# Joint Ventures Between Health Systems and Urgent Care: Achieving the Best of Both Worlds

**Urgent message:** As hospitals and health systems develop and grow their urgent care footprints, many leverage the expertise and experience of outside partners. Five common affiliation models fit differing strategic objectives and distinct market conditions.

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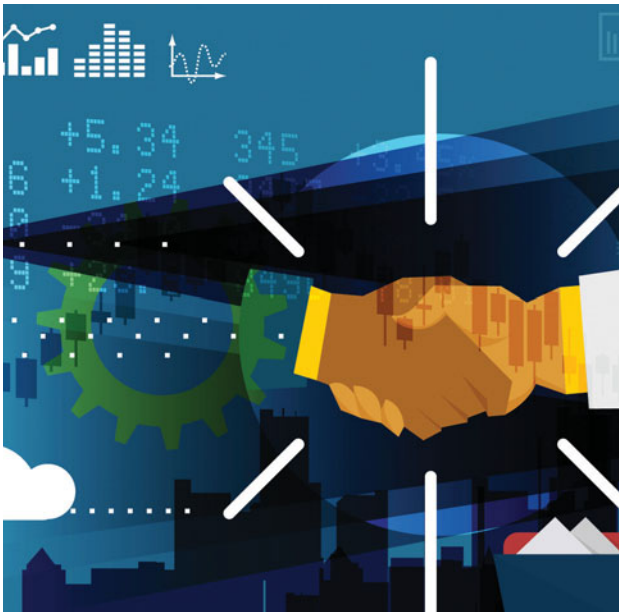
## Introduction

As the number of urgent care centers increases across the United States, so too do the variety of urgent care center models and the ways in which urgent care centers seek to meet the growing demand for urgent care. Gone are the days when simply being more convenient and cheaper than the emergency department (ED) was enough to ensure success. Private equity investment, strategic health-system growth and development, payor vertical integration, and mergers and acquisitions are all fueling growth and evolution of the care-delivery model and increasing consolidation in what is still a highly fragmented market.

Although a number of affiliation and partnership models have the potential to spur growth and generate profitability for urgent care providers and health systems looking to strengthen their market positions, not all models are created equal. The various flavors of affiliation cover the spectrum from "light" contractual arrangements to full-blown equity joint ventures. Identifying the optimum form of health-system (or even health-plan) affiliation or partnership for urgent care operators depends on individual circumstances and



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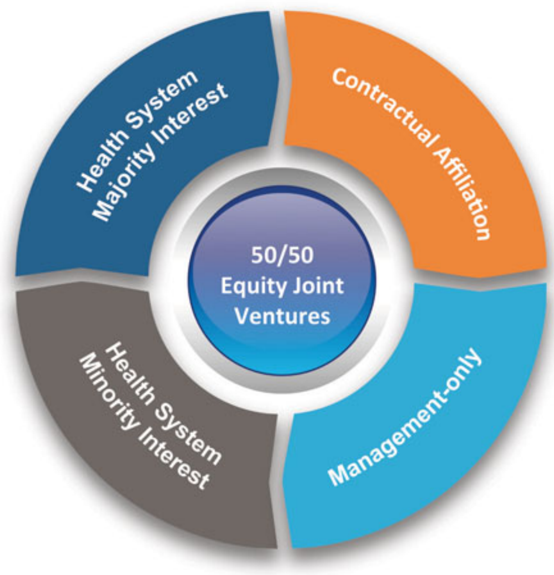
objectives, as well as on the competitive landscape and other market dynamics. Partnership models have been evolving since about 2011 and now generally fall into one of five relatively distinct structures (**Figure 1**).

## Affiliation Models

*Contractual Affiliations*

Contractual affiliations generally require the least amount of partnership interaction and commitment between the parties once the affiliations have been executed, but they can still provide substantial benefits for operators looking to grow their urgent care businesses. Contractual affiliations most often take the form of brand licensing, clinical staffing arrangements, equipment leasing, debt financing, or participation in clinically integrated networks. Although these partnerships do not technically result in co-investment, they can certainly fill a specific need, increase the efficiency of operations, expand market opportunities, or otherwise fuel growth. For those simply in need of capital, a health-system contractual affiliation could both meet this need and offer greater market and operational alignment than traditional financing sources because of branding opportunities, clinical staffing and recruiting synergies, and potential alignment with the health system's existing network.

