Developments in Convenient Care in New Jersey and the Impact of the COVID-19 Pandemic

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Since the onset of the COVID-19 pandemics, convenient care sites, including urgent care and retail clinics have been widely used for testing and vaccinations. Both urgent care and retail clinics are mainly used for episodic care, with millennials the most likely users. Part of their appeal is the convenience of walking into a nearby location, especially when primary care clinics rarely offer same day appointments. Retail clinics are usually staffed by nurses or nurse practitioners and offer a limited range of services. Urgent care clinics are typically staffed by physicians and nurse practitioners and offer more services, including some imaging and laboratory tests.

In 2015, the Robert Wood Johnson Foundation published our research on the impact of the Affordable Care Act on hospital systems in New Jersey and their strategies. Part of that study examined the growth of convenient care in the state, including urgent care and retail clinics and a small number of free-standing emergency departments. At that time, we reported that the number of urgent care and retail clinics was growing steadily and showed that most of the new sites were added in zip codes with above average household income.

How has the convenient care industry in New Jersey changed since 2015, and what has been the impact of the COVID-19 pandemic? In 2021, as part of a broader study of the impact of the COVID-19 pandemic on hospital system strategies, we updated data on the number of convenient care sites in New Jersey and their locations. As we will show below, we saw significant growth of urgent care clinics in the state, but the number of retail clinics decreased. We also saw important changes in the ownership of urgent care clinics, as national companies like UnitedHealth Group and private equity funds acquired or added large numbers of clinics.

Retail Clinics

Since 2015, the number of retail clinics in New Jersey has decreased, as all but one of the locations jointly operated by supermarkets and local health systems closed. In our 2015 analysis, we identified 46 retail clinics in New Jersey that were operating or set to open that year. All but nine of them of were CVS Minute Clinics. *Exhibit 1* shows the change in retail clinics in New Jersey between 2015 and 2021. For this analysis, we verified whether the original 46 retail clinics were still operating and searched to find new retail clinics in New Jersey. Based on our research, 11 clinics closed since 2015, while CVS opened six new clinics in the state. Five of the six were in zip codes where average household income was higher than for the county as a whole, and all were in zip codes where average household income was above $100,000.

Exhibit 1
Retail Clinics by Region and Ownership, 2015 and 2021

	Retail Clinics	
Region	**2015**	**2021**
Central	13	14
Northern	16	19
Southern	17	8
TOTAL	46	41

Owner	**2015**	**2021**
CVS Minute Clinic	34	40
FastCare/Acme	2	0
RiteCare/ShopRite*	6	1
Walgreens	4	0
TOTAL	46	41

* The provider partners for the RiteCare/ShopRite clinics included Cooper University Health Care in Burlington County, Complete Care Health Network in Cape May and Cumberland County and St. Francis in Mercer County.

Two national retailers have made key changes in their health care strategies and some of the results can now be seen in New Jersey. CVS has introduced CVS Health Hubs in many of the stores where it already operated a Minute Clinic. While Minute Clinic locations focus on episodic care, the Health Hubs are intended to move CVS into the area of chronic disease management, monitoring conditions like diabetes and hypertension. Three Health Hubs opened in New Jersey in 2020 in CVS stores in Mount Holly, Mount Laurel and Runnemede, each of which was a Minute Clinic site, along with 10 other sites nearby in the Philadelphia area. As of 2022, all but two of the 40 New Jersey CVS locations with a Minute Clinic inside have added a CVS Health Hub.

Under its previous retail clinic strategy, Walgreens opened almost 400 in-store clinics by 2019, with Walgreens running about 160 of them and local health system partners operating about 220 clinics. In November 2019, Walgreens announced that it would close all the walk-in clinics operated by the company, including four in the New Jersey suburbs of Philadelphia. Since then, it has introduced a new strategy, acquiring a majority interest in Village Medical, which operates primary care clinics that contract with payers with some measure of shared risk. Walgreens/Village MD have announced plans to open 200 clinics by the end of 2022, with some of them in or next to Walgreens stores. Village MD has grown quickly and has acquired or opened 13 clinics in New Jersey since 2021. About half of those locations were added when

VillageMD acquired Reliance Medical Group, based in Northfield, NJ. Growth through clinic/practice acquisition offers the advantage of gaining physicians who already have patients, rather than building and staffing new clinics and then seeking to attract patients. As we will discuss below, Village MD, with additional funding from Walgreens and a CIGNA subsidiary, acquired Summit Health, closing on the deal in January 2023.

