

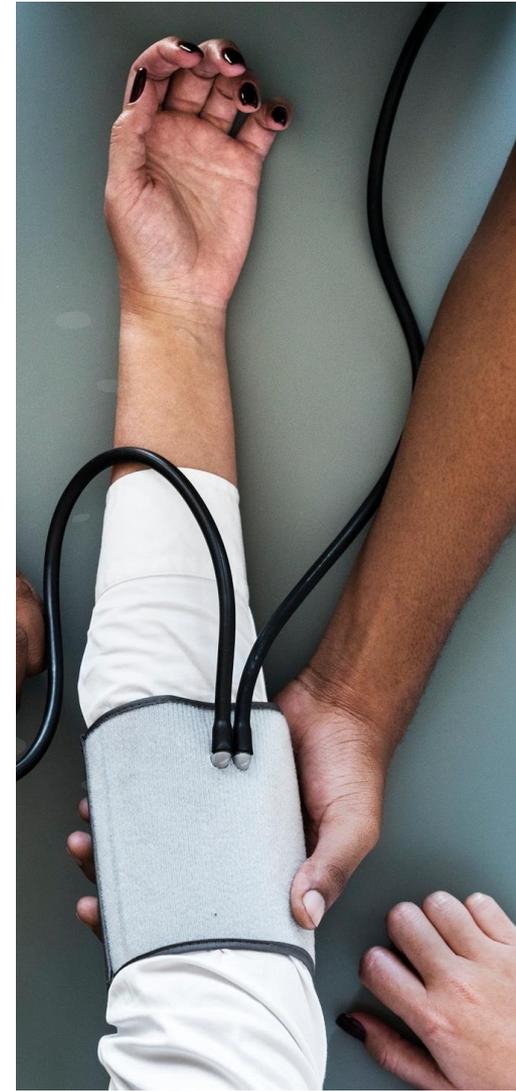
The Urgent Care Industry

1. What is Urgent Care?
2. Urgent Care vs. Primary Care
3. Urgent Care Industry Trends and Drivers
4. Rising Prevalence of NP's in Urgent Care
5. Telemedicine in Urgent Care Delivery

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The Urgent Care Industry

Splash 4 Partners (“S4P”) was engaged by a client to investigate the urgent care industry. The following slides are a high-level summary of S4P’s competitive analysis and industry research.

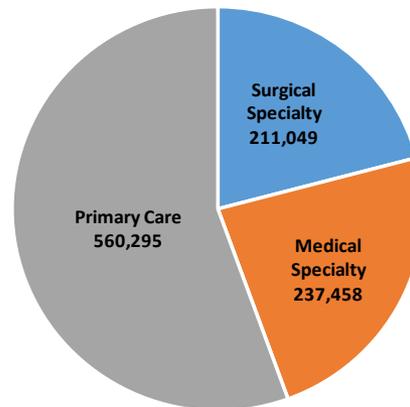
S4P welcomes your questions and comments. Connect with our team members to see how we can develop tailored solutions to fit your organization’s unique needs.



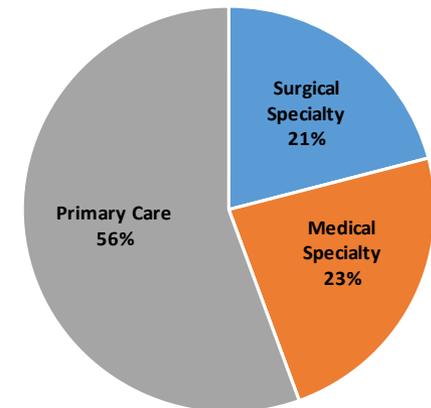
Access to Primary Care Driving Urgent Care Demand

Primary care accounts for more than 50% of all patient visits annually in the U.S. and generates approximately \$250 billion in revenue. Yet, 57% of Americans report difficulty getting same day or next day appointments through their primary care physician (“PCP”), and 21% of Americans use the emergency department to receive non-emergency treatment. To plug the gap in convenient, non-emergency care, more than three million urgent care visits occur every week.

