

Growing Profitable Revenues in a Maturing Urgent Care Industry

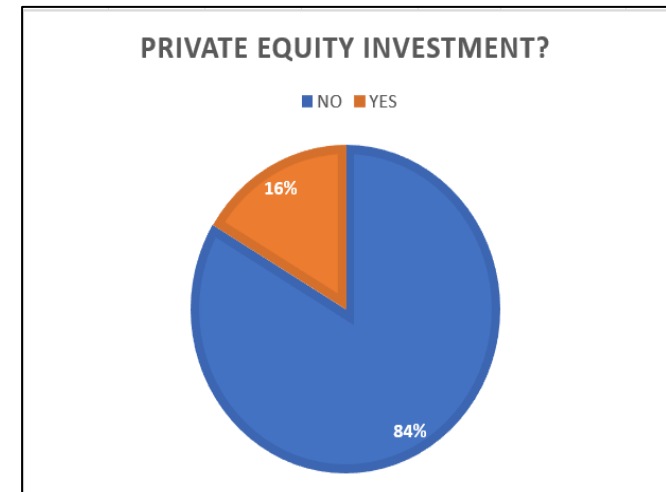
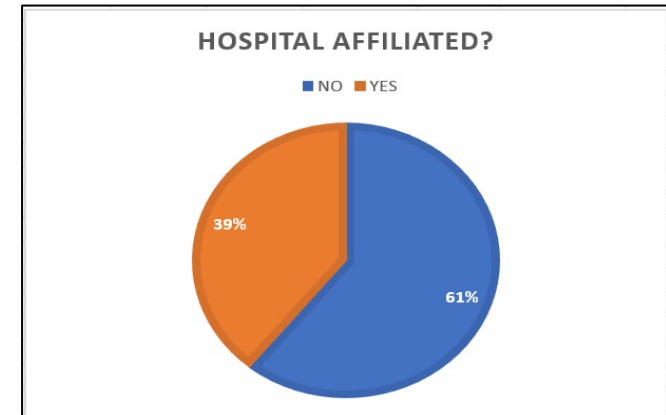
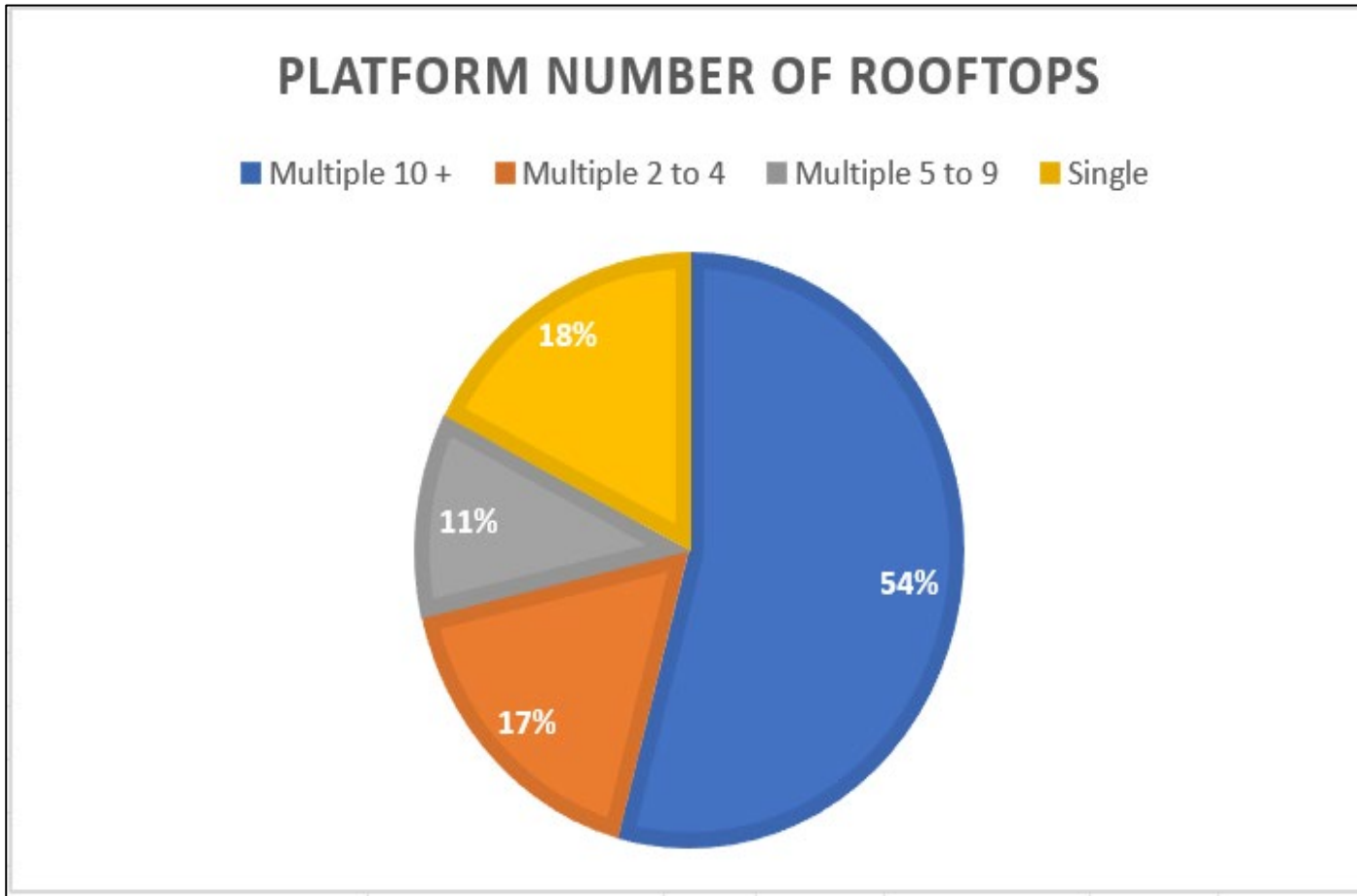
Presented by



Alan Ayers

President
Urgent Care Consultants

14,360 Urgent Care Centers in the United States



Source: National Urgent Care Realty, 6/26/2024

Urgent Care Investors Expect Revenue Growth

New Patients:

- Millions “new” introduced to urgent care during pandemic
- New populations (esp. pediatrics, rural)

New Payers:

- Medicaid privatization and expansion
- Cost savings from Medicaid ER diversion
- Rural Health Center designation

New Services:

- Primary care and specialist integration
- Set-up for value-based care innovation
- Ancillary services not relevant to the UC presentation

New Rooftops:

- Continued de novo growth (enterprise)
- Continued start-ups (independents)
- Need to relocate first generation centers

New Geographies:

- Rural and urban fill-in
- Changing traffic patterns and trade area definitions

2024 YTD Urgent Care De Novo Growth

- 543 De Novos YTD in 2024 vs 710 in 2023.
- 2024 YTD De Novos are down 24% vs. 2023.
- De Novos Net of Closures are 24 in 2024 vs. 139 in 2023.
- 2024 YTD De Novos Net of Closures are down 83% vs. 2023.