Urgent Care Clinics

Urgent care clinics have enjoyed steady growth in New Jersey and nationally. By various counts the number of urgent care clinics nationally has grown from about 6.400 in 2014 to more than 9,000 in 2022. In 2015, we identified 217 urgent care clinics operating in all but one county in New Jersey. This is a business with many new competitors entering and others exiting. Since then, 110 urgent care clinics opened but about 26 clinics closed, and we identified 302 clinics as of September 2021. That's an increase of 39.2% over 2015, with a net of 36 clinics added in central New Jersey and 40 clinics added in the northeast part of the state.

Services provided by urgent care clinics are generally covered by health insurance plans, including Medicaid managed care plans. New Jersey Medicaid (Department of Human Services) contracts with five national managed care companies to administer health plans for most of the state's 2.2 million Medicaid beneficiaries: Aetna Better Health, Amerigroup New Jersey (owned by Elevance Health, formerly Anthem, Inc.), Horizon NJ Health (Blue Cross Blue Shield of New Jersey), UnitedHealthcare Community Plan and WellCare (acquired by Centene in 2020).

A quick review of the provider search applications for each plan showed that all contracted with many, though not all, of the urgent cares in each part of the state. We searched for in-network urgent care clinics within 10 miles of a zip code in Bergen County and found that Aetna Better Health showed 13 urgent cares in network, though six were listed as not accepting new patients. Amerigroup showed 20 urgent care clinics within 10 miles of that zip code. Horizon NJ Health specifically limits covered services in urgent care clinics to episodic or acute care, excluding services like ongoing management of chronic conditions like hypertension. UnitedHealthcare Community Plan listed only three urgent care clinics within 10 miles, one of which was a Riverside urgent care clinic, a practice owned by Optum. Note that while urgent care clinics may be in-network to health insurers, most of them, especially the new ones as shown below, are in areas of high household income, and where a smaller percentage of the population has Medicaid coverage.

For health systems, adding more urgent care sites has been part of a broader strategy to: (1) add more points of presence and expand the geographic reach of that system; (2) divert unnecessary emergency room visits to other, less expensive settings; and (3) convert episodic urgent care patients, who often have no loyalty to a particular clinic or health system, into patients connected to that health system for their future primary and specialty care needs.

Most urgent care clinics are staffed by a one or two physicians, often family practice or internal medicine physicians, with much of the direct care provided by nurse practitioners and physician assistants. According to the American Academy of Family Physicians, there were 6,582 primary care physicians in direct patient care roles in New Jersey in 2018, so those working in urgent care centers are a small percentage of the total.

Exhibit 2 compares the number of urgent care clinics by region of the state based on our research in 2015 and 2021. During that time, 28 clinics were sold or rebranded. At least one urgent care clinic transitioned to become a full-service primary care clinic. There are now more than 100 urgent care clinics in the Central region of the state, including Ocean, Mercer, Monmouth and Middlesex Counties, and 122 in the northeast, mostly in Bergen and Passaic Counties, and the major cities of Newark, Paramus, Paterson and Teaneck.

Exhibit 2

Urgent Care Clinics in New Jersey by Region, 2015 and 2021

Region	**2015**	**2021**	**Increase**
Central	67	103	53.7%
Northeast	82	122	43.5%
Northwest	3	5	66.7%
South	64	70	9.4 %
Other	1	2	
TOTAL	217	302	39.2%

Two important developments have had a significant impact on the market for urgent care clinics in New Jersey and other parts of the country. First, the growing presence of national companies, specifically UnitedHealth Group, on the care delivery side, with its recent acquisitions of medical groups, urgent care clinics and ambulatory surgery centers. The Optum division of UnitedHealth Group has been aggressively acquiring a range of provider groups, assembling provider organizations that cover the full breadth of ambulatory care, with an emphasis on value-based primary care, particularly for Medicare Advantage enrollees. Second, the growing investment of private equity funds in care delivery, ranging from hospitals to specialty practices, and including urgent care centers.