**Figure 1. Affiliation models for urgent care centers and health systems.**




(Source: GoHealth Urgent Care.)

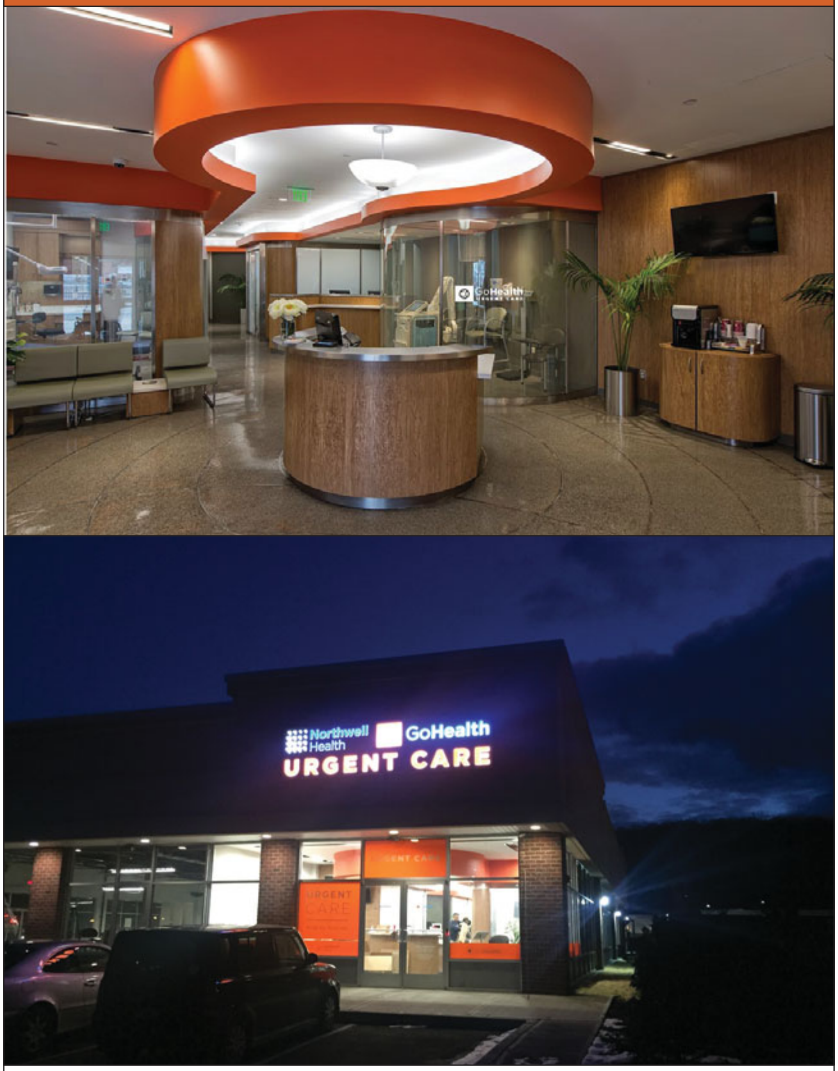
*Management-Only Partnerships*

Management-only partnerships are a form of contractual affiliation, but they typically include much greater involvement by both parties than the typical contractual affiliation already described. The most common management-only arrangement is an independent urgent care provider managing health-system-owned urgent care centers. The health system continues to own all of the urgent care center assets and still employs the staff, but an outside manager provides daily direction, training, operational workflows, and other urgent care–specific expertise to the health-system-owned urgent care center. These management services often include operational, financial, and even revenue cycle functionality. Independent urgent care operators are often more adept than large health systems at running urgent care centers on tighter budgets with greater consumer focus and more efficient work streams. Alternatively, and somewhat less frequently, an urgent care provider may lack the infrastructure or staff to efficiently manage its urgent care center as it grows, and thus it might partner with a larger health system to tap into greater management resources, broader health-care expertise, and significant efficiencies of scale.