2024	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	2024 YTD Denovos	YTD CLOSURES	DE NOVOS NET OF CLOSURES	
Limited UC	19	35	37	32	30	24	63	29	27	296	284		
Pediatric UC	0	4	2	2	6	1	2	3	2	22	21		
Traditional UC	29	42	19	20	18	16	41	19	21	225	214		
										TOTAL	543	519	24
										CHANGE VS. 2023	-24%	-9%	-83%
2023	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	2023 YTD Denovos	YTD CLOSURES	DE NOVOS NET OF CLOSURES	
Limited UC	53	42	49	36	40	30	35	35	30	350			
Pediatric UC	2	3	5	4	6	2	4	8	3	37			
Traditional UC	50	33	57	48	25	23	45	22	20	323			
										TOTAL	710	571	139

Source: National Urgent Care Realty, 9/30/2024

Rooftop Growth: First Generation Struggles, Rural Growth Leads

Changing retail trade areas and market saturation threaten first generation providers:

- Up to 1/4 of first-generation urgent care centers could be considered for relocation
- Understanding population growth patterns and shifts in traffic patterns and retail trade areas to add or relocate centers
- Increasing need to flank, intercept, box in, and/or out-position competition

Rural urgent care is adding rooftops 40% faster than suburban while urban growth lags.

	Avg Trade Area Population	Percent of Centers		2024 De Novo Rate*
		National	2024 De Novos	
Rural	27,209	17%	26%	10.0%
RuralADJ	41,881	14%	13%	6.0%
Suburban	73,058	17%	16%	6.2%
Suburban Light	95,386	23%	19%	5.5%
Ultra Urban	155,477	15%	13%	5.6%
Urban	105,557	13%	13%	6.5%
		*Annualized, National Avg: 6.6%		

1/1 – 6/30/2024 National Urgent Care Realty Data

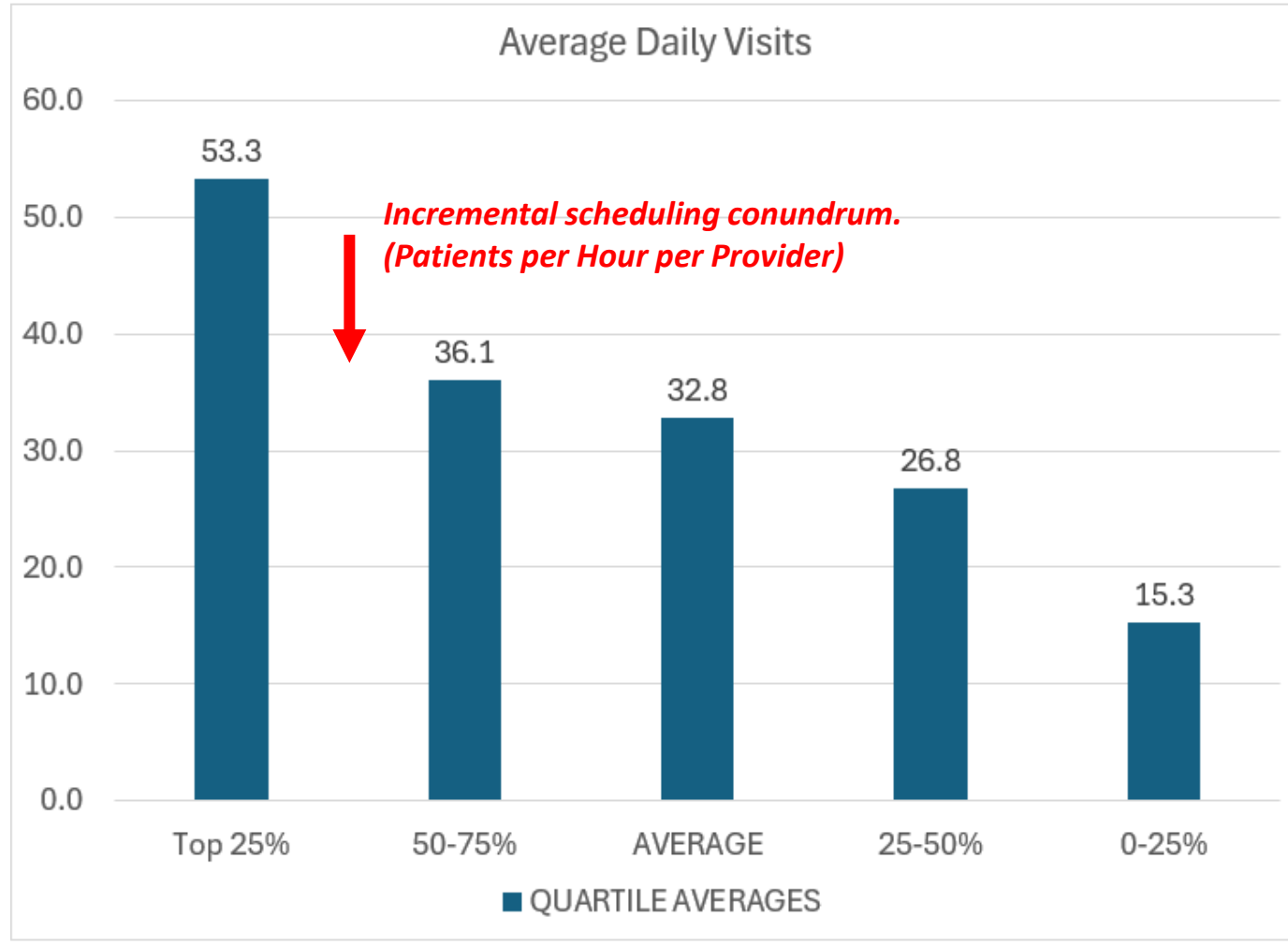
Growing Revenues Without Growing
Profits is Simply Working Harder,
Not Smarter

Basic Economics of Urgent Care

- Revenue = Volume x Rate
- Rate is limited by third-party payers
- Labor entails 75-85% of expenses making skeletal labor a “fixed” cost
- “Volume-driven” means once fixed costs are covered, each additional visit accrues to the bottom line
- Profitability comes from maximizing provider and staff efficiency (patients per hour)
- Greatest unreported cost is unused labor capacity



