



# Urgent Care Site Selection

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Urgent Care  
Association  
of America





# Learning Objectives

- Explain the factors that drive urgent care volume including trade area make-up, physical real estate characteristics, and operational delivery as well as volume-limiting factors like marketing, payer contracts, and competition.
- Identify the pros and cons of various types of space including medical office buildings, freestanding/street-facing, shopping center end-cap, and in-line retail.
- Perform an analysis of build-out of existing space versus build-to-suit and owning versus leasing.
- Avoid common site selection pitfalls leading to urgent care failure such as insufficient density, poor visibility, and overspending on build-out.
- Leverage the physical location of the urgent care center as a marketing tool.



# SITE SELECTION FACTORS



# Forecasting Model Components

- Households or Establishments
- Population or Employees
- Demographics or SIC Codes
- Propensity to Utilize Services

- Retail Adjacencies/Draw
- Signage Visibility
- Traffic Counts/Accessibility
- Aesthetics

- Operating Hours
- Medical Providers/Training
- Equipment/Capabilities
- Customer Service

**Density:  
Trade Area Factors**

**Site:  
Real Estate Factors**

**Operations:  
Delivery Factors**

**Marketing:  
Limiting Factors**

- Payer Penetration
- Competition
- Marketing Budget

**Volume Projection**



# Trade Area Drivers of Urgent Care Volume

- Density of Households and Businesses
  - Total count within 3-5 miles or 12-15 minutes.
  - Trade area size/configuration varies by market.
- Demographics of Households and Businesses
  - Consumers who match the profile of conventional urgent care users.
    - Household income, family demographics
  - Employees in industries who require occupational medicine services.
    - Regulatory/compliance needs, injury rates



# Consumer Urgent Care Demographics



**Married Couple with Children Present**



**College Graduate Age 35-54**



**Owner-occupied Single Family Housing**



**Growing Suburbs of Major Metro Areas**

**Member ID**

**HUMANA.**  
Guidance when you need it most [www.humana.com](http://www.humana.com)

**PPO**

Subscriber: <b>JOHN O SAMPLEMEMBER</b>	Coverage Type: <b>ECH</b>	
Group Name: <b>SAMPLEGROUP</b>	Group ID: <b>123456</b>	
Member I.D.	Member Name:	Effective Date
<b>555550667 01</b>	<b>JOHN O SAMPLEMEMBER</b>	<b>01/01/2006</b>
<b>555550667 02</b>	<b>JANE B SAMPLEMEMBER</b>	<b>01/01/2006</b>
<b>555550667 04</b>	<b>JAKE C SAMPLEMEMBER</b>	<b>01/01/2006</b>
<b>555550667 05</b>	<b>WILLIS R SAMPLEMEMBER</b>	<b>01/01/2006</b>

Otc Visit Co-pay	ER Co-pay	Pharmacy Benefit
\$5	\$10	\$5/\$10/\$40/20%

Pharmacists: 1-800-865-8715  
ANSI BIN # 610649  
PCN # 03190000

**Employer-Provided Health Insurance**



**Household Income \$50,000 to \$100,000**



# High-Utilization SIC Codes for Occupational Medicine





# Consumer Demographics Scorecard



## Market Profile

6340 N Beach St, Haltom City, TX, 76137  
Rings: 1, 3, 5 mile radii

Latitude: 32.85859  
Longitude: -97.28982

	1 mile	3 miles	5 miles
<b>Population Summary</b>			
2000 Total Population	14,948	75,485	179,390
2000 Group Quarters	6	782	2,008
2010 Total Population	17,740	103,101	250,096
2015 Total Population	19,458	116,041	280,507
2010-2015 Annual Rate	1.87%	2.39%	2.32%
<b>Household Summary</b>			
2000 Households	5,581	26,378	61,989
2000 Average Household Size	2.68	2.83	2.86
2010 Households	6,615	35,719	86,345

