MERCER CAPITAL

BUSINESS VALUATION &
FINANCIAL ADVISORY SERVICES

Valuing Urgent Care Centers

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This paper is structured to provide further details outlining the factors contributing to the proliferation of the urgent care services industry, the key players and their activities, and considerations for current and prospective owners of these facilities related to the valuation of urgent care centers. This paper is part of Mercer Capital's expertise in providing valuation and transaction advisory services to a diversity of businesses and for a wide range of purposes, including those operating in the healthcare service sector, such as urgent care centers and similar businesses.

Urgent Care Trends – Patients, Providers, and Investors

Urgent care bridges the gap between primary care and emergency care, providing evaluation and care for urgent, but not emergent, conditions. This includes treating minor burns, scrapes, and cuts, but also treating conditions such as allergic reactions, ear infections, and strep throat, providing X-ray imaging and lab services such as testing for COVID-19, STIs, pregnancy, and blood glucose, as well as support and treatment for mental health concerns, and providing preventative services in the way of physicals and vaccinations. Urgent care centers often offer walk-in or unscheduled care during regular business hours and extended evening and weekend hours.

Urgent care centers in the U.S. have historically been owned and operated by physicians, physician groups, hospitals/health systems, and partnerships or Joint Ventures between these two groups. The traditional urgent care center, until more recently, had on-site physicians to attend to patients with nurses, technologists, and other medical and administrative support staff to assist with care for patients.

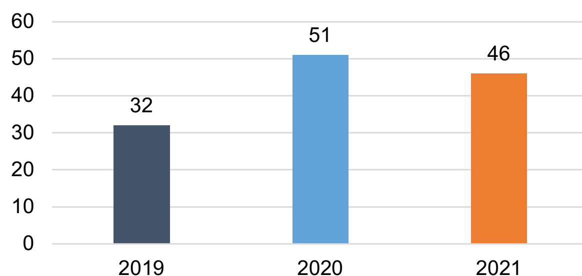
Growth Accelerated Significantly Across the Industry Due to COVID-19

At the end of 2019, there were 11,481 urgent care centers in the United States. By the end of 2022, there were 14,075. This represents an approximate increase in the use of urgent care from 2019 to 2022, with over 71 million visits per year, according to data published by the UCAOA. This strong growth rate is expected to continue in the coming years by most industry participants and investors.

The COVID-19 patient population that found its way to urgent care centers was a significant growth driver for the industry as they were one of the only facilities offering a full range of in-office visit services as well as the testing and vaccination services related to the virus. Despite being overwhelmed initially, the urgent care industry saw new growth in patients as they became more comfortable with visiting an urgent care facility for most routine medical care as opposed to visits to their traditional primary care physician. Repeat visits from these COVID-19 patients have driven volumes during recent years and created significant opportunities for expansion by both new and non-traditional operators. For better or worse, the COVID-19 virus is believed to be a continuing source of seasonal illnesses, which provides urgent care centers with an opportunity to meet a continuing need to provide testing and treatment to patients similar to the manner in which they have already captured the market for other seasonal viruses such as the flu.

As the figure on the right demonstrates, activity picked up considerably during 2020, and while volume did slightly decline in 2021, overall industry growth trends have continued. The decline in daily visits per center during 2021 was not only small, but it also likely resulted, at least in part, from an expansion in the number of facilities (rather than just a reduction in overall urgent care volume).

