



Urgent Care Center Trends and Value Insights

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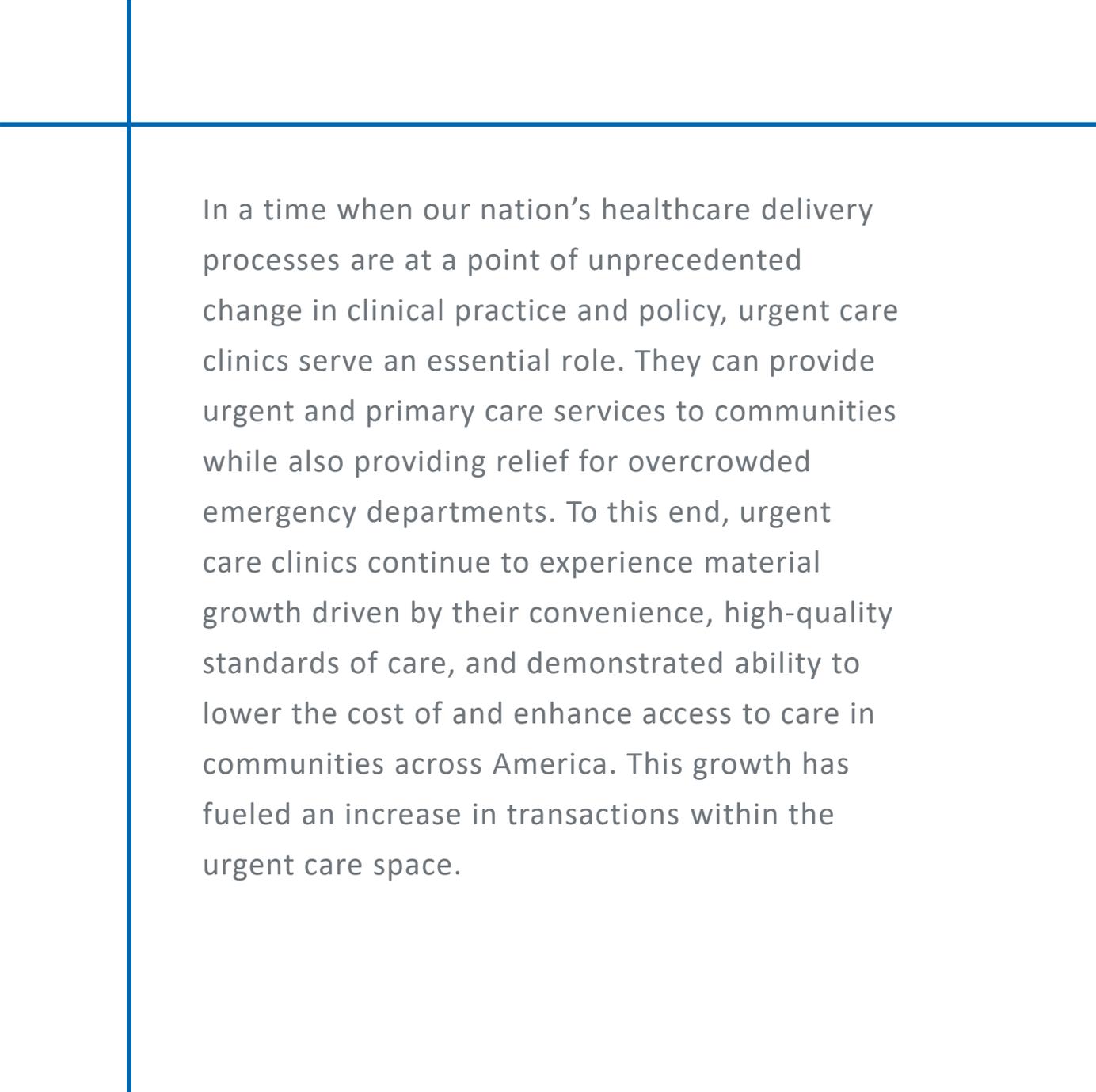
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In a time when our nation's healthcare delivery processes are at a point of unprecedented change in clinical practice and policy, urgent care clinics serve an essential role. They can provide urgent and primary care services to communities while also providing relief for overcrowded emergency departments. To this end, urgent care clinics continue to experience material growth driven by their convenience, high-quality standards of care, and demonstrated ability to lower the cost of and enhance access to care in communities across America. This growth has fueled an increase in transactions within the urgent care space.

What is an urgent
care center?



