

**MERCER CAPITAL**

Understand the Value of an  
**URGENT CARE CENTER**

*Urgent Care Centers provide personal health care consultation and treatment outside of the traditional emergency room and primary care physician models. Per industry data, both the number of Urgent Care Centers and the volume of services provided by Urgent Care Centers have increased rapidly over the past decade. Current industry factors point to a continuation of this growth. Given this, if you own a Center, or an interest in one, now is an important time to understanding the key elements underlying the value of your investment.*

## Introduction

The ownership of every closely held business entity changes hands eventually. Whether you are selling out, buying in, or creating a new Center in partnership with others, an understanding of its value and the drivers of value for your business will temper the financial success of the entity, enhance rapport among your business partners and provide a reasonable basis for any transaction.

It is important for owners to consider the universe of ownership transfer possibilities because, sooner or later, you will be involved. In many cases, these transactions are among the most important of the owner's business and personal life. This article is written to inform you about key concepts of business value and provide a framework for understanding the value of an Urgent Care Center.

At Mercer Capital, we developed the "Ownership Transfer Matrix" (Figure One) to help describe different ownership transition scenarios. As shown in Figure One, the events that trigger ownership transfer can be categorized as either voluntary or involuntary. Voluntary transfers occur in a variety of ways. The business may be sold under favorable circumstances, or perhaps pre-sold through a buy-sell agreement. Involuntary transfers occur just as frequently and often under the most adverse circumstances. Death is the ultimate involuntary transfer. Divorce may result in a valuation need for what could be a family's largest marital asset. Alternatively, the business may need to be sold when the physician(s) and investing partners are required to sell due to financial or business conditions. An understanding of the value of your business is an important component in preparing yourself and your partners for these eventualities.

It comes as a surprise to many owners to learn that there is no single value for their Urgent Care Center or for their ownership interest. Numerous legal factors play important roles in defining value based upon the circumstances of equity ownership transfer

OWNERSHIP TRANSFER MATRIX	Partial Sale/Transfer	Total Sale/Transfer
<b>Voluntary Transfer</b>	ESOP Outside Investor(s) Sales to Insiders/Relatives Combination Merger/Cash Out Going Public Gifting Programs Buy-Sell Agreements	Sale of Business Stock-for-Stock Exchange w/Public Co. Stock Cash Sale to Public Co. Installment Sale to Relatives/Insiders ESOP/Management Buyout Liquidation Buy-Sell Agreements
<b>Involuntary Transfer</b>	Death Divorce Forced Restructuring Shareholder Disputes Buy-Sell Agreements	Death Divorce Forced Restructuring Bankruptcy Shareholder Disputes Liquidation Buy-Sell Agreements

Figure One

are significant nuances to each of the following topics, our purpose here is to help you combine the economics of valuation with the legal framework of a voluntary or involuntary transfer.

### Valuation Date

Every valuation has an “as of date” which simply means that it is the date around which the analysis is focused. This date may be set by legal requirements, such as death or divorce, or may be implicit, such as the closing date of transaction.

## Defining the “Value” of an Ownership Interest

As previously stated, all business ownership interests will eventually be transferred. It comes as a surprise to many owners to learn that there is no single value for their Urgent Care Center or for their ownership interest. Numerous legal factors play important roles in defining value based upon the circumstances of equity ownership transfer. While there

### Purpose

The purpose of the valuation is important. A valuation prepared for one purpose is not necessarily transferable to another. There is no such thing as a “one-size-fits-all” approach in valuation.

### Standard of Value

The standard of value is an extremely important legal concept. It will help determine the rules of the game. There are many standards of value just as there are many types of

ownership transfers. The standard of value will influence the selection of valuation methods and the level of value. The most familiar standard is fair market value, which is most commonly used in tax matters. Other important standards include investment value (purchase and sale transactions), statutory fair value (corporate reorganizations) and intrinsic value (public securities analysis). Matching the standard of value with the valuation method is crucial to obtain an accurate determination of value.

