

# Top 25 Urgent Care Startup Mistakes

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eBook



# Introduction

In the past 30 years, we have assisted over 250 urgent care centers. Through hundreds of hours of discussions with entrepreneurs on how to start urgent care centers, we've created a reliable list of mistakes and pitfalls that directly impact success.

We looked at the mistakes we've observed and see them as opportunities to learn. We started with a top-ten list, but after 10 minutes of brainstorming, we already had listed more than 20 important mistakes on our list. While these top mistakes represent the perspective of entrepreneurial physicians, many of the same principles apply to urgent care centers started by other business partnerships or hospital systems.

**Please note:** these are not “rules” for how to start an urgent care center, but general principles to follow in starting urgent care centers. These ideas about the business of starting, developing and establishing urgent care centers are based on our own personal experience and observations. We have seen many successful startup urgent care centers make some of these mistakes and — because each one offered an opportunity to do it better — went forward toward great success.

We hope this list helps guide your journey.



## MISTAKE ONE

# Wasting Money on Unnecessary Expenses

Don't make the mistake of thinking that you have to have the best of everything when starting your urgent care center. **Paul Graham** states this well in his article, *"How to Start a Startup."* In this article, which is derived from a talk at the Harvard Computer Society, Graham notes that a startup business needs to do three things:

- **Have a good idea.** It does not have to be earth-shattering. Opening an urgent care center is a good idea because for many communities, it fills the need for access to on-demand healthcare.
- **Add good people to your team.** Your startup urgent care center will never be better than the people on your team.
- **Don't waste good money.** Urgent care centers are not immune to failure, and the fastest way to fail is to run out of money.

When you start an urgent care center, you can easily waste an extra \$300,000 or more on unnecessary expensive items. Expenses like buying top-of-the-line furniture, buying an MRI or CT scanner, hiring nationally famous architects (yes, we have seen this), hanging expensive artwork, purchasing a \$250,000+ completely integrated electronic medical record, purchasing a \$100,000+ practice

management system with all the bells and whistles for a hospital system, hiring only registered nurses and physicians to staff your urgent care center, buying only brand new (and avoiding used or refurbished) equipment, and other items can be tempting. Remember they are on the wish list — not the need list. These expenses rarely make a significant difference in how you care for patients. They are very unlikely to produce anywhere near \$100,000 of annual revenue.

New urgent care centers usually underestimate the amount of investment that they will need to start up. You will need the extra money to put out unexpected fires later on, so don't burn it up before you start.

Yes, we have seen gorgeous state-of-the-art urgent care centers spending money "like there is no tomorrow", but still succeed. How so? They have been lucky enough to do many other things right, AND they discover that they need to tighten their belts and start watching their pennies. Unfortunately, we have seen other startups observe their success and try to emulate them. These centers often make several other serious mistakes, so they rapidly run out of money.

Consider looking online for pre-owned medical and computer equipment and office resources for your startup urgent care center. And be mindful of what you need, and what will genuinely impact your business in positive ways.

## MISTAKE TWO

# Confusing a Good Doctor with a Great Entrepreneur

You may be great at caring for patients, but that does not mean that you will inherently have the skills to strategize, lead, and energize your staff in starting an urgent care center.



You must become an intense student of urgent care entrepreneurship. Read books and articles about starting businesses and immerse yourself in the subject of entrepreneurship. Attend seminars and network with

successful urgent care entrepreneurs. Develop the inner entrepreneur within yourself. They don't teach you this in medical school.

If you don't have an iota of entrepreneur in you and if you have no desire or intention to develop these skills, then maybe starting an urgent care center is not the best place for you to invest your energies.

You dream about not having an administrator tell you how to practice medicine, but you may end up with a banker who owns your entire urgent care center. You dream about financial independence, but you may find financial ruin instead. "If you build it, they will come" does not apply to an urgent care building; it applies to an urgent care business that you start, develop and nurture to success.

Your startup urgent care is not simply a primary care medical practice with a "walk-in" sign. Patients have different expectations and success requires a focus on efficiencies. A successful urgent care startup requires an entrepreneur with a vision of the future and a never-say-die drive to make a startup successful.

Most importantly, network with lots of professionals who have successfully started urgent care centers themselves. The best way to do this is to attend the Urgent Care Association's annual convention and relevant regional conferences. Those who have attended in past years have found these to be networking extravaganzas, packed with people who are experienced in and excited about the topic of urgent care.

