National Urgent Care Convention

Planning. Adapting. Succeeding: New Strategies for Changing Times

Urgent Care Association of America

April 27-30, 2015
Hyatt Regency Chicago

Urgent Care Site Selection

Alan A. Ayers, MBA, MAcc

Vice President, Concentra Urgent Care

Content Advisor and Board of Directors, Urgent Care Association of America

Practice Management Editor, *The Journal of Urgent Care Medicine*

CHICAGO

Disclosure Information

National Urgent Care Convention

April, 2015
Alan Ayers

- **Disclosure of Relevant Financial Relationships**
- **Salaried and Product or devise designer with Concentra div. of Humana, Inc.**
- **Salaried, product or devise designer and Consultant with the Journal of Urgent Care Medicine**
- **Salaried, product or devise designer and consultant with the Urgent Care Association of America**

- **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.

Site Selection Factors

Forecasting Model Components

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

Density:
Trade Area Factors

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

Site:
Real Estate Factors

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

Operations:
Delivery Factors

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Marketing:
Limiting Factors

- Payer Penetration
- Competition
- Marketing Budget

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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

Employer-Provided Health Insurance

Household Income $50,000 to $100,000

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High-Utilization SIC Codes for Occupational Medicine

Consumer Demographics Scorecard

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+ female households w/children present.

esri **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
Population Summary			
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%
Household Summary			
2000 Households	5,581	26,378	61,989
2000 Average Household Size	2.68	2.83	2.86
			86,345
			2.87
			96,926
			2.87
			2.34%
			47,012
			3.30
			64,168
			3.35
			71,266
			3.37
			2.12%
			64,434
			70.0%
Renter Occupied Housing Units	34.7%	23.6%	26.1%
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%
Median Household Income			
2000	$54,659	$55,751	$52,236
2010	$67,308	$71,396	$68,192
2015	$75,138	$78,376	$76,797
Median Home Value			
2000	$92,568	$87,739	$84,150
2010	$115,117	$114,516	$113,315
2015	$131,938	$131,617	$131,053
Per Capita Income			
2000	$23,699	$22,315	$21,529
2010	$29,333	$28,115	$26,954
2015	$32,356	$30,925	$29,752
Median Age			
2000	30.3	31.2	32.0
2010	32.1	32.5	33.0
2015	32.3	32.6	33.0

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%

Urgent Care Retail Adjacencies

Urgent Care Retail Adjacencies, cont'd.

Kroger

CVS pharmacy

Walgreens

Walmart

SAFEWAY

Traffic Counts and Signage Visibility

Center Aesthetics

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Real Estate Factors Scorecard

- <u>Traffic Counts:</u>
- High: >50,000
- Medium: 20,000 to 50,000
- Low: <20,000

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

- <u>Signage Visibility:</u>
- 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