DEMOGRAPHICS*	1 MILE	3 MILE	5 MILE
Population:	17,740	103,101	250,096
Avg. H.H. Income:	\$76,035	\$80,656	\$77,737
Daytime Population:	3,636	29,205	75,170
Median Age:	32.1	32.5	33
% White Collar:	71.1%	65.2%	62.6%

vacant housing units	5.3%	4.0%	3.8%
2010 Housing Units	7,056	37,795	91,631
Owner Occupied Housing Units	51.7%	66.9%	66.5%
Renter Occupied Housing Units	42.0%	27.6%	27.7%
Vacant Housing Units	6.3%	5.5%	5.8%
2015 Housing Units	7,796	42,669	103,091
Owner Occupied Housing Units	50.8%	66.7%	66.5%
Renter Occupied Housing Units	42.7%	27.6%	27.5%
Vacant Housing Units	6.6%	5.7%	6.0%
<b>Median Household Income</b>			
2000	\$54,659	\$55,751	\$52,236
2010	\$67,308	\$71,396	\$68,192
2015	\$75,138	\$78,376	\$76,797
<b>Median Home Value</b>			
2000	\$92,568	\$87,739	\$84,150
2010	\$115,117	\$114,516	\$113,315
2015	\$131,938	\$131,617	\$131,053
<b>Per Capita Income</b>			
2000	\$23,699	\$22,315	\$21,529
2010	\$29,333	\$28,115	\$26,954
2015	\$32,356	\$30,925	\$29,752
<b>Median Age</b>			
2000	30.3	31.2	32.0
2010	32.1	32.5	33.0
2015	32.3	32.6	33.0

## Benchmarks:

### 3-Mile Population Density:

- High: >85,000
- Medium: 45,000 to 85,000
- Low: <45,000

### 3-Mile Median Household Income:

- High: >\$70,000
- Medium: \$55K to \$70K
- Low: <\$55,000

Also consider distribution of income levels.

### Married Households w/Children:

- High: >25%
- Medium: 20 to 25%
- Low: <20

Also consider percent of households age 65+ and percent of unmarried female households w/children present.





# Urgent Care Retail Adjacencies





# Urgent Care Retail Adjacencies



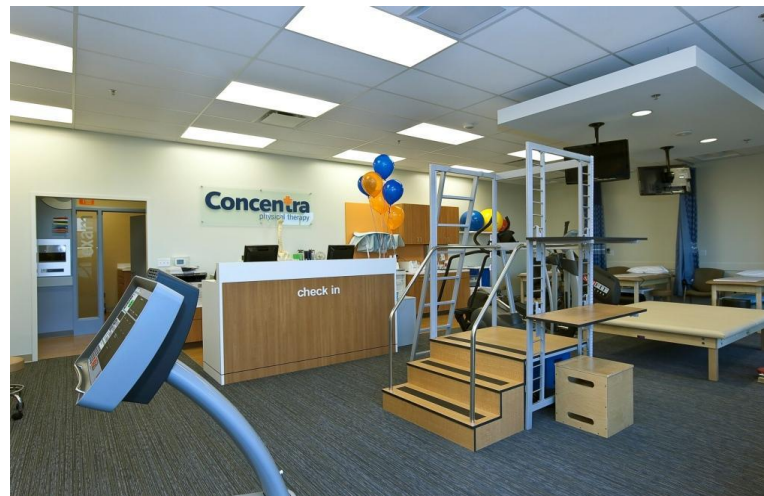


# Traffic Counts and Signage Visibility





# Center Aesthetics





# Real Estate Factors Scorecard

## Traffic Counts:

- High: >50,000
- Medium: 20,000 to 50,000
- Low: <20,000

## Retail Adjacencies:

- High: >3: Kohls, PetSmart, Target, Lowes, BestBuy (or comparable)
- Medium: Chain Supermarket, Big Box Store
- Low: Street Draw, Convenience Services

## Signage Visibility:

- High: Building and Monument/Pylon Highly Visible from Both Directions, Day and Night
- Medium: Building and Monument/Pylon Visible Upon Approach
- Low: Small Sign, Signage Obstructed or Not Noticeable from Street



