

# Urgent Care Use

By Jessica T. Zolotorofe, Ansell Grimm & Aaron, PC



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Writing in the *Mid Atlantic Real Estate Journal*, Attorney Jessica T. Zolotorofe discusses the growth in urgent care walk-in clinics and the impact on the commercial real estate market.

The popularity of urgent care walk-in clinics is on the rise, now offering kiosk or online registration, short wait times, quick in-office test results, and electronic transmission of health records and scripts. There are over seven thousand six hundred urgent care centers operating in the United States, and according to Markets Insider, the profitability of urgent care clinics has increased substantially from \$11.8 billion in revenue in 2011 to more than \$15 billion in 2017.

Given society's appreciation for efficiency and convenience, urgent care centers provide a valuable health-care alternative to primary care physicians and emergency rooms. In addition to speed of service, the evening and weekend hours offered by most urgent care facilities are invaluable to many patients.

"Having young boys, we are not strangers to bumps and bruises. When my son fell off the playground and badly scraped the side of his face on a weekend, the only other choice would have been an all-day trip to the E.R., so we were grateful for the urgent care option," said Allison Muser, mother of two.

Urgent care's appeal is not just to the younger population. According to the U.S. Census Bureau, in the next few decades, all baby boomers will be over the age of

sixty-five, which will expand the size of the older population so that one in every five United States residents will be retirement age. With age often comes the increased need for medical attention and urgent care facilities are now staking their claim to locations near residential areas to account for the rising elderly population.

One of the Country's fastest growing and largest urgent care companies, operating approximately 100 locations throughout the U.S., takes extra care to ensure convenient locations for its patients.

"GoHealth Urgent Care and its health system partners conveniently place centers in retail locations where people work, live and play. We want to ensure that our centers are easily accessible to patients in their local communities," said Elizabeth Corey, GoHealth Associate General Counsel of Real Estate.

As their demand grows, urgent care facilities have become desirable tenants for landlords all over the Country.

## Benefits to landlords

In order to be competitive in the market, urgent care centers are expending significant funds to offer cutting edge, progressive software and equipment, which makes

for a large initial investment in addition to standard build-out costs that might be incurred by another retail tenant. Sometimes structural upgrades are necessary to reinforce floors for weight of files and equipment; x-ray shielding may be required; tenants may have to upgrade the electrical load or ventilation systems for their use; and privacy compliance is an additional cost. As such, urgent care centers often look for longer lease terms to make their investments worthwhile, a substantial benefit to landlords.

“Medical tenants are what we call “internet-resistant” tenants,” said Michael Ambrosi, Chief Operating Officer for ARCTrust III, a private Real Estate Investment Trust. For a landlord, there is comfort in the fact that online sales impacting other retail uses does not affect medical use. While market fluctuation causes some retail tenants to suffer during recessions, there is always a need for medical.

Another attractive feature is that the nature of the use and hours of operation invite considerable foot traffic. Patients who are not feeling well or have sustained an injury are often accompanied by at least one other adult, who may want to do some shopping or grab a cup of coffee while waiting. According to Urgent Care Association of America, urgent care centers report an average of fifty patient care visits per day.

National tenants help any retail center by providing recognizable names, and “there is further value in these deals when the tenants have an association with a hospital or larger group,” said Ambrosi. As with any tenant, though, urgent care does not come without its obstacles.

### **Considerations for landlords**

Because they cater to ill and elderly patients, parking near the facilities is always of significant concern to the urgent care tenant. Many even require reserved parking

within a shopping center to ensure their patients have the ability to park near their entrances. In an existing center with other tenants in place, this can be a difficult demand to meet.

Another landlord concern may be that medical facilities typically finance their equipment, which puts any landlord lien behind the lender, if the lender allows a subordinate lien at all. As a result, in the event of a default by the tenant, the landlord has limited recourse, and may want to require a personal or parent company guaranty.

For further consideration, a Landlord may be limited as to what types of tenants they can put into a center where there is an urgent care facility. The tenant mix is very important to urgent care companies. “We want to be sure the center remains a first-class center with retail and services tenants that serve our customer patients,” said Corey.

Urgent care centers typically prefer strong grocery or pharmacy tenants, but also appreciate first-class food and coffee uses, especially those with quick counter service. “It is also important to keep an eye on changes in the health-care and health insurance industries along with advances in medicine and how they can affect medical tenants,” said Ambrosi.

Finally, HIPA laws and other Federal and State regulatory compliance requirements create hurdles that do not burden most other types of tenants. Landlords must forego their right to inspect certain areas of the leased premises, and sometimes have to provide additional security services to urgent care tenants. Policies must also be put in place to ensure proper medical waste handling and disposal. Notwithstanding some unique obstacles in having an urgent care tenant, landlords seem to be more than willing to invite the use into their shopping centers.

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