**Annual Number of Patient Visits by Type
(Visits in 000's)**



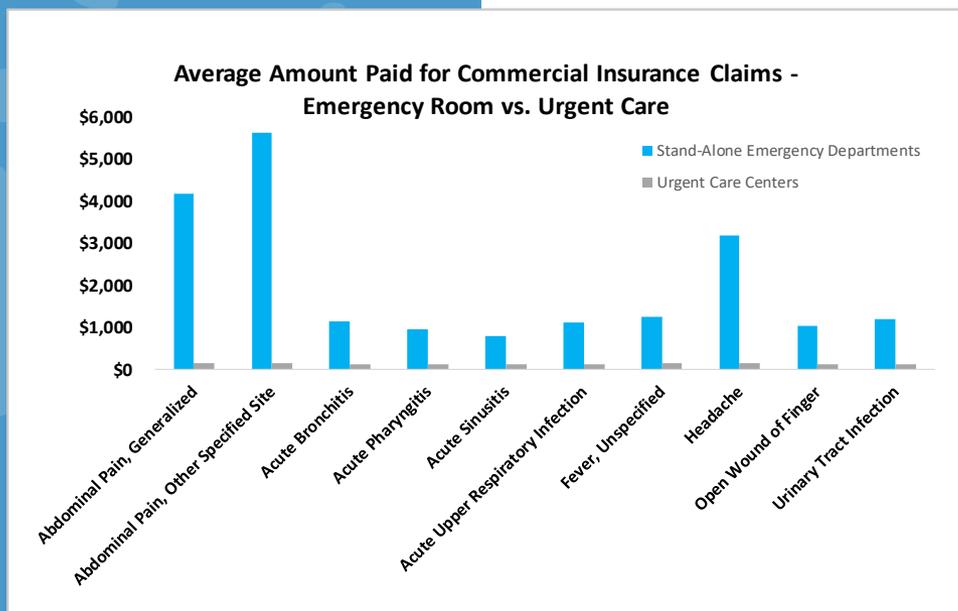
Percentage of Patient Visits by Type



Source: IBIS; UCAOA; Harris Williams & Co.; S4P research and analysis.

Urgent Care Straddles the Line Between Primary Care & Emergency Care

Urgent care (“UC”) clinics serve patients whose acuity level is not high enough to warrant a visit to the emergency department (“ED”) but who are unable to schedule a timely appointment to see a primary care provider (“PCP”). While patients enjoy more convenient care through urgent care, payors benefit by paying 80%+ less than a visit to the ED.



- On average, three million people visit an urgent care center each week.
- 63% of patients with PCPs report difficulty seeing their PCP to receive care during evenings, weekends, and holidays.
- In 2016, 27% of Americans reported visiting an urgent care location within the last two years.
- Moving lower acuity patients out of the ED (which is estimated to be between one-third and one-half of all visits) to an urgent care setting would result in approximately \$18 billion in annual savings.

Source: Becker's Hospital Review; Intermountain Health; IBIS; MEDPAC; S4P research and analysis.

Urgent Care Services Focus on Routine Acute Conditions

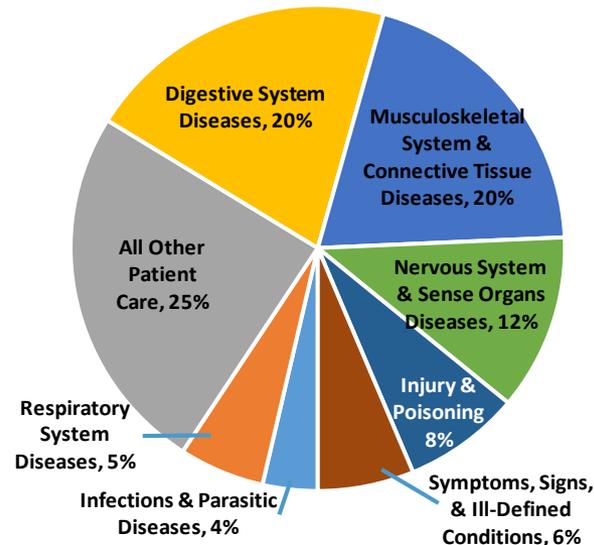
Most urgent care services focus on treating the most common low-acuity patient ailments. Retail clinics offer a more limited service, treating only a fraction of the conditions of UC clinics. S4P interviews found that where retail clinics reside in the same geography as an UC clinic, the retail clinic often acts as a regular referral source to the UC clinic for higher acuity patients situations.

Common Conditions Treated By Urgent Care Clinics

- | | |
|--|--|
| Conjunctivitis | Urinary Tract Infections |
| Ear/Nose/Throat Infections | Sprains/Strains |
| Asthma | Minor Fractures |
| Cough/Cold/Influenza | Detection of Complications of Chronic Illness |
| Sore Throat | Detection and Initial Treatment of a More Serious Condition with Subsequent Referral or Transfer |
| Pneumonia | |
| Allergy Relief | |
| Rashes | |
| Minor Skin Injuries / First-Aid | |
| Lacerations/Suturing | |
| Dehydration | |
| Headaches | |
| Gastrointestinal Disorders | |
| Gynecology Infections and Disorders | |
| Sexually Transmitted Infections | |
| Skin Infections, including Incision and Drainage | |

Note: Entries marked in blue are services also commonly offered at retail clinics.

Urgent Care Services Mix



“Only 15% of emergency patients are admitted. For everyone else, an urgent care or primary care visit will do.”

—Head of an Emergency Department

Source: IBIS; UCAOA; S4P interviews, research, and analysis.