# Payer Penetration

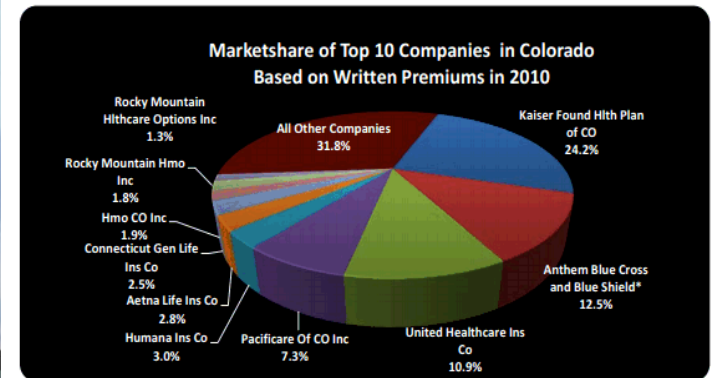


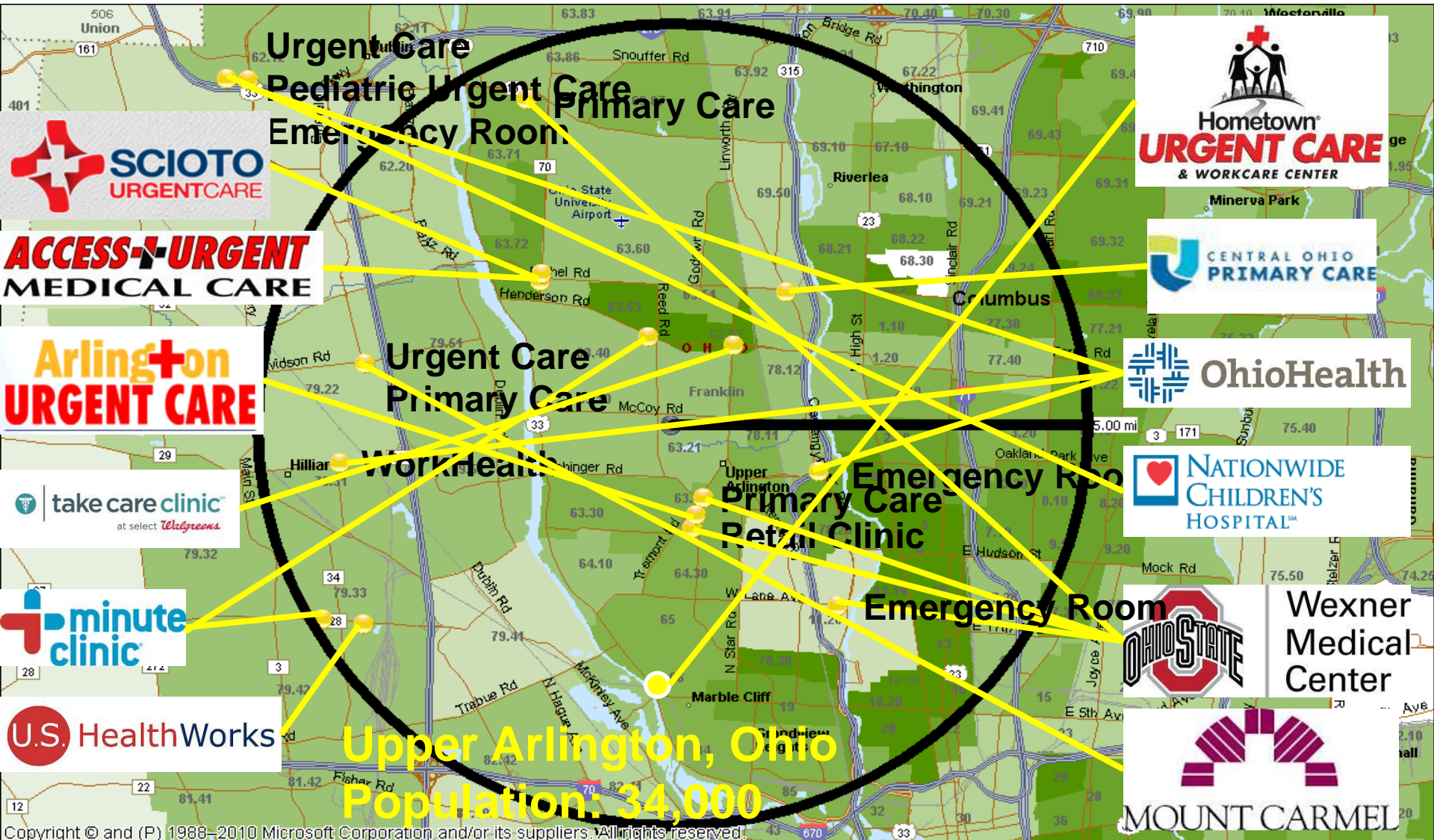
Figure 9: Marketshare of Top 10 Companies in Colorado Based on Written Premiums in 2010