Urgent Care center Median Visits Per center per Day
2019 - 2021

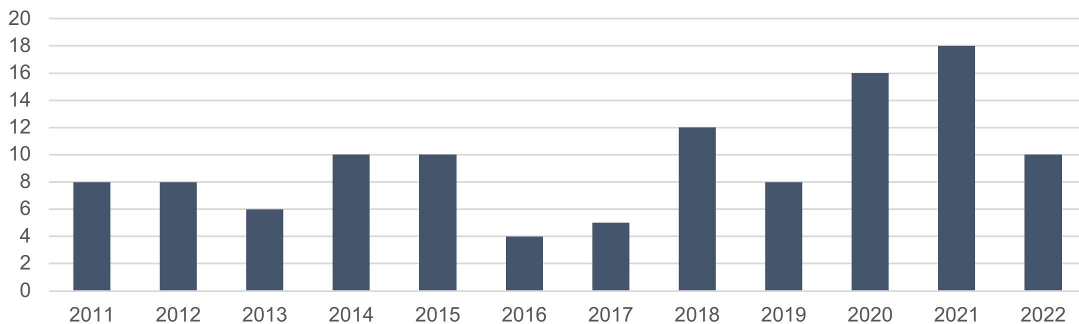


**Source: center for Disease Control / UCAOA*

The Rise of Private Equity

Although ownership and investment in facilities has traditionally included physicians or physician groups, hospitals or health systems, and insurance or managed care providers, the newest and most active type of investor has been private equity or private equity-backed operators. This has been a commonly observed trend among many types of healthcare businesses as these groups bring new capabilities and sources of funding in addition to side-stepping some of the constraints typically seen among the more traditional acquirers within healthcare. According to reports by the *Journal of Urgent Care Medicine,* private equity firms were involved in 182 transactions between 2012 and 2020 which represented approximately 50% of the total deal volume in the industry. Below is a chart providing annual deal volume for acquisitions by PE firms between 2011 to 2022. It should be noted that these amounts may differ from the amount above due to certain deals (joint venture, partnership, other investments) not being reported as an acquisition.

Private Equity Urgent Care Acquisitions per Year



Source: Pitchbook 2022 - amounts above may not include undisclosed acquisitions

These investors have been able to provide capital and financing for both existing and new ventures in the industry at a time when previous owners in a facility may have faced financial difficulties due to unfavorable reimbursement trends, rising costs for physician and nursing staff, the need to replace aging equipment and update facilities, obsolete or outdated technology, and a host of other factors which healthcare has been notably slow to adapt to relative to other businesses. Many owners faced the option to sell their business and receive some compensation and possibly employment at favorable levels or continue to operate and face the prospect of competition which could eventually drive them out of business.

These difficulties in reimbursement and staff-related issues are still faced by larger investors such as private equity firms, however, their ability to utilize economies of scale related to the availability of capital and funding allows them to attract new and sometimes existing patients by utilizing older facilities nearby. Additionally, private equity owners have significant advantages in terms of the ability to quickly analyze and act upon key data. Usually, the information used in healthcare decision-making is available to all, but it must be accessed, processed, and interpreted, and this process can require staff that many traditional healthcare providers do not employ or only employ sparingly.

Private equity firms have also been seen by sellers as a more attractive suitor when compared to traditional acquirers such as local hospital and health systems. This may be due to a sour history of prior interactions and relationships with local or regional hospitals. There is also the need to hold to stricter regulatory compliance requirements in transactions involving physicians and more traditional hospital acquirers.

Valuation, Compliance, Ownership Transfers

The involvement of physicians and hospitals as parties to a transaction involving an urgent care center requires compliance with Federal Anti-Kickback Laws and the False Claims Act prohibiting excessive payments to any healthcare providers in an attempt to induce unnecessary Medicare or Medicaid patient referrals. Additionally, non-profit organizations must adhere to certain standards in exchanges of assets or other items constituting a type of transaction. Notably, these transactions must be demonstrated to occur at price levels that are deemed "fair" by both sides. Depending on the transaction type, location, and participants, the level and source of scrutiny may change. However, there can be substantial penalties imposed by federal and state organizations when transactions are deemed to be unfair and ultimately costly to the taxpayers. Because the government, through Medicare, Medicaid, and other programs, is a source of revenue for healthcare companies, including urgent care centers, those who abuse the system are pursued and prosecuted in civil and, in some instances, criminal cases.

Fair market value opinions, as prepared and provided by a qualified independent appraisal firm, are used by transaction participants as a safeguard against the risk of violating these federal and state regulations while also providing valuable information regarding the fairness of any offers to buy or sell ownership in a facility.

In addition to acquisitions and divestitures of urgent care businesses triggering the need for a valuation opinion in accordance with fair market value, there are several other types of events that may also create the need for a valuation. At Mercer Capital, we have developed the "Ownership Transfer Matrix" (see figure below) to help describe different ownership transition scenarios. The events that trigger ownership transfer can be categorized as either voluntary or involuntary transfers. The type of ownership transfer can also result in a partial or total sale of the business.

