

Practice Management

Boosting Revenue by Working Harder—or Smarter?

Urgent message: With careful consideration and disciplined planning, ancillary services can add to your bottom line without significantly adding to your workload.

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“It was the best of times, it was the worst of times....”

Could Charles Dickens’ discourse provide a better depiction of the urgent care business today? Unprecedented growth in recent years proves the value of a healthcare delivery model like urgent care, based on consumer needs for affordability and convenience.

But urgent care is not immune from challenges facing every other medical provider—e.g., declining third-party reimbursement and rising operating expenses.

Falling margins leave providers with just two options—to work harder or to work smarter.

As you well know, urgent care providers are already working hard, seeing more patients per hour than ever and working longer hours to maintain their incomes.

Working *smarter* involves diversifying income streams with high-margin services beyond the core business of walk-in care for illness and injury.

It sounds easy enough, but successful implementation requires careful consideration and disciplined planning.



Lessons from the Retail Industry

Wal-Mart and Nordstrom are both profitable companies, but they attain their profitability in very different ways.

Wal-Mart and other mass retailers focus on volume; their profit is mere pennies on the dollar but they know that low prices will sell more merchandise, resulting in a higher net income.

A challenge for urgent care is that when third-party payors set prices for medical services and offer network participation on “take it or leave it” terms, a provider must lower his or her operating

costs to remain profitable.

Because most costs in urgent care are fixed, the provider can be forced into a volume strategy of seeing more patients and working longer hours.

By contrast, Nordstrom and other specialty retailers focus on margin—limiting their appeal to a segment of consumers willing to pay more for personalized attention and unique merchandise. Nordstrom serves fewer customers than Wal-Mart, but makes more money on each sale.

Likewise, urgent care providers who add high-

margin ancillary services can make more money by serving fewer patients.

A Structured and Disciplined Approach

All too often, entrepreneurial physicians succumb to a sales presentation to buy the latest and greatest equipment without a fully developed business case, only to be disappointed by a lack of volume.

Similarly, the decision to diversify revenue through ancillary services cannot be made by emotion; rather, it requires a structured and disciplined approach that includes understanding consumer needs and expectations; analysis of financial, legal, and operational implications; and a plan to execute and measure success.

Brainstorm

The best first step is a brainstorming session. Write down all of the potential services that could be offered in an urgent care setting (some examples are provided in **Table 1**). Be creative, drawing from needs expressed by your patients and what you’ve seen done elsewhere.

At this point, nothing should be off limits—do not exclude opportunities because of financing, training, or facility constraints. Those will be addressed later.

When it is time to evaluate your list of ideas, ask yourself whether each opportunity is consistent with your interests, strategy, or values. If you don’t have a good “gut feeling” about an opportunity, strike it from the list.

Demand

The next step is to evaluate demand.

Demand for any service derives from consumer needs and desires. Before a retailer adds any product to its stores, it asks basic questions such as:

- Is this a product consumers want?
- How much will consumers pay?

TABLE 1.
Common Ancillary Services in Urgent Care

Primary care
Imaging services
Laboratory services
Physical therapy and rehabilitation
Occupational medicine services
Sports medicine services
Diabetes and weight management
Wellness centers
Retail product sales
Anti-aging services
Aesthetic laser and medical spa services
Anti-addiction and psychotherapy services
Immigration medical services
Medical review and expert testimony
Travel medicine services
Pain management services
Medical discount card programs

■ Will consumers buy this product from me instead of from my competitors?

The same questions should be asked of an urgent care provider when considering ancillary services.

For example, a provider interested in adding “medical spa” offerings such as treatment of facial lines and laser hair removal should first understand the target market (what is their age, where do they live, how much disposable income do they have...?), as well as the intrinsic and social needs that drive those people to improve their appearance.

In the case of these services, the provider may find that the market is largely female, middle income, single or divorced, and driven by a perceived need to “ex-

extend youth,” boost their self-esteem, and become more appealing to the opposite sex.

Now, ask yourself this: Is this a market already served in your urgent care center, or would it be a new market you would have to attract? Selling additional products and services to existing customers is generally a more successful and less expensive strategy than marketing to an entire new group of consumers, particularly if the service is in response to an unmet need you know and understand.

Supply

After analyzing demand, it’s important to consider supply.

To continue our medical spa example, competitive analysis may uncover a host of providers at different price points, including dermatology and plastic surgery physician offices, day spas and destination resorts with nurses on site, and, in some states, podiatry and dental offices.

Low barriers to entry, such as vendor financing and weekend training, have made it easy for a variety of professionals to offer these services. As you identify competitors, ask how their facilities and other ameni-

ties compare to yours. Are they meeting consumer expectations?

If the consumers you're trying to reach expect to receive medical spa services at an upscale facility with a full range of beauty products, it may be necessary to invest in fixtures and renovations to create an atmosphere more reminiscent of a "spa experience"—as some urgent care centers that successfully offer aesthetic serv-

ices have done. Otherwise, your market could be limited to price-conscious consumers who don't care about frills, and to compete you'd have to adopt a volume strategy by offering the lowest price.

Adding ancillary services is more than purchasing equipment, being trained, and running an ad, however. A thorough understanding of consumer expectations and local competition is required.

Low barriers to entry and high competition almost always necessitate a volume strategy. To attain high margins, a practice needs to offer something unique, which may be as simple as added convenience to existing customers.

The higher the initial investment to get started or the presence of regulatory hurdles that limit the number of providers in an area, the more able a practice will be to capture and defend high margins.

Business Plan Development

Once a plausible opportunity has been identified, a business case should be developed that documents expected revenues, projected expenses, and any impact on existing operations.

Projected revenue should include future trends in pricing and demand. Expenses should include capital expenditures for equipment, facility enhancements, staff training, and start-up marketing campaigns.

These data are used to create pro-forma financial statements and will demonstrate future effects on productivity and cash flow. As with starting a new urgent care center, losses should be expected until volume is sufficient to achieve profitability.

Five Question to Consider When Evaluating the Wisdom of Offering Ancillary Services

1. Are the services medically appropriate and consistent with good patient care?
2. Is there consumer demand or a community need for the service?
3. Do medical personnel have the appropriate training, skill, and professional competence to administer the service?
4. Will consumers utilize an urgent care center for the service and will changes be required to existing operations and facilities?
5. Will the service be provided in compliance with applicable laws and standards?

In addition to the pro-forma, you should create a formal business plan that evaluates competition, legal and regulatory hurdles (including Stark Laws, Medicare regulations and state/local restrictions), marketing plans, and integration with current operational processes and systems.

While many people treat the business plan as a formality to attain financing, when done correctly it assures that all of the re-

quired analysis has taken place prior to investing.

Short cuts, such as applying someone else's business plan, can often lead to disastrous results because what is true of one market, location, or provider may not be true of another.

In fact, if the business planning process is followed correctly, many times the final decision will be to *not* proceed with a project.

There are many great examples of urgent care practices that have successfully implemented the services in **Table 1** and increased their bottom lines while better serving their patients.

A structured and disciplined approach to identifying, evaluating, and planning ancillary efforts can assure that your revenue diversification efforts result in the "best of times" and not the "worst." ■

TAKE-HOME POINTS

- "Working smarter" involves diversifying income streams with high-margin services.
- Brainstorm fresh ideas and "borrow" good ideas that have been successful elsewhere.
- Give due consideration to the basic economic principles of supply and demand.
- Create a business plan with a sense of purpose, not simply as an exercise or a task to be completed.
- Careful analysis may lead you to conclude that a given service is not a good fit for your practice.