Optum made two large acquisitions of New Jersey clinics in the past six years. In 2015, Optum bought the MedExpress chain of urgent care clinics, which at that time operated 141 urgent care clinics in 11 states, including 18 in New Jersey. By 2019, the MedExpress group had grown to more than 250 urgent care centers. In 2017, Optum acquired Riverside Medical Group, a New Jersey multi-specialty group practice with 85 locations, mostly in northern and central New Jersey. Four years later, Optum bought Coastal Medical Group in Monmouth and Ocean Counties and added it to the Riverside group. Optum has maintained the Riverside Medical brand and extended it to 16 MedExpress clinics, which were re-branded as Riverside clinics. Each patient is entered into Riverside Medical Group's electronic medical records system. If an urgent care patient does not have a primary care doctor or clinic, they are contacted to suggest a follow-up visit with a Riverside Medical Group provider. (Note that Optum is rebranding Riverside Medical and other recently acquired practices in New York and Connecticut with the OptumCare name.)

In other recent deals, Optum acquired LHG Group, a major provider of home care services in March 2022, Atrius Health in Massachusetts and the Kelsey-Seybold Clinic in Houston. Optum acquired CareMount Medical, a New York medical group, in 2022. It now employs or administers the practices of more than 60,000 physicians. Note that the Optum division of UnitedHealth Group, including the provider clinics, prescription benefit management, analytics and a growing business of providing outsourced administrative services to hospital systems, accounted for more than half of UnitedHealth Group's net revenues in a recent quarter.

Private equity funds have become major investors in health care companies, especially providers and biopharma. One analysis showed that the number of private equity deals in health care increased 36% to 515 in 2021 and that the disclosed value of those deals, including two "megadeals," increased from $66 billion to $151 billion in 2021.

Recent private equity deals have had a major impact on the convenient care market in New Jersey and other parts of the country. In 2019, CityMD, a large urgent care chain in the New York-New Jersey area, merged with Summit Medical Group, a large multi-specialty group practice with headquarters in Secaucus and practices in New Jersey, New York and Oregon. (Summit Medical Group had pursued a strategy of presenting an alternative for physician groups that were considering being acquired by local hospital systems or OptumCare and completed one such deal in Oregon.) The combined provider organization is mostly owned by Warburg Pincus, a private equity investment firm. In March 2021, the merged organization announced new branding, with the medical group now called Summit Health and the urgent care clinics known as "CityMD, A Summit Health Company." Since the merger, CityMD acquired and rebranded urgent care clinics in Ocean County. In 2022, Summit Health acquired Westmed Medical Group, a Westchester County, NY practice with nearly 500 doctors in New York and Connecticut. In the latest development, Village MD, with financing from Walgreens and a CIGNA subsidiary, acquired Summit Health, including the CityMD urgent care clinics, closing in January 2022. As a result, Warburg Pincus exited its investment in Summit Health.

Exhibit 3 shows the number of urgent care clinics operated by the 15 largest organizations in the state. Two companies, CityMD and Riverside/MedExpress, each now have 26 urgent care clinics in New Jersey and are the largest. About a dozen of the Riverside urgent care centers are co-branded with Atlantic Health System, a four-hospital system whose flagship hospital is in Morristown in Morris County. The third largest chain in the state is Concentra, including most of the former US Healthworks clinics. Concentra, which focuses on occupational health, was a unit of Humana between 2011 and 2015. It currently operates more than 500 urgent cares in more than 40 states plus 130 clinics at workplaces. Humana sold Concentra to a joint venture comprised of Select Medical, an operator of specialty hospitals and Welsh Carson Anderson and Stowe, a private equity fund. Two years later, Concentra was combined with U.S. HealthWorks, an operator of occupational healthcare centers. Dignity Health, one the largest nonprofit health systems in the country, was an earlier owner of U.S. Healthworks and continues to own part of the combined entity. These recent deals mean that private equity funds control or have a significant equity interest in two of the largest urgent care clinic operators in New Jersey.

Other larger chains include AFC Doctors Express (18 clinics), AtlantiCare, PM Pediatrics and CompleteCare in Cumberland County, run by a system of federally qualified health centers. Chai Urgent Care is a relatively new entrant, with clinics in New Jersey and New York. In a recent deal, Carbon Health acquired Central Jersey Urgent Care, which operates 10 clinics in the central part of the state. Carbon Health has made several recent acquisitions and now operates more than 90 clinics in 14 states combined with a virtual care platform.

