

## ISSUE BRIEF:

# PRIVATE EQUITY'S GROWING FOOTHOLD IN LARGELY UNREGULATED URGENT CARE RAISES RED FLAGS



## Key Points

- Urgent care is among the fastest-growing sectors of the US healthcare industry, and private equity firms are increasingly capitalizing on that growth by investing in and consolidating providers.
- High profitability in urgent care relies on growth and expansion. While urgent care has historically been fragmented and ripe for consolidation, the industry is beginning to hit a ceiling in urban markets.
- As urban and suburban markets become saturated, private equity firms have set their sights on rural markets to build out their urgent care platforms.
- Urgent care companies operate in a lax regulatory environment, allowing them to escape the level of scrutiny paid to hospitals and other healthcare providers.
- Urgent care centers are reportedly less likely to treat patients on Medicaid.
- Federal legislation banning surprise medical billing largely does not cover urgent care, meaning patients are not protected from surprise bills at urgent care facilities.

Over the past decade private equity firms have steadily increased their investments in urgent care, which has exploded in growth and utilization in recent years as consumers have sought alternatives to slow-moving primary care and costly emergency room visits. While private equity ownership makes up a relatively small portion of urgent care providers, its increasing investment and consolidation of the industry, coupled with lax regulation and a private equity's track record of prioritizing profit over quality of care, raises concern about how private equity firms' growing influence will impact quality and affordability of care.

While legal and regulatory understanding of urgent care exists in a gray area, urgent care is loosely defined by the government as "care for an illness, injury or condition serious enough that a reasonable person would seek care right away, but not so severe it requires emergency room care."<sup>1</sup> Urgent care centers purportedly treat almost any non-life-threatening medical issue quickly and at a fraction of the cost of a hospital emergency room.

Urgent care centers' main draw is convenience: they do not require appointments and are typically open late and on weekends. This is especially beneficial for patients who do shift work or do not have paid time off. Patients typically experience shorter wait times than in hospital emergency rooms and can receive care for injuries and illnesses that fall below the level of "life-threatening," allowing for additional flexibility.<sup>2</sup>