## Levels of Value

When owners think about the value of their business, they almost always implicitly think of the value for the company in its entirety. In a control block, the value of a single share or LLC member interest, for example, is the value of the whole divided by the number of shares or member units outstanding. In the world of valuation, however, this will not be true if the aggregate block of stock being considered for sale does not have control of the enterprise.

The determination of whether the valuation should be on a controlling interest or on a minority interest basis can be a complex question, yet it will be of great importance. A minority interest value can include discounts for lack of control and marketability. It is quite possible for a minority interest to be worth proportionately far less than an ownership interest comprising part of a control block.

The traditional Levels of Value chart is presented in Figure Two.

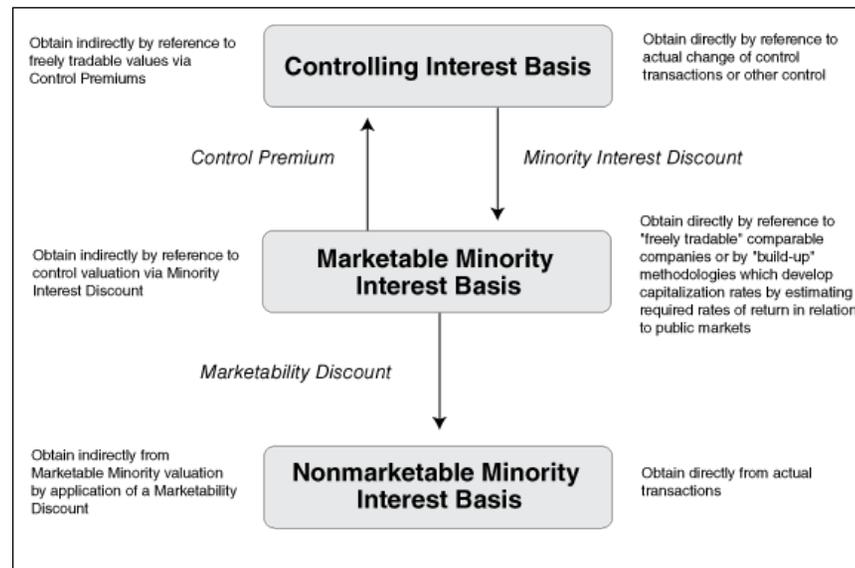


Figure Two

## Approaches to Value

There are three general approaches to valuing a business. These include the cost approach, the income approach and the market approach. As a general rule, every valuation should address value using these three approaches. While some of these approaches may not be indicative of the overall value, each approach incorporates procedures that may enhance awareness about specific business attributes that may be relevant in determining the final value. Ultimately, the concluded valuation will reflect consideration of one, or perhaps a weighting of several approaches, which will best reflect the value for the subject interest under consideration.

### The Cost Approach

This approach is rooted in determining the value of the assets. According to the *Business Valuation Standards* of the American Society of Appraisers, the cost approach is “a general way of determining a value indication of an individual asset by quantifying the amount of money required to replace the future service capability of that asset.” The net asset value method is in simple terms, a balance sheet approach to value. The aggregate value of the assets, net of the liabilities of the business, may be indicative of the equity value in the business. There are numerous methods employed to develop this indication of value. The method Mercer Capital employs most often is called the “net asset value method.” This process involves identifying and adjusting the reported value

of tangible assets and liabilities to their estimated fair market values. Some appraisers advocate determining the value of intangible assets and using them in the asset value method. Doing so however, merely converts the asset method into a version of the income approach since the intangible assets are typically valued using an income method.

### The Income Approach

The *Business Valuation Standards* of the American Society of Appraisers describes the Income Approach as “a general way of determining a value indication of a business, business ownership interest, security, or intangible asset using one or more methods that convert anticipated economic benefits into a present single amount.”

The most common methods in the Income Approach are discounted cash flow (DCF) and single period capitalization of income. Simply put, the value of a business is directly related to the present value of all future cash flows or earnings that the business can reasonably be expected to produce. The mechanics of the income methodology require an expression of future cash flows or earnings, a growth rate in cash flows or earnings and an appropriate discount rate with which to calculate the present value of such cash flows or earnings. The capitalization factor is simply an algebraic simplification of its more detailed counterpart – the discounted future earnings method (DFE). Value is negatively correlated to risk and positively correlated to expected growth. The scope of

The most common application of the income approach in the valuation of Urgent Care Centers is the discounted cash flow method.

this article limits the depth of our discussion since this aspect of valuation has been memorialized in countless academic and investment publications over scores of years.