Exhibit 3

Largest Urgent Care Companies in New Jersey, 2015 and 2021

Company	2015	2021
CityMD/Summit	4	26
Riverside/MedExpress	18	26
Concentra/US Healthworks	20	19
AFC Doctors Express	13	19
AtlantiCare*	9	15
CompleteCare	8	11
PM Pediatrics	5	11
Meridian Urgent Care	5	10
Central Jersey	1	10
Valley Medical	7	8
Chai Urgent Care	0	7
ImmediateCare*	2	7
Inspira Urgent Care	5	6
Patient First	6	6
RWJ/Barnabas	4	3
Subtotal	106	180
Other	111	122
TOTAL	217	302

* In March 2022, Atlantic Health announced that it would acquire seven ImmediateCare clinics from CentraState Health.

We divided urgent care clinics into four ownership categories: hospital system, medical group, private equity and other operators. *Exhibit 4* shows that other operators comprise the largest category, with 129 clinics in 2021, including 48 new clinics opened since 2015. Among the companies in this category are AFC (sometimes called American Family Care), which now has 17 urgent cares in New Jersey, mostly in the central and northeast regions of the state, and PM Pediatrics, with 11 clinics in same regions. AFC currently operates 250 clinics in 28 states, and is projecting growth to 500 clinics by 2025, including some to be opened through franchising arrangements. Some chains were started by entrepreneurial physicians who saw an opportunity to serve consumers who valued the walk-in convenience and flexible hours of an urgent care and had no loyalty to a personal doctor or clinic. Medical groups are the second largest ownership category for New Jersey urgent cares,

Exhibit 4

Urgent Care Clinics by Owner Category, 2021

Category	2021	New
Hospital System	59	24
Medical Group	71	13
Private Equity	41	23
Other Operators	131	48
TOTAL	302	108

Hospital systems operate 59 urgent care clinics, about one fifth of the total, and have added 24 clinics since 2015. Some of that expansion has followed the continued consolidation of hospital systems in the state. When we published our research in 2015, major mergers were in the works, including Robert Wood Johnson hospital with Barnabas as well as Hackensack with Meridian. Other mergers and deals have followed, including Hackensack-Meridian acquiring JFK Medical Center in Edison in 2018, and Atlantic Health System adding CentraState Healthcare System in Freehold in 2021. But other deals have been scuttled in the last two years. A planned acquisition of Englewood Hospital in Bergen County by Hackensack Meridian Health was challenged by the Federal Trade Commission and later cancelled. The Robert Wood Johnson and St. Peter hospitals in New Brunswick proposed to merge but cancelled the deal in 2022 after the FTC challenged it.

Hospital systems have expanded their presence with urgent cares to divert unnecessary emergency room visits while extending their geographic reach. Three hospital systems, AtlantiCare in southern New Jersey, Meridian in the central part of the state and Inspira in the south, have the largest number of urgent cares. Meridian has added five new clinics since 2015. Since we updated our data, Englewood Hospital has opened four urgent care clinics in Jersey City, Englewood, Fair Lawn and Cresskill. The two chains with private equity ownership, CityMD/Summit and Concentra, added 23 clinics and now operate 41 in the state.

Exhibit 5 shows that four counties have 20 or more urgent care locations, with Bergen County having the most, at 32. Bergen County saw 14 new clinics open since 2015, and 13 more opened in Ocean County. The new clinics in Bergen County were opened by CityMD (3 clinics), AM/PM Walk-in (2 clinics), AFC Doctors Express, Valley Medical Groups and groups like MedRite.

Exhibit 5

New Urgent Care Clinics Opened in New Jersey Since 2015 by County

County	New Clinics	TOTAL Clinics 2021	Average Household Income (2019)
Atlantic	2	13	$86,110
Bergen	14	32	137,866
Burlington	2	10	113,266
Camden	5	19	94,016
Cape May	0	5	93,847
Cumberland	3	11	72,860
Essex	6	10	103,290
Gloucester	4	10	105,950
Hudson	10	17	103,912
Hunterdon	0	2	115,379
Mercer	4	13	117,651
Middlesex	9	28	112,274
Monmouth	5	20	134,907
Morris	7	17	155,396
Ocean	13	20	93,740
Passaic	7	16	93,352
Somerset	7	17	152,351
Sussex	1	3	116,709
Union	11	22	117,238
Other	1	17	
TOTAL	111	302	
New Jersey			114,691

The exhibit shows average household income in 2019 for each of those counties. The average income ranges from a low of $72,860 in Cumberland County at the southern end of the state, to $155,396 in Morris County, west of Newark. The average household income for New Jersey was $114,691, well above the national average of about $98,000. Of the ten counties with 15 or more urgent care clinics, six of them had average household income that was well above the state average. Camden, Hudson, Middlesex and Passaic Counties have 15 or more urgent care clinics and average income below the state average, although average household income in Hudson and Middlesex is above $100,000.

