Six Pathways to Urgent Care Growth
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On an urgent care center's balance sheet, the term "equity" refers to whatever is left of the center’s assets after all of its obligations to employees, vendors, bankers and other "creditors" have been paid. In short, "equity" is what the center's investors "own." And in exchange for their investment, owners expect to receive a “return” in the form of cash generated and distributed from profitable operations as well as the increased value of the business in an eventual sale.

So, how does an urgent care investor increase the value of his or her equity? Consider how the stock market works—currency inflation and interest rates aside—stocks "take off" when there's growth in revenue and profits. Growth explains why some of the most speculative technologies achieve sky-high stock prices while solid, legitimate but "stale" industries lag the charts. Investors don't value stocks based on yesterday’s story but rather, they invest based on what they expect the business will *become* in the future. Investors have to see “growth.”

For urgent care operators, there are generally six pathways to growth:

1) Invest in Marketing

An urgent care center that's ready to treat patients and is contracted with the correct payers but is operating below capacity can't afford to "sit on its hands" waiting for "word of mouth" or repeat visits to materialize. Marketing is an investment in future visits from individuals in the community not currently known to the center. It entails educating the public as to what urgent care is, when it’s appropriate to use urgent care versus the ER and other options, and also raising “top of mind” awareness so patients will recall the center the next time they have a medical need. To spur growth, evaluate your center's total marketing spend, the mix of marketing tactics including Internet, mass media and grassroots promotion, and establish metrics to tie specific advertising campaigns to volume growth. Marketing should never be viewed as an expense to be controlled, but rather, an investment with a return to be optimized.

2) Add Operating Hours

Intuitively, the more hours that an urgent care center is open, the more successful it will be in luring non-acute patients from the emergency room and other providers. Whereas being open 10 to 12 hours a day was once a differentiator for urgent care, it's not uncommon now to see centers open as early as 7 am, as late as 11pm, and in major markets—to even see 24-hour operations. From the standpoint that urgent care is a "consumer business" and restaurants, food/drug/mass retail, and other service outlets are open through the night—it's reasonable that consumers would expect the same on-demand access of their health care providers.

Extending hours, however, can be a risky proposition for the urgent care operator. There must be sufficient new patient volume to cover the incremental staffing costs and whereas a single crew can work a 10 or 12-hour shift—staffing for 14 to 16 hours requires creativity in hiring and scheduling. Part-time employees can be difficult to retain if they desire a full-time position. And there's always the risk that the center won't see any "new" patients due to the hours but will simply spread out across more hours the patients it would have seen anyway. If a center faces capacity issues, spreading out volume may be desirable—but the efficiency of providers and staff will necessarily suffer resulting in less total profitability.

3) Add Providers

Adding provider capacity theoretically improves profitability because of greater patient throughput (revenue) leveraging the center's existing infrastructure (expenses). As with expanding hours, however, the question is whether the volume of new patients that materializes can be attributed to the additional provider and whether that volume is sufficient to offset the incremental staffing costs. The risk is that until the added provider is working near capacity, the efficiency of all providers in the center will be reduced. Also there's the question as to what type of provider is most appropriate to add—a physician or a physician extender—or should the consideration be nurses or technicians who can help a single physician be more productive. To minimize “ramp up” time, best is if a new provider has an existing base of patients he/she can bring to the center. If the center is at capacity, patients are leaving due to long wait times or the sight of a crowded waiting room, staff is stressed to its limit—and it’s the provider who is the bottleneck—then hiring an additional provider may be a pathway to visit growth.

4) Enlarge or Renovate the Existing Facility

When an urgent care center is "bursting at the seams" and the culprit is a shortage of exam rooms, too small of a waiting area, cramped medical stations, or inefficient flow due to a poor layout—the solution may be a major renovation and/or expansion of the existing space. Careful consideration should go into identifying true facility issues—as opposed to provider capacity limitations or dysfunctional processes—as the factor that's limiting growth. And once the facility issues are identified, the center operator needs to understand the incremental visits that will materialize due to shorter wait times or a better patient experience. Spending a lot of money on renovation when such won't affect overall volume is the risk of turning a profitable center into a less profitable center. Also, once the renovation budget approaches the cost of a relocation—the question should be asked "would this center be better off in a new location?"

5) Add New Locations

Adding additional locations is perhaps the most visible way that an urgent care operation grows and although there are some high-profile operations funded by outside capital that have expanded quickly to 15 or more locations—most urgent care providers who add locations do so by "organically" re-investing profits into additional locations at a pace of one center every couple of years. There are many advantages to a multi-site operation that can make it more profitable than a one-off center including: critical mass to deploy a larger marketing budget; scale economies in technology, purchasing and administrative functions like HR, training and finance; leverage with payers; and ability to optimize staffing efficiencies by scheduling providers across centers. But also consider that each additional location will incur a period of financial loss as volume ramps up to break-even levels, that larger organizations become more complex to manage and require a different level of management expertise than a single site, and also that new locations can cannibalize the business of existing centers—not necessarily a bad thing if doing so opens capacity for those centers to grow.

6) Add New Services

Adding new services, beyond the “core” walk-in injury and illness care, can serve one of two purposes:

a) to grow revenue from existing patients—particularly when the services enhance the outcome or experience of the typical urgent care visit. This is called a margin strategy because it increases the return on an existing patient's visit. Examples include flu vaccinations, in-house labs, and dispensing of pre-packaged pharmaceuticals;

b) to bring new patients into the center and leverage existing provider, staff, and facility infrastructure. Examples include occupational medicine, primary care, travel medicine, physical therapy, or even aesthetics, wound care and pain management services.

Key is that any new product undergo a development process that compares the capital investment, fixed and variable costs to revenue potential, provider and staff capability and willingness to deliver the services, as well as demand, pricing, reimbursement, and competition.

Conclusion

Urgent care revenue growth can occur through investing in marketing, extending hours, adding providers, expanding or renovating the facility, adding new locations, or by adding services. While the profitability of an existing urgent care operation can be improved through more effective management and cost controls, ultimately growth in revenue that translates to growth in bottom-line profit is what makes an urgent care center more valuable to its investors.