Urgent Care Clinics by the Numbers

Urgent care clinics present attractive economic profiles, as clinics generally cost in the hundreds of thousands of dollars to build and generate 20% - 30% average clinic level profit margins on an average revenue base of \$1.7 million per clinic. Urgent care commonly leverages mid-level clinical staff (nurse practitioners—NPs / physician assistants—PAs) to provide additional operating leverage. Only 40% of urgent care centers always have a physician providing care during patient hours.

**Average
12,000
Visits per
Clinic per Year
in 2015**

**Average 32
Visits per
Clinic Per Day
in 2015**

**\$1.7 million
Average Unit
Revenue**

**60%
of Urgent
Care Clinics
Have a PCP
on Staff**

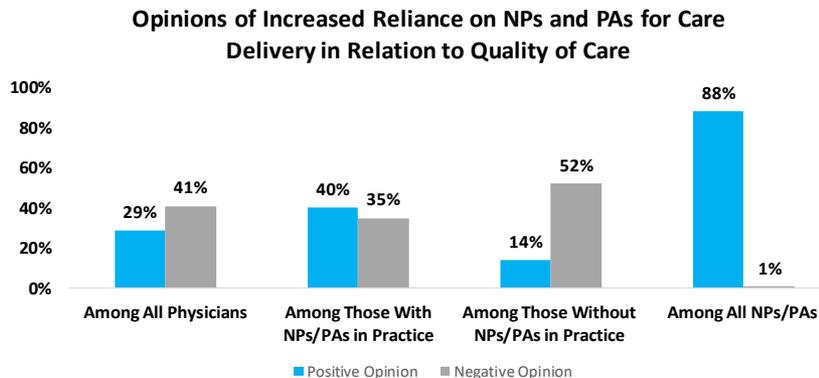
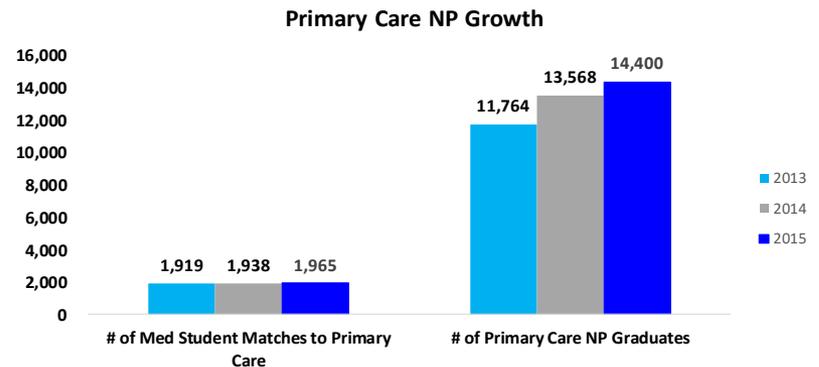
**140,380
Employees
Working in
Urgent Care**

Source: IBIS; UCAOA; S4P research and analysis.

The Growing Use of NPs in Delivering Urgent & Primary Care

Mid-level clinicians (NPs & PAs) are increasingly used to staff urgent care clinics and primary care offices. Within urgent care, 60% of clinics do not have a MD on-site during all patient hours.

- The trend toward NP-led care is fueled by the shortage of 40,000+ primary care physicians forecasted by 2025.**
 - Rural based urgent care companies report little difficulty in recruiting for their NP-led clinics.
 - An average mid-level clinician earns \$55 per hour compared to \$110 per hour for a PCP.