There are many factors that clinic developers will weigh in selecting sites for new urgent care clinics. Within counties, they usually prefer to locate in zip codes that have higher average household income and where a high percentage of the population has employer-sponsored health benefits. *Exhibit 5* compares the four ownership categories on the average household income by county and by zip code where they have opened new clinics. Our data shows that hospital systems sited their new clinics in zip codes where, on average, household income was 15.5% higher than the county. For example, a new Inspira Health urgent care clinic opened in Westmont (Haddon Township), where the average household income was about $120,000, 35% more than the average household income for Camden County. There were already four other urgent care clinics within a few miles of the new clinic.

In this way, hospital systems can expand their geographic reach and raise their brand identity with target groups. A high percentage of millennials have no ties or loyalty to a physician or clinic or health system. If those patients have a good experience in an urgent care owned by a health system, it is more likely that they will choose the same system when they are expecting their first child or have other needs for health care. Of the 110 new urgent care clinics, 62 were opened in zip codes where average household income was higher than in the county.

Other factors influence siting decisions for urgent care clinics, some of them very similar to the calculations made by developers of retail stores. Strong visibility in a high traffic corridor and with easy parking are desirable. In the last five years, both full-service primary care and specialty clinics and urgent cares have moved into former big box stores or other retail space that has been vacated or as part of new developments. Population density is very important, but urgent care operators (and retailers) will also project ahead, seeking locations in areas where future growth is anticipated. Clinic operators who focus on occupational health will want a location convenient to workplaces. The relatively high number of clinics in Monmouth and Ocean Counties is likely driven by the large number of vacationers visiting there in the summer, far from their usual providers of medical care.

Exhibit 5

Average Household Income for County and Zip Code Location of New Urgent Cares, Based on Ownership Categories

	Average Household Income		
Owner	**By Zip Code**	**By County**	**Difference**
Hospital System	$125,607	$108,778	15.5%
Medical Group	121,234	113,199	7.1%
Private Equity	126,761	121,609	4.2%
Other Operators	114,872	113,524	1.2%

Free-Standing Emergency Rooms

A third category of convenient care is the stand-alone (or satellite or free-standing) emergency department. In states like Florida, Texas and Colorado, dozens of these facilities have opened in recent years, often by local hospital systems partnering with national companies that develop and, in some cases operate the facilities. In those states, the freestanding ERs are part of a broader strategy to expand the geographic reach of hospital systems, sometimes as the first stage of developing a full-service hospital at the site. There are currently only three in New Jersey, all of which were meant to fill the gap left when an acute care hospital was closed in a community. Hackensack Meridian Health operates a satellite emergency department called Ocean Care Center, which opened in 2004 in Point Pleasant (Ocean County), not far from the former Point Pleasant Hospital, which closed in 2001. It is a satellite of Ocean University Medical Center in Brick, a Hackensack Meridian Health hospital. With its acquisition of JFK Health System in 2018, the Hackensack Meridian Health System operates a freestanding emergency department at the site of the former Muhlenberg Regional Medical Center in Plainfield (Union County), which closed in 2008. The AtlantiCare system opened a satellite emergency department in Hammonton (Atlantic County) after Kessler Memorial Hospital closed in 2009.

Impact of COVID-19 Pandemic

One analysis of national data showed that patient visits to urgent care clinics dropped in the first months of the pandemic (March and April 2020), and that their revenues dropped as well. But data from July 2020 shows that patient volume grew rapidly, as testing became more widely available and as the clinics were able to source the personal protective equipment they needed. Experity, a company that provides management software to urgent care operators, found that high patient numbers in the third and fourth quarters of 2020 meant that patient volume for the full year was well above the average for the three previous years. COVID-19-related visits were 55% of all urgent care visits in 2020. It was reported that some clinics saw long lines of people waiting to be tested for the Omicron variant.

At the same time, urgent care centers suffered from the same shortage of staff that affected hospitals and other clinics, and operators in several parts of the country closed their clinics temporarily. For example, CityMD temporarily closed 13 clinics in New York and New Jersey at the end of 2021. Most of since reopened, and CityMD is again adding new locations, including one in Short Hills (Essex County).