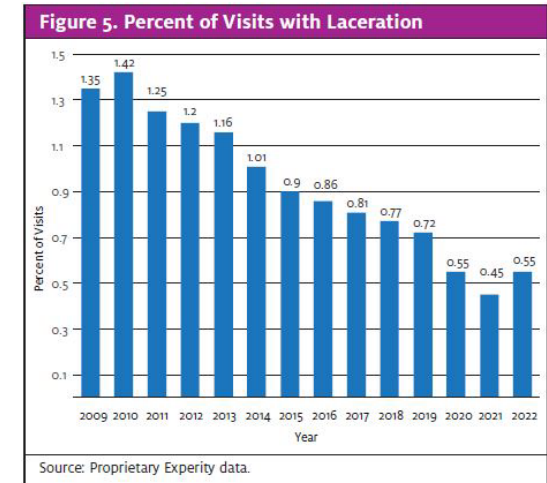
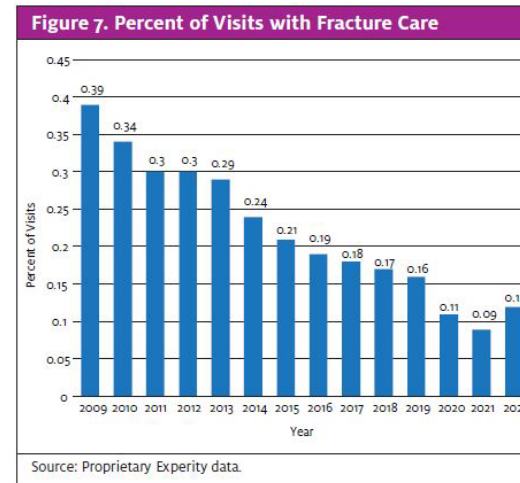
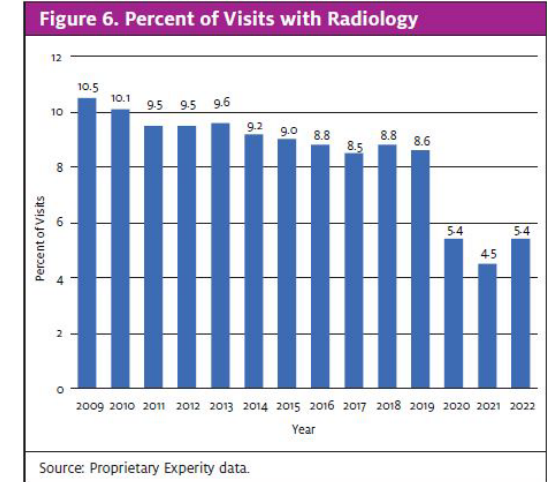
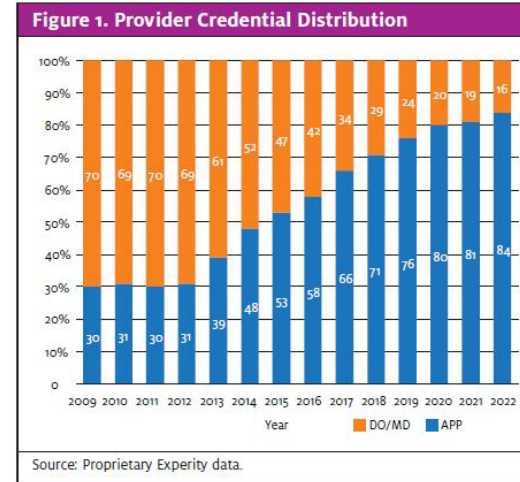
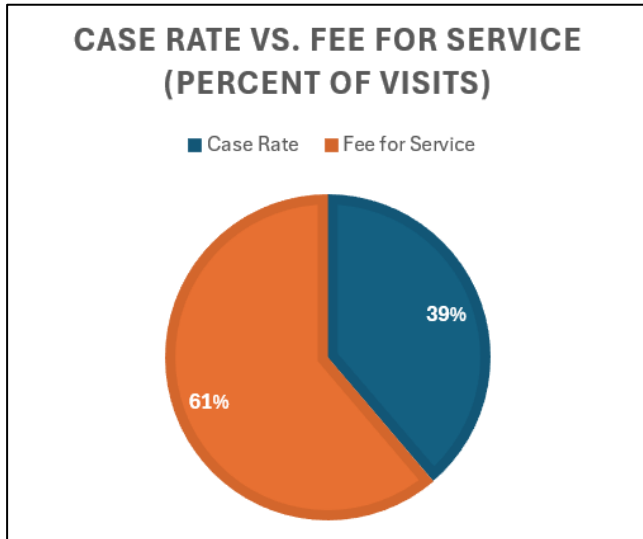
Surplus (Unutilized) Provider Capacity is the #1 Expense of Urgent Care Centers



Case Rate Reimbursement and Acuity Degradation

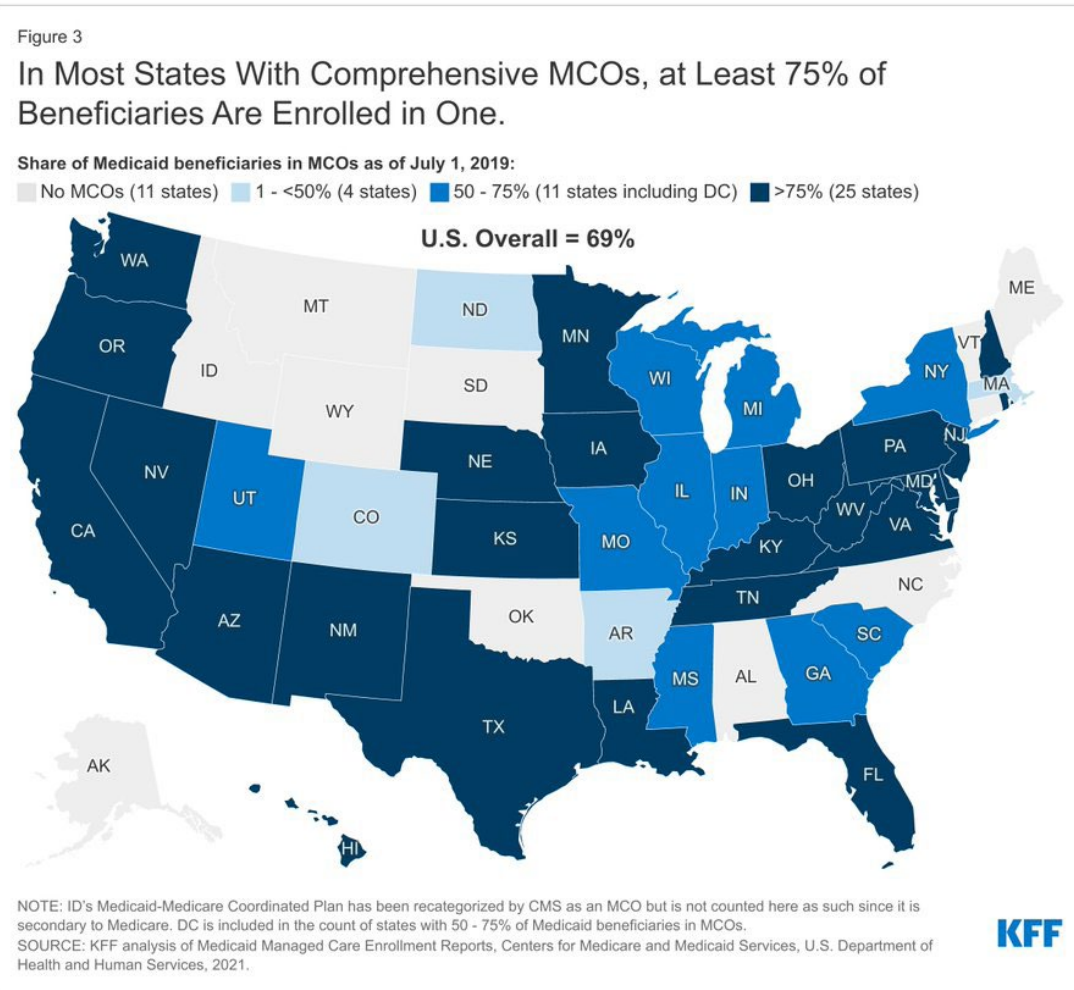
Insurance case rates and a focus on patient-per-hour productivity have degraded the scope of care offered and diminished the value proposition of “cost savings vs. the ER.”

Case rate payers range from <15% to >75% of covered lives depending on a state’s payer landscape, center payer mix, center place of service, age of contracts, etc.



New Patients: Latinos Account 70% of U.S. Population Growth

Medicaid Expansion and Privatization:



- By 2060, the US Hispanic population will reach 111M or 28% of the total.
- In 2023, 58.5% of Latino children were covered by Medicaid and 19% of the US Hispanic population was uninsured.