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

Voluntary transfers can be executed in a variety of ways, but the result is that an owner is voluntarily engaging in the transfer of the business or a portion thereof. As mentioned previously, one example of a voluntary transfer occurring often within the urgent care industry involves an existing physician owner at a struggling center who lacks the capital needed to invest and compete within the market. These owners are often approached by buyers such as private equity firms or other investors with a proposition to sell the business at a fair price and, in several instances, retain employment after the sale. These voluntary business sales are often outright acquisitions in instances where the owner is nearing retirement and does not wish to deal with the burden and risk of continued ownership. Involuntary transfers occur among urgent care owners as well and take place under adverse circumstances. An understanding of how each of these four factors interact and relate to the need for a valuation under a particular scenario will help owners better plan for the anticipated transfer when necessary.

Defining the “Value” of an Ownership Interest

As previously stated, all business ownership interests will eventually be transferred. Many owners are surprised 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 on the circumstances of equity ownership transfer. While there 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 a transaction.

Purpose

The purpose of the valuation is important and will, in many ways, dictate the specifics of the other factors listed below. 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, but as mentioned previously, it is also very often necessary to establish fair market value in transactions involving healthcare providers and physicians or other patient referral sources in order to comply with federal regulations. Other important standards include investment value (purchase and sale transactions), statutory fair

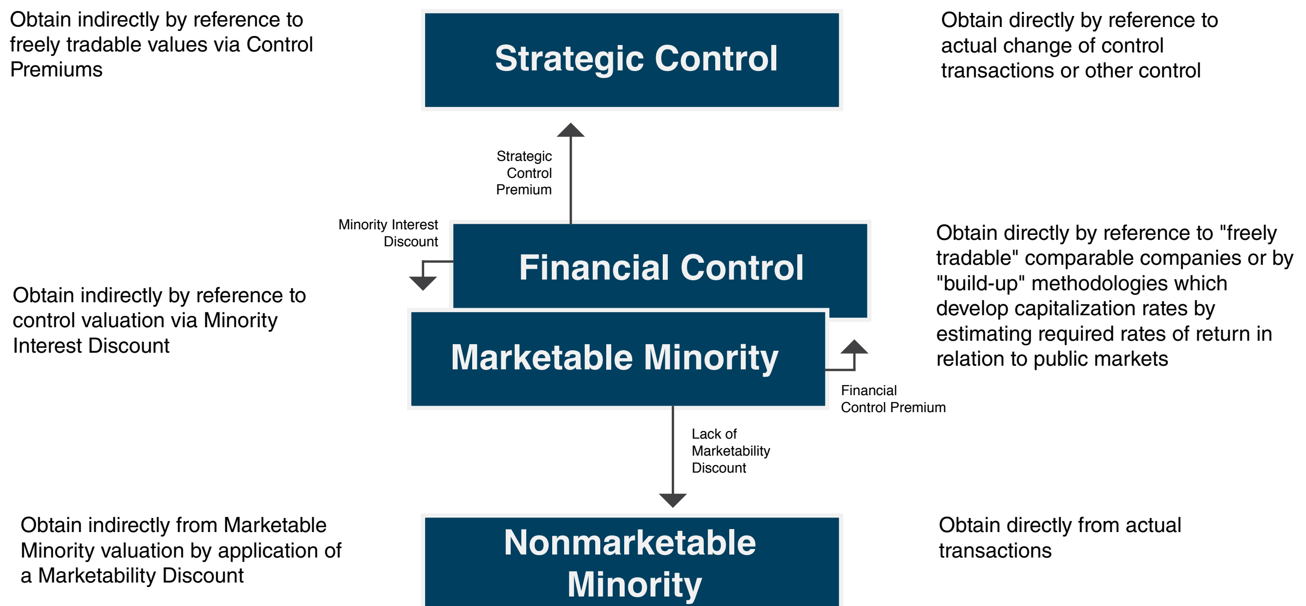
value (corporate reorganizations), and intrinsic value (public securities analysis). Matching the standard of value with the valuation method utilized is crucial to obtaining an accurate determination of value for the specific purpose of the valuation.