The Urgent Care Association of America (UCAOA) defines an urgent care center as a medical clinic with expanded hours that is specially equipped to diagnose and treat a broad spectrum of non-life or limb-threatening illnesses and injuries. Urgent care centers are typically enhanced by onsite radiology and laboratory services and operate in a location distinct from a freestanding or hospital-based emergency department. Urgent care centers accept unscheduled, walk-in patients seeking medical attention during all posted hours of operation.¹

Urgent care centers primarily treat injuries or illnesses requiring immediate care, but not serious enough to require an emergency department visit. Urgent care centers are distinguished from similar ambulatory healthcare centers, such as emergency departments and convenient care clinics, by their scope of conditions treated and available facilities onsite. The scope of services in an urgent care center is broader and includes treatment of wounds, injuries, fractures, asthma attacks and mild concussions. There are an estimated **8,774** urgent care centers in the United States.²

Both the UCAOA and the American Academy of Urgent Care Medicine (AAUCM) have established criteria for urgent care centers and the physicians that operate them. Each share similar qualifying criteria including:

- Must accept walk-in patients during business hours
- Treat a broad spectrum of illnesses and injuries, as well as perform minor medical procedures
- Have a licensed physician operating as the medical director
- Be open 7 days a week
- Have on-site diagnostic equipment, including phlebotomy and x-ray
- Contain multiple exam rooms
- Various ethical and business standards
- Contain a procedure room where stitches could be placed, a cast be put on a leg, or even a minor surgical procedure if it is not too risky and can be done under a local anesthetic.
- Contain communication lines with local hospitals so that patients who need transfer to an emergency room have easy access

Current transaction environment

As the healthcare industry continues to shift to value-based reimbursement, urgent care centers continue to demonstrate their ability to provide a high quality of care, lower cost, setting for many patients. This focus of urgent care centers has made them a target of acquisition by national urgent care operators, health systems, and private equity back investors. Growth is also being stimulated by a well-documented shortage of primary care physicians. Physician demand is expected to steeply accelerate, with an anticipated shortfall of 40,000 primary care physicians by 2025.³

Although many factors contribute to the value of a specific urgent care center, Coker has identified two critical areas of focus for purchasers:

-  **Operational efficiencies driven by the center's staffing model**
-  **The number of locations the subject center operates**

STAFFING

It will not come as a surprise to those involved with urgent care centers that the most critical component to success is finding the right staffing structure. Unlike traditional primary care practices, which largely have a scheduled patient base, urgent care centers operate on an unscheduled walk-in patient basis. Furthermore, urgent care centers often also have hours that extend beyond that of traditional primary care practices. The result of longer hours, and an unscheduled patient base, is that urgent care centers must always be staffed to meet the health needs of the communities they serve (i.e., quickly and efficiently treating patients as they come into the center) while not overstaffing such that providers are underutilized. Strategies that we have seen implemented to address these operational hurdles include:

- 1. Many centers offset the uncertainty related to daily patient volume by offering both walk-in and scheduled patient visits. Although the billing for the respective services differ, and as such, there is an added administrative burden on this strategy, it can often smooth-out a provider's day and productivity.**
- 2. Although many urgent care centers will always have a physician covering shifts, mid-level providers are heavily utilized to see most patients. This strategy allows for lower-cost providers to be staffed while still providing care for more acute patients through a physician. Related to the staffing of urgent care centers, we have observed that nurse practitioners are becoming increasingly independent as the healthcare industry responds to primary care shortages and healthcare access issues.**

Ultimately, urgent care centers must have a good pulse for their patient base such that they can staff most efficiently from both a quality of care perspective and to maintain sufficient cash flow.



NUMBER OF LOCATIONS

Investors place higher value on centers that operate multiple locations within a market. The economies of scale associated with multi-location operations are seen within payor negotiations, supply contract negotiations, and allow centers to flex their staff across multiple locations. Additionally, as there are centralized management and billing services provided, the operating margin of these centers is typically higher. From a valuation perspective, having operations diversified across multiple locations within a market or region also decreases the inherent risk of the subject entity. As risk and value are directly correlated (lower risk, higher value, and vice versa), multi-location centers generally have a higher valuation multiple as compared to single location entities.

IN CONCLUSION

Although numerous factors will impact the valuation of a specific urgent care center, the current market is primed for a higher volume of urgent care transactions at increased valuation multiples. This trend is expected to continue as value-based reimbursement models continue to proliferate, and investors search for quality care in a lower-cost setting. As is the case with any entity, the greater diversification and operational efficiencies that can be achieved, the more attractive the entity will be to an investor. In the case of urgent care centers, this generally falls to their staffing model and ability to scale their operations to multiple locations within a market.

Sources

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