## MISTAKE THREE

# Confusing Your Inner Entrepreneur with An Urgent Care Business Person

Much of running a successful startup urgent care center involves mundane business management of day-to-day operations of the center.

It is not enough to have completed rigorous medical training or to have completed your master's in business. It is not enough to have an entrepreneurial dream for your urgent care center. You must learn the critical day-to-day management of operations. You can hire a business administrator, but you must not abdicate your responsibility for managing the business.

Don't confuse delegation with abdication. No one will care about the business of your startup urgent care center as much as you do. It has been oft said, "The devil is in the details." This is never more true than in a startup urgent care business. If you don't want to learn the business of coding, billing, hiring, firing, accounts receivable management, and reading financial reports, then starting an urgent care center is not for you. Every day you must not only work in your business; you must work every day on your business.

There are hundreds of details about your business that you will need to attend to:

- Will you contract with managed care organizations (MCOs)?
- Which MCOs will you contract with?
- What is a proper starting wage for front desk professionals in your area?
- Will you provide medical insurance for your employees?
- How will you handle the situation if 10 patients sign into your urgent care center in under 10 minutes?

Giving great patient care is important today; creating a great urgent care system is the key to the future of your new urgent care center. So give great patient care and make at least one improvement to your urgent care business EVERY day.

## MISTAKE FOUR

# Not Looking Beyond Your Hometown

Most operators choose to start up an urgent care center in their hometown. Why? Because it's familiar. It is what they know. However, that may be a fairly poor reason to choose a locality for an urgent care center.

Is it possible that a much better community is less than 30 miles away? If so, choosing the second location could save you \$100,000 or more in reduced losses in your startup. A community that needs a new urgent care can ensure more rapid growth and success for your startup. Even better, if you really want to be successful, broaden your horizons and look to another city or even another state.

Local business conditions, number of competing urgent care centers, state laws, contracting and credentialing climate, and population densities can dramatically affect your success with a startup urgent care center. When combined with payers increased reluctance to add a clinic to their network in a relatively saturated market, choosing the right location can get trickier.

As has been said many times in many circumstances, "Three factors are the keys to success: location, location, location." Nowhere is this truer than in urgent care.



## MISTAKE FIVE

# Selecting a Site Where Adequate Urgent Care Access Already Exists

If your community already has successful urgent care or critical care clinics, that means there are already urgent care professionals with the experience and savvy to be successful. They have made and learned from many of the mistakes you have yet to make. And maybe most important, insurance payers may not be willing to add you to their network due to market saturation.

Established clinics have relationships with local companies to do their occupational medicine. You will be able to market to the unsatisfied companies, but how many of these exist and how likely are you to be able to find them?

The established urgent care centers will not be glad to see another urgent care center competing for their patients, and they could make it tough for you. They may be willing to provide medical services at a loss for a year or two just to make sure that you fail.

Other urgent care centers may try to block your local hospital privileges, which you may need for certain managed care contracts. They may start false rumors about you, your startup urgent care center, your staff, or the standards of care at your startup center.

They may spend hundreds of thousands of dollars on a public relations campaign to protect their market share. The news of you starting an urgent care center may be drowned out by their constant radio, television and newspaper advertisements.

Starting your city's fifth urgent care center is hardly news; but starting the first urgent care center in a small city is BIG NEWS.

Delivering outstanding medical care is a great goal. But being the best urgent care center in a saturated market may be harder to achieve. Walmart didn't start out competing with Kmart, Sears, or any other nationally established chain. Instead, Walmart started in rural Arkansas towns with populations of around 10,000. No one else expected this strategy to work. But because Walmart was the only game in town and it had a simple idea (i.e., deliver the lowest prices on the most goods possible), they were able to attract large numbers of customers and rapidly grew to the largest retailer in the world. For the first 10 years of developing its model, Walmart was starting stores in rural America. While Kmart slept, Walmart was working hard to develop its business model — with great profits and essentially no competition. Having lots of competition is never the secret to success in any business.

Why not find an under-served city (or small town) and, without any serious competition, start your urgent care center, develop your model, and prepare your urgent care staff and systems for great success?

## MISTAKE SIX

# Not Considering a Purchase of an Existing Urgent Care

In helping more than 250 urgent care startups, we have found there are multiple ways to assume the ownership of or to purchase existing urgent care centers. Entrepreneurs using these techniques are generally much more successful while suffering less financial difficulty in starting their urgent care centers.