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 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 below.



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 the consideration of one, or perhaps a weighting of several approaches, which will best reflect the value for the subject interest under consideration.

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 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. Value is negatively correlated to risk and positively correlated to expected growth.

The Income Approach can be applied using different methodologies, including the single-period capitalization method and the discounted cash flow (DCF) method. The discounted cash flow (DCF) method is the most common and often the most meaningful method when considering an urgent care center.

The Discounted Cash Flow Method

The DCF method most directly considers the unique drivers of cash flow over a future time period, which typically will be between five to ten years, as well as an additional terminal value representing the value into perpetuity or upon a future sale. This initial multi-year projection allows for a reasonable degree of variation in growth and profitability followed by some degree of long-term stabilization.

Key variables to be considered for urgent care centers when assessing revenue projections include:

- **Relationship between the location of the urgent care center and local populations in the area.** Because urgent care centers provide walk-in care for illness or injuries, patients will often simply visit the closest and most visible facility when in need of these services rather than drive any significant distance. A good location (at the intersection of a highway for example) in an area expected to experience population growth among typical patients utilizing their services is optimal. Another key difference unique to urgent care centers is that their population tends to skew younger than other healthcare providers as elderly patients still tend to utilize emergency rooms or a trusted primary care provider, while younger parents and their children will instead find the closest urgent care center to visit for many types of ailments. In assessing value, it is

important to ask about the flu season volume and performance as the operators are keenly aware of this additional volume generated each year.

- **Major sources of payments from insurance providers for services rendered by the center.** Commercial / Managed Care payors are the largest type of payor at most urgent care centers, however Medicare (a government payor) may be the largest single payor in many instances and will have significant influence on overall revenue outlook and industry trends due to their regulatory control. Additionally, changes in Medicare payments are often seen to trickle down into commercial payor payment changes over time although this is not always true. Low levels of reimbursement paid to urgent care centers to see patients are one of the largest issues faced by many centers. It is important to understand if an urgent care center has agreements or partnerships that facilitate efficient billing and collection cycles as smaller facilities which perform these functions in-house may have difficulty with efficiently collecting revenues due to the complex nature of reporting and collecting revenues established by payors. Generally, a higher proportion of Medicare patients at a single center reflects more risk in revenues due to the difficulty in predicting reimbursement changes in future years.

- **Breadth and type of ancillary services offered at the facility.** Certain of these services may provide for a higher level of profitability when performed. As noted previously, many urgent care centers offer X-ray and laboratory services. Where allowed by state law, many will also dispense commonly prescribed medications.

- **Potential changes in competition or overlapping services offered by similar facilities.** Many operators of urgent care centers are often referred to as a “retail model” due to the focus on building out and opening a facility in a geographically favorable location. In many instances, two urgent care centers can end up within a very short distance of one another – even right across the street. Larger operators will place emphasis on getting into a desirable location and may be willing to incur losses for a period just to establish a foothold in a particular area. Strategic operators are keenly aware of the level at which overall fixed costs (primarily rent and capital) are surpassed as it is a point at which the longer-term success of a particular center is more certain. This knowledge allows them to create a market strategy in which losses from competition can be planned and incurred for a length of time as external funds are contributed to keep the center afloat while volumes are expected to be drawn away from competitors who increasingly lose volumes and profits to the point that they either sell or close down. This strategy is not available to a single-site owner and operator.

- **Ownership mix.** An urgent care center owned and operated locally does not have the same ability to draw on key resources as a center that is part of a large group, or platform, of centers. The ability to centralize several functions relating to payor negotiations, billing and collecting, strategic decision-making, capital decisions, staff planning and utilization, and technology represent a significant advantage over smaller operators. For this reason, many urgent care centers are being acquired in a particular geography by the local or regional hospital system or may be more loosely affiliated with one in order to capitalize on brand recognition and some of the benefits achieved by scale. The largest operators, such as nationally spread health systems, utilize urgent care placement to attempt to exert some level of control over patient flow. For a hospital system, getting patients in the doors of the hospital itself is no longer the key to success as the

hospital is no longer the most desirable location for many services. These outpatient facilities compete vigorously in many areas to keep patients at facilities under their own particular umbrella of ownership or affiliation so as to continue to benefit from the revenue driven by these patients. This also can serve to alleviate capacity constraints at the traditional hospitals held within the same ownership group.