*Minority-Ownership Interests*

Most often, health-system and health-plan minority-ownership interests in urgent care centers do not involve material collaboration between the parties. They customarily take the form of a health system or health plan making a passive investment in an existing urgent care provider, where the existing urgent care provider maintains nearly all governance and control rights. Minority-ownership interests benefit health systems or health plans without the ability to move urgent care further up their list of strategic priorities or without the desire to make a large commitment. Through this affiliation model, the health system or health plan aligns itself with the rapidly growing urgent care sector without having to commit substantial capital or internal resources to the effort. This model also may be a great option for independent urgent care operators looking for assistance with purchasing, recruiting, or other administrative and support services, but not a fully collaborative operational partnership that could mean ceding some measure of control. Urgent care centers with minority health-system ownership typically advertise this relationship, but to varying extents that can include little to no health-system signage or, conversely, substantial health-system signage and co-marketing.

**Figure 2. A co-branded urgent care center that is a joint venture between a health system and private-equity-backed independent operator.**




In late 2014, GoHealth Urgent Care, backed by private equity firm TPG Growth, began building urgent care centers through its joint venture with Northwell Health (formerly known as North Shore–Long Island Jewish), the largest health system in New York. Today, its 23 joint-venture urgent care centers are co-branded by GoHealth Urgent Care and Northwell Health. (Source: GoHealth Urgent Care.)

*Majority-Ownership Interests*

Majority-ownership interests are essentially the inverse of minority-owned interests, and they typically are formed when a health system or health plan acquires a large stake in an existing urgent care entity, whereas the independent urgent care operator reduces its ownership to a minority interest. Majority-owned partnerships can also arise from inception when an independent urgent care operator has agreed to manage urgent care centers on behalf of a health system or health plan and also takes a minority equity stake in the entity to further align interests. This structure is very similar to what is often seen in the ambulatory surgery center industry.

*Fifty-Fifty Joint Ventures*

The most complex and time-consuming of all of the partnership models is the true equity joint venture, where the health system and independent urgent care operator are equal partners. Although the other four models already discussed could certainly have distinct advantages depending on the parties involved and on the transactional context, true fifty-fifty equity joint ventures have recently emerged as the greatest value-enhancing and fastest-growing model, offering distinct benefits not only to the parties involved but also to the communities and patient populations they serve. This model, if properly executed, benefits from the best of what both the health system and independent urgent care operator bring to the endeavor. These joint ventures result in culturally aligned partners equally motivated to achieve a common purpose, both for themselves and for the communities they serve. The true fifty-fifty equity joint venture lends itself to greater focus on the full continuum of care, well beyond just the urgent care center itself, and often leads to a deeper level of integration, collaboration, and engagement, given the shared ownership, accountability, and capital commitment. It also facilitates new and creative growth opportunities, beyond leveraging economies of scale and the increased efficiencies consistent with other partnership or affiliation models. Joint-venture partners should have better access to capital, more consistent patient volume, greater engagement with payors, and

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broader patient demographic and trend data to inform urgent care center acquisition and development opportunities. In addition, joint ventures between a health system and an urgent care center are better able to pursue alternative payment strategies, such as risk-based contracts, participation in an accountable care organization, and narrow network strategies. **Figure 2** shows an example of how GoHealth Urgent Care co-brands urgent care centers with its health-system partners.

Each of the partners in an equity joint-venture gains meaningful benefits. From a health-system perspective, the many advantages include the following:

- Broader reach, especially for health systems with more urban acute care facilities that can extend into suburban neighborhoods with heavily commercially insured populations
- Opportunities to decant their own overflowing ED volume or to competitively take market share by opening urgent care centers in close proximity to competitive health-system EDs
- Substantial downstream revenue through specialty-physician and ancillary-service referrals
- The ability to minimize leakage outside the system, especially for their populations of self-insured employees
- Growth of the network of primary-care providers through referrals of urgent care center patients who seek a medical home and do not yet have an established relationship
- The ability to leverage the specific service line expertise and singular focus of an experienced urgent care operator

Experienced urgent care operators can benefit from the following:

- A trusted and more recognized brand in that specific healthcare community
- The clinical quality halo associated with high-performance hospitals and integrated health systems, as well as broader access to experienced clinicians, clinic protocols, and training
- Greater access to capital and payors

**Sidebar 1. Rapid Growth in Urgent Care Fuels Health-System Interest in Partnerships**

Despite the increasing speed of care model evolution and the many challenges—both known and unknown—that urgent care will face in the coming years, the future is bright. A report by the Centers for Disease Control and Prevention reveals that nearly 80%[1] of visits to emergency departments (EDs) were due to a lack of access to other health-care providers. According to researchers, the United States faces an estimated shortage by 2025 of 52,000 primary-care physicians,[2] and wait times for primary care appointments may reach an average of 18.5 days (up to more than 60 days in certain U.S. cities).[3] EDs are overcrowded today, and volume continues to rise each year, exacerbated by a decrease in the number of EDs because of increased costs for provider care, hospital mergers, and funding cuts.