So what are you looking for? Research the urgent care centers already existing in and around your target community. Maybe one of these types of facilities might be available for purchase. It never hurts to ask a few questions.

### **Purchase a Marginal Hospital Urgent Care Center**

What if a hospital owns a minimally successful urgent care center and you are sure you can operate it successfully? If the problem is a lack of patients, make sure that you understand why. Is it due to poor reputation, poor location, too much competition, over-staffing, overpaying staff, poor signage, or some other reason? If you are quite sure why the urgent care center failed, then make sure you understand what it will take to turn it around and that you can rapidly effect those changes.

Of course, if the urgent care center is in a poor location, it would be unwise to make the purchase. If, however, the hospital administration is willing to meet with you, you may be pleasantly surprised. Rather than charging you hundreds of thousands of dollars for the center, the hospital may be willing to give the urgent care center to you at no charge, provided you assume the lease and allow the hospital administrators to sell the transfer to private ownership as a positive for the community. To the hospital administration, giving you the urgent care center may be an easy way to erase hundreds-of thousands of dollars of red ink from their books. At the same time, the hospital administration can avoid a public relations fiasco, as the hospital will not be seen as abandoning the community's need for urgent care services.

### **Urgent Care Center Goes out of Business**

If an urgent care business is vacating space in a local shopping mall or some other building, the landlord may be happy to let you assume the lease the day after the current occupant leaves the premises. One entrepreneurial physician jump-started her urgent care enterprise by assuming the lease of three centers on the same day. It was a bold undertaking because she had to train in advance and fully staff her centers and receptionists so she could hit the ground running on day one. But it was a success.

With significant patient flow from day one, the total investment amounted to only two months operating expenses for three centers. Compare this to the typical urgent care center that does not experience a break-even month during the initial 12 months of operation. Even better, the urgent care center purchase price is free.



### **Purchase an Existing Urgent Care Center**

If you are willing to relocate to another part of the country, starting your own urgent care center may be similar to buying a house. The seller may be willing to finance the purchase and allow you to pay back the purchase price from your earnings. This is often a particularly good arrangement, as the seller may be willing to work with you to help ensure a successful transition. Remember, the seller only gets the purchase price of the urgent care center if you stay in business, so the seller has a vested interest in making sure you are successful.

### **Purchase an Existing Primary Care Practice and Convert it into an Urgent Care Center**

This technique has been used very successfully in recent years. The existing patient flow of the purchased practice covers the cost of operations right from the start.

The staff is already trained to handle patient flow. If you purchase the accounts receivable, you will have an ongoing source of cash flow from day one. The technique has been used to dramatically reduce the investment needed to start an urgent care center.

### **Assume the Management of or Purchase an Occupational Medicine Clinic**

Once again, the principle of existing patient flow and revenues helps you avoid big losses at startup. Many occupational medicine clinics that are privately owned or owned by hospitals have suffered significant financial hardships because states have implemented stingy fee schedules and workplace injuries have been significantly reduced.

For this reason, an occupational medicine clinic may be available for you to assume. One point to recognize is that you are not bound to the location of the occupational medicine clinic, as companies are more tied to relationships and levels of service than they are to a location. Thus, if the clinic is located in a less-than-ideal location for an urgent care, you can simply move the business to the new location.

Make sure, however, that you take great pains to clearly communicate with the companies and let them know how they will benefit from the additional hours that your services will be available in the urgent care center.

One resource to find urgent care centers for sale are the classified advertisements on the website of the [Urgent Care Association](#).

## MISTAKE SEVEN

# Picking a Small, Declining Community

When you open an urgent care center, population density and industrial growth are important for success. Every community in America needs access to convenient, extended hours, walk-in medical care — in other words, an urgent care center.

Even communities that have declining populations and business environments will usually support a new healthcare option. But before you open an urgent care center, decide if your community can support a startup.

Ask yourself a few questions:

**1. What if someone else opens another urgent care center in the community? Can my urgent care center still survive and thrive?**

If your answer is “No, my center is likely to limp along if it has to compete with another urgent care center,” then it may be best to find another community.

**2. What is the community population?**

As a general rule, a community with less than 20,000 residents is not adequate to open an urgent care center. Of course, you should also look to the surrounding county or counties, as many times people who live outside of a town consider that town to be the hub of their community life for meeting their retail, service, and healthcare needs.

If the answer is two (or even better, three), then you probably have found a community that is a good place to open an urgent care center. Of course, this rule of thumb assumes that the community is not already well-served by one or more clinics.

