



# Ask Len: Should I worry about low-cost urgent care centers?

By Len Schlesinger | January 19, 2018

*Len Schlesinger, Baker Foundation Professor at Harvard Business School, has written extensively for athenaInsight on the need for healthcare organizations to focus on customer experience under value-based payment models. In our Ask Len series, Schlesinger answers questions from healthcare executives about his research on success in service industries.*

**Q** • There seem to be urgent care clinics popping up on every street corner. What lessons can we learn from other service industries about low-cost disrupters? How should incumbents react?

**A** • It's easy to look at these urgent care clinics and categorize them as "low-cost competitors." But I don't think that's the story here.

Rather, they're an example of how focused players beat generalized players every time. We see that in healthcare with specialty hospitals outperforming general hospitals, and we've seen it countless times in retail: Specialty

retailers beat the department store.

With no disrespect to the success of these clinics, I don't think it's right to call them "disruptive innovators." What they are doing isn't particularly innovative. That label is a holdover from the early days when "doc-in-the-box" outlets sprang up offering menu-pricing. Price transparency in healthcare? Now that would have shaken things up. But it wasn't to be.

So today we have a situation where big, branded healthcare systems are offering urgent care centers (in my hometown, Partners HealthCare and Beth Israel Deaconess Medical Center are duking it out on the street corner). These are staffed by emergency department physicians and nurse practitioners and have a good deal of capability for various tests and procedures. It's certainly a different environment than the early days of nurse practitioners or general practitioners in a small office.

The reality is the urgent care clinics are gaining share because they provide three advantages:

- First and foremost, they stay open! We know how important access is to patients – it seems crazy, but actually keeping your front door open at a time when patients want to be seen is still a source of competitive advantage in healthcare.
- Second, insurers have driven patients from the ED to urgent care clinics by adjusting copays to favor use of urgent care.
- Third, urgent care clinics provide attractive alternates in terms of wait time and customer experience compared to the ED (which isn't a particularly impressive feat, in my opinion).

## Beware the ‘upward drag’

Big health systems were a bit late to see the advantages of urgent care clinics, but these days executives realize that the clinics are an important entry point for patients into the health system.

The tension that I see now is that as these urgent care clinics compete for patients, they might lose the focus that made them successful in the first place. There's an arms race of sorts where clinics are advertising more capabilities and more treatment options for a broader array of diseases. If they are not careful, they will just end up becoming another hospital.

It's easy to understand why this is happening. As soon as you put a health systems' brand on a clinic, you raise consumer expectations. I don't want to be told that a Partners urgent care clinic can't diagnose my knee injury because it doesn't have an MRI, for example. This upward drag has doomed other supposedly low-cost efforts by established brands: Delta tried and failed to start a low-cost airline. Continental tried and failed as well.

## Survival mode

So what are hospital executives to do? Partnering with urgent care clinics that are native to this competitive space is no picnic either – I've heard many executives

grumble that the quality of care at independent clinics doesn't meet the expectations of their healthcare system.

For that reason, I think established systems are playing this right by opening their own clinics. They just have to make sure to keep their focus. That will be the ultimate test on how innovative the model actually is – whether it survives or devolves into just another offering from existing (and expensive) health systems.

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