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How Urgent Care Cultivates Competition in Healthcare

Urgent message: U.S. healthcare has been a monolith of inefficiency, limited access, and untenable costs for decades, due mainly to a lack of healthy competition. Today's healthcare landscape, however, spurred by converging market forces, is rapidly evolving into a competitive marketplace, with urgent care being one of the key catalysts for this welcomed and long overdue change.

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In most industries and sectors, there exists an underlying dynamic: competition forces companies to continually innovate, improve quality, and deliver increasing value. Or lose market share. U.S. healthcare has been the exception; not only has intra-industry competition been scarce, but the industry itself has actively thwarted and undermined positive agents of change.

Hospitals and health systems deny such claims, asserting that they face plenty of competition for patients from market rivals and disruptive new entrants, and in response are increasingly consolidating and merging with the aim of both mitigating financial risk and stymying competition. Still, healthcare costs remain exorbitant, access limited, and care delivery underwhelming, mostly due to the lack of natural innovation that true competition engenders.

Of course, people will never stop getting sick or injured; thus, the industry is essential. But stifled competition means healthcare will continue to be inefficient and chaotic, with costs, access, and quality of care improving little—not to mention the continuing toll such a massive and broken system takes on the economy. Indeed, it's a critical issue that the esteemed business journal *Harvard Business Review* (*HBR*) tackled in Health Care Needs Competition, an in-depth article by Leemore S. Dafny and Thomas H. Lee, MD. The authors arrived at an elucidating takeaway: Converging market forces are causing longstanding competition barriers to crumble, forcing stakeholders to embrace the competitive landscape necessary for healthcare to evolve naturally via the agents. Among the players that will assume a key role in shaping the new competitive marketplace, the urgent care model can help erode competitive barriers and serve to cultivate competition.

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Barriers to Competition

Competing on value—ie, providers meeting patients' needs at a lower cost than the competition—must become the central tenet in healthcare. Hence, in its examination of the dearth of healthcare competition, the aforementioned *HBR* article identified four interrelated barriers:

- **Limited reimbursement-based incentives.** Traditionally, providers have realized little financial reward for delivering value; nor have they faced financial consequences for failing to do so. The strength of their brands and their marketing messages have, until now, allowed them to meet their financial objectives, irrespective of the actual cost, patient experience, and/or clinical outcomes.
- **Limited market-share incentives.** Before healthcare reform and market trends like the prevalence of high-deductible health plans (HDHPs) took hold, consumers had largely been insulated from healthcare costs. As such, price-insensitive consumers weren't shopping around for bargains; thus, improvements in quality had not directly translated into an influx of patients.
- **Inadequate data on value.** Any value-based healthcare initiative relies heavily on precise costs and outcomes data, but due to a lack of standardization across providers, differing data collection methodologies have led to difficult comparative analysis.
- **Inadequate know-how.** Absent financial incentives for pursuing value, and without precise data for helping stakeholders make data-driven decisions, the younger generation of healthcare leaders tasked with ushering in the next era of transformative care delivery has not been properly developed.

Consequences for Stakeholders

A healthcare system buckling under the weight of its own inefficiency and the growing point-of-care consumerism movement have been the primary impetus driving change across healthcare. Still, the industry lags in fostering competition, which holds ongoing consequences for all stakeholders:

- **Government –** Agencies like the Federal Trade Commission, the antitrust division of the Department of the Justice, will continue struggling to curtail the rising number of anticompetitive hospital mergers amid overtaxed regulatory and enforcement resources. Additionally, government programs such as Medicare and Medicaid will continue to bear the costly burden of subsidizing expensive healthcare for a growing and aging population.
- **Payers –** Insurers and providers will continue to jostle over shrinking reimbursements, as payers increasingly resist fee-for-service payment increases. Payers, both public private, will also continue to foist higher levels of financial risk onto providers.
- **Providers –** While a few notable providers are adapting to the changing landscape, most remain behind the times. This put them in a *reactive* position, where they're scrambling to stem the tide of competing players siphoning patients, rather than *proactively* meeting the consumerism push head-on, and protecting market share.
- **Consumers –** In the absence of competition, consumers are denied the choice, price transparency, affordability, and convenience they've come to expect in other industries. Innovation is what spurs improved offerings, and without competition, there is simply no impetus for innovation.