**3. Am I willing to incorporate primary care medicine when I open an urgent care?**

If you deliver primary care services, even a community of 10,000 people may be able to support your startup. Thus, this guideline has a true exception: if you are in a community that is truly underserved for access to medical care in general and urgent care in particular, then you may have success when you open an urgent care center in a small community.

## MISTAKE EIGHT

# Choosing a Purely Residential Community

Some communities see a more significant number of occupational medicine patients, so the community you pick for opening an urgent care will impact how much growth you can expect in occupational medicine services.

We believe an ideal urgent care location is on a busy intersection on the border between a retail area and a residential community. This location gives residents of the community ready access to your services. This will also provide convenient access for area employers to send their employees. These corporate services can be the difference between a struggling and a thriving center and account for 20 to 50 percent of visits in many successful centers.

To be honest, many startup urgent care centers do break this rule and still reach modest success. Purely residential communities, however, have a smaller corporate base to support occupational medicine services. Office workers are much less likely to require services for workers' compensation injuries than dock workers and factory workers.

If you are dead set on opening an urgent care center in a particular residential community, don't ignore occupational medicine. If you

decide to break this rule, remember that occupational medicine can still account for 10 to 20 percent of your business. Purely residential communities always have less obvious sources of occupational medicine, including retail stores, school district employees, bus drivers, fire departments, police department, public works employees, construction crews and many other businesses. Make sure you let these employers know about your services, as they can quickly get you from zero to five patients daily.

Even five daily occupational medicine visits can get you to financial breakeven six months earlier. Ignoring occupational medicine at the outset can mean \$100,000 to \$200,000 of lost revenue soon after the opening of your startup urgent care center.

If you start off marketing your services to local corporations, you may pay off your startup loan five years earlier — just when it is time to plan the opening of a second urgent care center.

## MISTAKE NINE

# Not Writing a Business Plan

A wise person once said, “He who fails to plan, plans to fail.” Putting pen to paper forces you to start to think about many of the issues, purchases and obstacles that you must take on to be successful.

Much of what you write will need to be altered or scrapped in the real-life development of your new urgent care center, but the business plan will give you a framework for success.

**Your business plan should answer many questions, such as:**

- Where will you get your financing?
- How much will you invest?
- Why choose a specific state, town, or street intersection?
- How will you market your new urgent care center?
- Will you rent or buy your urgent care facility?

You will need to answer these questions in order to succeed.

Even if you don't need a bank loan and you don't need to convince any other investors, write your business plan to convince yourself. After you have written it, come back in one week with the mindset of a skeptical investor. See if you would invest your hard-earned dollars if someone else was trying to convince you to invest in the new startup.

Better yet, take the plan to businesspeople who have started one or more successful businesses. Take it to several successful urgent care entrepreneurs. But don't go asking for approval. Tell them to expose the business plan like a bucket on a post and then level a machine gun at the plan. After the plan has every possible hole shot into it, see if the plan still holds any water.

If your bucket has been shot to bits and you realize that the concept is not yet right, don't be discouraged. It is much better to have your plan shot to pieces in a virtual world rather than to decimate your finances and future with a plan that never had a real chance of success. It is better to wait a year and rethink your plan rather than rush into a plan that never had any real chance for success and pay for your hastiness for the next decade.

## MISTAKE TEN

# Blindly Sticking to Your Business Plan

It is a big mistake to blindly follow your business plan. You will never plan for every contingency that will arise in your startup urgent care center.



Before you begin, there will be delays in construction, the city will balk at your zoning, a partner will back out, a vendor will fail to deliver furniture, a managed care organization won't see the importance of

your center, and 100 other minor or major unforeseen problems will arise.

How will you respond to unforeseen adversity? It will not be in your business plan. Every time you trip on an obstacle, you will need to step lively and avoid crashing to the pavement with a nimble sidestep from your preconceived business plan. Planning is necessary, but you can never anticipate every eventuality. Expecting the unexpected and making rapid adjustments will be absolutely critical to your success.

Your business will succeed because you take a positive attitude, even when the whole plan seems headed into an abyss. When things look blackest, your staff will look to you for the light of leadership. Your energy and can-do attitude will be the key to sidestepping the obstacle and illuminating a completely new way to the path of success.

