

Bartering Basics for the Urgent Care Operator

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San Francisco—a city known for its liberal social attitudes, unique architecture, diversity of cultures, and dramatic geography—has influenced the country at large for more than a century and a half. But despite San Francisco's historical importance as an innovation mecca, the city also is strapped with intense regulation, burdensome taxes, and sky-high business operating costs.

On a recent visit to urgent care centers in the Bay Area, I was surprised at first by the consistent mention of barter as a way to control those operating costs. The term “barter” is one you typically don’t hear in urgent care management circles. However, given San Francisco's cultural and economic context, the idea of barter began to make sense to me and raised this question: could barter be used by urgent care centers elsewhere as a way to reduce costs and create new value out of excess capacity? The answer is definitely yes.

How Does Bartering Work?

In simple terms, bartering is a system of exchange in which goods or services are traded directly for other goods and services. Bartering has long occurred as individuals have struck deals with one another—for physicians this has often occurred under the guise of “professional courtesy.” Today you can scroll through Craigslist and find any number of people looking to trade goods and services. And beyond the “classifieds,” an entire industry is emerging to facilitate barter.

San Francisco is home to numerous barter exchanges, such as BizXchange (www.bizx.com) or Bay Bucks (www.bay-bucks.com)—membership organizations that develop networks of businesses, promote the offerings of these member businesses, and administer trade credits that members can “bank” as they trade their own goods or deliver services—credits that they can then spend with businesses of their choice within the network.

There are approximately 500 barter exchanges located throughout North America: two of the largest are IMS (International Monetary Systems) and ITEX (International Trade Exchange). A list of links to the websites of most of these exchanges can be found at www.gigafree.com/barter. Urgent care centers can join such organizations, choose to barter directly with individuals, or both.

Any goods or services that may have value to a prospective trade partner can be bartered. Debbie Lombardi, owner of Barter Business Unlimited of Bristol, Connecticut (www.bbubarter.com), an organization that includes many health care practices as members, describes one scenario: “Imagine going in your garage, and there's your old motorcycle you haven't driven in years. Your daughter has a \$5,000 dental bill, and maybe you're laid off, and you don't have the money and times are tight. You can actually come to us, bring us that old motorcycle, and buy medical credit.”

True North Health Center: A Clinic That Barters

One noteworthy clinic that accepts barter for its services is True North Health Center of Portland, Maine (www.truenorthhealthcenter.org). While not specifically an urgent care center, True North does offer some cash-based clinical support services also offered in many urgent care centers. True North is a member of Hour Exchange Portland, through which some of its patients (either individual or business members) earn credits that they can use for health care by performing services ranging from errand running to accounting, tutoring

to handyman jobs. True North then uses the credits it earns to acquire needed goods and services from any person or business within Hour Exchange's membership network.

Of course, there are restrictions on a health care provider's ability to treat Medicare, Medicaid or privately insured patients without billing the health plan. Therefore, there are limitations on an urgent care center's ability to provide sick or injured visits without cash payment. However, there are other services an urgent care center may offer including immigration, school or job-related physicals, drug testing, flu shots, and travel vaccines that are not subject to the restrictions of government or private payer contracts.

Whether or not individual patients have need for these services, plenty of small businesses do, which is another reason that participation in a barter organization is a logical choice for urgent care centers.

Preserving Cash and Improving Cash Flow

Office equipment, consulting, tax preparation, and a vast array of other needed goods or services that would otherwise be paid for with cash can instead be acquired with trade dollars in any well-established barter organization. This is an obvious benefit to an urgent care center in saving cash and thus improving cash flow. Business managers who used to be limited to outlays of dollars for their purchases literally gain an alternative currency when their businesses join barter networks. Barter opens possibilities previously thought to be cost-prohibitive. A clinic that needs remodeling can acquire the services of interior designers or contractors through barter networks. Using barter to preserve precious dollars, or even to expand or renovate an office without burning cash, can be a godsend to an entrepreneurial venture.

Tax Implications of Barter

Organized barter is a way to increase cash profits, not to avoid or evade taxes. The IRS considers trade dollars the same as cash dollars. Barter organization members are issued a 1099-B for the total of sales for the year, just as if those sales had been for cash. Also, all purchases that would be tax deductible if paid for with cash are also tax deductible if paid for with trade dollars. Since 1984, organized barter networks have been required by the IRS to provide 1099-B reporting, just as banks and brokers do.

Business operators who are concerned about the financial impact of bad debts by clients; who experience significant idle periods such as seasonal fluctuations; who may carry excess inventory; or who wish to engage in marketing campaigns that may ordinarily seem too costly, typically will see significant advantages to barter even when weighed against any tax implications.

Reducing the Need to Discount Fees for Service

When a patient is unable to pay ordinary fees for medical services, urgent care centers frequently apply cash discounts to meet that patient's ability to pay. In organized barter, clinics can mitigate this necessity to discount, as services are typically exchanged based on their full value. Patients who are cash-poor but need a cash-based medical service thus have a new avenue to afford treatment, and correspondingly, clinics can benefit from the varied trades and skills of talented barter partners.

Utilizing Excess Capacity

Blocks of under-utilized time, unneeded equipment or assets, or aging goods that may be difficult to sell or to deploy for financial benefit may all gain welcome new value in the currency of barter. Does the clinic have one more exam table than it has room for? Do the slowest time segments of the week need to become more

productive? Trading the table in the barter exchange, or opening less profitable time blocks to new barter clients can be solutions.

Gaining New Clients – Even More Cash-Paying Clients

Debbie Lombardi of Barter Business Unlimited, whose company has developed a barter health management system entitled BarterCare (www.bartercare.com) that is a model for the use of barter in health care, puts it succinctly: “Barter helps physicians build their practice, because patients come from referrals and word-of-mouth.” Joining a barter organization gains significant new publicity for a medical practice for relatively very limited cost, since new member businesses do not have to pay for a major advertising campaign to be sought out by other members of the barter organization. These new clients will subsequently refer friends and family to the new member business. The resulting increase in community exposure can grow the entire base of clients – meaning not merely barter patients, but also cash clients.

Is it Time for Your Center to Explore Barter?

San Francisco may a hub for the barter economy, but the appeal of barter is increasing all over North America. To find an established barter organization in your vicinity, visit the website of the professional association of the modern trade and barter industry, the International Reciprocal Trade Association (www.irta.org). Add the component of barter to your business – and welcome a dynamic, profitable new dimension to your health care practice.