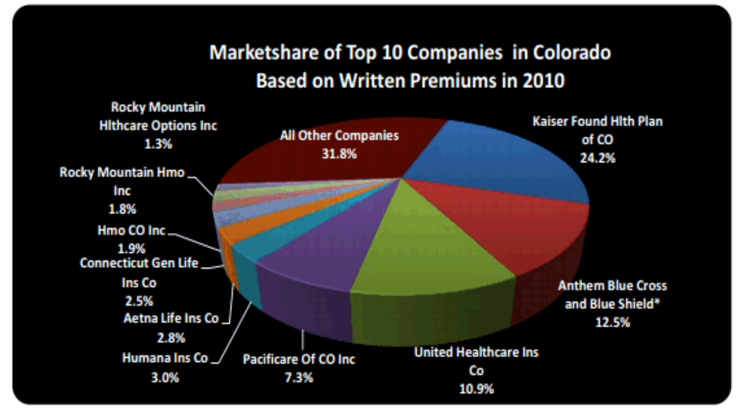
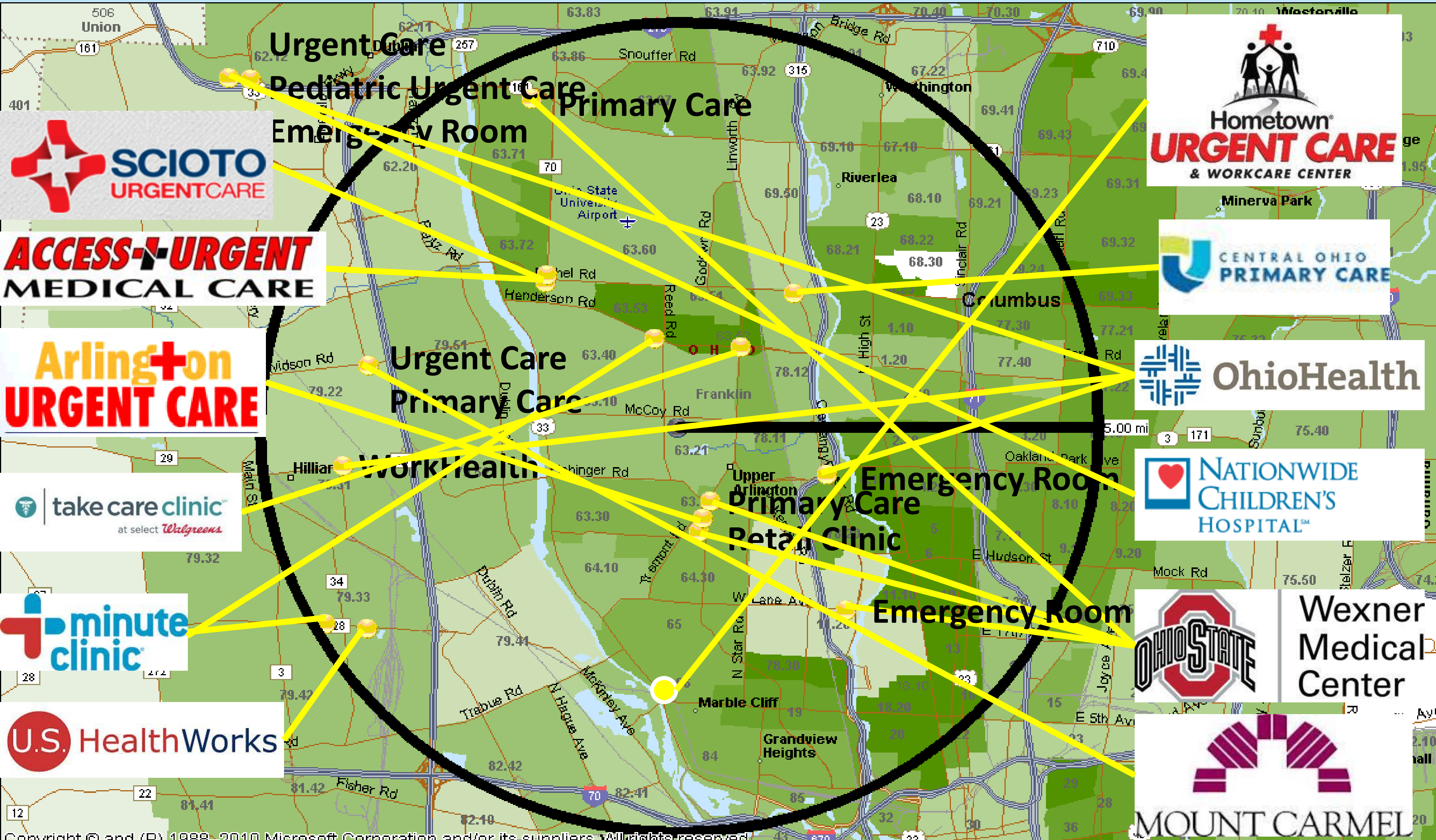


Figure 9: Marketshare of Top 10 Companies in Colorado Based on Written Premiums in 2010

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%
Total	9,925,122	100.0%

Table 18: Market Share of the Top 10 Health Carriers in Colorado[12]

Competition: Analysis and Mapping



Upper Arlington, Ohio Population: 34,000

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

- Same ad impact as a billboard
- Should include "urgent care" or connote services
- Boosts return of all other marketing investments

Signage Should be Simple, Clear and Relevant

Signage Should be Visible Both Day and Night

Optimize Space on Monuments and Poles

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Consider Visibility from All Angles

Day and Night; Street and Sidewalk

Marketing Value of Center Signage

Signage Visibility Enhancements

Municipal Directional Signage

Types of Available Real Estate

Benchmarks: Location Type and Rents

Occupancy Costs:

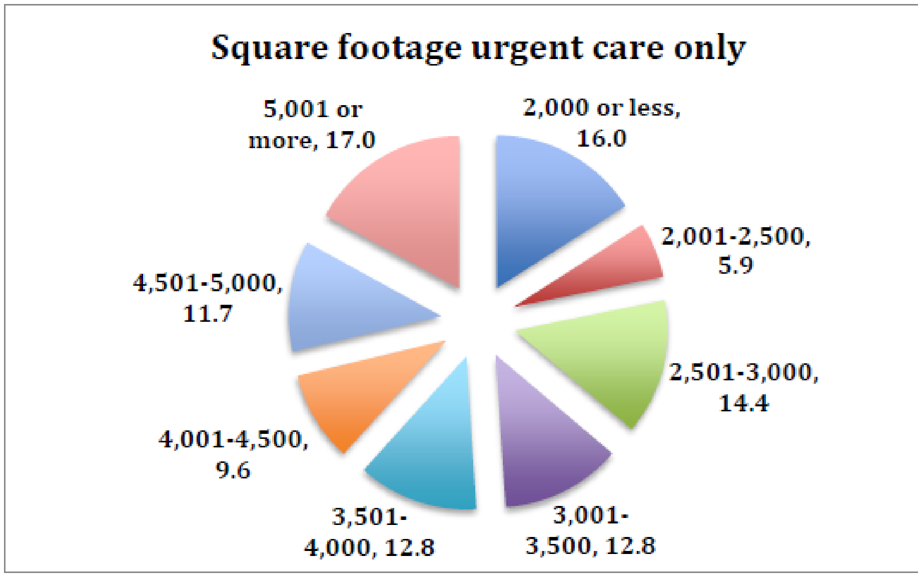
Rent	$18-24/sq. ft.
CAM (Common Area Maintenance)	$4-8/sq. ft.
Build-out Cost	$70-90/sq. ft.

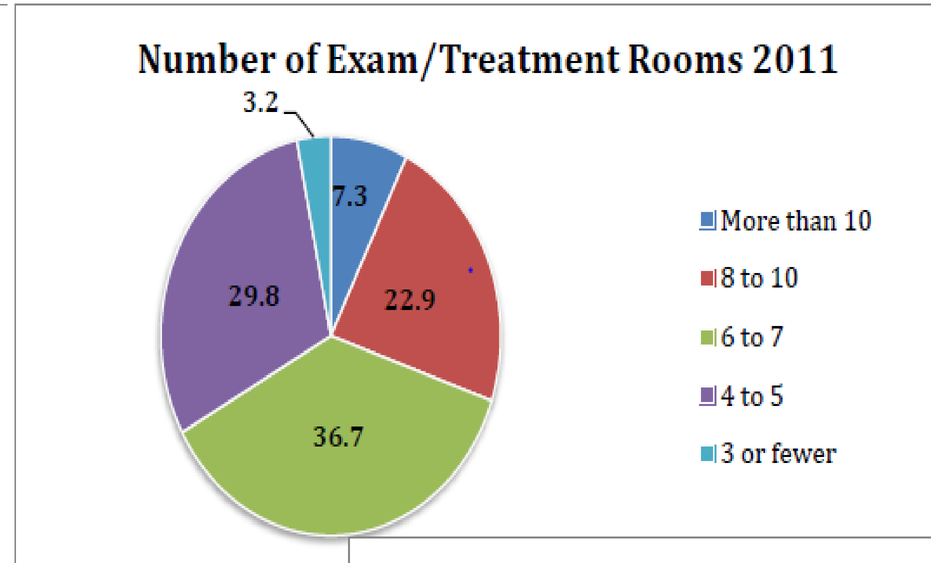
Location Type	2012
Freestanding	36.9
Within Medical Office Building	30.0
Within Shopping Center/Strip Mall	19.4
Within Mixed Use Building	13.4

Source: Urgent Care Association of America, 2012 Benchmarking Study

Benchmarks: Clinic Attributes

- Average of 3,800 sq.





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

Medical Office Building

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

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 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.

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

Alan A. Ayers, MBA, MAcc

Dallas, Texas

alanayers1@gmail.com

www.alanayersurgentcare.com