Let your business plan be a launching pad and a general guide but get ready to think on your feet and make changes as needed. Your business plan can help you think through many issues that will otherwise end up rearing their ugly heads as unwanted surprises. A good business plan may determine the speed of your launch, but the height of your trajectory will be determined by your ability to respond to problems and find opportunities to improve it.

## MISTAKE ELEVEN

# Underestimating the Finances Required

After you write a business plan for starting your urgent care center, we suggest you arrange access to financial assets that will allow you to invest double the amount (i.e., sustain double the losses) that you had projected in your initial business plan. When it comes to starting an urgent care center, almost everyone is more financially optimistic in prospect than in retrospect. Financial setbacks are very common. You cannot predict what financial surprises will come up, but you should expect them.

We have seen urgent care centers suffer the following financial setbacks:

- In some states, payers may require an urgent care license and/or CMS participation prior to accepting applications for network participation. In these cases, these requirements may not be able to be met until close to or after center opening, essentially becoming an out-of-network provider during the early months of operations.
- Regionally and even nationally, we have found that payers or their parent companies have ownership interest in urgent care businesses. In some areas, these payers may deny participation to new urgent care operators.

- When one urgent care center planned an opening, a large hospital healthcare system opened another just across the street three months before the center was scheduled to open. Growth in patient visits grew at about half the projected rate, and consequent billings and collections were far below financial projections.
- One urgent care center found that the billing company they engaged for contracting, credentialing, and billing had no expertise or strong interest in urgent care billing. Four months after opening, very little contracting or billing had been completed.
- An urgent care center hired a management company to manage all finances. After being open for eight months, the center learned that no bills had been paid. They had to endure disconnections of electric, phone and gas. They had a rude awakening when they found their actual financial losses were several hundred-thousand dollars more than they had calculated.
- One small group of urgent care entrepreneurs discovered they were out of money and would not be able to meet payroll. They had used the equity in their homes to secure the loans to start the urgent care center, and just six months into the startup, they were faced with the prospect of outright bankruptcy.

If you have arranged for access to financial assets that will allow you to survive a cash shortfall, you are far more likely to survive the financial challenges of the first few years.

## MISTAKE TWELVE

# Thinking Hospitals or Physicians Hold the Keys to Success

Hospitals are unlikely to refer significant numbers of patients to your center. Other physicians will rarely see you as an ally. No matter how untrue it is, other physicians (even those with completely jam-packed waiting rooms and who really need the services of your urgent care center to help with their patient overflow) will tend to see your startup clinic as competition. It is always a great idea to cultivate friendships with other physicians.

The key to your success, however, is unlikely to be referrals from local physicians. It's the healthcare consumer.

The person who decides not to wait several days for an appointment with the family physician and not to utilize the hospital ED — this is the person whose decision will make or break you every day. The injured employee shows up in the office of the corporate human resources director and asks, "Where do I go now?" If the answer is, "Who is your doctor?" or "Just go to the ER," you have failed. But if the answer is, "Superdoc Urgent Care Center will take care of you; here is a flyer with directions to the center," you have succeeded.

When little Johnny has a sore ear, and mom decides to wait three days to see the pediatrician or sit three hours in the hospital emergency department, you have failed. But if mom remembers that her neighbor mentioned how convenient and friendly the staff was at Superdoc Urgent Care Center, then you have succeeded.



## MISTAKE THIRTEEN

# Ignoring Coding

If you perform services, you should get paid for them. But if your staff doesn't properly code for it, you will not get paid. Coding is the lifeblood of your new urgent care center. Ignore coding, and you will hemorrhage potential revenue.

There are scores of significant coding issues with which few operators are fully familiar. Many of these issues are unique to an urgent care setting.

Unique coding issues to your urgent care may include:

1. When can you append an evaluation and management (E/M) code to a procedure?
2. What modifiers must be added to an E/M code in order to assure payment?
3. How can you successfully appeal when a payer consistently denies payment for the E/M code?
4. What is the definition of an established versus a new patient in urgent care? How and when does it differ from a primary care practice? With what payers and in what circumstances do the definitions differ?

5. When can you code for an intermediate laceration repair even if you have not performed a layered repair?
6. How do you code for multiple procedures performed on the same visit?
7. When can you get credit for a complete history even though a complete history was not performed?
8. What is the difference between the CMS definition of body areas and organ systems for E/M coding?