### The Discounted Cash Flow Method

The most common application of the income approach in the valuation of Urgent Care Centers is the discounted cash flow method. Revenue and expenses are projected over reasonable periods of time, typically five years.

Key variables in revenue analysis are the sources of payments, breadth of services offered and doctor/facility productivity. However, this revenue analysis is only as good as the latest set of Medicare and insurance reimbursement rules. Assumptions must be made regarding future reimbursement rates that typically have a high degree of uncertainty.

Key variables in the expense analysis include the anticipated level of physician and paraprofessional compensation, equipment leasing and rent expense. Overall employee compensation is driven by such factors as the number of patients seen, services offered and the complexity of procedures (specialization).

### The Single Period Capitalization Method

Another method under the income approach is referred to as a single period capitalization method. As opposed to a detailed projection of future earnings, the analyst determines a base level of annual earnings and then determines a multiplier appropriate to that earnings expression. The most familiar form of this approach is the Price/Earnings (P/E) method, which is the primary valuation metric observed in the public securities market.

Use of any income approach requires identification of a normalized earnings cash flow on a stand-alone basis. Benchmarking tools such as the *Medical Group Management Association's Annual Physician Compensation and Production Survey Report*, which includes data on physician compensation, as well as collections, productivity measures, and other similar benchmarking data, can help focus this analysis. The discount rate is likewise a key component in the income capitalization methodology, which includes an analysis of the relative risk of various center specialties in context with a reasonable growth rate for the center.

One of the primary factors driving growth is the long wait times for both primary and emergency care providers, which has prompted greater use of urgent care providers. Moreover, cost-saving initiatives have focused on greater use of urgent care centers, rather than emergency care for low-acuity patients. This has facilitated strong growth for the industry.

## The Market Approach

The market approach is defined in the *ASA Business Valuation Standards* of the American Society of Appraisers as “a general way of determining a value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities, or intangible assets that have been sold.”

The market approach includes a variety of methods that compare the subject with transactions involving similar investments. A transaction source unique to the medical community is the *Goodwill Registry*. The *Goodwill Registry* provides a database of transactions throughout the medical community and is a unique source in that it breaks out the price paid for goodwill in medical practice purchases. From this perspective, an Urgent Care Center is analogous to a specialized medical practice. Consideration of prior transactions in interests of similar business entities can help describe an indication of value under the market approach.

The market approach for most Urgent Care Centers should be analyzed carefully. Regional influences are perhaps more significant to the value of a center than in many other types of businesses because of differences in payer mix, patient mix, and the demand for services. Furthermore, historical transactions only reflect the influence of these factors prevailing at the time of the deal. If future reimbursement rates change significantly for a specific type of medical

service, then historical transactions will have lost their relevance for valuation purposes. This method should be used with caution if the appraiser cannot obtain reasonably current transaction data.

## Industry Considerations in Valuing an Urgent Care Center

The Urgent Care Center industry has grown rapidly over the past decade. One of the primary factors driving growth is the long wait times for both primary and emergency care providers, which has prompted greater use of urgent care providers. Moreover, cost-saving initiatives have focused on greater use of urgent care centers, rather than emergency care for low-acuity patients. This has facilitated strong growth for the industry. Over the five years through 2013, revenue for the Urgent Care Center industry is now expected to have grown at an average annual rate of 5.4% to an estimated \$14.5 billion, including an expected 6.0% revenue gain in 2013.

