For patients facing increasingly expensive healthcare plans and premiums, cost is an increasingly pressing factor when it comes to where and when to seek medical treatment.

The growing choices of retail clinics and urgent care centers make competition a reality for hospitals for the foreseeable future.

According to the American Hospital Association, hospital demand slumped after the last recession and hasn’t recovered since, despite the Affordable Care Act insuring more Americans. One reason is there are simply more options for care, some of which require no waiting and come at a lower cost to patients. JAMA Internal Medicine reported in 2018 that the average low-severity emergency room visit in 2015 cost $422 out of pocket, compared to $66 at urgent care centers and $37 at retail clinics. Even people with commercial insurance have increasingly opted to visit urgent care clinics; according to the same report, the rate skyrocketed 199 percent between 2008 and 2015.

Younger adults from 18 to 29 are a driving force behind this change, mostly because urgent care and retail clinics are easier and cheaper to access than typical doctors’ offices or hospitals. In fact, according to a 2018 Kaiser Family Foundation poll, 45 percent of adults 18 to 29 said they didn’t have a primary care physician at all.

**Urgent Care Versus Retail Clinics**

The number of urgent care centers across America is soaring, with a growth rate of 8 percent from November 2017 to November 2018 alone. As per the Urgent Care Association’s 2018 Benchmarking Report, that industry is now worth an estimated $14.5 billion. Despite a promising number of retail clinics opening up across the United States — the latest estimate puts it around 2,000 — it looks like urgent care might end up on top.

Kaufman Hall, which specializes in health care software, management consulting and data solutions for the
For better business, recreate the urgency of urgent care

healthcare industry, sees urgent care centers as having more staying power than retail clinics.

Kaufman Hall senior vice president Dan Clarin says, “Urgent care is the number one alternative to the primary care office. I think retail clinics are going to continue to be a niche [market] in my view. I think the next important trend is how much of this care can be done virtually versus in person.”

Notoriously long wait times in ERs and an overall dissatisfaction with outpatient experiences could also be a contributing factor to more patients seeking alternatives.

The Risks of Traditional Health Systems

The two biggest risks to the success of traditional healthcare systems are fairly simple — convenience and the cost of staffing.

The Medicare Payment Advisory Commission, reported in June that about one third of the 67 hospitals that have closed since 2013 were over 20 miles from the next closest hospital. One of the initial impacts to systems with high-overhead investments in brick-and-mortar sites is continued consolidation, a trend that is already taking place in more rural areas.

Clarin says another potential investment at risk for large hospitals and health systems is the amount of capital tied to physician staffing.

“A lot of health systems have invested serious resources in building a base of primary care physicians,” Clarin says. “There would certainly be a concern that that investment is not paying off if there are a variety of alternatives in the market that people could go to instead of coming to one of your physicians.”

Great Market Strategies

Some hospitals are hoping to reap the benefits of the urgent care and retail trend by opening their own version of clinics or partnering with other organizations.

For instance, Summit Medical Group has opened four such urgent care centers in the Newark, New Jersey area. Additional large hospital operators such as San Francisco-based Dignity Health have also been investing in urgent care centers located outside hospitals through its subsidiary, U.S. HealthWorks, which is now combined with Concentra. In total, Concentra will comprise over 700 medical centers and employer worksite clinics in 44 states.

To circumvent patients from seeking care elsewhere, some hospitals are developing customer-facing applications to provide remote consultation and same-day scheduling.

Several Dignity Health hospitals in Arizona, California, and Nevada have begun using an emergency room scheduling app in an attempt to streamline care. Ideally, this app would help patients avoid spending hours waiting in line for non-urgent care. Patients can also use the app to schedule appointments at urgent care centers or primary care physicians’ offices.

Health systems are also proactively partnering with local employers to build either on-site health clinics or clinics nearby. Horizon Health in Illinois partnered with North American Lighting to create a health care clinic virtually within walking distance of their plant and corporate headquarters to accommodate their over 3,000 employees, a decision other providers may find increasingly enticing.

“This partnership helps control insurance costs,” said Martin Adams, Horizon Health vice president of finance and CFO. "For North American Lighting staff and families enrolled in the standard or economy insurance plans, clinic visits — as well as a formulary of stocked, generic prescriptions — are provided at no charge."

“I think one of the biggest goals for North American Lighting was our two-pronged approach to the healthcare clinic,” said Amanda Martin, assistant general manager of corporate human resources. "First, being able to offer affordable and accessible healthcare, and secondly to control healthcare costs for not just our company, but our employees also."

Offering a diverse range of services and convenient care options could be the primary way hospitals and health systems combat a growing number of non-acute care competitors.
“Health systems have the opportunity to offer a better service than independent urgent care centers because it can all be integrated for the patient,” Clarin said. “For instance, if you're able to go to your primary care doctor, but also go to an urgent care center that is integrated within the same system or have a virtual visit with another doctor within your primary care physician’s practice and do it all under one roof, that’s a good solution for the consumer.”

However, these solutions are the exception rather than the rule. While there are plenty of apps and databases for tech-savvy doctors, as well as an increasing number of options for securing sensitive health data to share across networks, it’s up to the greater healthcare system to implement them. Until mainstream healthcare and insurance companies get up to speed, customers will have little choice but to use urgent care and retail clinics in lieu of traditional treatment. A brighter future where traditional systems partner with urgent care and retail clinics could mean better care for patients and a more robust industry.

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