COST OF AN AVERAGE E.R. VISIT IS OVER \$1,200 IN NORTHERN VIRGINIA!



WOODBRIDGE
4565 Daisy Reid Avenue
(Prince William Pkwy, West of Old Bridge Rd.)
Woodbridge, VA 22192
phone: 571-297-1414

FOR A LIMITED TIME ONLY

\$99 TO BE TREATED AT OUR BRAND NEW URGENT CARE!

- Fever and Sore Throat
- Rashes, Scrapes and Cuts
- Sprains and Strains
- Seasonal Allergies
- Lab and X-Ray On-site

RESERVE YOUR SPOT AT VELOCITYUC.COM

Offer cannot be used with insurance or govt payer. Payment in full required at time of service. Lab tests and medication may be extra. Offer expires August 31, 2019. Valid only in Woodbridge, Virginia. Other restrictions may apply.

EL COSTO DE UNA VISITA PROMEDIO A LA SALA DE EMERGENCIAS EN EL NORTE DE VERGINIA ES MÁS DE \$1,200!



WOODBRIDGE
4565 Daisy Reid Avenue
(Prince William Pkwy, al Oeste de Old Bridge Rd.)
Woodbridge, VA 22192
teléfono: 571-297-1414

POR UN TIEMPO LIMITADO POR SÓLO
\$99 USTED PUEDE SER EVALUADO EN NUESTRO CENTRO DE URGENCIAS!

- Fiebre y Dolor de Garganta
- Irritaciones, Raspones y Cortadas
- Esguinces y Torceduras
- Alergias Estacionales
- Laboratorio y Rayos X En Sitio

VELOCITYUC.COM

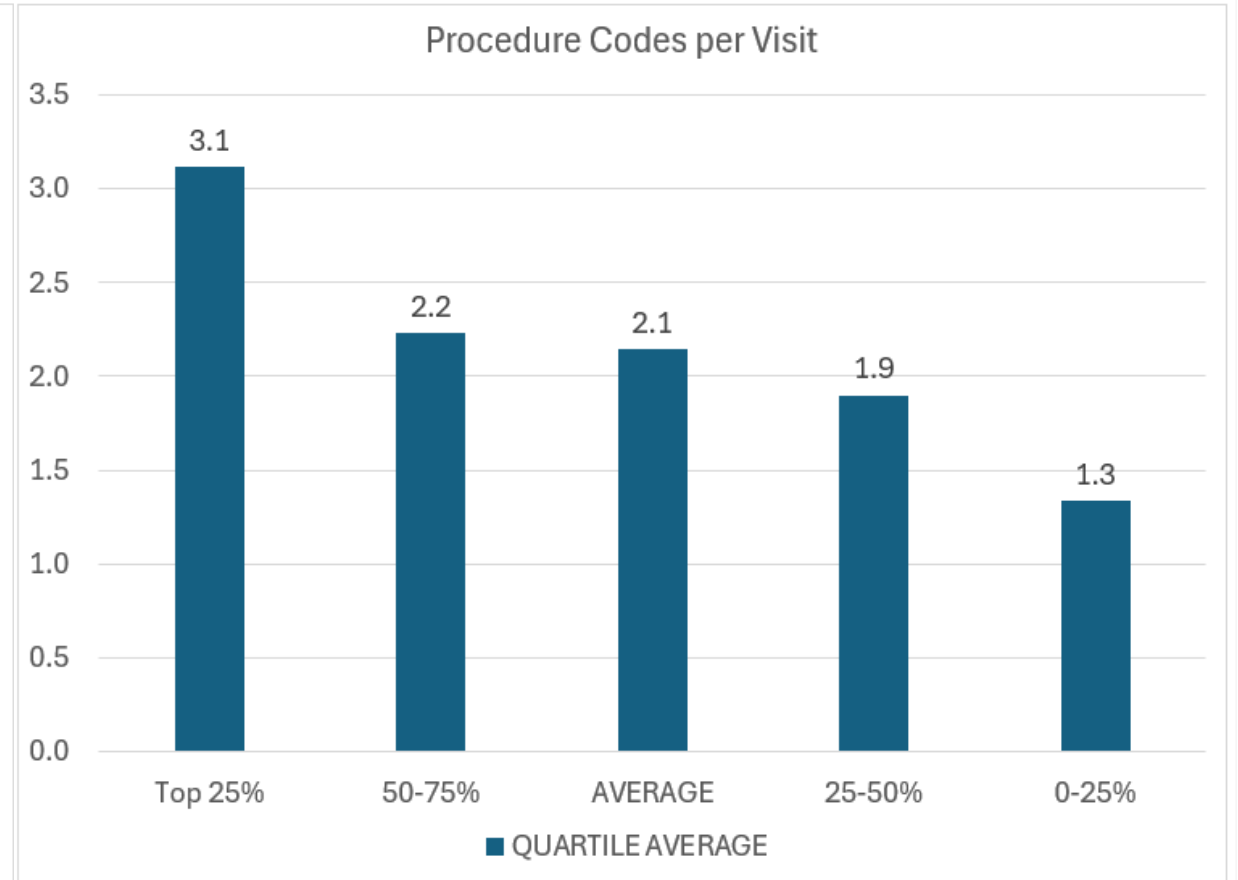
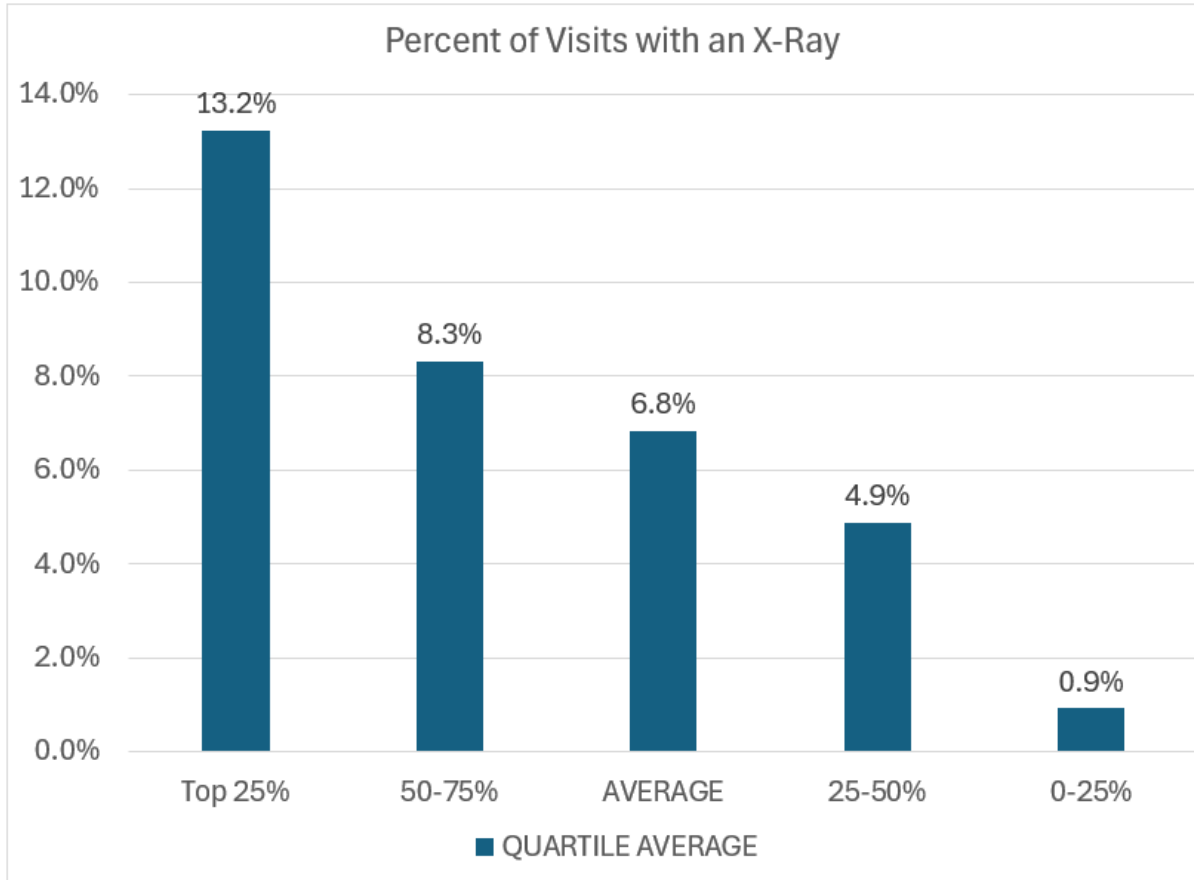
La oferta no se puede combinar con seguro de gastos médicos o pagos del gobierno. Se requiere pago completo inmediatamente al aceptar el servicio. Estudios de laboratorio y medicinas podrían tener un costo extra. La oferta es válida hasta Agosto 31, 2019. Válido únicamente en Woodbridge, Virginia. Aplican otras restricciones.