A defining characteristic of Urgent Care Centers is that they provide treatment to consumers on a walk-in basis with no required appointments. Furthermore, urgent care facilities are typically open nights and weekends, unlike primary-care offices. Although Urgent Care Centers specialize in health problems that are often seen in primary-care offices, the

centers offer additional services such as x-rays and minor trauma treatments, not available in general practitioners' offices. Thus, Urgent Care Centers offer an integrated solution of primary and low-level emergency care.<sup>1</sup>

The market for Urgent Care Centers is highly fragmented. There are approximately 9,000 centers in the U.S. providing urgent care services, and they average 357 weekly patient visits per center. Actual ownership of the centers is broadly based: 30.5% are corporate owned (including private equity funds); 35.4% are owned by physicians or physician groups; 4.4% are owned by non-physician individuals; 25.2% are owned by hospitals and 2.2% are franchise arrangements. The large number of independent operations, in context with the broad ownership base, implies an industry ripe for consolidation.<sup>2</sup>

Currently, a primary factor driving growth for Urgent Care Centers is the long wait times for primary care physicians. The Affordable Care Act is expected to provide health care benefits to millions of Americans when the program becomes fully enrolled. Over time, more people are expected to respond to the new insurance coverage options, so enrollment is projected to increase sharply in 2015 and 2016. Starting in 2017, between 24 million and 25 million people are expected to obtain coverage each year through exchanges, and roughly 80 percent of those enrollees are expected to receive subsidies for purchasing that insurance.<sup>3</sup> Substantial implicit enrollment without a commensurate increase in the physician population implies longer wait times, and a greater market

for walk-in services. Some in the Urgent Care business have modeled their business plan after the restaurant model, which looks for standardized services for defined needs and quick service at an affordable cost. The cost for treatment at an Urgent Care Center is usually comparable to a primary care visit, and less than an emergency room visit. Charges vary according to individual insurance coverage. Most insurance plans are accepted at Urgent Care Centers; however, insurance is not required. Patients are usually seen by a physician, nurse practitioner, or physician assistant in either 0-15 minutes or 15-45 minutes. Since no appointment is necessary, wait time may vary.<sup>4</sup>

Utilization of an Urgent Care Center does not preclude the patient from having a primary care physician, which is still recommended. Integrating the concept of urgent care into the patients' health care protocol is an industry goal. Urgent care continues to appear fairly well-understood by patients using their services, with less than 4% of patients needing transfer to an emergency room. Centers report that about 60% of the patients seen already have a primary care physician outside the center, and approximately 75% of the time, centers formally communicate with that primary care physician about the visit. In addition, because of their expansive scope of available testing, less than 15% of urgent care patients have to be sent outside the center for diagnostic testing.<sup>5</sup>

Financial results for respondents to the *2012 Urgent Care Benchmarking Survey* indicate that the average

annual revenue among survey respondents was little over \$2.5 million, with the majority of that revenue coming from patients with commercial/private insurance. There was little change in the reported reimbursement per visit since the 2010 survey. Total annual expenses were reported to be a little under \$2.3 million, with the majority of expenses going to provide salaries and benefits for center employees. The implicit pretax profit of \$200,000 versus average revenues of \$2,500,000 indicates a pretax profit margin at 8.0%.<sup>6</sup> Urgent Care Centers have also begun offering higher margin ancillary services, such as prepackaged pharmacy services on site. However, such centers cannot sell pharmaceuticals to the general public in the same manner as the corner drug store.

Key external drivers for this industry include the following.<sup>7</sup>

- » **Number of people with private health insurance.** Expanding health insurance coverage in the U.S. is expected to drive demand for services. People with insurance tend to utilize more health care services.
- » **Federal funding for Medicare and Medicaid.** Government healthcare payments make up just over a quarter of the industry's revenue. Any increase has a positive impact on the industry.
- » **Number of physician visits.** With an increase in insured patients, in context with increasing wait times for primary care physicians, more patients will utilize urgent care facilities, thereby increasing the number of urgent care facility visits.

- » **Number of adults over 65.** The elderly require more health care services, and are an increasing portion of the population.
- » **Increasing disposable income.** With some improvement in the economy, increasing disposable income will encourage patients to utilize urgent care as a time-saving, cost-effective lifestyle choice.
- » **External competition.** Large national companies already in retail service businesses are actively testing the waters in this expanding field. While this may imply growth in the overall market, such competitors will tend to be better financed compared to the small independent Urgent Care Centers. Stronger competitors financed by public companies or by private equity resources will seek to take market share from smaller entities. Market consolidation through acquisition of smaller operators can be expected.

