



Are You Chasing Profitable Growth, or Just Growth?

■ HEATHER REAL

With today's urgent care operators challenged with increasing expenses and stagnant reimbursements, many thoughtful entrepreneurs turn to ancillary services to drive more revenue into their business. These offerings are numerous and varying in nature. When determining if and what to add to an urgent care business, you'll need to ask some crucial questions:

- Is this something that members of your community need and will use?
- How much capital investment will be required and how much will it add to operating expenses?
- What is the revenue potential?
- When weighed against costs, is there a positive impact on EBITDA?

As the competition for patient loyalty heats up, many operators are looking for ways to stand out. Some ways of going about this are rooted in the core services of urgent care, such as higher-level, on-site laboratory capabilities or advanced imaging, like CT scan or ultrasound.

While there is certainly an upside to offering these services "in-house" rather than referring these valuable services out to the hospital or another business, it is important to understand the profit potential for these services.

This exercise should include considerations such as upfront procurement costs (supplies, equipment, etc.), staff training/certifications requirements, facility readiness, initial and ongoing marketing, maintenance, and other costs that aren't already part of the center's operating expenses.

Once capital investment has been determined, you'll need to determine who might pay for these services. Will it be individuals that pay with cash, payers through reimbursements on submitted claims, or a combination of both?



If you'll be relying on insurance to pick up the tab, go to the payers first to ensure the service in question is covered under the existing contracts. Sometimes there will be limitations on what services will be covered by a payer; largely, services need to align with the general scope of the contract type.

For example, it may be unrealistic to expect you'll be reimbursed for claims submitted for behavioral health services under your urgent care contracts.

Largely, services that are already aligned with the urgent care operations, such as additional labs and imaging, are reimbursable under the payer contracts. That said, you'll still want to perform further diligence before proceeding.

It is also important to understand how and how much a payer will reimburse for services offered. If you have fee-for-service agreements, check the allowable rates on your fee schedules for the CPT codes you'll be submitting; will this reimburse enough to cover the cost of the service?

An example here might be lab tests that offer quantitative results rather than qualitative results; however, the quan-



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titative tests cost more to purchase and the reimbursement for the test may not increase enough to account for the difference. In this case, you may have increased costs to deliver similar, if not the same medical services, only to reduce or erase your profit margin on the service provided.

In the event you have a case-rate contract with a payer, it is even more important to understand the revenue potential against the cost of services delivered. Before proceeding with adding additional diagnostic tools, determine if your contract will allow for additional reimbursements for these services. You don’t want to find out too late that a visit with ultrasound services rendered reimburses at the same case rate as the visit for an earache.

The same exercise applies with cash services. Popular add-on services in the urgent care setting are those that require repeat visits/supplies for optimal consumer experience. These might include weight loss, supplements/IV infusions, or aesthetics, to name a few. In these cases, you set the costs, making it easy to ensure a profit margin on each product/service transaction.

The homework here is determining whether there is a significant cross-section between the patients utilizing the core urgent care services and the potential ancillary services. Will you be able to use your reputation for one service to drive the other? How will you need to maximize your marketing strategies to get the most influence per dollar? And will these services be adopted by a large-enough consumer group to meet the profitability goals of the endeavor?

Looking ahead, any services you are considering adding to your urgent care should be just as consistent and resilient as urgent care services themselves. In the event of a recession, even a small one, consumers close the purse strings a little tighter. Expenditures on the “extras” may be limited or cut, depending on how much the household income is impacted.

This is where ancillaries like aesthetics and nonmedical IV therapies may suffer. Will your business be able to withstand a period of low (or no) adoption of these services? Will it make sense to continue to offer them, even at a loss, to ensure you can offer them when your loyal cus-

tomers return with the improved economy?

The more “recession-proof” services that align well with urgent care are those that are necessary, regardless of the economic climate. This includes like-kind urgent care services, such as labs and imaging, as well as anything that falls in the realm of occupational medicine.

There will still be a need for employer-paid services, workers’ compensation services, DOT physicals, etc. These offerings are certainly not as glamorous as Botox and energy-enhancing vitamin infusions, but they aren’t likely to get cut out of business budgets as easily as vanity services are crossed out of household budgets.

If you’ve already built a healthy occupational medicine business and are looking to add more, other routes such as physical therapy or even developing employer injury-prevention programs may be the most relevant next stage of your business expansion. While more durable than other ancillary services, it is still important to understand the actual profitability of such programs before investing extensive amounts of time and money into the new offering.

Whatever you do to build, expand, and improve your urgent care business, be sure you have a clear pathway to success. By understanding the true costs, the revenue potential, and patient/consumer behaviors, you’ll be sure to build a model that boosts your business and your bottom line. ■

Consider Incremental Labor Function and Cost of Ancillary Services

Incremental services often incur incremental staffing. The hindrance is that staffing is the greatest cost in urgent care, meaning profitable urgent care operations leverage more revenue (patient visits) across existing staff.

The problem with adding labor is that unless new services cover the labor cost, the added labor dilutes the efficiency of the existing team. Additionally, the incremental labor is often specialized.

For instance, vitamin-infusion services (even if they generate \$150 cash per treatment) may require adding a registered nurse at 2 to 3 times the hourly rate of a medical assistant. How will that RN be utilized when not administering infusions? Until there’s sufficient volume in infusions to keep the RN busy all day, it’s likely that RN will be working as a very expensive MA.

The same could be said of laboratory technicians, medical sonographers, licensed mental health counsellors, physical therapists, and others hired specifically to support an ancillary service.