

# Cost Controls to Boost Urgent Care Profitability



Left unchecked, medical practice costs can shrink your urgent care center's profit margin. Typically cost management is approached with hesitation, as the main focus is cutting expenses. However, cost management can be an opportunity to streamline operations while increasing efficiency and productivity, with significant savings that can add up quickly.

When you begin to explore the available opportunities to bring costs down in your urgent care center, it's important to first devise a plan. Cutting costs too quickly or without proper reasoning can adversely affect the patient experience, upset the staff and have a negative impact on the business. When identifying areas for cost savings, the starting place is to categorize costs as fixed and variable.

## Fixed Costs

Fixed Costs are costs that are the same each month and they are costs that are necessary to keep your business open, they include; rent/mortgage, utilities, grounds keeping & janitorial, phone & computer services, leases on medical or office equipment, marketing and insurance.

## Variable Costs

Variable costs vary in amount each month and are the costs that you have the most day to day control of. Variable costs fluctuate due to the volume of patients you see in your center. They include; payroll, continuing education, perks and benefits, small medical equipment and consumable medical supplies, laundry, office & printing supplies, janitorial supplies, consultants, and outsourced services.

How you manage and control these costs will be determined by both the size of your practice and how your practice is set up. Traditionally, fixed costs have been viewed as non-controllable (they're locked in by vendor contracts) while variable have been viewed as controllable (they're more recurring or discretionary). However as both costs are directly attached to your urgent care center's revenues and ultimately net profit, you can make strategic decisions about both of them.

## Controlling Fixed Costs

In today's competitive marketplace, you have more opportunity to seek explore different ways of handling fixed costs. While it may not make sense to move your practice, you can re-negotiate existing leases, or even explore leasing un-unused square footage in your clinic to other providers. You can also seek out more competitive quotes on contracted services, equipment leases and insurance coverage.

### **Controlling Variable Costs**

When it's comes to controlling variable costs, you have the biggest opportunity to impact your bottom line. When making decisions about which variable costs to reduce, you have to be careful not to make decisions that negatively impact your practice. When bringing variable costs in-line, you want to make sure that your decisions improve the bottom line and the efficiency and productivity in the practice. Controlling variable costs, requires that you develop knowledge of what is needed in your practice to meet day to day needs.

### **How to Apply Cost Savings to Your Practice**

When making decisions about which areas of your business need cost control measures, you have to know what your business plan and goals are. For instance, it doesn't make sense to move to a smaller location if you plan on expanding the practice and bringing in more providers. Once you are clear on your business plan and goals, it's time to assess all areas of spending and their impact on the practice:

Why does the practice need it?

How does it improve the practice?

What processes or procedures would change without it?

What is involved in changing or removing this item?

Is there an alternative with the same benefits that is more cost effective?

Analyzing what will happen in the practice when you make changes, before making changes, will save you from unnecessary stress and business interruption from not having what you need to make sure that the patient experience is a positive one. Let's look at how to cut three categories of variable costs:

### **Staffing**

One of the hardest areas to apply cost saving measures to can be staffing. Evaluating urgent care staffing can cultivate stress and job anxiety on your team. However, you have to make decisions that are in the best interest of the long term growth and success of the practice. Knowing which positions your practice needs is the simplest way to control staffing costs, assess the job description of each position and make sure it is properly staffed with the correct person. Staffing levels should be tied to average or expected volume and team members should be cross-trained to maximize utilization, particularly during slow seasons or times of day. While it's important to provide staff with long-term career opportunities, annual payraises without increases in responsibility result in staff paid significantly above market averages. Retaining highly paid staff that is not performing at a higher level only decreases the center's labor efficiencies. To avoid paying staff to sit idle during slow periods, also consider applying flex-time and job sharing tactics.

### **Office Supplies**

As more and more urgent care centers move to electronic health records (EHR) and paperless billing, office supplies should decrease accordingly, but this isn't always the case. Many staff may be used to having a hard copy and while this can be useful it can be costly both in the use of office supplies and labor as staff may take longer to perform tasks manually and electronically. When transitioning away from a traditional hard copy office to a paperless office, make sure you provide adequate training to staff on how to go paperless.

### **Medical Supplies**

Medical supplies can cost your practice thousands of dollars each month in unnecessary expenses. While medical supplies are necessary to your practice, you don't have to over stock everything you need, especially items with an expiration date that can become a loss. Your practice can subscribe to a 'just in time' service, that will deliver supplies that your office needs based on expected volume for supplies you don't use very often. For supplies that you use regularly and in bulk, be open to new suppliers who may offer free trials and incentives or consider joining a buying group (group purchasing organization) to take advantage of the lowest prices available.

Taking control of costs needs to be a priority for modern medical practices as rising costs shrink the bottom line. Implementing change, can be hard but the payoff will not only increase profits but ensure that your practice is run efficiently and properly.

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