## Retail Clinic Models

As the sequester and entitlement cuts loom, there is a boom in less costly urgent care centers opening across the country, according to industry reports and spending by large operators. Urgent care, also known as immediate care, is similar to retail health clinics operated by Walgreens (WAG), CVS/Caremark (CVS), or Wal-Mart Stores (WMT) in that they are generally open in the evening and on weekends to treat routine maladies but also offer a board-certified physician and additional services such as on-site X-rays for broken bones.<sup>8</sup>

**Walgreens Introduces “Healthcare Clinic,”  
Rebranding its In-Store Take Care Clinics<sup>9</sup>**

*Name change further aligns the growing retail clinic business with Walgreens health care assets*

DEERFIELD, Ill., July 29, 2013 – Walgreens (NYSE:WAG) (Nasdaq:WAG) today introduced its “Healthcare Clinic” at select Walgreens as the new branding for the more than 370 in-store retail clinics, replacing the former Take Care Clinic name that has stood since the brand's inception in 2004. The national rebranding effort is already in process and expected to be complete by the end of August.

In addition to branding changes in stores, consumers will be directed to visit the Healthcare Clinic's new website, [www.walgreens.com/clinic](http://www.walgreens.com/clinic).

“The new Healthcare Clinic allows us to leverage the strength of the Walgreens brand to help attract and introduce new patients to our retail clinic services, while creating a more seamless health care experience serving a wide variety of patient needs,” said Dr. Jeffrey Kang, Walgreens senior vice president of health and wellness services and solutions. “The health care landscape is evolving, and with a diverse and expansive collection of assets, Walgreens is uniquely positioned to play an integral role in addressing the needs of patients, payers and providers by helping to lower costs to the system while helping more people get, stay and live well.”

Healthcare Clinics at select Walgreens will continue to offer the same high quality, affordable and convenient services, with a focus on prevention, wellness and the monitoring and management of chronic conditions.

**Wal-Mart Clinics Trail CVS Reaping 39% Growth:  
Retail<sup>10</sup>**

In 2007, Lee Scott, then Wal-Mart Stores Inc.'s chief executive officer, trumpeted plans to open as many as 2,000 in-house medical clinics by mid-2012. He called the strategy “a great opportunity for our business.” Today Wal-Mart has fewer than 130 clinics and is closing locations faster than it's opening them. Wal-Mart, which farmed out the operation of the clinics to third-party operators, hasn't adequately promoted its clinics to shoppers or made it easy for them to pick up their prescriptions. Thomas Charland, who runs Merchant Medicine, a research and consulting firm specializing in walk-in health care, has heard “lots of complaints” from operators that they get little support from Wal-Mart, and he characterized the company's efforts as “trial and failure.”

It's not as though Scott's “great opportunity” no longer exists. As key parts of the Patient Protection and Affordable Care Act start phasing in next year, some 30 million newly insured Americans will be looking for care amid a doctor shortage. Clinics, generally open after-

The Urgent Care Center industry has a low level of market share concentration.

This industry is highly fragmented, with the largest four players expected to account for just over 1.0% of industry revenue in 2013.

hours and on weekends, minister to patients with minor illnesses and injuries as well as provide vaccinations, physicals and chronic disease monitoring. The clinics are usually staffed by nurse practitioners or physician assistants and typically charge \$60 for an exam, which most insurers cover. Longer term, Wal-Mart is expected to be a key competitor in the health-care business, to take advantage of their retail strategy and facilities for customers who already shop there for groceries and daily needs at low prices.

#### **CVS MinuteClinic to Transition to EpicCare Electronic Medical Record<sup>11</sup>**

Woonsocket, R.I., Feb. 21, 2014 – MinuteClinic, a division of CVS Caremark Corporation and the largest and fastest growing retail clinic provider in the United States, announced today that it will switch to the Epic electronic medical record (EMR) called EpicCare. MinuteClinic currently uses its own proprietary EMR.