Key variables in the expense analysis for an urgent care center include:

- **The anticipated provider staff split between physicians (M.D. or D.O.) and mid-level providers (Nurse Practitioners or Physician Assistants).** Since the two types of providers can perform most of the same duties at an urgent care center, and mid-levels usually are compensated much less than a physician would be for the same services, a higher proportion of mid-levels on staff at an urgent care center would be expected to reduce costs relative to an identical center with more physicians. Since revenues will be very similar if performing the same procedures, overall profitability and value should be positively impacted for the center with more mid-level providers on staff. During the COVID-19 pandemic, the government loosened regulations regarding how much physician presence is needed and increased the level of procedures that could be performed by non-physician mid-levels — effectively alleviating many issues previously faced by the facilities related to staffing shortages. Staffing issues, however, remain a concern for those centers which compete directly with larger operators where the smaller operator may not be able to capitalize on recruiting and salary advantages as well as staff sharing abilities across multiple locations in a single area.

- **Facility rent and capital requirements.** Facility rent is often the largest single fixed cost incurred for an urgent care center alongside significant capital costs for major types of equipment. Facility rent's large influence on overall fixed costs and its overall predictability make this cost useful in understanding a center's breakeven point — the point at which profitability becomes a function of volume growth and where each additional patient seen would contribute positively to profit margins.

  Capital requirements may vary depending on the specialized services offered at a facility. Diagnostic imaging services and other types of testing services require investments in larger pieces of equipment periodically, however, centralized planning and funding for these items can provide an advantage to centers which are part of a larger parent organization. The goal for an urgent care center is to identify the types of services within imaging, such as routine X-Ray procedures, which provide a benefit to the patient through the convenience of a one-stop location for multiple services, and a benefit to the urgent care center through revenue diversification and incremental collections from the additional procedure offerings. The revenue per unit is usually greater for these ancillary offerings and thus an investment into the necessary equipment should be considered in analyzing a particular center's future outlook.

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."

Market Approach valuations can utilize an analysis of publicly traded companies and price performance to derive a valuation multiple, or alternatively, the analysis can include the utilization of transaction data reported for acquisitions of urgent care centers if available and reported adequately. Given that no pure-play, publicly traded urgent care operators exist in the United States, the guideline company method value cannot be reasonably determined for an urgent care center valuation. Typically, a valuation analysis in this industry should focus on understanding the key drivers of acquisitions and acquisition pricing by obtaining data on completed transactions when possible.

Many urgent care transactions occur for single or a small number of locations, and the acquiring entity will not be obligated to release information to the public regarding terms such as transaction price, terms, revenues, and EBITDA. This creates difficulties in developing and maintaining relevant transaction comparables that can be utilized in a valuation analysis. Often the operators involved in the acquisition and development of centers will have a pulse on the trending values for commonly utilized multiples for an urgent care center such as Total Invested Capital / EBITDA, which is most commonly utilized pricing metric. Given the inability to utilize publicly reported data for transaction support in a valuation report context, the guideline transactions method is typically best used as a reasonableness check when compared to an income approach result.

Additionally, the transaction data reported to the public for urgent care center acquisitions will lean heavily towards larger acquisitions of several locations. The appraisal under the guideline transactions method, if utilized, should consider the size of comparable transactions observed relative to the subject center being valued. Typically, acquirers will pay a premium for "platform acquisitions" of a large number (10+ more centers) of urgent care centers as compared with what is paid for a single urgent care center. The value of ten urgent care centers in this case would likely exceed the value of a single urgent care center acquisition multiplied by ten.

As noted above, the Market Approach can be used to assess the reasonableness of the results indicated by the Income Approach and it is upon the appraiser to determine whether use of the market data available in determining a value outweighs the limitations and overall reliability / comparability of the comparable transactions data.

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.