Executing Well in the Urgent Care Business

Maintaining Full Urgent Care Capabilities and Hours

- Augmented urgent care with COVID testing vs. redefining as high-throughput test-and-treat
- Continued to treat higher acuity, procedures, ortho
- Found ways to remain fully staffed and assure x-ray was always available
 - Took a team approach to staffing
 - Providers doing their own MA work (intake, vitals, rapid testing)
 - Cross-training between front and back
- COVID testing built occ med employer relationships
- Grassroots marketing vs. sole reliance on digital

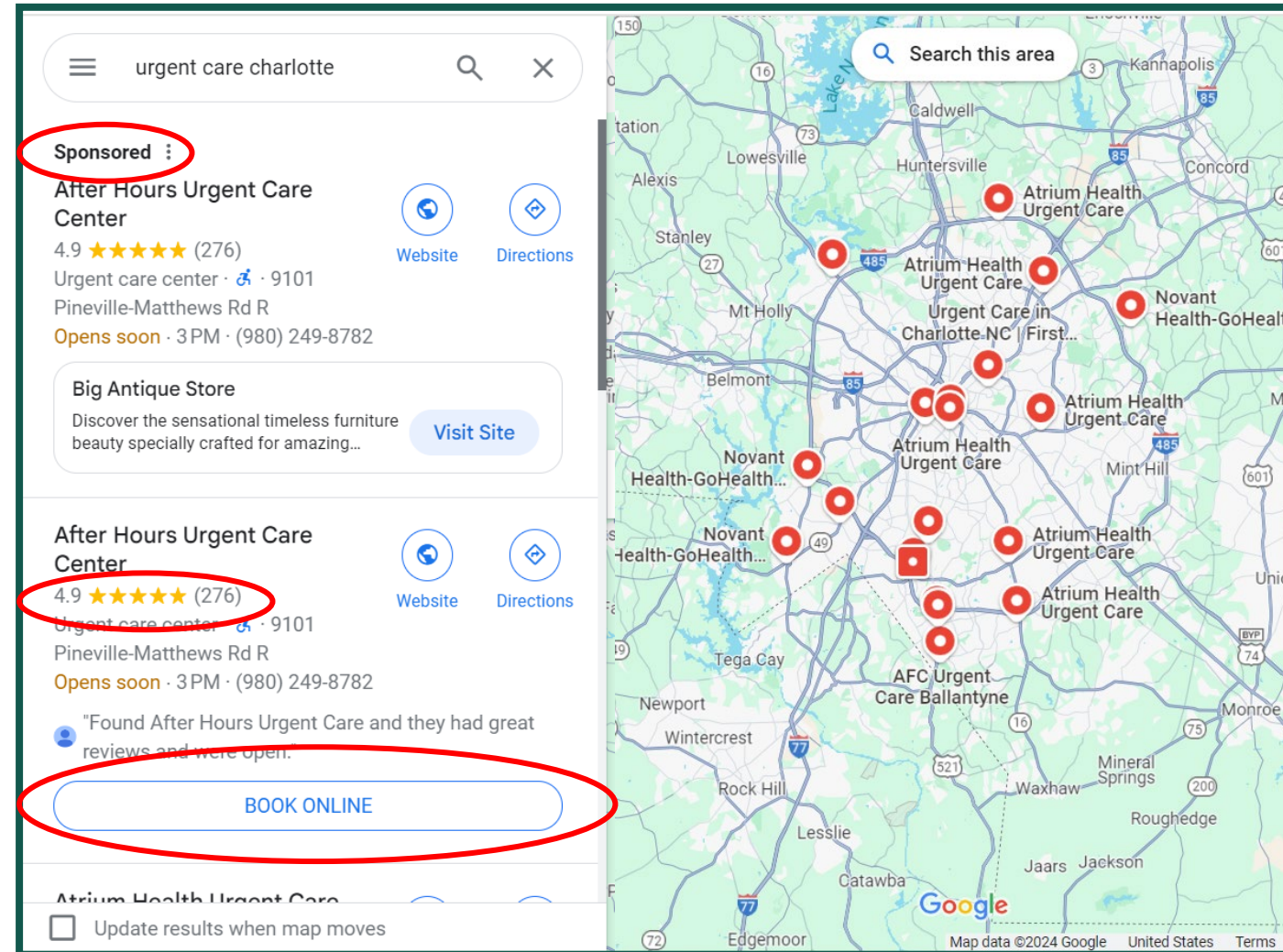
Percent of Visits w/X-ray, Procedure Codes per Visit