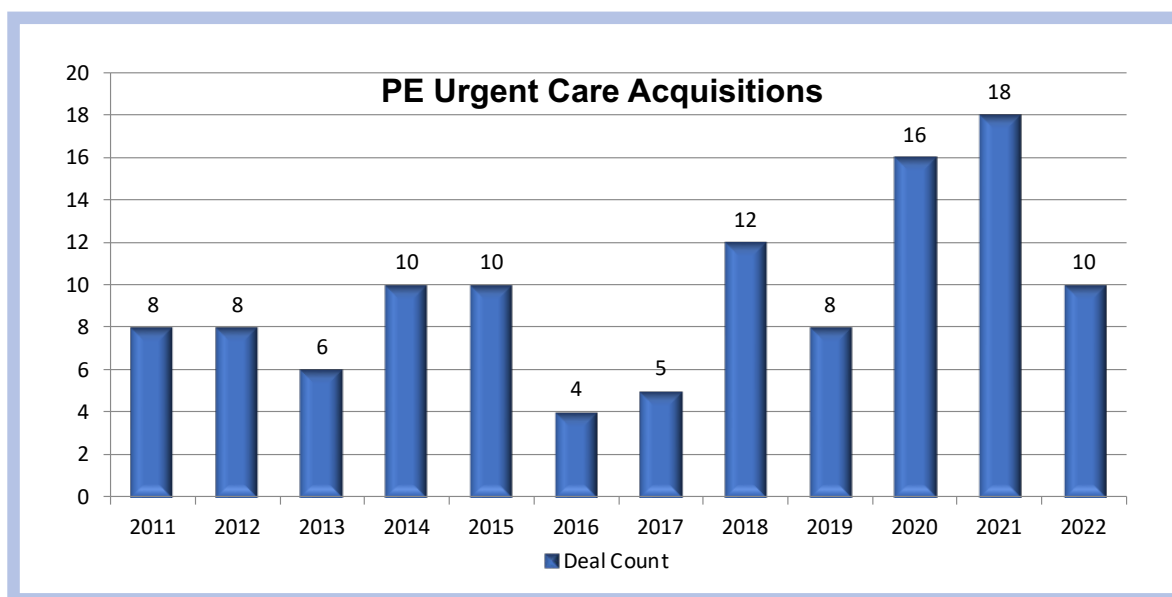


This convenience and accessibility appear to be drivers of the industry's substantial growth in recent years. The Urgent Care Association (UCA), the national lobby group for the urgent care industry, estimated in 2020 that the number of urgent care centers had reached 9,616 as of November 2019, a 9.6% jump from the previous year. The number of facilities had steadily increased each year since 2014.<sup>3</sup> *Modern Healthcare* reported in June 2021 that the number of urgent care centers had grown to more than 10,400 locations, marking a 63% increase over the previous 7-year period.<sup>4</sup>

Utilization of urgent care is on the rise. A 2018 whitepaper by FAIR Health analyzed insurance claim data and found that from 2007 to 2016, private insurance claim lines for urgent care centers increased by 1,725%.<sup>5</sup> As of 2019, UCA estimated that urgent care made up over 23% of all primary care visits and 12.6% of all outpatient physician visits.<sup>6</sup>

As of 2019, 40% of urgent care facilities were at least partly owned by hospitals, 35% by insurers and 6% by private equity firms.<sup>7</sup> The current estimation of private equity

ownership is likely higher given 1. recent private equity acquisition activity, 2. private equity firms are not required to disclose transactions, and often fall under the radar, and 3. hospital companies, including those that operate urgent care centers, are sometimes also owned by private equity firms. A report in the *Journal of Urgent Care Medicine* found that private equity invested in 182 deals from 2012 to 2020, representing approximately 50% of all urgent care transactions.<sup>8</sup>



Source: Pitchbook, June 2022.

## PE firms seek new ways to make money amid diminishing growth opportunities

The primary way for urgent care companies to boost profit is to add locations, creating larger and more valuable companies.<sup>9</sup> However, urban markets such as Atlanta and Dallas are becoming oversaturated with urgent care centers, reducing opportunities for consolidation through add-on acquisitions.<sup>10</sup> Market saturation and potential for declining cash flow in urgent care raises questions about how investors will continue to achieve targeted returns.

A June 2019 report by mergers and acquisitions analyst firm Mergermarket noted how saturation has negatively impacted providers' earnings. Urgent care providers typically need 25-30 visits daily to break even and 40-50 to become profitable, with EBITDA<sup>a</sup> margins in the mid-teens. The report noted that urgent care valuations have in some cases declined from their peaks.<sup>11</sup>

<sup>a</sup> Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) is commonly used as a measure for cash flow.



Once markets hit a ceiling, private equity firms have sought new growth opportunities through consolidation, using platform companies to buy and combine smaller regional providers to create large national providers.<sup>12</sup>

The private equity industry has signaled that if urban and suburban regions are still oversaturated, firms may seek to expand into rural markets. Currently only 1% of urgent care facilities are in rural communities, according to the Urgent Care Association. By contrast, urban areas account for 86.2% of all urgent care facilities. The American Investment Council, the primary lobby group for the private equity industry, released a report in 2021 highlighting growing private equity investment in urgent care as an opportunity to increase rural healthcare access.<sup>13</sup>

Aside from expanding into rural markets, private equity firms may need to seek new ways to generate returns as cash flows begin to decline. In other healthcare specialties such as long-term care, behavioral health, and dentistry, private-equity-owned companies have engaged in profit-seeking tactics to meet return expectations, such as reducing staffing<sup>14</sup> or relying on unlicensed staff<sup>15</sup> and pushing costly, unnecessary procedures.<sup>16</sup>

## **Lax regulatory environment leaves urgent care with little oversight**

Overall, urgent care companies operate in a lax regulatory environment, allowing them to escape the level of scrutiny paid to hospitals and other healthcare providers. Regulation of urgent care providers occurs at the state level and varies significantly state by state.