Recent Notable Transactions in Urgent Care

Amazon Acquisition of One Medical Highlights Interest from Non-Traditional Acquirers

In a move highlighting the continued rising interest in low-acuity healthcare services from non-traditional buyers, Amazon completed its acquisition of One Medical in July 2022 for a reported cash deal of $3.9 billion. In addition to the urgent care operations, this deal also included One Medical's 200 traditional physician office clinics and approximately 815,000 members. This transaction is part of a push to broaden Amazon's healthcare portfolio as it did with its prior acquisition of PillPack. Acquisitions and investments in non-emergency primary care operations by non-traditional healthcare providers (i.e. hospitals and physicians) have been continuing to occur with similar moves made in recent years by CVS Health and Walgreens Boots, which operate retail health clinics for customers inside many locations across the US. Although not regarded as urgent care centers in name, these retail clinics operated by CVS and Walgreens provide certain non-physician healthcare services that urgent care operators have captured historically. In 2023, CVS had over 1,100 Minute Clinics and 900 HealthHUBs in operation and Walgreens had 680 VillageMD Clinics.

One Medical, which includes both its urgent care operations and proprietary technologies operated under its management company arm, is engaged in offering in-office 24/7 virtual care services, on-site lab, and preventative care, chronic care, common illness, and mental health treatment. One Medical has been operated for 15 years and has emerged as one of the more technologically inclined urgent care operators catering to Millennial and Gen Y populations through offering of its own One Medical app, on-demand virtual care services, same-day in-office, or remote visits.

HCA Acquisitions of MD Now Urgent Care, FastMed, and Other Targets Show Continued Outpatient Focus from Health Systems

In January 2022, HCA announced that it had completed the acquisition of MD Now urgent care, a network of 59 urgent care centers located in Florida, which comprised the largest urgent care chain in the state at the time of acquisition. Subsequently, in July 2023, HCA announced its acquisition of 41 Texas urgent care centers from Fast Med. The deal includes 19 FastMed-branded sites and 22 MedPost-branded sites located in Dallas, Texas, and Austin, Texas, primarily. These acquisitions pushed HCA's portfolio, already the largest in the country to over 309 total centers owned by the health system. The two acquisitions were part of HCA's focus on the two largest southern markets in which they focus many of their efforts — Texas and Florida. The health system operates a multitude of outpatient facilities in

these regions and across the country in addition to traditional acute-care hospitals. The acquisition of these outpatient facilities reflects the continuation of HCA's strategy of connecting its patients, new and recurring, to the comprehensive HCA network of care.

Baylor Scott & White Acquisition of NextCare Urgent Care

Baylor Scott & White, a major non-profit health system based in North Texas, announced plans to acquire 41 facilities in Houston, San Antonio, and Abeline from NextCare Urgent Care. Management indicated the targeted urgent care centers give the system a foothold in new markets in Texas and are expected to catapult Baylor Scott & White into a new role as one of Texas's major providers of urgent care services. Pete McCanna, CEO of Baylor Scott & White said in an initial press release that "Through this venture, the NextCare sites across the state will be integrated into our ecosystem of offerings, which already includes 24/7 virtual care available to all Texans via MyBSWHealth.com."

Large Players in the Urgent Care Field

The urgent care center industry has experienced consolidation in recent years, however, in aggregate, the industry remains relatively fragmented. This fragmentation has historically been attributable to the local nature of the industry where patients are usually inclined to visit the nearest urgent care facility rather than drive to a different facility at a greater distance. As noted, however, consolidation forces in recent years have largely been driven by investments by larger operators in platform operations — some of which have grown to comprise hundreds of facilities across multiple regions with many functions centralized at the corporate level.

According to the UCAOA, in 2008, 54.1% of centers were physician-owned, while hospitals/health systems represented only 24.8% of the total ownership mix, and the remaining 20% comprised corporate non-hospital / non-physician-owned facilities. By 2014, physician ownership had dropped to 40% and hospital ownership had increased to 37% of respondents. The shift was largely a result of policies implemented during the Affordable Care Act to lower the cost of medical care. The resulting hospital strategies that were subsequently implemented would focus on developing a more cost-effective relationship with the patient or patient cohort as part of an overall "spectrum of care" rather than the traditional strategy focused on driving patients into. Urgent care facility growth during this period was a direct result of this strategy to spread out operations. By moving or investing in non-emergency and other outpatient care clinics, the hospital continues to own and benefit from a particular patient while alleviating capacity at the hospital, addressing particular shortages resulting in population growth, and also being able to more effectively manage staff needs (including physician shortages) by sharing staff across multiple locations in a particular area. As a result of these strategies, hospitals picked up a significant share of the ownership mix in the industry and by 2022 hospital-owned/ joint-venture centers made up 53% of the industry while ownership by a physician was down to 27%.