You can spend years studying coding, or you can work with an expert in urgent care coding. There are software and services that can help you with:

- Suggested E/M coding based on documentation by provider
- Audit trail for each E/M code
- Use current AMA guidelines for E/M coding
- Checkbox CLIA-waived test CPT coding
- Automated ICD-10 coding



## MISTAKE FOURTEEN

# Ignoring Urgent Care Billing

A common theme in struggling and failing startup urgent care centers is a disregard of urgent care billing and revenue cycle management. In order to be successful, you must have access to outstanding experts in the seven Cs of urgent care billing:

- Contract negotiations
- Credentialing
- Coding
- Compliance
- Claim submission
- Claim formatting
- Collections

You are the proud owner of a new business — an urgent care center. If you owned a McDonald's or Dunkin' franchise, you would have to master the ins and outs of pricing, expenses and credit card billing. The business side of urgent care is coding, billing, and collections.

So how do you learn all the particulars of urgent care billing? The answer is simple; you can't.

Focus on a business plan, pro forma, floor plan, building codes, signage, marketing, lines of service, patient complaints and a hundred other business items. So how should you handle billing in your urgent care?



**Find and hire an experienced urgent care biller.** From our experience, finding this expert is difficult and risky for the following reasons:

- **SCARCITY:** There are very few experts in urgent care billing, so finding an employee with true expertise in every area of urgent care billing listed above is next to impossible for a startup urgent care center. Even established, multi-site urgent care centers struggle to find these experts.

- **COST:** In addition, if you do find a true expert urgent care biller, that person will likely demand a salary outside the range of the typical urgent care startup budget.
- **RISK:** Another problem with hiring your own biller is that it fails the hit-by-a-bus test. Of course, no one wishes for a staffer to have an accident, but the truth is that many urgent care startups that hire their own biller end up losing that biller due to illness, injury, termination or resignation.

What happens then is ugly. The center usually gets months behind in revenue cycle management. In recent years, we are aware of several otherwise-successful urgent care centers that have failed or almost failed due to losing this critical link in their financial chain.

### So what is your other option?

Outsource to an expert urgent care biller. There are many revenue cycle management companies who exclusively focus on urgent care billing. Consider the following reasons to outsource your billing:

- **SIMPLICITY:** You need to focus on all of the thousands of details that cannot be outsourced. Finding an urgent care billing company will allow you to focus on attracting and treating patients with excellence.
- **COST:** By outsourcing your billing, you can access experts with great experience in urgent care billing at a fraction of the cost of a full-time employee.

- **EXPERTISE:** Rarely can an urgent care center find a single urgent care billing specialist with an adequate fund of knowledge to avoid critical mistakes that may cost your startup tens or even hundreds-of-thousands of dollars.
- **STABILITY:** If your on-staff biller resigns, it could take months to get caught up because billing companies focus solely on revenue cycle management, they have the capability to keep things moving, even if a staff member leaves.
- **CONTRACTING:** Other billers may have some experience in contracting with payers. But how much experience do they have in urgent care contract negotiations? You should look for a partner who works full-time on contracting and credentialing for urgent care. Chances are they have already negotiated a contract with the regional managed care representatives, and most likely they will be able to negotiate a better contract with those representatives.

## MISTAKE FIFTEEN

# Choosing an Inexperienced Person to Do Billing

Very rarely can one afford to hire an experienced biller for a new startup. In the past, we often recommended hiring a good staffer and together learning the ins and outs of billing. Over the years, however, we have seen new urgent care centers struggle and lose substantial revenue. Instead of learning the ropes of medical billing, they seemed more likely to be tangled in them.

Doing billing yourself is a difficult and risky business. By the time you and/or your staffer realize you cannot do urgent care billing effectively, you are likely to have lost more money than you can afford. Medical billing is extraordinarily complex and gets more complex with every passing year. What's more, urgent care is one of the most difficult specialties to bill.

To start, someone in your new urgent care will need to know (or learn) all of the generic billing rules, such as where each payer wants the physician number, the practice number and which point-of-service code the payer will recognize. This by itself usually takes two to three months to sort out.

Meanwhile, you are not getting paid a penny for your services. Beyond the generic billing rules are the extraordinarily complex

issues of billing for the multiple specialties covered in an urgent care practice. These specialties include primary care, orthopedics, occupational medicine, sports medicine, emergency medicine, neurology and others.

What's more, the critical nature of billing and its effect on cash flow will distract you early on from what you should be focusing on: growing your new urgent care center.