Source: Experity Data, October 2024

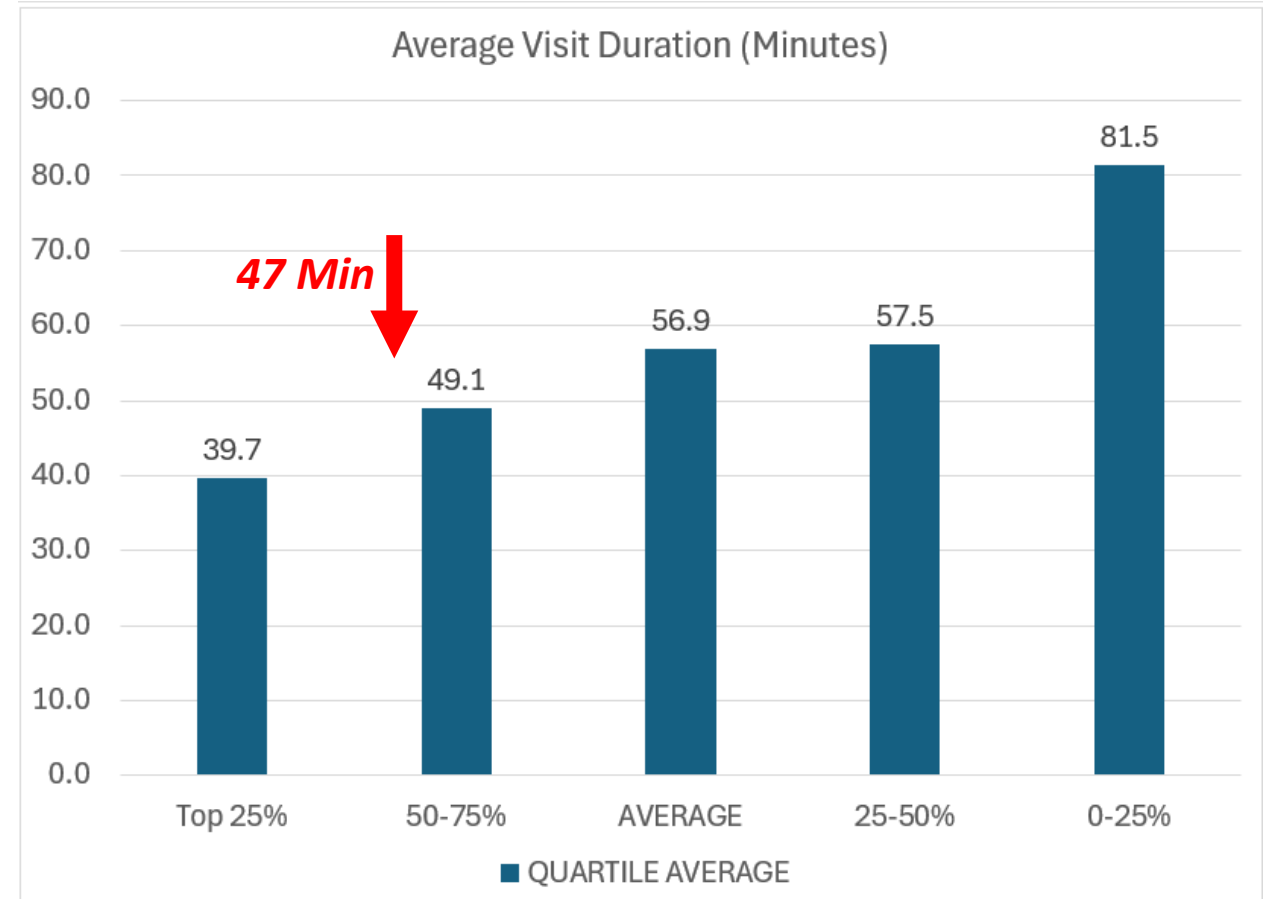
Outpending Competitors on Advertising

- SEO is becoming more expensive and less effective
- Digital hypes a consistent “patient journey” always starting online
- Digital tactics reinforce (but don’t replace) visibility in the community
- Aggressive, guerilla grassroots tactics, especially targeting moms
- Use of conventional media (Billboards, direct mail, cable/streaming)

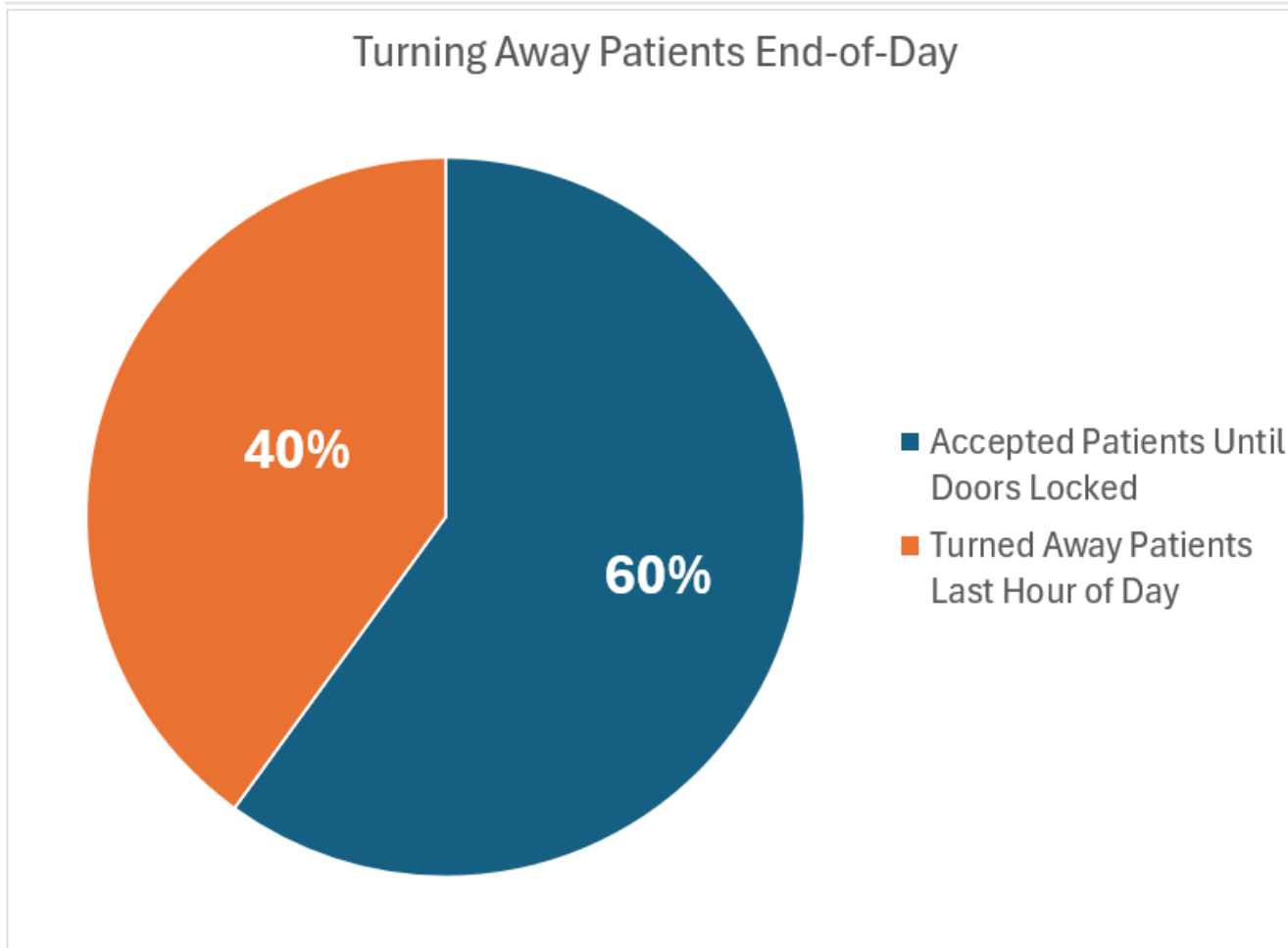


Solid Leadership with a Patient Experience Focus

- Highly involved owners and managers aware of what's going on in their centers (at all times)
- Culture of “speed” realizing high throughput expands capacity and increases satisfaction
- Accept patients up until posted closing with short visit times all day



40% of centers surveyed turned away patients during the last hour of the day



The last 2-3 patients of the day can be the difference between profitability (or not).