During the last two years, there has been continued fluctuation in the mix of ownership in urgent care centers as hospital-owned/joint-venture acquisitions activity declined sharply. Economic pressures for hospitals, coupled with continued growth in new facilities driven by private investment, resulted in the hospital-owned/joint-venture share of ownership declining to 33%.

Below is a chart providing an overview of the top 10 largest urgent care center operators in the U.S. ranked by number of centers in operation. A large proportion of U.S. clinics are single-site/single-owner facilities or part of a chain operating less than 10 total clinics at nearly 60% of the total market share. The ten largest operators account for only 15.4% of the total clinics in operation and represent a mixture of private (Non-Hospital/Health System) ownership groups consisting of physician-owned ventures, private company-owned centers, and physician-private company JVs.

Rank	Name	Ownership / Affiliation	Clinic Total	% of Total US Clinics	Hospital Clinics	Non-Hospital Clinics
1	American Family Care	Non-Hospital	313	2.2%	n/a	313
2	Hospital Corporation of America	CareNow, MD Now	270	1.9%	270	-
3	Fast Pace Health Urgent Care	Non-Hospital	228	1.6%	n/a	228
3	GoHealth Urgent Care	Mercy, Dignity, Hartford HealthCare, ChristianaCare, Northwell, Henry Ford, Legacy, Novant, INOVA and Memorial Hermann	228	1.6%	228	-
4	WellNow Urgent Care	St. Peter's Health Network, OSF, KSB	217	1.5%	48	169
5	CityMD Urgent Care	Non-Hospital	172	1.2%	n/a	172
6	NextCare Urgent Care	Non-Hospital	171	1.2%	n/a	171
7	FastMed	Tenet Healthcare, Baptist Health, HonorHealth	169	1.2%	61	108
8	MedExpress Urgent Care	Non-Hospital	151	1.1%	n/a	151
9	Carbon Health Urgent Care	Hospital / Health System JV at some sites	125	0.9%	n/a	n/a
10	Advocate Aurora Health	Non-Hospital	119	0.8%	119	-
Subtotal - Top 10 Operators			**2,163**	**15.4%**	**726**	**1,312**
Platform Operator Clinics (Part of Chain w/ >10 Clinics) but Outside top 10			**5,703**	**40.5%**	**n/a**	**n/a**
Small Chain / Single-site Clinics - Part of Chain <10 Clinics			**8,372**	**59.5%**	**n/a**	**n/a**
Total US Clinics			**14,075**	**100.0%**	**n/a**	**n/a**

Several large health systems have ownership or affiliations with many of the largest urgent care center brands. Several of the largest non-profit and for-profit health systems / hospital operators listed above use urgent care center investments or branding as a key component in strategic growth and retention of existing patients within their health system umbrella. HCA, the largest publicly traded hospital operator, is also among the most active investor in urgent care centers with its current portfolio including both the CareNow and MD Now urgent care branded facilities.

Closing Thoughts

The urgent care center industry appears positioned for continued growth in coming years. Transaction trends indicate interest from both traditional hospital operators (provided they have solid capital and financial foundations) and private equity groups. There are quality of care concerns related to private equity investments in this space (and within health care in general). While private equity has become fully entrenched in health care and urgent care there remains the perception, right or wrong, that these purely profit-driven operators will place undue focus on profit over a short time period of investment and will place patient care at risk.

The drivers of growth historically within the urgent care industry should continue to contribute to future growth. The presence of a relatively younger population seeking rapid primary care and increasing freedom of non-physician providers to cover these needs outside of the traditional health care setting is an opportunity that is not expected to subside.

ABOUT 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.

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