MinuteClinic is a division of CVS Caremark Corporation (NYSE: CVS), the largest pharmacy health care provider in the United States. MinuteClinic launched the first retail medical clinics in the United States in 2000 and is the largest provider of retail clinics with more than 800 locations in 28 states and the District of Columbia. By creating a health care delivery model that responds to patient demand, MinuteClinic makes access to high-quality medical treatment easier for more Americans.

Nationally, the company has provided care through more than 18 million patient visits, with a 95% customer satisfaction rating. MinuteClinic is the only retail health care provider to receive three consecutive accreditations from The Joint Commission, the national evaluation and certifying agency for nearly 20,000 health care organizations and programs in the United States.

## **Large Players in the Urgent Care Field**

The Urgent Care Center industry has a low level of market share concentration. This industry is highly fragmented, with the largest four players expected to account for just over 1.0% of industry revenue in 2013. Consumers prefer to access facilities that are close to their homes, creating strong demand for urgent care centers in many areas. This nature allows a large number of small companies to operate in the Urgent Care Center industry. The vast majority of firms in the industry have fewer than 20 employees, with 23.8% of firms employing fewer than five people.<sup>12</sup> Summary descriptions of three of the largest Urgent Care operating companies are provided below.

### **NextCare Holdings, Inc.**

NextCare Holdings, Inc. is one of the nation's largest providers of urgent care and occupational medical services, with an emphasis on a comprehensive approach called Full Circle Care that ensures patients experience the highest level of care, from reception to recovery. NextCare Holdings operates 101 urgent care facilities in Arizona, Colorado, New Mexico, North Carolina, Ohio, Oklahoma, Texas and Virginia. NextCare Holdings is backed by private equity Enhanced Equity Funds. [www.NextCare.com](http://www.NextCare.com).

### **Concentra**

Concentra, a subsidiary of Humana Inc., (NYSE: HUM) is a national health care company focused on improving America's health, one patient at a time. Through its affiliated clinicians, the company provides occupational medicine, urgent care, physical therapy, and wellness services from more than 300 medical centers in 38 states. In addition to these locations, Concentra serves employers by providing a broad range of health services and operating more than 245 worksite medical facilities. Through this complement of services, Concentra intends to raise the standard of health by putting individuals first, treating them with clinical excellence, and focusing on their ongoing well-being.

### **Concentra Acquires San Antonio Primary Care Practice**

4/4/13 - Press Release

Concentra, a subsidiary of Humana Inc., announced today its latest step into primary care with the acquisition of Alamo City Medical Group (ACMG), located in San Antonio, Texas. With this acquisition, Concentra adds seven new medical practices to its Primary Care division, and increases its footprint to 20 medical centers in the greater San Antonio area. [www.concentra.com](http://www.concentra.com)

### **FastMed Urgent Care**

FastMed Urgent Care is an owner and operator of urgent care facilities with locations throughout North Carolina and Arizona. FastMed focuses on the delivery of non-appointment based medicine to the non-emergency patient market. The urgent care centers are open 365 days a year and are staffed with experienced and licensed physicians, physician assistants and nurse practitioners. FastMed clinics hold The Joint Commission's Gold Seal of Approval® for accreditation in compliance with the Joint Commission's national standards for health care quality and safety in ambulatory health care. FastMed is managed by an affiliated entity of one of the investment funds of the Comvest Group.

The growth of the urgent care industry has been driven by a convergence of factors, including demographics, national government policy, rising wait times for primary care service providers and a search for cost effective delivery methods for medical services. Not surprisingly, private equity has helped fund this growth opportunity with capital commitments in context with management oversight for their substantial investments.

### **FastMed Urgent Care Acquires Advanced Urgent Care**

April 1, 2014 | by Reuel Heyden | *Acquisition positions FastMed as the largest urgent care organization in Arizona*

Gilbert, AZ – April 1, 2014: FastMed Urgent Care, the sixth largest urgent care provider in the United States, today announced the acquisition of Advanced Urgent Care, the fourth largest urgent care operator in the state of Arizona. The acquisition establishes FastMed as the leader in providing convenient, high quality, affordable urgent care in Arizona. [www.fastmed.com](http://www.fastmed.com).