In the 40 states that do not issue any kind of facility licenses for urgent care clinics, facilities operate under an individual physician's or affiliated hospital's license. Oversight for facilities operating under a physician's license, which falls to state medical boards, is limited to disciplining for criminal convictions or medical negligence. Urgent care facilities that operate under a hospital license are considered only an extension of that hospital and are therefore subject to limited review and oversight requirements.<sup>17</sup>

A 2021 [analysis by Community Catalyst](#) found that of the ten states that do issue licenses to urgent care providers, only five require licenses to operate, and the other five states issue licenses only in certain cases. In these states, oversight of licensed varies significantly. In New York, for example, large urgent care centers are considered Diagnostic and Treatment Centers and are subject to state Certificate of Need and licensing laws, while smaller urgent care centers are considered physician practices and are not subject to licensing requirements.<sup>b</sup>

## **Urgent care centers less likely to treat low-income patients**

Urgent care centers are reportedly less likely to treat patients on Medicaid, a deficiency acknowledged even by the industry's primary lobby group. In 2019 the Urgent Care Association reported that few urgent care centers accept Medicaid, citing low reimbursement rates. According to 2015 data, Medicaid represented 16% of all reported patient visits.<sup>18</sup>

A case study of urgent care in Massachusetts found that at two of the state's largest urgent care operators, American Family Care and CareWell Urgent Care, Medicaid patients make up just 11% and 2.5% of total patients, respectively.<sup>19</sup> (CareWell is owned by private equity firm Iron Path Capital.)<sup>20</sup>

Patients covered by MassHealth, the state's Medicaid program, instead rely on "chaotic and expensive hospital emergency departments." According to state data, nearly half of visits to the three emergency departments run by Cambridge Health Alliance, a leading hospital system in the state, are by MassHealth patients.<sup>21</sup>

In addition, urgent care facilities may turn away uninsured patients. Unlike traditional emergency departments, urgent care centers do not fall under the Emergency Medical Treatment and Labor Act, which requires "anyone coming to an emergency department to be stabilized and treated, regardless of their insurance status or ability to pay."<sup>22</sup> This means that any urgent care center not affiliated with a hospital system can turn away patients in urgent need of care regardless of the patient's insurance status.<sup>23</sup>

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b The 2021 Community Catalyst report, "Making Convenient Care the Right Care for All: Improving State Oversight of Urgent Care Centers and Retail Health Clinics," includes a state-by-state appendix of regulation of urgent care centers and retail health clinics. See here to view the complete appendix: <https://www.communitycatalyst.org/resources/tools/convenient-care-report/pdf/Urgent-Care-Center-BriefAppendix-2.pdf>



## Urgent care poses risk for surprise medical bills

Urgent care centers pose a risk of surprise medical billing. Surprise medical billing occurs when insured healthcare consumers unknowingly receive care by out-of-network providers at in-network facilities. Private equity firms and their healthcare companies have spent tens of millions of dollars in ad campaigns and lobbying to preserve their right to engage in the widely criticized practice.<sup>24</sup> Although federal legislation that bans surprise billing—the No Surprises Act—took effect in January 2022, the legislation does not address surprise bills at urgent care centers.<sup>25</sup>

The loophole stems from the variation in state licensing and regulation that puts urgent care services in gray area between emergency and primary care; the No Surprises Act only applies to an urgent care facility if it is licensed as an emergency service provider, which occurs only in a limited number of states. A July 2021 memo by several federal agencies including the Department of Health and Human Services outlined the difficulty:<sup>26</sup>

Regulation of health care facilities varies by state. In particular, state regulation of urgent care centers varies significantly, and is evolving as these types of centers become more common. If under state licensure laws, urgent care centers are permitted to provide emergency services, then urgent care centers in that state that are geographically separate and distinct from a hospital would fall within the definition of independent freestanding emergency department for purposes of these interim final rules. In contrast, if state licensure of urgent care centers does not permit such facilities to provide emergency services as defined in these interim final rules, then urgent care centers in that state would not be treated as independent freestanding emergency departments for purposes of these interim final rules.