Company	2010 Written Premiums	2010 % of Market Share
Kaiser Found Health Plan of CO	2,404,286	24.2%
Anthem Blue Cross and Blue Shield*	1,240,068	12.5%
UnitedHealthcare Ins Co	1,084,157	10.9%
Pacificare Of CO Inc.	727,762	7.3%
Humana Ins Co	299,981	3.0%
Aetna Life Ins Co	274,023	2.8%
Connecticut Gen Life Ins Co	249,833	2.5%
HMO CO Inc.	187,936	1.9%
Rocky Mountain HMO Inc	177,882	1.8%
Rocky Mountain Healthcare Options Inc.	130,364	1.3%
All Other Companies	3,148,830	31.8%
<b>Total</b>	<b>9,925,122</b>	<b>100.0%</b>

Table 18: Market Share of the Top 10 Health Carriers in Colorado<sup>12</sup>



# Competition: Analysis and Mapping





# Natural and Psychological Barriers

- Political Boundaries (City/County/School District Lines)
- Retail Trade Areas
- Socio-demographic Changes
  - Gentrification
  - Economic and Ethnic Segregation
- Major Freeways, Cross-Streets
- Traffic and Commuting Patterns
- Construction/Changes to Traffic/Commuting Patterns
- Lakes/Rivers, Mountains, Parks, Cemeteries, Golf Courses, etc.





# SIGNAGE VISIBILITY









# Consider Visibility from All Angles





# Day and Night; Street and Sidewalk





# Signage Visibility Enhancements





# TYPES OF AVAILABLE REAL ESTATE





# Benchmarks: Facility Characteristics

- 3,500 to 4,000 sq. ft.
- Parking: 5-6 spaces per 1,000 sq. ft.
- Front office: manager's office, file room, IT closet
- Restrooms accessible from waiting room
- 5 exam rooms; 2 procedure rooms
- X-ray suite
- Centralized medical station
- Trend away from private physician's offices
- Centralized supply room
- Break room (FLSA) and employee restroom
- Utility/cleaning closet, biohazard disposal



# Benchmarks: Location Type and Rents

## Occupancy Costs:

Rent	\$18-24/sq. ft.
CAM (Common Area Maintenance)	\$4-8/sq. ft.
Build-out Cost	\$70-90/sq. ft.

