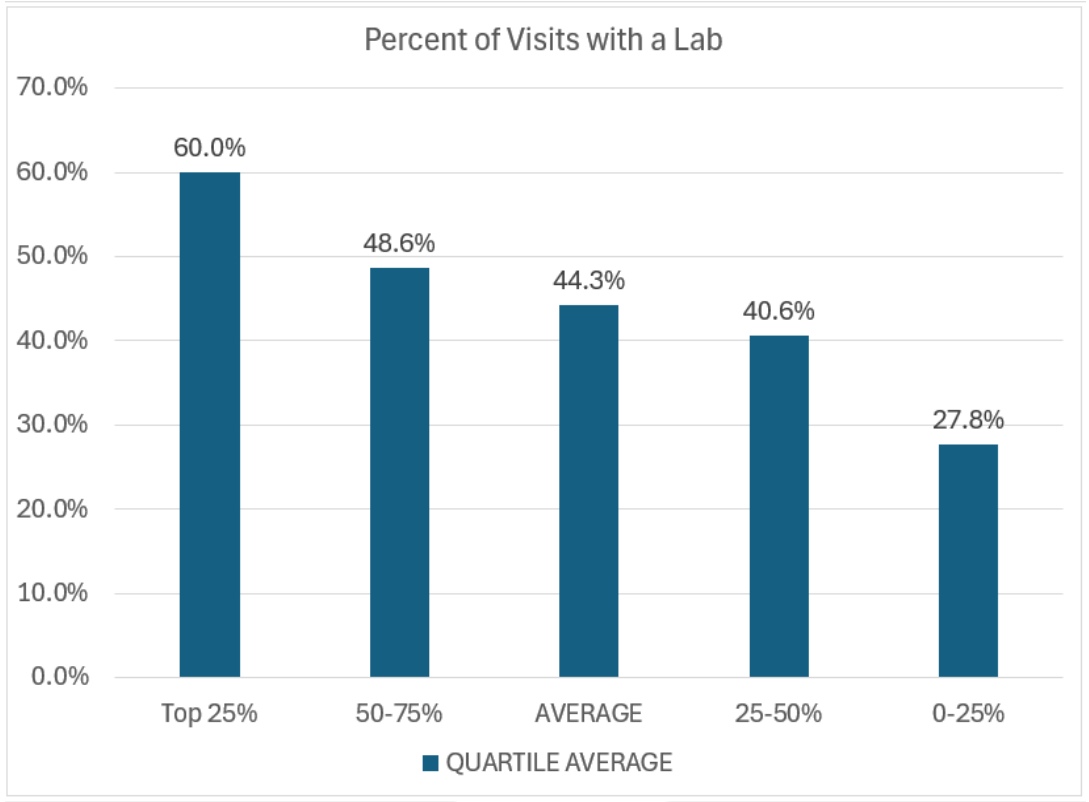
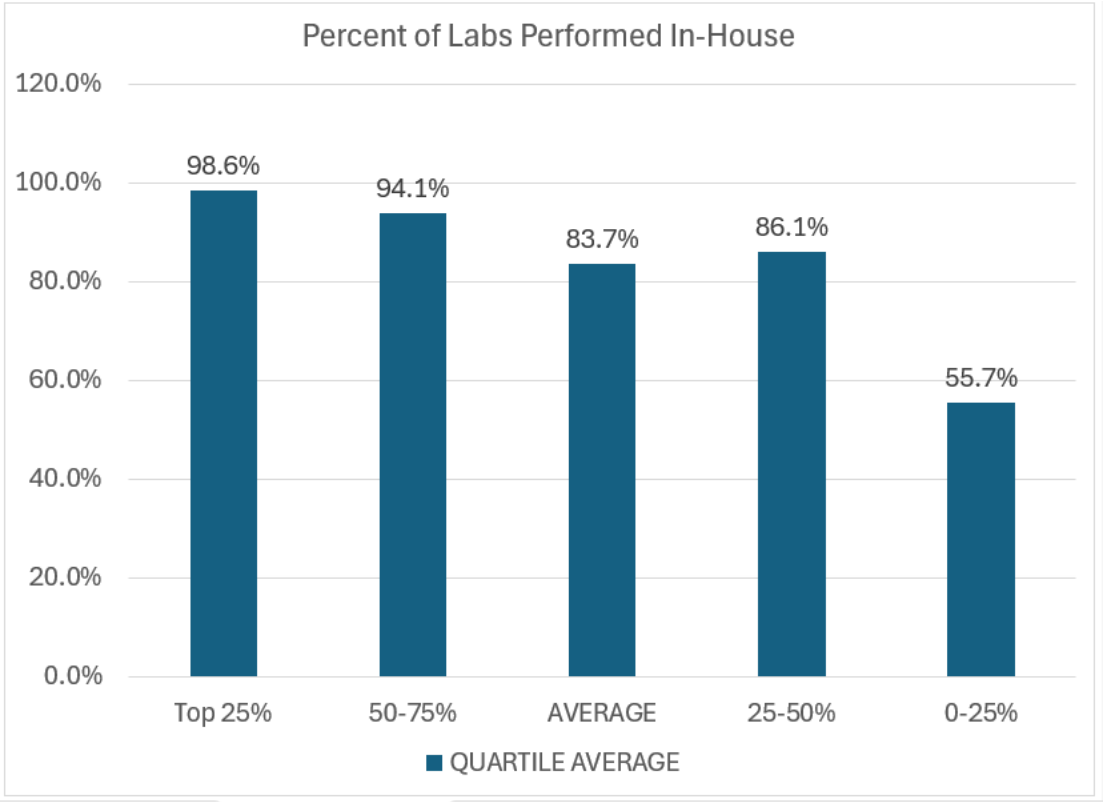
Capturing a Greater Share of Lab Revenue In-House