Data on the frequency of surprise medical billing at urgent care centers is scarce. In the July memo, the agencies included a request for information about how frequently surprise bills arise.<sup>27</sup>

An August 2021 investigation of urgent care surprise billing by *Kaiser Health News* profiled a New York City resident who received a bill for stitches he received by an out-of-network plastic surgeon after being assured that the stitches would be covered by insurance. The clinic was run by CityMD, which is owned by private equity firms Warburg Pincus and Consonance Capital Partners.<sup>28</sup>

*KHN* found that the clinic described several of its services as emergency care even though many are not meant to treat emergency conditions as envisioned in federal law. In justifying the discrepancy, a company representative noted that the term “emergency” is meant to be “patient-facing and patient-centric.” The situation illustrates the haziness around what is considered “urgent” and “emergency,” which can create confusion about whether patients should be protected by a surprise medical bill for treatment at an urgent care clinic.<sup>29</sup>

## Conclusion & Policy Recommendations

While the proliferation of urgent care facilities can positively impact access to convenient, affordable care for some, the rise of private equity ownership and growing consolidation of the industry raises concern. Inadequate regulation makes it difficult to track and enforce quality measures, and the private equity playbook of targeting outsized returns in an industry already exhibiting signs of saturation may lead to harmful practices.

State lawmakers should reform licensing requirements and Certificate of Need programs to directly address urgent care facilities as distinct from physicians’ practices or emergency departments, and disclosures provided should be used to investigate quality metrics at facilities. Urgent care providers should also be required to accept uninsured patients and patients with Medicaid.

At the federal level, the Department of Justice and the Federal Trade Commission should examine how the rapid consolidation of urgent care providers over the last decade impacts competition.



## Appendix: List of Private Equity-Owned Urgent Care Companies

Below is a list of urgent care companies currently owned by private equity firms. This list is composed of platform companies, which private equity firms use to buy and acquire other providers. It does not include add-on acquisitions and is not a full accounting all private-equity-backed deals, but rather the parent companies used to consolidate smaller providers.

Company	Locations	States	PE Firm	Year acquired
Concentra	520	AR, AK, AZ, CA, CO, CT, DE, FL, GA, HI, IA, IL, IN, KS, KY, LA, MA, MD, ME, MI, MN, MO, NC, NE, NH, NJ, NM, NV, OH, OK, OR, PA, RI, SC, TN, TX, UT, VA, VT, WA, WI	Welsh, Carson, Anderson & Stowe	2015
FastMed Urgent Care	200	AZ, CA, NC, TX, FL	ABRY Partners	2015
NextCare Urgent Care	160	AZ, CO, KS, MI, MO, NE, NM, NC, OK, TX, VA, WY	Enhanced Healthcare Partners	2008
Fast Pace Health Urgent Care	150	MS, TN, LA, IN, KY	Revelstoke Capital Partners, WP Global Partners, Yukon Partners	2016
CityMD	135	NJ, NY	Warburg Pincus	2017
CRH Healthcare	73	GA, FL, MD, AL	Freeman Spogli, Golub Capital	2018
WellStreet Urgent Care	70	GA, MI	FFL Partners, Madsen Capital Group	2011
Total Access Urgent Care/Urgent Care Group	50	MO, NC, SC, GA	Farol Asset Management, ICV Partners	2021
PM Pediatrics	45	AK, DC, IL, MA, MD, NJ, NY, PA, TN, VA	Breakaway Capital, Scopia Capital Management, Swift River Investments	2019
Xpress Wellness Urgent Care	43	TX, OK, KS	BPEA Private Equity, LatticeWork Capital Management	2018
UrgentMED	35	CA	Quilvest Private Equity, Cohesive Capital Partners	2021
MainStreet Family Care	33	AL, FL, GA, NC	Trinity Hunt Partners	2020
SouthStar Urgent Care	31	LA	Shore Capital Partners	2017
ConvenientMD	29	NH, ME, MA	Bain Capital	2021
ClearChoiceMD	20	NH, VT, MA, ME	Iron Path Capital	2021
CareWell Urgent Care	17	MA, RI	Iron Path Capital	2021
Perlman Clinic	16	CA	FFL Partners	2022
Intuitive Health	16	TX, NM, AR, FL, OH, OK, IN	Stellus Capital Management	2021
Little Spurs Pediatric Urgent Care	12	TX	Great Point Partners	2019
Urgent Care for Children	11	AL, TN, LA	Timberline Holdings	2020
ModernMD Urgent Care	11	NY	Advantage Capital	2018
Greater Toledo Urgent Cares	7	OH, MI	Traverse Pointe Partners	2021
Code 3 Emergency Partners	4	TX	Morgan Stanley Private Credit	2017
Tristan Medical	2	MA	MedEquity Capital, Pine Street Capital Partners	2014



