

# PHILADELPHIA BUSINESS JOURNAL

## Eagleview flying high

Exton corporate and residential community enters next phase.

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HEALTH CARE FOCUS

## THE RAPID RISE OF THE HEALTH CARE CONVENIENCE STORE

As providers increasingly cater to patients demanding convenience, the proliferation of urgent care centers is showing no signs of letting up — so much so, they have eclipsed the number of hospitals in the region.

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Peter Hotz, CEO of Philadelphia Urgent Care Management.

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# PHILADELPHIA BUSINESS JOURNAL

## THE DOCTOR WILL SEE YOU NOW

The explosive growth of urgent care centers is in response to consumer demand for convenience ... with no waiting.

Nicole Longo, DO, FACOI speaks with a colleague at the On Demand Urgent Care in Roxborough.



BY JOHN GEORGE  
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**P**eter Hotz is out to fill what he sees as a void in one of the fastest-growing segments of the region's health care landscape.

The longtime entrepreneur has launched and is CEO of a new company, Philadelphia Urgent Care Management, which plans to open 12 to 15 urgent care centers in the city over the next few years.

Hotz previously founded a local occupational health business and a work-site health center businesses he sold to Walgreens. After spending six years heading up Walgreens health and

wellness division, which included its store-based health clinics, Hotz spent a year during a no-compete period exploring what he wanted to do next.

"I came to the conclusion there was a big opportunity for urgent care centers in the city," he said, speaking from On Demand Urgent Care in Roxborough, one of two facilities run by his company. "The suburbs have been pretty well penetrated, but in the city there are still many neighborhoods where there is a large need for accessible and affordable care."

The Philadelphia region has experienced a rapid proliferation of urgent care centers over the past four years, ever since its largest health insurer – Independence Blue Cross – announced

in 2012 it was including such facilities in its provider networks.

Urgent care centers, typically led by physicians supported by physician assistants and advanced nurse practitioners, handle a variety of non-life-threatening injuries and ailments from sinus pain to allergic reactions. Such centers, created as an alternative to crowded emergency departments and primary-care doctors' offices, have existed in other parts of the country for decades.

### No more 'doc-in-a-box'

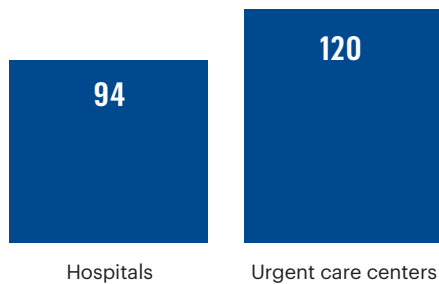
Today, the region is home to more urgent care centers than inpatient hospitals. Insurance provider networks list more than 120 such centers in southeastern Pennsylvania, South Jersey and northern Delaware. Only about a dozen of them operate in Philadelphia. More than a dozen new centers are expected to open throughout the region by the end of next year.

Those numbers don't include the dozens of health clinics found in retail outlets like pharmacies and supermarkets.

Alan Ayers, vice president of strategic initiatives with Practice Velocity, an Illinois-based urgent care industry services firm, said in the 1980s and 1990s urgent care centers were largely doctor-run entities whose services were not covered by health insurers. The no-appointment necessary

## BALANCE OF POWER

The number of urgent care centers in the region now tops hospitals.



“doc-in-a-box” concept stagnated for a time around the turn of the century when quality concerns in some markets drove patients away.

“The current iteration of urgent care centers is more a consumer-driven phenomenon that started about 10 years ago,” Ayers said. “People like that convenience of getting care next door to the Starbucks or Chipotle.”

Opening a new urgent care center, Ayers said, is not cheap – given they typically take up to nine months to hit the break-even point. The startup costs for urgent care centers – which include outfitting space, purchasing equipment and providing working capital for cash flow – average about \$1 million, he said.

Nationally, the number of centers has grown to about 7,100 with a growth rate of between 500 and 600 new centers a year since 2011, according to the Urgent Care Association of America (UCAA).

“Consumers want convenience; they don’t like to wait for anything,” said Steven Sellers, who is in his second term as UCAA president. He links the industry’s growth to a variety of factors that include the country’s growing elderly population as baby boomers age, health reform measures that have resulted in more people having insurance, and hospital consolidations and closings that have decreased the number of emergency departments.

Hotz raised \$4.7 million from pri-



JEFF FUSCO

*A medical procedure room at the On Demand Urgent Care in Roxborough.*

vate investors to establish Philadelphia Urgent Care Management. He was deciding between starting from scratch or acquiring an existing company when he met two local businessmen, who asked to remain anonymous for this article, who had opened On Demand centers in Roxborough and Port Richmond and were looking to expand. “We decided to combine operations, step on the gas and go,” Hotz said.