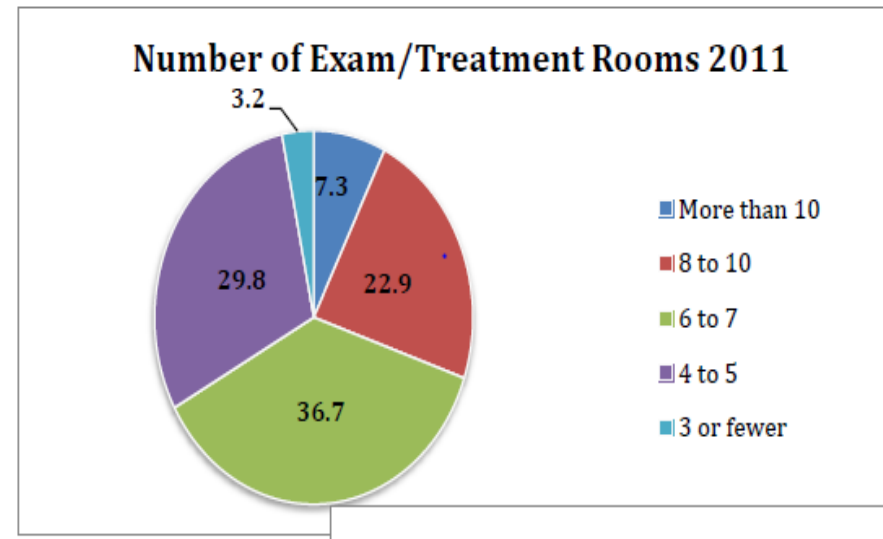
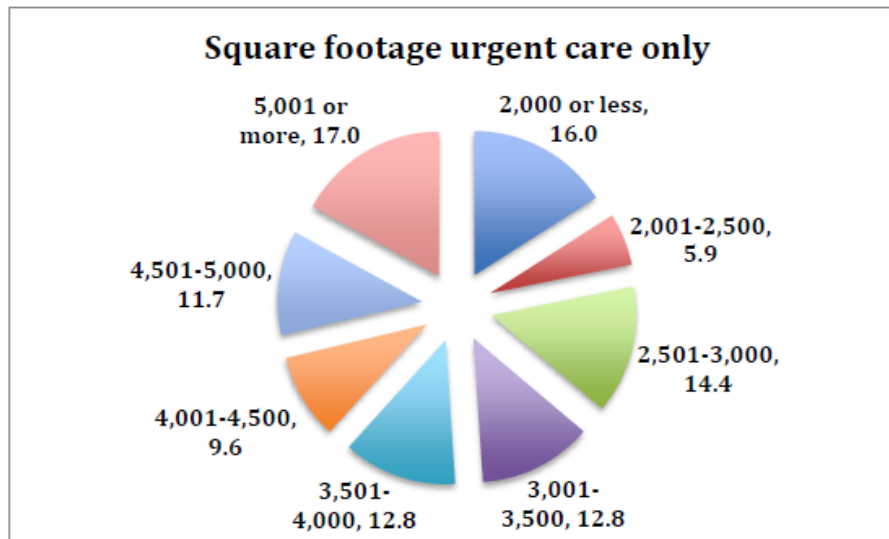
Location Type	2012
Freestanding	36.9
Within Medical Office Building	30.0
Within Shopping Center/Strip Mall	19.4
Within Mixed Use Building	13.4

*Source: Urgent Care Association of America, 2012 Benchmarking Study*



# Benchmarks: Clinic Attributes

- Average of 3,800 sq. ft.
- 6-7 Exam Rooms



*Source: Urgent Care Association of America, 2012 Benchmarking Study*



# Retail Center: Outlot Building



## Cons:

- Project timeline
- Requires available pad site
- Excess square footage, sub-leasing
- High cost of build-to-suit
- High ongoing maintenance cost



## Pros:

- Visual separation from co-tenants
- High visibility of building signage
- Building as a “brand” attribute



# Retail Center: In-Line Strip

## Cons:

- Parking limitations w/other businesses
- Signage visibility from street
- Medical use exceptions



## Pros:

- Parking lot visibility
- Cross-traffic from adjacent retailers
- Shell easy to demise and build-out



# Retail Center: Endcap



Advantages of a freestanding building without the cost.