## Endnotes

- <sup>1</sup> "Healthcare.Gov," *Healthcare.Gov* (blog), accessed June 20, 2022, <https://www.healthcare.gov/glossary/urgent-care/>.
- <sup>2</sup> Robin Gelbrund, "Commentary: Urgent Care Centers Have Become an Integral Part of the Health Care System," *US News & World Report*, April 4, 2018, <https://www.usnews.com/news/healthiest-communities/articles/2018-04-04/urgent-care-centers-have-become-an-integral-part-of-the-health-care-system>.
- <sup>3</sup> "The Essential Role of the Urgent Care Center in Population Health" (Urgent Care Association, November 2019), 5, <https://www.ucaa.org/LinkClick.aspx?fileticket=Q4TP7cypW94%3d&portalid=80>.
- <sup>4</sup> Tara Bannow, "Private Equity Continues to Propel Urgent-Care Growth, but Some Markets Reaching Capacity," *Modern Healthcare*, June 8, 2021, <https://www.modernhealthcare.com/providers/private-equity-continues-propel-urgent-care-growth-some-markets-reaching-capacity>.
- <sup>5</sup> "FH Healthcare Indicators and FH Medical Price Index: A New View of Place of Service Trends and Medical Pricing" (FAIR Health, March 2018), <https://s3.amazonaws.com/media2.fairhealth.org/whitepaper/asset/FH%20Medical%20Price%20Index%20and%20FH%20Healthcare%20Indicators--whitepaper.pdf>.
- <sup>6</sup> "The Essential Role of the Urgent Care Center in Population Health," 6.
- <sup>7</sup> Bannow, "Private Equity Continues to Propel Urgent-Care Growth, but Some Markets Reaching Capacity."
- <sup>8</sup> Ashley Blachford, "Why Private Equity and Other 'Smart Money' Is Bullish on Brick-and-Mortar Urgent Care," *Journal of Urgent Care Medicine* (blog), May 31, 2022, <https://www.jucm.com/why-private-equity-and-other-smart-money-is-bullish-on-brick-and-mortar-urgent-care/>.
- <sup>9</sup> Bannow, "Private Equity Continues to Propel Urgent-Care Growth, but Some Markets Reaching Capacity."
- <sup>10</sup> Bannow.
- <sup>11</sup> "Sponsor-Backed Urgent-Care Platforms Seeking Exits Could Get Stuck in Waiting Room," *Mergermarket*, June 10, 2019.
- <sup>12</sup> Bannow, "Private Equity Continues to Propel Urgent-Care Growth, but Some Markets Reaching Capacity."
- <sup>13</sup> "US Health Care: How PE Is Filling the Gaps" (American Investment Council, March 2021), <https://www.investmentcouncil.org/wp-content/uploads/pitchbook-healthcare-report.pdf>.
- <sup>14</sup> Atul Gupta et al., "Does Private Equity Investment in Healthcare Benefit Patients? Evidence from Nursing Homes" (Cambridge, MA: National Bureau of Economic Research, February 2021), <https://doi.org/10.3386/w28474>.
- <sup>15</sup> Eileen O'Grady, "Understaffed, Unlicensed, and Untrained: Behavioral Health Under Private Equity" (Private Equity Stakeholder Project, September 28, 2020), <https://pestakeholder.org/reports/understaffed-unlicensed-and-untrained-behavioral-health-under-private-equity/>.
- <sup>16</sup> Eileen O'Grady, "Private Equity Drills into the Dental Care Industry" (Private Equity Stakeholder Project, August 6, 2021), <https://pestakeholder.org/report/deceptive-marketing-medicare-fraud-and-unnecessary-root-canals-on-babies-private-equity-drills-into-the-dental-care-industry/>.
- <sup>17</sup> Tess Solomon et al., "Making 'Convenient Care' the Right Care for All: Improving State Oversight of Urgent Care Centers and Retail Health Clinics" (Community Catalyst and National Health Law Program, April 8, 2021), <https://www.communitycatalyst.org/resources/tools/convenient-care-report/pdf/Urgent-Care-Center-BriefAppendix-2.pdf>.
- <sup>18</sup> "The Essential Role of the Urgent Care Center in Population Health," 7.
- <sup>19</sup> Liz Kowalczyk and Priyanka Dayal McCluskey, "Urgent Care Centers Proliferate in Mass., but Fewer Low-Income Patients Have Access," *The Boston Globe*, January 12, 2019, <https://www.bostonglobe.com/metro/2019/01/12/urgent-care-centers-proliferate-mass-but-fewer-low-income-patients-have-access/FATkqt7OtDc0sHFupk7eSJ/story.html>.
- <sup>20</sup> "Portfolio | Iron Path Capital," accessed July 7, 2022, <https://ironpathcapital.com/portfolio/>.
- <sup>21</sup> Kowalczyk and Dayal McCluskey, "Urgent Care Centers Proliferate in Mass., but Fewer Low-Income Patients Have Access."
- <sup>22</sup> "EMTALA Fact Sheet," American College of Emergency Physicians, accessed July 12, 2022, <https://www.acep.org/life-as-a-physician/ethics--legal/emtala/emtala-fact-sheet/>.
- <sup>23</sup> "EMTALA and Urgent Care," McGuire Woods, November 26, 2012, <https://www.mcguirewoods.com/client-resources/alerts/2012/11/EMTALA-Urgent-Care-3-Things-Know>.