How Urgent Care Fosters Competition

The *HBR* team, after combing through the data and interviewing key stakeholders, effectively documented how market forces are causing the barriers to competition to crumble. Their researchers also outlined the specific roles stakeholders must play to transform healthcare. Urgent care, with its retail-based, customer-centric delivery channel, is uniquely positioned to help catalyze the competitive market that healthcare so desperately needs. While not a panacea or cure-all for healthcare's competitive shortcomings, urgent care plays a key role in fostering a competitive and innovative environment. Here, a brief breakdown of the urgent care model's various value propositions, and the competitive advantage it affords key stakeholders:

Overall urgent care value proposition: Provides underserved consumers an affordable and convenient point of access that fills the gap between the ED and primary care. Urgent care in general has long been steeped in the core tenets of healthcare consumerism—affordability, cost transparency, digital platforms (ie, mobile apps and self-scheduling), patient experience measures, short visits, on-demand care, and widened access. In addition, it allows cost-conscious insurers to steer insured patients away from expensive care options such as freestanding and/or hospital EDs, and toward more affordable care appropriate to their acuity.

Competitive beneficiary – consumers: Helps patients avoid costly and lengthy ED visits, and provides a low- to mid-acuity access point for patients who either don't have a PCP or can't wait for an appointment. Furthermore, a low-cost (compared with the ED) urgent care option is an ideal venue for price-sensitive HDHP consumers and offers a broader scope of service (eg, casting, suturing, etc.) than PCPs or retail clinics. As such, it sets the bar on access, quality, and price, forcing traditional providers to compete or lose market share.

Urgent care value proposition: Capable of vertical integration with existing hospital and health systems.

Competitive beneficiary – consumers and hospitals/health systems: Hospitals and health systems entering into joint ventures and mergers with urgent care operators are on a significant upswing, as the partnership model affords several competitive advantages that appeal to consumers:

- Functions as a central piece of value-based care initiatives—for example, steering patients away from costly and unnecessary ED visits.
- Supports health system ambulatory strategies of offering additional points of care throughout surrounding communities.
- Provides a hospital-branded urgent care option, which studies show many consumers prefer over standalone centers.
- Captures overflow patient foot traffic on nights and weekends when PCPs are closed, widening PCP-affiliated access.
- Supports accountable care and population health initiatives—effective for building patient populations and delivering low- to midlevel acuity care in the most convenient, affordable, and appropriate setting.
- Acts as a ready entry point for patients into hospital/health systems, with the potential to garner preferential referrals and downstream revenues.
- Allows improved continuity of care for primary care patients who utilize affiliated urgent care centers when PCPs and specialists aren't accessible.

Competitive beneficiary – payers and consumers: With ED copayments doubling and even tripling in some markets, it's critical that consumers have suitable options for nonemergent care. Urgent care allows payers to control costs by directing patients to more appropriate care sites. It's not uncommon for a payer, after analyzing ED data, to uncover vast ED overutilization for visits better suited to, say, an urgent care facility. Invariably, payers who partner with urgent care or health systems that own them—while also educating and incentivizing patients to use them in lieu of the ED—see a significant drop in ED claims. Wider adoption, experts assert, will also allow payers to pass the savings onto consumers.

Falling barriers: Though the *HBR* team rightfully asserts that the four erstwhile barriers to competition are interrelated, a well-executed urgent care initiative serves to directly address two of them: providing market-share incentives, and reimbursement-based incentives.

The market-share advantages to an urgent care component are readily apparent: Providers looking to add a consumer-centric access point to their larger delivery system stand to realize significant gains by investing in the urgent care space. In addition to the consumer-friendly entry point urgent care provides, it allows organizations to cobrand, expanding their geographic footprint in a cost-effective manner without having to procure a certificate of need necessary for a new hospital.

Reimbursement-based incentives are growing, as well. Payers of every stripe are increasingly demanding providers share in financial risk, while moving toward value-based, accountable-care payment models. This means population health, patient experience, price transparency, expanded access, and digital channel offerings must go from being the exception to becoming the rule. Urgent care helps providers check all those boxes, while partnering with experienced, technically excellent operators to facilitate the embrace of the consumerism-centric delivery models necessary to stay competitive.

Conclusion

Government reform, consumerism, and falling technology barriers are among the many causal agents propelling healthcare forward, with still more disruptive change on the horizon. For U.S. healthcare to grow into a model on par with other thriving industries (and even other exemplary national healthcare systems), it must make a concerted effort to stop deflecting competition, and erode the barriers to it.

Urgent care is a proven catalyst for competition. For consumers who demand lower costs and better access to care, urgent care centers remain an excellent alternative to primary care and the ED. For health systems that want to expand vertically while growing their patient populations, an urgent care component helps deliver the retail-like experience consumers increasingly expect. Payers and insurers looking to move patients away from high-cost treatment venues toward lower-costs alternatives (without sacrificing quality and wherever clinically appropriate) are demonstrating renewed interest in urgent care. Urgent care operators with multiple locations and good contracts are in an especially advantageous position.

In short, urgent care provides real choice—which spurs competition, which then begets the innovation healthcare needs to transform. ■