Urgent Care Site Selection

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Disclosure

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• Disclosure of Relevant Financial Relationships
  – I have financial relationships to disclose:
    • Practice Velocity; Salary

• Disclosure of Off-Label and/or investigative Uses
  – I will not discuss off label use and/or investigational use in my presentation.
Objectives

At the conclusion of this session, participants should be able to:

• 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.
Urgent Care

Retail-oriented delivery channel for low-acuity medical services differentiated from the ED and primary care by:

- High-traffic, high visibility locations
- Extended evening and weekend hours
- Walk-in, on-demand convenience
- Short waits with rapid throughput
- Lower cost than the ED
- Customer service emphasis
Saturation of Major Markets

Charleston, SC Population: 127,000 (664,000 in MSA)
Number of Urgent Care Centers: 44
Fast Pace: Focus on Rural Markets

Urgent, Walk-In and Primary Care Services

Find a provider and the care you need at one of our many area locations.

Find the Closest Clinic

- Enter Address...
  - Miiles: 2

Find All Locations

How We Help

Fast Pace Urgent Care is dedicated to providing primary care and urgent care to the communities we serve.

We provide treatments for a wide range of illnesses, injuries, and common conditions, as well as provide a variety of wellness, diagnostic and screening services.

Payment Flexibility

Fast Pace Urgent Care strives to create easier access to convenient and affordable healthcare. We accept most major insurance providers and offer competitive self-pay prices.

Treatment

We offer a wide variety of treatment options that include health screenings and tests, minor injuries, skin conditions, and diagnostics.

Occupational Health

Fast Pace Urgent Care provides much more than urgent care. Take advantage of our broad range of employer services to help keep your business moving forward.

Prevention & Wellness

Fast Pace strives to keep its patients healthy by promoting health and wellness through screenings and tests, routine physicals, and vaccines.

Monitoring & Management

At Fast Pace Urgent Care we are able to help you manage conditions such as acid reflux, asthma, diabetes, blood pressure, cholesterol, and much more.
Site Selection Factors
Forecasting Model Components

- **Density: Trade Area Factors**
  - Households or Establishments
  - Population or Employees
  - Demographics or SIC Codes
  - Propensity to Utilize Services

- **Site: Real Estate Factors**
  - Retail Adjacencies/Draw
  - Signage Visibility
  - Traffic Counts/Accessibility
  - Aesthetics

- **Operations: Delivery Factors**
  - Operating Hours
  - Medical Providers/Training
  - Equipment/Capabilities
  - Customer Service

**Marketing: Limiting Factors**

**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
High-Utilization SIC Codes for Occupational Medicine
Urgent Care Retail Adjacencies
Urgent Care Retail Adjacencies, cont’d.
Traffic Counts and Signage Visibility
Center Aesthetics
Payer Penetration

Colorado Insurance Market Share

- Kaiser, 25.8%
- Anthem BCBS, 14.4%
- UnitedHealthcare, 17.9%
- All Others, 31.0%
- Rocky Mountain Health Plans, 3.3%
- Aetna, 2.3%
- Humana, 2.5%
- Cigna, 3.0%

Source: CO DORA 2012 Annual Health Insurance Report
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
Critical Success Factor: Signage Visibility

• Building/street signage has the same advertising impact as a billboard
• Center’s name should include “urgent care” or clearly connote services provided
• Good signage boosts return of all other marketing investments
Signage Should be Simple, Clear and Relevant
Optimize Space on Monuments and Poles
Day and Night; Street and Sidewalk
Marketing Value of Center Signage
Signage Visibility Enhancements
Municipal Directional Signage
Benchmarks: Clinic Attributes

• Average Square Footage: 3,700
• Average Exam/Procedure Rooms: 7/2
• 80% suburban
• 34% within a shopping center
• 34% freestanding buildings
• 19% medical office buildings

Source: Urgent Care Association of America, 2015 Benchmarking Study
Benchmarks: Location Type and Rents

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

**High Rents Don’t Raise the Bar Significantly in Terms of Visits:**
If the total area leased is 3,200 sq ft, the daily cost would be:

- @ $20 per sq ft rent cost = $177 per day or 1.47 patients per day
- @ $25 per sq ft rent cost = $222 per day or 1.85 patients per day
- @ $30 per sq ft rent cost = $266 per day or 2.21 patients per day
- @ $35 per sq ft rent cost = $311 per day or 2.59 patients per day
- @ $40 per sq ft rent cost = $355 per day or 2.96 patients per day

based on a $120 reimbursement
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

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

**Cons:**
- Parking limitations w/other businesses
- Signage visibility from street
- Medical use exceptions
Retail Center: Endcap

Advantages of a freestanding building without the cost.
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
Ideal Size/Positioning: Hollywood Video
Bank Branches
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
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
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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Appendix
Urban Storefront

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

**Cons:**
- Parking issues
- Size limitations
- Night/weekend volume
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
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 residential.
- Parking issues.
- Lack of signage visibility from outside the complex.
- High retail rents.
Office Condominiums
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.