# Urban Storefront



## Pros:

- Good visibility
- Car and/or foot traffic
- Business and residential adjacencies

## Cons:

- Parking issues
- Size limitations
- Night/weekend volume



# Medical/Dental Professional Building



**Pros:** Cross-referrals to/from other providers, patient traffic, perception of “medical hub”

**Cons:** Parking issues (time of day, close-in), limited signage, branding/service restrictions







# Hospital Multi-Specialty Facility





# Low-Rise Business Park, Industrial Flex-Type Space



## **Pros:**

- Lower rents
- Employment base for occ med

## **Cons:**

- Lower traffic counts
- Absence of urgent care demographics
- Absence of retail draw
- Lower-tier aesthetics



# Office Condominiums



Not Retail—Signage/Visibility Issues



# Ideal Size/Positioning: Hollywood Video





# RED FLAGS: WHAT TO LOOK OUT FOR



# Common Reasons for Center Failure

- Overhead too high due to rental rates, excessive square footage, excessive “nets,” or depreciation on excessive build-out expenses
  - Unlike a hotel or apartment, reimbursement (fee schedule) does not adjust based on real estate
  - Excess costs deplete working capital before break-even is achieved
  - High overhead costs will erode center margin more than it will draw additional patients
  - Center may never be highly profitable



# Common Reasons for Center Failure, cont'd.

- Picking the wrong location
  - Competition
  - Insufficient population density
  - Wrong demographics
  - Visibility/traffic is insufficient to raise awareness



# Second Floor Space



Accessibility issues for injured patients.

Signage visibility challenges.





# Restaurants



Great visibility and ample parking, but expensive demolition of bar and kitchen areas and excessive square footage (w/CAM) at retail rates.



# Lifestyle Center



Designed for entertainment and residences.

Parking issues.

Lack of signage visibility from outside the complex.



# High Vacancy Rates; Empty Box Stores



No catalyst for change.

Limited traffic; poor brand perceptions.

It could be a long time before vacancies are occupied or demolished.



No control over future co-tenants (i.e. flea market, dollar store, night club, etc.).



# First Mover in a New Development



Insufficient population density to support business model.

Inability to sustain operating losses while area grows to critical mass.





# BUSINESS CASE CONSIDERATIONS



# Rent vs. Buy and Shell vs. Build-to-Suit





# Leasing vs. Buying: Leasing

- Triple Net similar expense structure to ownership
  - Maintenance
  - Utilities
  - Taxes
- Tenant improvement allowance offsets capital needs
- Terms of lease agreement
  - Base rent and escalators
  - TI allowance
  - Terms and renewal options
  - Assignment
  - Improvements (lighting, parking signage)
  - Rights of first refusal
- No equity in building
- Little control over co-tenancy
- Hurdles with landlord for maintenance/improvements
- Captive to landlord at renewal



# Leasing vs. Buying: Buying

- Greater capital needs to finance entire project
- Business opportunity for providers or management
- Ongoing maintenance and operating costs
- Capital appreciation
- Tax advantages (depreciation, business expenses)
- Resale value
- Control tenant mix
- Permitting and zoning issues
- Time consuming





# Business Plan Data Points

- Operational Factors:
  - Services Offered
  - Hours of Coverage
  - Provider Staffing
- Consumer Demographics:
  - Population Density
  - Population Growth Rates
  - Average Household Income
  - Family Households w/Children Present
  - Cross-Correlation of Other Factors
- Employment:
  - Employee Density by SIC Code
  - Distribution of Business Size
  - Municipal Accounts
- Traffic Counts (Flow and Drive Time)
- Retail Draw (Retail/Restaurant Adjacencies)
- Insurance / Payer Network Providers and Covered Lives
- Distance to Other Medical Providers
  - Urgent Care Centers
  - Primary Care Offices
  - Specialist Offices
  - Retail Health Clinics
  - Hospital and Freestanding Emergency Rooms
  - Imaging Centers and Labs
- Available Real Estate
  - Visibility & Access
  - Parking
  - Co-Tenants
  - Pad Site vs. Existing Building
  - Buying or Leasing



# Sources of Information

- Google
- State Dept. of Transportation
- City Engineering/Streets Dept.
- Chamber of Commerce
- US Census Bureau
- Mapping Software
- Managed Care Organizations
- Banker
- Attorney
- Accountant
- Architect
- General Contractor



# Contact Information



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