The New York Times | http://nyti.ms/1mAQO0T

BUSINESS DAY | NYT NOW

Race Is On to Profit From Rise of Urgent Care

By JULIE CRESWELL JULY 9, 2014

NORWALK, Conn. — Start in Room 4, just beyond the reception area: A man is having blood drained from a bruised finger. Over in Room 1, a woman is being treated for eye trouble. Next door, in Room 2, a boy is having his throat swabbed.

For more than eight hours a day, seven days a week, 52 weeks a year, an assortment of ailments is on display at the tidy medical clinic on Main Avenue here. But all of the patients have one thing in common: No one is being treated at a traditional doctor's office or emergency room.

Instead, they have turned to one of the fastest-growing segments of American health care: urgent care, a common category of walk-in clinics with uncommon interest from Wall Street. Once derided as "Doc in a Box" medicine, urgent care has mushroomed into an estimated $14.5 billion business, as investors try to profit from the shifting landscape in health care.

The office here is part of PhysicianOne Urgent Care. Bankrolled by two private investment companies, PhysicianOne has grown into an eight-clinic operation, the largest of its kind in Connecticut, with plans for even greater expansion.

But what is happening here is also playing out across the nation, as private equity investment firms, sensing opportunity, invest billions in urgent care and related businesses. Since 2008, these investors have sunk $2.3 billion into urgent care clinics. Commercial insurance companies, regional health systems and local hospitals are also looking to buy urgent care practices or form business relationships with them.

The business model is simple: Treat many patients as quickly as possible. Urgent care is a low-margin, high-volume proposition. At PhysicianOne here, most people are in and out in about 30 minutes. The national average charge runs about $155 per patient visit. Do 30 or 35 exams a day, and the money starts to add up.

Urgent care clinics also have a crucial business advantage over traditional hospital emergency rooms in that they can cherry-pick patients. Most of these centers do not accept Medicaid and turn away the uninsured unless they pay upfront. Hospital E.R.s, by contrast, are legally obligated to treat everyone.

But as urgent care centers expand their reach, regulators in some states are scrutinizing their activities. While some states require the clinics to be licensed, most do not. It is unclear whether such urgent care centers offer better or worse care than other providers. But some family physicians — who stand to lose business to the newcomers — wonder if patients are trading quality for convenience.

"The relationship I have with my patients and the comprehensiveness of care I provide to them is important," said Dr. Robert L. Wergin, a family physician in Milford, Neb., and the president-elect of the American Academy of Family Physicians. "While there is a role for these centers, if I were sick I'd rather see my regular doctor, and I hope my patients feel that way."

Already, the race is on to build large chains with powerful, national brands — a McDonald's or a Gap of health care. Wall Street money is driving the growth, but so are other forces. Millions of newly insured Americans are seeking care. Others are frustrated by long waits at E.R.s, or by having to conform to regular doctor's hours.

Many experts say a cultural shift is also underway.

"We expect to do our banking 24 hours a day, seven days a week, and to shop 24/7," said Dr. Ateev Mehrotra, an associate professor in the Department of Health Care Policy at Harvard Medical School and an adjunct policy analyst at the RAND Corporation. "So now we want our health care to be 24/7."

While convenience is one factor, so is cost. The average charge to treat acute bronchitis at an urgent care center in 2012 was $122, compared with $814 at an emergency room, according to data on the website of CareFirst Blue Cross Blue Shield, which operates in Maryland, Northern Virginia and the District of Columbia. The price of treating a middle-ear infection was $100 versus nearly $500 in an E.R. Such cost differences matter not only to commercial insurers, but also to consumers with high-deductible health plans.

Still, just how quickly urgent care is proliferating is difficult to measure. The Urgent Care Association of America, which represents more than 2,600 clinics, estimates there are more than 9,000 clinics in the United States. But Thomas Charland, who runs Merchant Medicine, a research and consulting firm in Minnesota, puts the number at 5,000 to 6,000.

One reason for the discrepancy, Mr. Charland explained, is that the industry is dominated by physician-owned practices with one or two facilities that nobody tracks. But a bigger issue, he said, is that the industry lacks clear criteria about what exactly urgent care means.

“Just because a physician’s office extended its hours doesn’t make it urgent care,” Mr. Charland said. “To me, urgent care means you can do X-rays, that you can do sutures, maybe you’re open one weekend day, plus one or two evenings.”

Regulators in some states are struggling with that question and others as well. In Illinois, for instance, the authorities restrict the use of the word urgent, so clinics there are called “immediate care” facilities. Other states have weighed proposals on whether urgent care facilities should be required to accept Medicaid or uninsured patients.

Despite concerns of possible increased regulations, companies are lining up to buy urgent care groups.

The insurance giant Humana paid nearly $800 million in 2010 to buy Concentra, the nation’s largest group of urgent care centers, with about 300 currently. Two years later, Dignity Health, a San Francisco-based health system, acquired U.S. HealthWorks, a group that today has 176 centers.

Even hospitals are embracing the trend. Florida Hospital in Orlando, for example, has opened 24 Centra Care urgent care clinics.

“We have a number of urgent care centers that have opened up around where I practice, and almost every day, we have patients transferred to us from one of them,” said Dr. Robert E. O’Connor, the chairman of emergency medicine at the University of Virginia in Charlottesville and vice president of the American College of Emergency Physicians.

But some of the most aggressive buyers have been private equity firms, according to data from a research firm, PitchBook.

In 2010, General Atlantic, a private equity firm, and Sequoia Capital, a giant in venture capital, acquired a stake in MedExpress Urgent Care, which operated 47 clinics in four states. Today, MedExpress has 130 clinics in 10 states.

Last fall, when Dr. R. Robert Rohatsch and his partners decided they needed additional capital to expand their practice, Urgent Care of Connecticut, they received bids from about a dozen private equity firms. Dr. Rohatsch and his partners chose PineBridge Investments and Pulse Equity Partners, which specializes in health and wellness investments.

"We've focused on how health care is going to be delivered to consumers in the new world order and how do consumers want their health care to be delivered," said Douglas W. Lehrman, the founder and chief executive of Pulse Equity.

For now, at least, many patients seem satisfied. At a PhysicianOne clinic, Roberta Giordano got an X-ray recently after she dropped a kitchen knife on her foot, severing a tendon. Peter Andino arrived at the Norwalk clinic on a recent Thursday evening after smashing his finger in a car door. The doctor quickly punctured his nail to relieve the pressure and wrapped up the finger. Mr. Andino was in and out in 45 minutes.

"Dealing with the E.R. is a hassle," Mr. Andino said. "This place is clean, it's quick, and it's about five minutes away from my house. What more could you want?"

A version of this article appears in print on July 10, 2014, on page A1 of the New York edition with the headline: Race Is on to Profit From Rise of Urgent Care.