



# Hospital-owned Urgent Care Networks: Coming Soon to a Community Near You



**T**he whitecoats are coming, the whitecoats are coming! If Paul Revere were running an independent urgent care network, this would be his call to arms.

After years of denial and arrogance, health systems are *finally* waking up to the system integration benefits of urgent care.

Hospitals stumbled in their response, hampered by bureaucracies, turf wars, and a stifling status quo. Well, the fog has finally lifted and urgent care is on the radar.

Due, in large part, to the work of the Urgent Care Association of America (UCAOA), the industry is now better defined and better quantified, and the discipline is more evolved. Hospitals are finally paying attention, and are trying vigorously to get in the game. They now recognize urgent care as a “front door” to their health systems—with a beautiful foyer and a welcoming staff.

The hospital emergency department, the traditional front door, is proving to be a costly point of access, burdened by regulation, inadequate reimbursement, and infrastructure challenges.

In addition, the past 20 years have trended towards decentralized health systems, as the demand for services in the suburbs has forced hospitals to rethink the tertiary model of care dominated by the urban medical center. Some of the important strategic challenges faced by hospitals include:

- “How do we create cost effective points of access in the suburban communities we serve?”
- “How do we prevent leakage of patients out of the system?”
- “How do we gain market share in these strategically important communities?”
- “How do we capture high-margin services like orthopedics, general surgery, and cardiology?”
- “How do we grow our primary care network, a critical hospital feeder, with new patients?”

With these strategic considerations in mind, it is no surprise that health systems have identified urgent care as an important opportunity for growth.

So, how might this impact the competitive landscape? There are several key considerations:

- Most hospitals are well capitalized. They are capable of creating a network of urgent care centers very quickly.
- Hospitals often consider primary care, inclusive of urgent

care, as a loss leader. While financial pressures are high on struggling health systems, investments in primary care and urgent care are intended more to drive downstream revenue than to be profit centers. Their tolerance of lower margins gives hospitals a competitive advantage.

- Hospitals, through their network of ambulatory medical centers, often have a wholly owned infrastructure that can easily accommodate an urgent care network at marginal expense.

Combined, these key characteristics allow health systems to infiltrate a market without a significant investment. The market quickly becomes saturated and diluted, making it very difficult for an independent, for-profit center to survive.

So, what to do? You have two options to choose from:

1. “In it to win it.” Urgent care was built on the following principles: Service, Value, Access, Innovation and Scope. It will be difficult to compete with a hospital urgent care network on access and scope, and differentiating yourself on value may prove equally challenging. Service and innovation are the key competitive strengths of the independent urgent care. If you are in it to win it, then play to your strengths.
2. “If you can’t beat ‘em, join ‘em.” Now that you know what hospitals are looking for out of an urgent care network, consider establishing relationships that serve mutual interests. If you have an established network or a strong presence in a strategically important community, there may be no need for the hospital to enter the market if you can effectively integrate your services.

Market changes are inevitable in every growth industry. Anticipating trends and modifying strategy accordingly will keep you well positioned. Understanding your strengths and adapting them to market realities will keep you ahead of the pack. ■

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