LETTER FROM THE EDITOR-IN-CHIEF

Bubble, Bubble, Toil and Trouble?

Blowing bubbles is fun. As a kid, I marveled at the almost magical way bubbles rose through the air, powered by a mere puff from my lungs, on a seemingly endless journey upward. And then they popped, unable to withstand the laws of nature.

Market bubbles behave similarly, rising with indifference to the laws of nature. And much like their soapy namesakes, market bubbles always pop, with the remnants of their inflated selves crashing down to earth, unable to avoid the powerful forces of market gravity. Behavioral economists blame groupthink and confirmation bias as the leading culprits in bubble markets. As investors follow the herd, prices inflate, often despite decreasing marginal returns. The peak of the bubble often coincides with the peak in price regardless of a dip in profits that portends the crash.

Several factors drive unnatural economics in the urgent care marketplace:

- **Gold rush:** Physicians and other novice investors, eager to get their piece of the urgent care pie, are opening up new urgent care centers in saturated markets with limited growth potential.
- **Investor stampede:** Private equity and other institutional investors are jockeying for position in what is now a crowded space. Outgrowing the competition has become a means to an end for many of these investor-owned networks. Outlasting weaker competition is the bet.
- **Health systems:** The last to the party and looking for a dance partner, health systems are the fastest-growing segment of the urgent care market. They are also the greatest contributor to unnatural competitive forces. The reason is simple: Urgent care is a strategic investment for health systems, not a financial one. In other words, health systems make decisions that don't always look like smart-money decisions. And as one health system begins to enter the market, it triggers other competing systems to do the same, often in defense of their own market share. This behavior further dilutes the market, and patient volumes suffer for everyone.
- **Payor pressure:** As if market saturation and declining volumes weren't challenging enough, payors have begun to pinch reimbursement for urgent care, or are turning away new urgent care centers altogether. Diversion to emergency departments is still meaningful to payors. But more access, which urgent care offers, often leads to more utilization overall. The payors just aren't seeing the savings that they hoped for.

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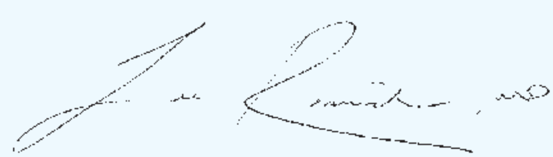
Does all this doom and gloom mean the end of urgent care as we know it? I don't think so. I believe that health systems can sustain the growth of urgent care for some time, and though independent operators will need to ensure that they are differentiating themselves, there is always room for a better product. Consolidation remains a growth area, and with it come efficiencies and payor leverage that should help sustain urgent care in an increasingly competitive market.

There is still more lift in this bubble. When and if it will pop is anyone's guess. For now, my advice is simple: (1) focus on differentiating your service, (2) expand your scope of services to help supplement declining urgent care volume, and (3) be relentless about ensuring that your staff is delivering an exceptional patient experience.

Once again, urgent care providers find themselves with the opportunity to disrupt health care. Round two will require us to be even more creative and consumer-centric. Success remains attainable for those who create a better product that identifies and addresses the changing needs of patients. ■



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