### **Private Equity Funds Driving Urgent Care Growth**

The growth of the urgent care industry has been driven by a convergence of factors, including demographics, national government policy, rising wait times for primary care service providers and a search for cost effective delivery methods for medical services. Not surprisingly, private equity has helped fund this growth opportunity with capital commitments in context with management oversight for their substantial investments.

### **Enhanced Equity Funds**

Founded in 2005, EEF manages approximately \$600 million of committed capital across two funds with the most recent raised in 2010. The Principals of EEF have over 100 years of combined experience investing in healthcare companies and possess strong relationships and knowledge within the industry. We specialize in working with smaller companies (typically less than \$100 million in revenues) and take a creative approach to building value. EEF employs a flexible, but disciplined investment strategy focused on value creation through organizational development, organic growth and acquisitions. We seek to invest \$10 to \$50 million or more over the life of a portfolio company in a variety of flexible structures. One of EEF's investments is NextCare Holdings, Inc., described above.

#### **Enhanced Equity Funds-Backed NextCare Holdings Announces New \$145 Million Credit Facility**

February 20, 2014 | *Acquisitions of Tulsa-Based Urgent Care Companies Completed; Additional Capital Slated To Fund New Acquisitions*

NEW YORK – Enhanced Equity Funds (“EEF”), a healthcare focused private equity fund in the lower middle-market, announced today that its portfolio company NextCare Holdings, a provider of urgent care and occupational medical services, successfully completed the refinancing of a \$145 million Senior Secured credit facility. <http://enhancedequity.com>.

### **Brockway Moran & Partners**

Brockway Moran & Partners has raised over \$1.3 billion of equity through three private equity funds and is currently managing the investments of Brockway Moran & Partners Fund II, L.P. and Brockway Moran & Partners Fund III, L.P. The firm's portfolio companies operate in the consumer, healthcare and education industries. Brockway Moran & Partners focuses on firms with significant growth opportunities through internal expansion, industry consolidation or innovative business strategies. Since 1998, the firm has completed over 75 transactions and at present has significant committed equity capital available for acquisitions and growth initiatives complementary to our portfolio.

MD Now Medical Centers, Inc., headquartered in West Palm Beach, FL, is a leading operator of multiple full-service, walk-in urgent care centers in Florida. The Company provides urgent care, extended hours primary care, occupational medicine, physical therapy and comprehensive healthcare services through a high acuity delivery model. Brockway Moran & Partners invested in MD Now in partnership with management in March 2012. [www.brockwaymoran.com](http://www.brockwaymoran.com)

### **Ridgemont Equity Partners**

Ridgemont Equity Partners is a Charlotte-based private equity firm that provides buyout and growth capital to closely-held private companies and new business platforms. The firm focuses on investments of \$25 million to \$75 million, in industries in which it has deep expertise, including basic industries and services, energy, healthcare, and telecommunications/ media/ technology. The cohesive investment team at Ridgemont takes pride in having a collaborative, long-term, partnership-based approach to its business, striving to forge close relationships with management teams, bankers, limited partners, and other key constituents. Since 1993, the principals of Ridgemont have invested over \$3 billion and demonstrated a proven, industry-focused model that has yielded consistently attractive returns. Hometown Urgent Care is a Ridgemont investment.

#### **Hometown Urgent Care**

Year of Investment: 2012

Hometown is a leading provider of urgent care services.

Hometown Urgent Care is the Midwest's largest fully equipped urgent care and occupational health center. Each Care Center is a full service facility with on-site X-rays, labs, EKG's and medication dispensing. This includes treatment for all minor illnesses, such as colds, flu, coughs, infections, minor injuries, minor fractures, lacerations, minor burns, and many other non-life-

The Urgent Care Center industry appears well-positioned to take advantage of changes taking place in the health care business. Several growth factors are in place to provide for accelerating revenues, including an anticipated substantial increase in the number of patients with insurance.

threatening illnesses. Our experienced physicians and staff provide the compassion and quality care you deserve to start feeling better fast. [www.ridgemontep.com](http://www.ridgemontep.com)

## Closing Thoughts

The Urgent Care Center industry appears well-positioned to take advantage of changes taking place in the health care business. Several growth factors are in place to provide for accelerating revenues, including an anticipated substantial increase in the number of patients with insurance. The current emergency room model cannot handle a fresh wave of patients, and the level of care provided by emergency rooms is far more intensive than that needed by the typical urgent care patient. Effective management and adequate funding offer the potential for the urgent care industry to provide cost-effective health care service on a timely basis. With transparency in pricing and health insurance support, this can bridge the gap between emergency care and overloaded primary care physicians.