The company is already in the process of finalizing leases for its next two centers, which it plans to open early next year. “We’ll then try to open three to five centers a year for the next several years,” Hotz said. “We’ve studied the demographics and the market. We think we can build 12 to 15 urgent care centers in Philadelphia.”

Short-term plans call for upgrades in the design of the two existing centers and a rebranding of its existing facilities. Hotz also wants to add patient-friendly features such as online pre-registration and a website feature

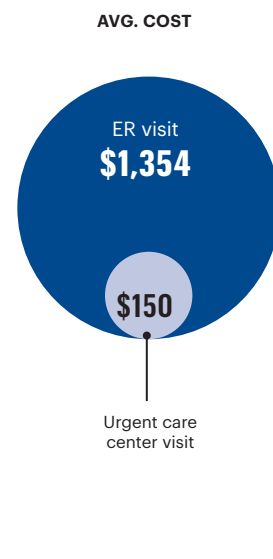
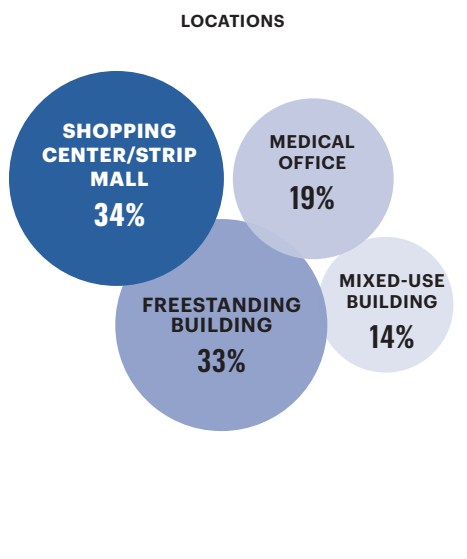
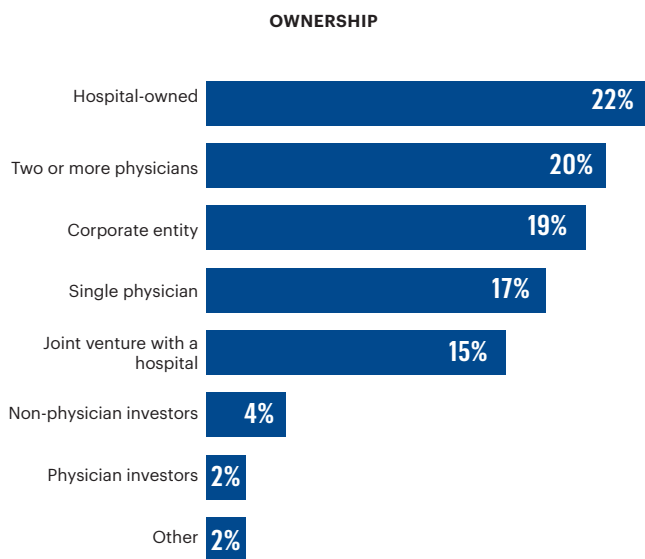
that will let patients know how long the current wait is at each facility.

Hotz doesn’t know why more urgent care centers haven’t opened in the city, but he doesn’t believe it’s merely because of the added cost of real estate in Philadelphia. His theory is the city has such strong academic medical centers that people are just accustomed to seeking care from those providers and their affiliated doctors, but that doesn’t mean they aren’t open to alternatives.

“Our focus will be on warmth, compassion and transparency,” he said. “People who come to urgent care centers don’t want to be there. They are either sick or hurt. We need to be warm and compassionate. We almost want to be transparent. People don’t understand a lot of what goes on in health care or what services costs. If we need to transfer somebody to a specialist, we are going to take time to explain why and help them navigate the system.” Hotz also said he intends to borrow something he learned from Take Care Health Systems founder Hal Rosenblu-

## URGENT CARE BY THE NUMBERS

National data from the Urgent Care Association of America shows no dominance in who owns centers and where they are located.



Source: Urgent Care Association of America

th, who sold his Conshohocken-based retail health clinic business to Walgreens in 2007. “He listed all the prices on the wall,” he said. “We are going to do that too.”

### Big players dive in

When urgent care centers first joined the region’s health care landscape, most were opened by either doctors or entrepreneurs. In recent years a growing number of urgent care centers are being opened by health systems.

Virtua Health is getting ready to open its sixth Virtua Express urgent care center, in Cherry Hill. It plans to open a seventh center in Robbinsville, Mercer County, later this year and three or four more by the end of 2017. The Marlton-based health system opened one of the first urgent care centers in the region in Washington Township, Gloucester County, in 2009. “We had to educate the community on what urgent care was,” said Rebecca Lynch, senior vice president and COO of Virtua Medical Group, the health system’s physician practice group.