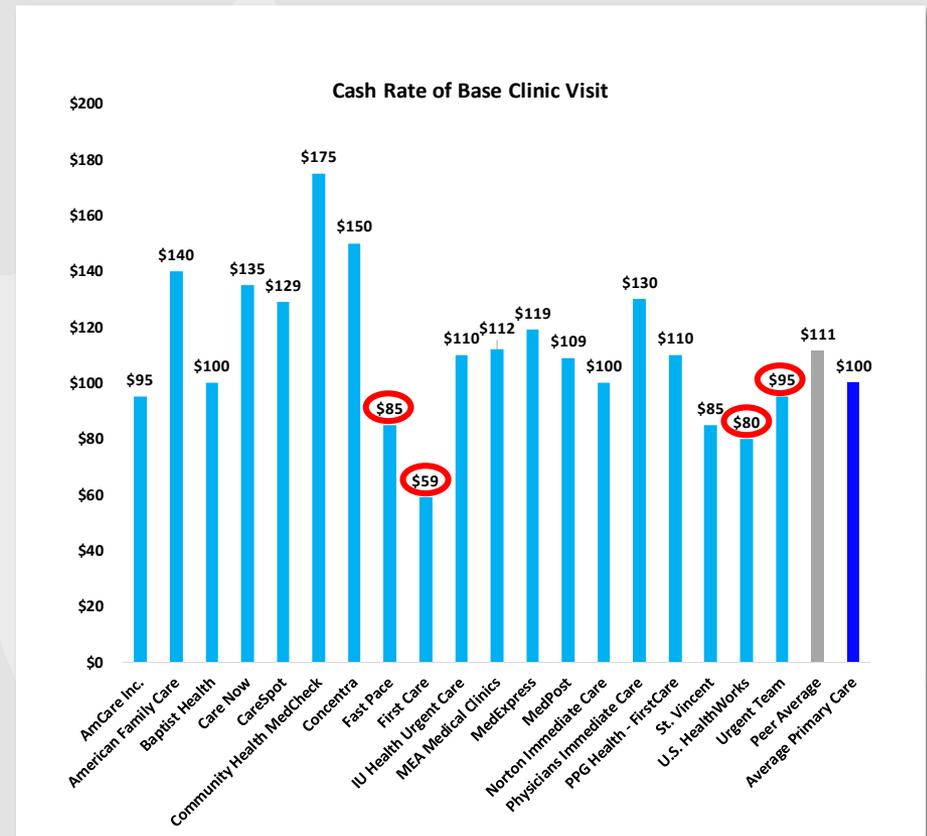
- The unit economics of physician-led urgent care models are unlikely to work in all geographies and care settings (e.g., too costly and difficult to recruit sufficient numbers of MDs to rural urgent care settings).**

Source: Harris Williams & Co.; S4P research and analysis.



Urgent Care Clinics: Cost of Care

- The average cash rate of an urgent care visit is comparable to the cash rate of a primary care visit.
- Some urgent care clinics, such as CareSpot and MedExpress, advertise a maximum cap on fees, usually in the \$200 to \$300 range.
- To promote access to care and improve the company's cash flow, some clinics offer reduced rates or discounts for the uninsured, as well as discounts for prompt payment.
- Clinics that operate a NP-led model, such as Fast Pace, FirstCare, and Urgent Team, charge less for out-of-pocket services.
 - U.S. Healthworks utilizes MD's for its PT programs and NP's for its urgent care services.



Source: S4P interviews, research, and analysis.

Urgent Care Is Adopting Telemedicine Solutions

Telemedicine is increasingly a part of urgent care chains' toolkits. While only 8% of urgent care companies offered tele-visits in 2016, industry experts broadly view telemedicine adoption as increasingly inevitable for primary and urgent care providers. In urban settings with reliable broadband internet, urgent care telemedicine strategies are more direct-to-patient focused. In more rural settings, telemedicine is being used onsite, across the clinics, to provide care and load balance clinicians while helping to ensure low patient wait times and convenience. Rural urgent care providers have been piloting a direct-to-provider tele-health programs.

- **Urban urgent care clinics compete not just against other urgent care clinics and primary care but also against hospital systems offering direct-to-patient telemedicine.**
- **Direct-to-patient telemedicine is not an option in many rural communities, as an estimated 23 million rural Americans lack access to broadband internet.**
 - According to the *Wall Street Journal*, for a physician office in the rural Missouri town of Potosi to have 20mbps fiber internet speed—double the speed of the fastest cable internet service in the area—would cost \$563 a month.
 - As of May 16th, 2018, 30 U.S. Senators signed an open letter to the FCC requesting that increased funds be made available for the Rural Healthcare Program, which is designed to address the shortage of broadband availability for rural healthcare providers.
- **A key to an urgent care company's successful deployment of virtual visits is true payor parity.**

Source: mHealth News; UCAOA 2018 Whitepaper; *WSJ*; FCC; S4P research and analysis.

Other Topics Covered in Urgent Care

1. Who are the largest and fastest growing providers in urgent care?
2. Which geographies do the largest providers serve?
3. How hospitals fit into the competitive landscape of primary and urgent care.
4. Private equity investment strategies in the urgent care industry.
5. Growth and positioning of key competitors in the retail clinic sector.
6. Urgent care in rural communities.
7. Urgent care staffing trends and strategies and its impact of cost for consumers.
8. The role of telemedicine in urgent care and the challenges of utilization.
9. The use of urgent care in rural healthcare.
10. Industry perspectives in urgent care.
11. Key factors in a successful urgent care business model.
12. Reimbursement trends of rural and urban urgent care and the regulation of value-based care.

About Splash 4 Partners

Splash 4 Partners is a consulting firm assisting clients with transaction due diligence support, industry and competitive analysis, business plan development, and growth strategy execution. Our team partners with executives, founders, private equity firms, and lenders to deliver the insights, council, and the bench strength needed to:

- Develop executable growth strategies.
- Make informed investment decisions.
- Prepare and organize a business's data and management team for a capital raise, sale, or similar transformational process.
- Identify technology solutions and vendors to support growth.

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