Urgent Care vs Primary Care

Urgent Care

- Transactional
- Acute
- Episodic/Referral
- Focus on Chief Complaint
- Walk-in/Same Day

- Case Rate/Facility-Based Contracts Lab/X-Ray/Vaccines as Overhead

- Emergency Medicine and Primary Care Specialties

Primary Care

- Relational
- Chronic
- Longitudinal/Follow-up
- Focus on Wellness/Prevention
- Scheduled Appointments

- Fee-for-Service: New (Annual Wellness Physicals) vs. Established (Rechecks)

- Pediatrics, Family Medicine, Internal Medicine

Occupational Medicine: Contra-Seasonal Incremental Revenue

	Employer Paid Services	Workers Compensation
High Value	• Multi-Component Physicals • Police/Fire Contracts • FAA, Merchant Marine, HAZWOP Compliance • OSHA Baseline and Periodic Surveillance Testing	• End-to-end injury management, coordination of imaging, specialists, physical therapy • Light/Modified Duty, Return-to-Work Evaluations • Ergometric, ADA, Injury Prevention Consulting • Impairment / MMI Evaluations
Low Value	• Drug Screens (eScreen) • DOT Physicals (FormFox, CerteDrive)	• First report of low acuity, no time off, recordable injuries w/limited rechecks

Municipal Employment: 2x Injury Rate of Private Sector (~3%)

Take-Home Points: Respect the Basic Economics of Urgent Care

- Majority of expense inside of four walls
  - Scale economies pertain to marketing, functional expertise, SOPs and labor utilization
  - Lean operations control cost and cross-utilize staff
- High throughput increases capacity and patient satisfaction
  - Under-utilized labor is the greatest operating cost
  - Wait times is the top determinant of patient satisfaction
- Drive year-round volume
  - Maintain (expand upon) full urgent care capabilities
  - Pediatric focus appealing to moms
  - Accept patients until doors locked
  - Find opportunity in trade area and demographic shifts
- Maximize reimbursable services
  - Understand contracts and capture all charges
  - Utilize in-house services as clinically appropriate
  - Add services relevant to the urgent care presentation

Questions?

Please submit your questions using the webinar platform feature

Let’s keep in touch!

Alan Ayers, President

Urgent Care Consultants

aayers@urgentcareconsultants.com

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