Starting an Urgent Care in a New Era

Urgent Message: Today, there are very few market opportunities for urgent care that present no competition, so operators must assess not just the existence of local competition but also the nuanced qualities of each competitor.

Heather Real

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The urgent care industry has come a long way over the last several decades. With 2024 being the first year where there was a contraction in growth, can the industry be considered "mature?" Maturity certainly doesn't mean there isn't a need for more urgent care, it just means that today's entrepreneurs must be even more strategic and use more sophisticated tools to build a successful business.

Not only has urgent care rooftop growth slowed to a 10-year low, between May 2023 and December 2024, the number of clinics hosted in food and pharmacy retail stores dropped by more than 20%. This reduction is likely attributed to the widely reported clinic closures by Walgreens and Walmart. Even with their small clinic square footage, reduced services, and the leanest of staffing models, there just wasn't enough consumer adoption for the in-store clinic model to thrive. What does this mean for new urgent care operators? It means that patients are choosing more traditional medical settings for their care, either in the urgent care, primary care provider (PCP) office, or in some cases the local emergency department (ED). With urgent care being the most accessible, efficient, and affordable point of access, this market shift bodes well for the urgent care industry, but how can new operators leverage this change for their success?

Success By Preventing Failure

The reason for an urgent care failure is usually simple: money, or more precisely, lack thereof. In many cases, failure can be prevented at the point of key decisions: Location? Access to adequate capital? Service delivery model?

Each decision made by the entrepreneur will have an impact on whether the business will realize success or not. Today's urgent care entrepreneurs don't necessarily need to analyze different information than startups did 10 years ago—they simply need to understand what that information means today.

Author affiliations: Heather Real is a Senior Consultant with Urgent Care Consultants.

Demographics are high on the list of analytics, however, the results now have different implications. Historically, urgent care would avoid areas with a high percentage of Medicaid members, but now this is of less consequence. Medicaid expansion and privatization offer a value proposition to managed care payers in terms of ED cost savings for segments with historically high utilization. Plus, more payers are requiring urgent care providers to accept their managed Medicaid members in order to also gain network status with their commercial products. While this broader payer mix enlarges the potential patient population, it also surfaces new competition with facility types that weren't part of the competitive landscape previously.

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Adding urgent care services to a community where they did not previously exist brings a faster volume ramp-up to break-even. Reaching break-even would be more difficult for, say, the 3rd urgent care in a market that can only support 2. When patients must be won over from existing providers, a new urgent care must out-position and intercept the competition while offering a better overall experience.

In the urgent care boom of the 2010s, it was still possible to find communities where no urgent care competition existed, and securing the best site in town would almost certainly yield long-term success. Today, there are very few opportunities with no competition, and we now must analyze the quality of each competitor. When considering other urgent cares, what are their hours, services, and reputation? How do you compare? Furthermore, what is their payer mix and are there gaps you can address in the target community?

Expanded Competition

Other facility types such as PCP offices are extending hours, adding immediate telemedicine access through apps like MyChart, and even offering same-day and walk-in access. Furthermore, Federally Qualified Health Centers (FQHCs) are increasingly adding urgent care to their community health models. In years past, PCPs and FQHCs wouldn't align as competitors, but today they cannot be dismissed. It is crucial to understand how their services are received and utilized by the community to understand competitive opportunities.

The uninsured and underinsured population have increasing options for care, now including most urgent care facilities. Participation with state Medicaid and privatized managed Medicaid plans will help draw those patients in, but it is also imperative to offer competitive cash pay rates that are easy for patients to determine. More and more consumers are opting to pay cash for their urgent care needs, and having a simple and transparent cash-pay fee schedule can help draw patients to your facility over competitors.

Today's urgent care startups are facing many of the same challenges of the operators that have come before them, but at a whole new level of difficulty. Ten years ago, it was customary to expect new contracting and credentialing to take about 6 months. This was painful but not insurmountable. In 2024, startups saw credentialing timeframes far exceeding 12 months, creating increased financial strain even before commencing operations. These operators have had to be more prepared, patient, and inventive than their predecessors to survive these extreme timelines. To achieve volume, it is now also important to participate in major payer networks in most markets. Increasingly, at least 1 of the top 5 payers in any given market will be closed to new urgent care, at least initially. It is still possible to gain network status after a period of time has passed and the businesses can prove they are serving the payer's members efficiently and affordably. Working with experts that have experience in various markets can provide urgent care startups new insights into timelines, network access, and how to manage payer processes.

Essential to developing a new urgent care is a comprehensive project plan that outlines what activities are done at what time and in what sequence to assure the center opens on-time, on-budget, and with contracts in place. The contracting and credentialling process should start as soon as the operator has an address and tax ID number.

Securing Space

As if it weren't enough to have increased competition in most desired markets, the quality of retail space available has also changed. The rates at which these spaces can be secured is increasingly part of the financial conversation. Rent rates aside, the quality of space will also play an important role in the success of the new business. As proven by the contraction of the retail clinics, consumers are selective about where they seek medical care. There is a "halo effect" in retail that can impact visit volumes positively or negatively. It is well-known that major/chain groceries are strong anchors for urgent care, driving consistent and frequent consumer awareness. Just as these strong anchors can boost urgent care businesses, low-quality retail can have an adverse effect. More and more operators are considering C- and D-grade real estate for their urgent care simply because there is a lack of higher quality options. Even if a site has excellent traffic and signage, being situated next to the vape shop or tattoo studio may dissuade potential patients from using the urgent care services.

In the "Amazon Economy," the 1 remaining retailer driving weekly traffic is grocery. Walmart, Kroger, Albertsons, Safeway or Publix remain the center point of their communities and a consistent traffic draw also appealing to banks, service stations, quick serve restaurants, auto parts, hardware stores, car washes and other convenience services. Their nearby site location can be an asset.

Marketing strategies have evolved. The oldest urgent cares relied on word-of-mouth and grassroots marketing to grow their business. As the world became more digital, operators had to split their focus toward learning and leveraging digital marketing. They learned to harness the power of search engine optimization, Google Ads, and the like. Then the pandemic shifted nearly all marketing online, focusing on urgent care's testing capabilities and the virtual waiting room. Today's operators must continue to blend all of these strategies, while also getting back to community roots to drive consumer loyalty.

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Throughout the decades, urgent care operators have stayed true to the core concept of bringing efficient and affordable healthcare to patients when and where they need it. The greater emphasis now is on strategic planning to ensure long-term success. ■