This summary article can only highlight our perspective on the opportunities and participants currently in the Urgent Care Center business. That perspective can be translated into the growth and risk parameters required to define value for your company. Based on our experience in the private company transaction marketplace, the day will come when

you will need to confront the value of your Urgent Care Center, or your interest in that business. On that day, we hope that you will have considered the changing dynamics we have identified in this article, and benefit from a productive conversation with your business valuation expert. Give us a call. We can help.

### ENDNOTES

- <sup>1</sup> "Urgent Care Centers in the US", February 2013, *IBISWorld Industry Report*.
- <sup>2</sup> Urgent Care Industry Information Kit 2013, published by the Urgent Care Association of America.
- <sup>3</sup> Updated Estimates of the Insurance Coverage Provisions of the Affordable Care Act, published by the Congressional Budget Office February 2014.
- <sup>4</sup> *Ibid.* Urgent Care Industry Information Kit 2013.
- <sup>5</sup> *Urgent Care Association of America Benchmarking Survey – 2012*.
- <sup>6</sup> *Urgent Care Association of America Benchmarking Survey – 2012*.
- <sup>7</sup> "Urgent Care Centers in the US", February 2013, *IBISWorld Industry Report*.
- <sup>8</sup> "A Boom In Urgent Care Centers As Entitlement Cuts Loom", *Forbes Magazine*, Bruce Japson, 3/11/2013.
- <sup>9</sup> Walgreens Press Release.
- <sup>10</sup> Bloomberg, article by Renee Dudley, February 12, 2013.
- <sup>11</sup> CVS/Caremark press release.
- <sup>12</sup> "Urgent Care Centers in the US", February 2013, *IBISWorld Industry Report*.

### **Nicholas J. Heinz, ASA**

Senior Vice President  
901.685.2120  
heinzn@mercercapital.com

Nicholas J. Heinz, ASA, senior vice president, leads Mercer Capital's Corporate Valuation Services Team.

Nick has extensive experience in providing valuation and corporate advisory services for purposes including mergers and acquisitions, fairness opinions, solvency opinions, employee stock ownership plans, buy-sell agreements, estate and gift tax planning and compliance matters, and corporate planning and reorganizations.

### **James E. Graves, ASA, CFA**

Vice President  
502.585.6340  
gravesj@mercercapital.com

James E. Graves, ASA, CFA opened Mercer Capital's Louisville, Kentucky office in the summer of 1995, continuing a long career in the business valuation industry.

Jim is a senior member of Mercer Capital's Corporate Valuation Services Team. Circumstances giving rise to the engagements Jim is involved with include corporate planning and reorganizations, employee stock ownership plans, profit sharing plans, estate and gift tax planning and compliance matters, among others.

## **Mercer Capital**

Mercer Capital has significant expertise providing valuation and financial advisory services to companies in the healthcare industry.

Mercer Capital provides valuation consulting, financial analysis, and transaction advisory services to a variety of healthcare and allied health service providers. Our clients include both non-profit and for-profit enterprises and range from medical and biomedical technology to hospital, rehabilitation, and elder care residential models. Valuation and transaction advisory services include ESOP valuations, shareholder planning activities, equity compensation, financial reporting, litigation matters, and specialized transaction opinions.

**Visit Mercer Capital's website for more information | [www.mercercapital.com](http://www.mercercapital.com)**

For more information about  
Mercer Capital, visit:

[www.mercercapital.com](http://www.mercercapital.com)

**MERCER CAPITAL**

5100 Poplar Avenue, Suite 2600

Memphis, TN 38137

901.685.2120

[www.mercercapital.com](http://www.mercercapital.com)