Alfred Campanella, executive vice

president of strategic business growth and analytics for Virtua, said while the health system has historically focused on inpatient hospital and outpatient care, in recent years it has sought to offer a complete array of services including primary care through its physician network. “It was a natural extension for us to go into urgent care,” he said.

Virtua isn’t shying away from competition from other urgent care providers. Cherry Hill already has competing urgent care facilities operated by Lourdes Health System, Cooper University Healthcare, Med Express, Premier Urgent Care, and Concentra. Another rival, Patient First, will open a Cherry Hill site at Route 70 near Hadonfield Road in the fall.

Campanella said Virtua looked at building its Cherry Hill center at what is now the Patient First site, but opted instead to go slightly farther east on Route 70, just past Brace Road, so it could be in a more residential setting and next door to one of its primary care practice sites. “We look (to place urgent care centers) in high-traffic

areas where there is either a shortage of primary care physicians or where they can be close to a Virtua Medical Group office,” he said.

Lynch said their urgent care centers average 40 patients a day. At the sites not next to a Virtua primary care practice, about 60 percent of urgent care patients don’t have a primary care doctor. “Many of them are younger patients who don’t want one,” she said. “They just want to get in and out.”

Increasingly, Lynch said, their urgent centers are seeing older patients who are getting more comfortable with the idea that they don’t always have to wait for an appointment with their personal physician.

Other health systems with at least three urgent care centers include AtlantiCare, Cooper University Health Care and Inspira Health Network in South Jersey and Jefferson Health System and Temple University Health System in southeastern Pennsylvania.

The University of Pennsylvania Health System has not joined the urgent care frenzy, although Lancaster General Health – which joined Penn



**Virtua's Alfred Campanella and Rebecca Lynch in the South Jersey health system's soon-to-open Virtua Express urgent care center in Cherry Hill.**

Medicine last summer – had and continues to operate urgent care centers in Lancaster County.

“I don’t think there is any doubt given the volume of patients going to urgent care centers that there is a demand for the service,” said Dr. Ron Barg, executive director of Penn Medicine’s Clinical Care Associates. “The name urgent care is really a misnomer. It’s really convenient care. A lot of the things the centers take care of aren’t that urgent, but people really want convenient care.”

Barg said Penn Medicine has taken a different approach than other health systems that have joined the urgent care center trend. “We’ve looked to make our primary care practices more accessible for patients,” he said. That has meant extended hours including evenings and weekends, plus increasing the availability of same-day appointments and walk-in hours where no appointments are necessary.

“We have a practice at 8th and Walnut [streets] that takes walk-ins all day, every day,” Barg said. “They had 500 walk-ins last month.”

That strategy aside, Barg said Penn hasn’t dismissed the idea of ever opening an urgent care center. “We continue to talk about the idea and at some point we might decide to do it,” he said.

The largest privately owned operator of urgent care centers is Premier Urgent Care, which has 19 centers in the region and plans to open four more – including its first two in Philadelphia – by the end of this year.

“I expect we’ll be at 40 to 50 over the next couple of years,” said Rick S. Grodin, the Exton company’s chief operating officer, adding that the company anticipates handling nearly 1 million patient visits next year.

Grodin said Premier is in the process of establishing a relationship with a Medicare Advantage health insurance plan provider that would encourage members to use the centers. The pilot site for the initiative is a new urgent care center being built in Wynnefield, which will be Premier’s first Philadelphia center.

Premier has already established a partnership with St. Mary Medical Center in Bucks County by joining Quality

Health Alliance’s value-added clinical provider network. QHA is an Accountable Care Organization formed in 2014 by the Langhorne hospital and 250 of its affiliated doctors. “St. Mary’s invited us to participate specifically to improve overall access to care, reduce over-utilization of the emergency department and establish clear lines of communication and data sharing between our urgent care clinicians and their primary care physicians,” Grodin said.

Premier is in discussions with other hospitals in the region and forging similar partnerships. It is also talking with health insurers about at-risk contracts.

Such alliances, Grodin said, are one way Premier is seeking to differentiate itself in the region’s increasingly crowded urgent care center marketplace.

“I hope this doesn’t sound too clichéd, but it’s really all about the patient experience,” he said, repeating a mantra used by many operators. “We try to get every patient registered and in an exam room in 15 minutes, and on their way within 45 minutes. That’s why they come to us. They don’t want to spend three hours in an emergency room.”

Independence Blue Cross is highlighting its coverage for urgent care centers in its new radio advertisements.

“We know summer is a time when people are more active and more prone to injuries, which may not require the intensive care of an emergency department visit,” said Paula Sunshine, chief marketing executive at Independence. Don Liss, vice president of clinical programs and policy at Independence, said the company has experienced a decline in ER visits by members for conditions, such as a broken bone, that can be treated less expensively at an urgent care center. He could not provide specific data on how much those types of ER visits have decreased.