Urgent Care: How to Thrive in Tough Times

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Our global economy is obviously facing tough times. The news reports homeowners in fear of foreclosure, investors stressed by wild swings in the financial markets, and our government being re-defined by corporate bailouts. And declining consumer spending--which directly impacts industrial spending—is causing many companies to lay off staff and slash benefits.

Growing up, it seemed like my parents had a saying for every occasion. When bad things happened, they'd often say "it's an ill wind that doesn't blow someone some good." To me, this means that when adversity strikes--there is also opportunity for those who position themselves to seize it. History shows that tough times won't last forever--key is to focus on improving your operation and positioning yourself for the rebound that will certainly follow.

Consider the following three suggestions for navigating your urgent care center through the current financial storm:

1. Focus on Growing the Business

Never in the history of business has a company shrunk itself to prosperity. All too often, when the economy tightens, the first reaction is to reduce staff, cut back on services, and stop advertising. For urgent care, sometimes these decisions make sense. If an analysis of time-of-day traffic through the center shows minimal patient loss by opening later or closing earlier, or that the center could operate with reduced staff during non-peak times, then the prudent decision may be to cut back. Likewise, if there is advertising that is not yielding visits, refocus those expenditures on marketing that provides the greatest return.

However, reducing advertising could lead to a reduction in visits, which in turn leads to shortened operating hours and reduced staffing. Not only does the urgent care become less convenient for patients, but long wait times and poor service from overly-stressed employees causes dissatisfied patients to look elsewhere for care. The certain result is even fewer visits, reduced hours, and more short-staffing. This downward spiral could continue as the practice downsizes itself right out of business--and in the process giving competitors a chance to permanently win patients over.

If your urgent care center is facing economic challenges, in all likelihood your competitors are facing the same challenges. To the greatest extent possible, now is the time to invest in your business--to retain and even grow market share by offering a superior patient experience that will cause patients to return and tell their friends. This may also be a time to look at additional value-added services that could be provided to your existing patients to increase their frequency of use or average spend per visit. Certainly any excesses should be eliminated--there is no time like the present to evaluate all processes for increased efficiency--but such should be done with a mandate of improving rather than diminishing the patient experience.

2. Make Sure the "Right People are On the Bus"

Staffing is the greatest single expense for most urgent care centers—to reduce personnel costs an urgent care should assure that staffing levels match time-of-day volume without increasing wait times or sacrificing service. Many urgent care centers have volume peaks in the morning and early evening yet retain the same number of staff members all day--it may be possible to reduce one or two full-time positions by staffing peak periods with part-time employees. When evaluating full-time positions, you may have full-time staff that are willing to work part-time to retain an income while evaluating other options--some even welcome the opportunity to spend more time with young children or to pursue educational goals. If part-time isn't an option, reducing one position and re-arranging schedules--even if it means paying overtime to remaining staff--may still be cheaper than providing benefits to one full-time employee. Nobody likes to let people go but it is better that a few people are secure in their jobs than for an entire business to fall under the weight of its overhead.

When staff reductions are necessary, consider who is adding the most value to the center. Jim Collins, in his book Good to Great , admonishes managers to have the "right people on the bus." Although it's natural to consider longevity and family situations when making decisions to lay off one employee over another, if the business is truly to thrive—downsizing should be used as an opportunity to remove individuals who aren't pulling their weight. Having an efficient, energized staff is key to delivering quality service. To protect yourself in this process, conduct an evaluation of each employee along objective measures and document performance relative to peers. Also be sure to be sensitive to issues related to age, race, and gender discrimination.

If your business is growing, remember that a challenging job market means many qualified people are looking for work--now is potentially the time to recruit exceptional talent for your team.

3. Rationalize Your Self-Pay Pricing Model

When faced with unemployment, some individuals will continue their health coverage under COBRA plans--particularly if their utilization is high. However, many consumers find COBRA cost-prohibitive and choose to go without health insurance coverage altogether. In addition, many employers do not offer any health care benefits for 90 (and sometimes up to 365) days after hire. Even companies that have offered benefits in the past are reducing coverage and transitioning employees to high-deductible plans. The result is a greater number of patients who are responsible for the entire cost of their urgent care visits. If your urgent care has traditionally relied upon a strong base of insured patients, existing patients may start to delay or forego care if they are temporarily uninsured.

Many urgent care centers see high margin in self-pay patients--charging the full fee schedule or offering discounts of 10 to 20%. Billing cash pay patients according to conventional level of service coding is confusing to consumers--the cost of a visit isn't known until after the fact and there is no transparency in the transaction. Some markets easily support high prices for the uninsured but the result is that insurance companies are given big discounts in the form of contractual allowances while individual consumers who can least afford it are forced to pay a premium. This paradox ignores that insurance is subject to costly billing process and a long accounts receivable cycle that leads to some visits not being paid at all. Cash visits incur no back-end collections costs and provide immediate working capital to the practice.

To capitalize on the rising number of patients responsible for their own visits--you should re-evaluate your cash pricing model. Appealing to uninsured cash patients with simple and affordable pricing--that is published and easily explained--can help an urgent care solidify its position as "alternative to the emergency room" and expand the center's marketing to a larger base of consumers.

Many urgent care centers offer cash pay patients the same rate as their lowest reimbursing insurance contract and even post that rate as their cash price. Other centers evaluate utilization and charge a flat rate for cash pay patients based on average utilization. The advantage of a flat fee cash visit is no differential for "new" versus "established," and although some of the most expensive procedures may reimburse less under a flat fee, average reimbursement per patient should generally be higher. In combination with flat fee pricing, some centers sell "membership cards" which offer reduced services in exchange for a monthly fee--the advantage being that the urgent care has a recurrent monthly revenue stream regardless of whether the patient uses the center.

Additional strategies for improving performance during tough times include reviewing all expense categories and renegotiating terms and prices with suppliers, evaluating the prices of all services and reducing or eliminating less profitable services (or low reimbursement contracts) that add to staffing and operating costs but do not help bottom line profits, evaluating opportunities to increase revenue through diversification and ancillary services, and increased involvement in grassroots marketing activities.

Although it is easy to be discouraged by the news around us--success and satisfaction will come from focusing on the things we can control within our own practices and positioning ourselves to receive some "good" from the "ill winds" swirling around us.

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