Early on, you will need to concentrate on hiring staff, marketing your new center, convincing the local hospital you are not the enemy, educating the public about the value of your center, developing relationships with executives in local corporations, and, most importantly, delivering excellent patient care.

If you are a typical new urgent care entrepreneur, you may be too busy to learn the ins and outs of urgent care billing. Maybe finding a billing company with urgent care expertise makes sense.

## MISTAKE SIXTEEN

# Using an ED or Primary Care Billing Company

It is a mistake to choose a spouse or an inexperienced biller to do urgent care billing. So let's assume you will not make that mistake, and you will outsource your billing to an expert billing company.

Even so, you don't want just any billing company; you want one that does excellent work and is an expert at urgent care billing. We have helped many centers clean up the mess created by a competent billing company that did not really understand the unique aspects of urgent care billing.

Choosing the right billing company may be the most important decision you make for your startup — and is a key to your financial success.

These are some of the traits to look for in an expert biller:

- Does the biller really understand the codes (and modifiers) that are critical to urgent care reimbursement? Urgent care coding is quite complex. It can take six months to a year for an experienced biller to learn the basics. Meanwhile, your revenue cycle management will suffer delays, and even a 30-day delay in your cycle can mean you will have to borrow an additional \$100,000 to keep your urgent care center open.
- Will the biller really understand and chase difficult past-due accounts? Some accounts (especially workers' compensation cases) may take very long to collect.
- Is the biller really an expert in urgent care services? There are only a handful of experts in billing and coding for urgent care centers.
- How has the biller served other urgent care centers? Ask for several references. Make sure the references are urgent care centers that have been with the billing company for at least a year. Find out what their average days of accounts receivable ("average days in AR") have been. Find out what percentage of billings are written off as bad debt.
- What rate will the biller charge? You don't want the rate to be too high or too low. You are not buying a commodity where price is the major determining factor. You need a combination of outstanding quality and reasonable fees. A biller will need substantial resources to do an excellent job billing for your urgent care center. Is the biller's fee very low? If so, choosing the "cheapest" biller may be a very costly decision. A biller who collects three percent more than another biller is always worth one or even two percent more than the cheapest biller.

## MISTAKE SEVENTEEN

# Being Cash Only, Not Credentialing

**Urgent care center receptionist to potential patient:** “Sorry. We don’t take your insurance. You will need to pay cash today.”



This can be a fatal error in starting an urgent care. Hundreds have tried; many have failed. The cash-only model is historically unsuccessful

in today's world of rising insurance premiums, as patients want to use the insurance they pay for. Even the retail clinics in a CVS or Walgreen's, staffed with only a nurse practitioner, have credentialed their providers and bill insurance for 95 percent of their patients. If a cash-only model does not work in the big-box stores, it is very unlikely to work in a full-service urgent care center.

Over and over again, we hear startup urgent care entrepreneurs say their situation is unique. They have surveyed the community, and patients are perfectly happy to write a check for \$180 a visit. Or they have a personal conviction that healthcare is a “privilege” that has “value,” and “people should pay for it out of their pocket,” then they “will value their healthcare.” This all sounds great. We even agree with much of this. If, however, the urgent care entrepreneur decides to go cash-only, only the school of hard knocks can and will change his or her mind. Her situation rapidly turns out to not be all that unique. She finds out the public really sees most healthcare as a prepaid right of employment. Her patients' first words to the front desk are almost always the same question, “Do you take my insurance?”

If the answer in your startup urgent care center is, “No. We take cash, check or credit card,” most patients will never see more of your facility than the reception area. If even one quarter of your potential patients walk out the door because you are cash-only, it is likely to take years longer until your new urgent care center reaches break even.

What generally happens when a startup tries to go cash-only? After two or three months of staring at empty waiting rooms, the center realizes their situation is not that unique. They scramble to sign contracts with managed care organizations (MCOs) and credential their urgent care providers. It takes at least three to four months to get the contracts signed. It takes three months to credential the urgent care physicians. It takes another year until the providers are listed in MCO publications listing credentialed urgent care centers. The urgent care hemorrhages several hundred thousand dollars.

All of this could have been prevented if the contracting and credentialing process had begun several months before the opening date of the urgent care.

As with most successful entrepreneurs, they realized their mistake and began “negotiating with insurance carriers.” Today their website clearly states, “We now accept most insurance plans. If we are not enrolled in your program, we will bill your carrier as an out-of-plan provider.”