<sup>24</sup> Margot Sanger-Katz, Julie Creswell, and Reed Abelson, “Mystery Solved: Private-Equity-Backed Firms Are Behind Ad Blitz on ‘Surprise Billing,’” *The New York Times*, September 13, 2019, sec. The Upshot, <https://www.nytimes.com/2019/09/13/upshot/surprise-billing-laws-ad-spending-doctor-patient-unity.html>.

<sup>25</sup> CMS, “Frequently Asked Questions For Providers About The No Surprises Rules,” *Centers for Medicare and Medicaid Services* (blog), April 6, 2022.

<sup>26</sup> “Requirements Related to Surprise Billing; Part I,” *Federal Register*, July 13, 2021, sec. 3, <https://www.federalregister.gov/documents/2021/07/13/2021-14379/requirements-related-to-surprise-billing-part-i>.

<sup>27</sup> “Requirements Related to Surprise Billing; Part I,” sec. 4.

<sup>28</sup> Rachana Pradhan, “At Urgent Care, He Got 5 Stitches and a Big Surprise: A Plastic Surgeon’s Bill for \$1,040,” *Kaiser Health News*, August 2, 2021, <https://khn.org/news/article/urgent-care-surprise-billing-plastic-surgeon-biden-proposal/>.

<sup>29</sup> Pradhan.