Urgent Care Draws Patients In

Build Volume by Leading w/Core Urgent Care Services

Avoid Chasing “Fads” and “Fashion”:

- Divides management attention
- Dilutes marketing spend
- **Consumer discretionary is fickle and fading in inflationary times**
- Often more competitive than urgent care
- Urgent care lacks focus of pureplay providers
- Undermines credibility of medical services
- **Lowest cost provider by definition means thin margins**



Botox 40-50 units per session:

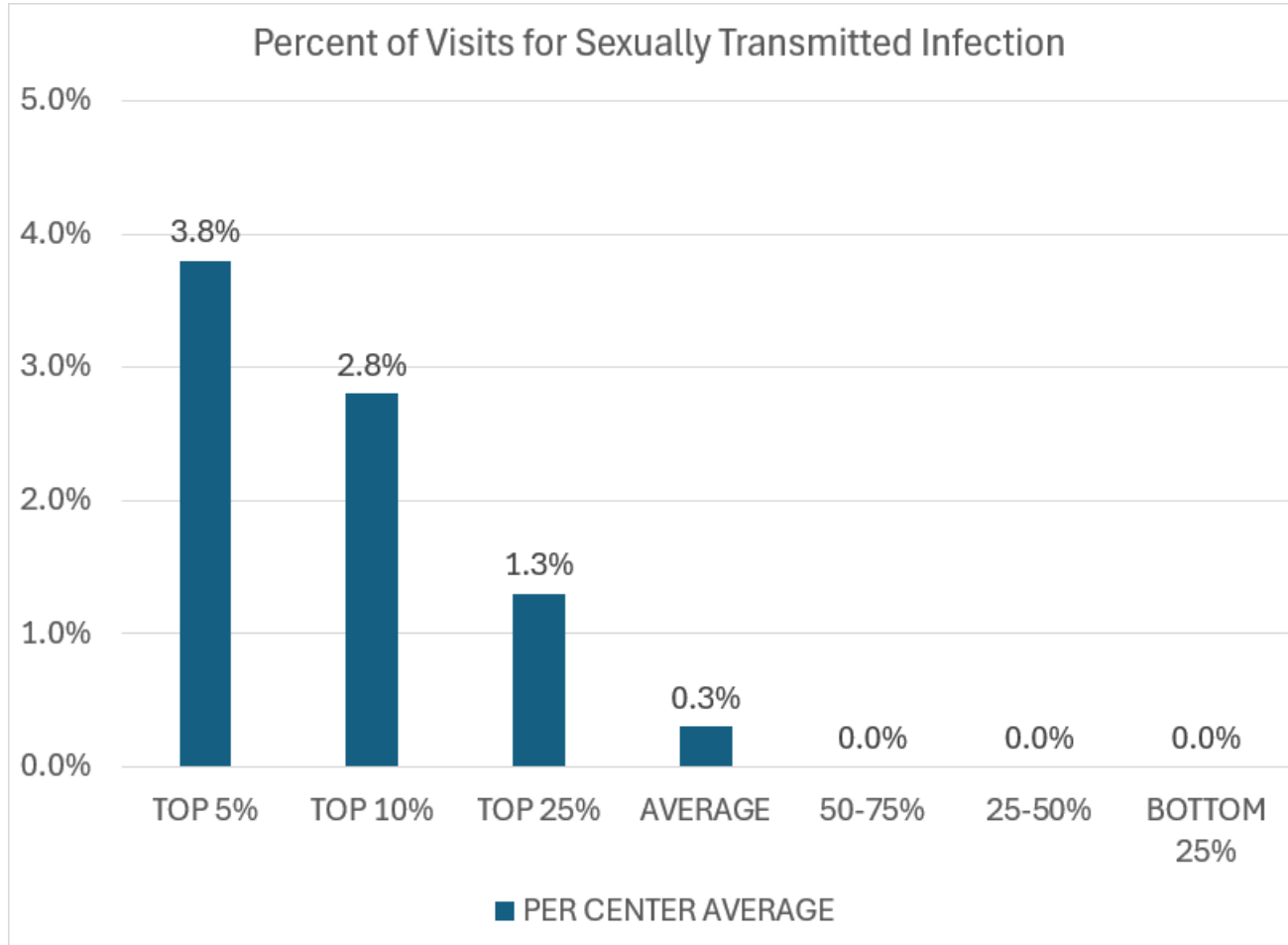
- \$6.22 per unit wholesale supply cost
- \$12.00 per unit average retail price
- Range: \$10.00 to \$15.00

Weight Loss Drugs: Extensive Competition, Limited Market

- Expensive medications not covered by insurance without co-morbid (diabetes) diagnosis
- Unreliable compounding pharmacy supply chain requiring more than one pharmacy relationship
- Pharma cease-and-desist against those using brand names
- Expensive pay-per-click PPC due to AdWords saturation from pharma, PCPs, diet clubs, out-of-state telemed providers, et. al.
- Google flagging and suppressing websites, hurting the organic search of core urgent care services
- Social media algorithms flagging and suppressing mention of it



Building on Core Services: Rapid STI/STD Testing



Practice Management

The Business Case for STI Testing in Urgent Care Centers

Urgent Message: With sexually transmitted infection (STI) rates rising, urgent care centers have a unique opportunity to address a pressing public health need and increase patient volumes and revenue by adding STI testing services.

Alan A. Ayers, MBA, MAcc

Citation: Ayers A. The Business Case for STI Testing in Urgent Care Centers. *J Urgent Care Med.* 2024; 18(10):39-42

Globally, the World Health Organization (WHO) estimates that more than 1 million sexually transmitted infections (STIs) are acquired every day.¹ Given that the majority of these infections are asymptomatic, STI testing is a crucial tool for not only detecting existing STIs but also preventing the spread to more individuals. However, the persistent stigma surrounding STI testing creates an environment where many people feel uncomfortable getting tested—particularly at their primary care provider's office. This, along with improvements to rapid STI testing kits and reimbursement policies, presents a development opportunity for urgent care (UC).

Urgent care operators are well-positioned to give patients the peace of mind they seek with a quick diagnosis. Rapid STI testing offers diagnostic value as well as the potential for revenue generation. However, UCs will be most successful if they ensure there are mechanisms in place to notify patients of results and to manage treatment or referrals to treatment when necessary.

Who is Affected?

When considering the addition of STI testing in urgent care, it's important to have a clear picture of the patient demographic that will be served. A sample of data pulled from Experity's electronic medical record (EMR) from 2023, including over 23.3 million patient visits, sheds some light on this question. The data consists of the