The urgent care industry is expected[4] to be valued at $20 billion by 2020. This growth is fueled by health-care-specific and broader environmental and sociologic trends:

- Access issues:
  - Substantial wait times associated with ED visits
  - Diminishing supply of primary-care providers and almost no availability of same-day visits with those providers
- A burgeoning health-care consumerism movement:
  - Increasing costs (especially for ED visits)
  - The emergence of an on-demand or instant-gratification economy
  - Demand for pricing transparency
  - Greater patient responsibility and high-deductible insurance plans
  - Increased patient engagement in health-care decision-making
- Value-based care:
  - The first stages of population health management
  - Accountable care organizations
  - Risk-based contracts
  - Greater focus on outcomes versus services
- A robust transactional market:
  - Increased activity by strategic buyers, financial sponsors, and nontraditional ambulatory consolidators, such as large insurance companies
  - Very interested sellers motivated by current valuations
- Technologic innovation:
  - More control by patients over their own medical records
  - Online reviews of health-care providers
  - Virtual visits and other technology-enabled access to clinicians

The list goes on and on. Thankfully, at least for those of us fortunate enough to be in the urgent care industry and for the patients we care for on a daily basis, urgent care is uniquely positioned at the intersection of many (if not most) of these trends.

1. Gindi RM, Cohen RA, Kirzinger WK. Emergency room use among adults aged 18–64: early release of estimates from the National Health Interview Survey, January–June 2011. Atlanta, GA: Centers for Disease Control and Prevention. National Center for Health Statistics. May 2012 [source page last updated 2016 April 22: http://www.cdc.gov/nchs/nhis/releases.htm]. Available from: http://www.cdc.gov/nchs/data/nhis/earlyrelease/emergency_room_use_january-june_2011.pdf
2. Petterson SM, Liaw WR, Phillips RL, et al. Projecting US primary care physician workforce needs: 2010–2025. *Ann Fam Med.* 2012;10:503–509. doi: 10.1370/afm.1431.
3. Looking for a new doctor? Here's how long you'll have to wait. *The Daily Briefing.* Washington DC: Advisory Board Company [published 2014 January 30]. Available from: https://www.advisory.com/daily-briefing/2014/01/30/looking-for-a-new-doctor-here-how-long-youll-have-to-wait
4. Buquet L. A look at urgent care: enhancing healthcare with continued growth. Escondido, CA: CHMB [published 2015 December 1]. Available from: http://www.chmbinc.com/a-look-at-urgent-care-enhancing-healthcare-with-continued-growth/

- Substantial patient data and demographic data to inform site selection, service offerings, and other operational decisions
- Preferred participation in health-system-owned health plans, narrow networks, and other managed-risk populations
- Well-developed care networks and supportive primary-care providers looking for assistance with after-hours coverage

Patient communities also benefit from joint ventures between health systems and urgent care centers through the following:

- Health-system-quality clinicians working in an environment designed for patient convenience, customer service, and efficient use of a patient's time
- Better access to urgent care centers with fully integrated electronic medical records and other systems
- More timely specialty and ancillary referrals
- Superior care coordination through seamless follow-up and aftercare

## Conclusion

There is today—and will continue to be—ample room (**Sidebar 1**) for urgent care operators to grow, especially with the inevitable shift to value-based care. This growth can be accelerated through health-system joint ventures. Urgent care can support health systems today in the fee-for-service environment, building market share and supporting specialists, primary-care providers, and crowded EDs. At the same time, urgent care helps prepare health systems for tomorrow by creating a highly accessible, lower-cost channel to manage the overall cost of care and ensure that patients are treated in the most appropriate environment. ■