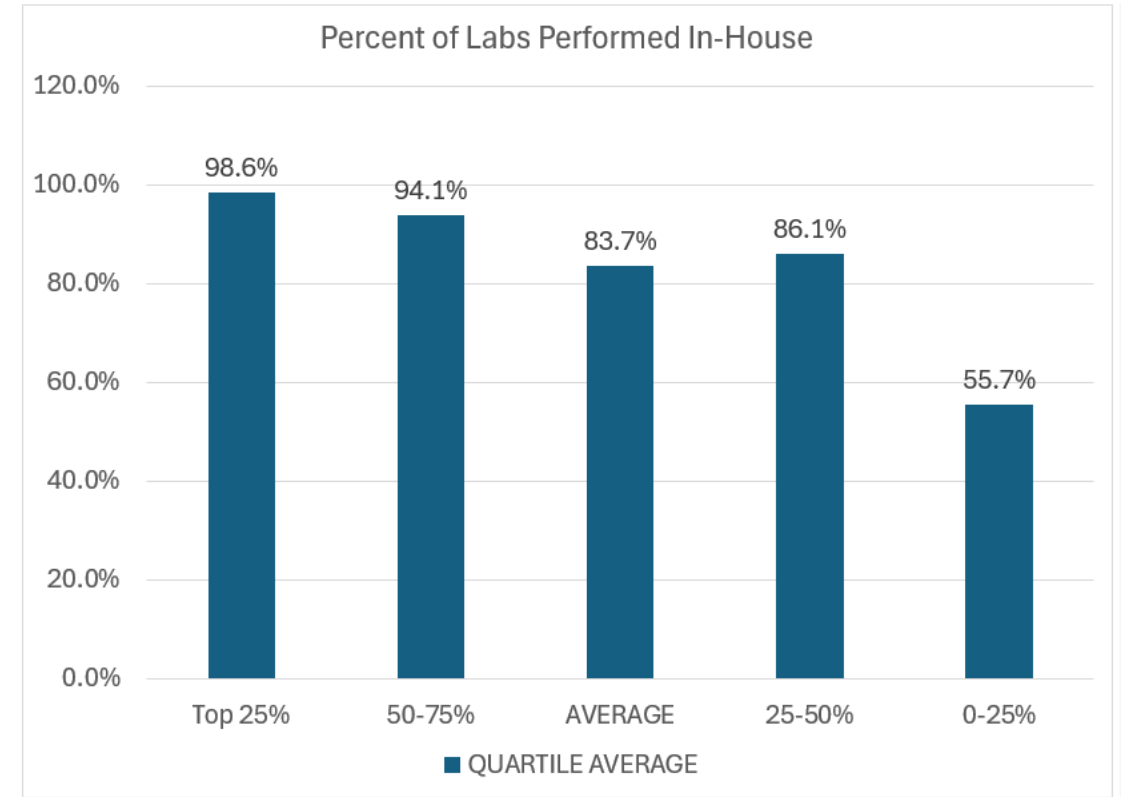
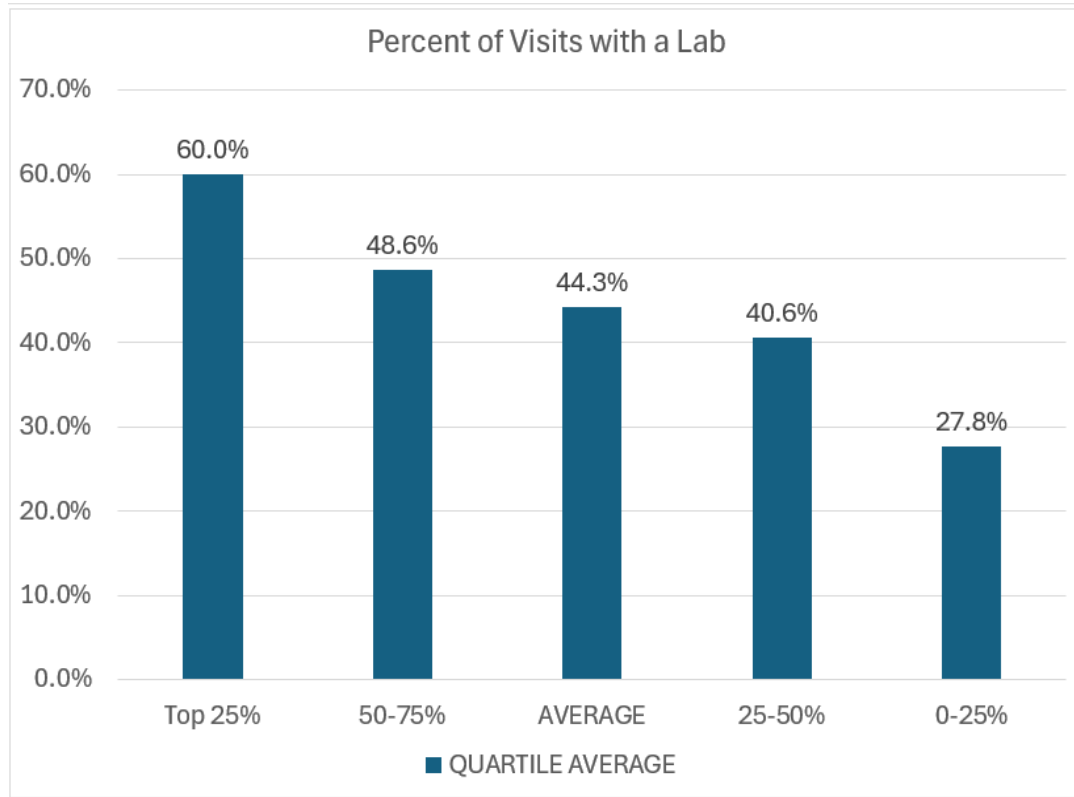


ICD-10 codes Z20.2 (contact with and exposure to infections with a predominantly sexual mode of transmission) and Z11.3 (encounter for screening for infections with a predominantly sexual mode of transmission).

Data from this query reveals that the typical patient seeking STI testing at urgent care is male (Figure 1). When compared to the overall urgent care population, this trend is noteworthy given that urgent visits skew toward females, who present in 57% of visits for all conditions. Notably, male STI patients also tend to be slightly older than their female counterparts despite there being little age difference between genders for non-STI patients (Figure 2).

Author affiliations: Alan A. Ayers, MBA, MAcc, is President of Experity Consulting and Senior Editor of *The Journal of Urgent Care Medicine*.

Capturing a Greater Share of Lab Revenue In-House



Occupational Medicine: Contra-Seasonal Incremental Revenue

	Employer Paid Services	Workers Compensation
High Value	<ul style="list-style-type: none"> • Multi-Component Physicals • Police/Fire Contracts • FAA, Merchant Marine, HAZWOP Compliance • OSHA Baseline and Periodic Surveillance Testing 	<ul style="list-style-type: none"> • End-to-end injury management, coordination of imaging, specialists, physical therapy • Light/Modified Duty, Return-to-Work Evaluations • Ergometric, ADA, Injury Prevention Consulting • Impairment / MMI Evaluations
Low Value	<ul style="list-style-type: none"> • Drug Screens (eScreen) • DOT Physicals (FormFox, CerteDrive) 	<ul style="list-style-type: none"> • First report of low acuity, no time off, recordable injuries w/limited rechecks

Municipal Employment: 2x Injury Rate of Private Sector (~3%)



Take-Home Points: Respect the Basic Economics of Urgent Care

- Majority of expense inside of four walls
 - Scale economies pertain to marketing, functional expertise, SOPs and labor utilization
 - Lean operations control cost and cross-utilize staff
- High throughput increases capacity and patient satisfaction
 - Under-utilized labor is the greatest operating cost
 - Wait times is the top determinant of patient satisfaction
- Drive year-round volume
 - Maintain (expand upon) full urgent care capabilities
 - Pediatric focus appealing to moms
 - Accept patients until doors locked
 - Find opportunity in trade area and demographic shifts
- Maximize reimbursable services
 - Understand contracts and capture all charges
 - Utilize in-house services as clinically appropriate
 - Add services relevant to the urgent care presentation

Let's keep in touch!

Alan Ayers, President

Urgent Care Consultants

aayers@urgentcareconsultants.com