Yes, the cash-only urgent care rarely works, and it has been tried many times. Entrepreneurs who try it either fail or end up losing hundreds-of-thousands-of-dollars more than necessary. It seems a lot less painful to learn from the mistakes of others rather than think your situation is unique and risk being another object lesson of the futility of the cash-only model.

The lesson here seems quite clear. Find the important managed care organizations in your area, negotiate contracts, and get your

providers credentialed as fast as you can. When should you start? It will take at least five months (often more) for almost all plans to complete this process. Although we have worked with scores of startup urgent care centers, we have never seen a startup complete the credentialing process in time for opening day.

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***“Using Expertise for reimbursement has allowed our front desk staff and office managers concentrate on building relationships with the patients. They aren’t seen as the “money” people hounding them to pay their bills. It allows for a more relaxed encounter with patients.”***

Laurie Duncan, *VP of Revenue, RedMed Urgent Care*

## MISTAKE EIGHTEEN

# Thinking Compliance is Not Important

If you don't think you have to worry about compliance in the first few months after opening, you are correct in thinking that no payer or regulatory agency is likely to audit your center for compliance in the first few months after opening.



You are correct that hospital systems are much more prone to big audits and big fines. You are correct that so-called compliance experts often make compliance into a complex quagmire. But ignoring compliance can lead to serious issues as your practice grows. There are two more types of compliance in the urgent care setting; coding and HIPAA.

Here are a couple of real-life examples of urgent care centers showing the importance of coding compliance:

- A national managed care organization asked a four-center urgent care to refund \$1.5 million for what they interpreted as inaccurate documentation and coding. Much of the MCO's claims were spurious and based on inaccurate information, but the initial legal bills for this urgent care practice went over \$100,000 before the case even got off the ground.
- An urgent care practice settled with Medicare for five figures (certainly with six figures of legal expenses) for not strictly following the "new patient" vs. "established patient" rules established by Medicare. This occurred, even though many argue these rules actually should not apply to true urgent care centers. HIPAA and its associated legislation is designed to be scalable. The government does not expect a small startup center to have the same compliance resources as a large hospital system.

However, that does not mean compliance for small clinics is not important. Here are a few areas that all healthcare providers need to address in order to avoid common fines:

**Risk Analysis:** The Department of Health and Human Services understands that not every risk or HIPAA requirement can be addressed from day one. What they will not tolerate is a healthcare organization that doesn't understand what their risks are. To that end, a risk analysis should be performed by the end of the first year of operation and risk remediation plan should be enacted to address the findings.

**Business Associate Agreements (BAAs):** It is imperative that any organization that a center partners with to process, transmit, or store PHI has a BAA. HHS is fining heavily for lack of BAAs.

**Training:** Just performing a yearly 15-minute training session on HIPAA is not enough to satisfy government requirements. Staff should be trained on privacy, reporting obligations, and security (particularly phishing).

**Incident Response Plan:** Clinics must have a mechanism to detect, investigate and report on privacy breaches. Familiarize yourself with your reporting obligations to patients and HHS.

**Encryption:** PHI must be encrypted at rest. The second most common find from the HHS is due to lost and/or stolen laptops or USB drives that are not encrypted.

**A Word About Ransomware and Cybersecurity:** By far, the biggest risk to the healthcare industry is phishing. The amount of data lost and exfiltrated due to phishing attacks cannot be overstated. Consulting with a competent IT firm to install and configure your technology systems is highly recommended.





## MISTAKE NINETEEN

# Referring Basic Procedures to Specialists

Almost every startup urgent care center struggles for adequate revenue. Nevertheless, many urgent care centers literally send thousands of dollars out the door to specialists, who render nothing more than supportive care. No matter what their training, most providers in the urgent care center can learn to care for simple lacerations, fractures and perform other minor procedures. Many of these procedures are simple to perform and carry a low morbidity.

Procedures that you can easily perform in your new urgent care center include:

- Laceration repairs
- Simple fracture care (including finger tuft fractures, radius buckle fractures, ankle avulsion fractures, and others)
- Abscess incision and drainage
- Joint aspirations and injections
- Ganglion cyst aspirations and injections



## MISTAKE TWENTY

# Not Investing in Adequate Practice Management Software

Why not buy the cheapest practice management software you can find? The answer is quite simple. At the beginning you are building a foundation for the future of your urgent care clinic. If you build a weak foundation, you will suffer for years. If you build on a solid foundation, your urgent care will benefit for years.

Your IT foundation is critical. Buy cheap software and within a few years, you will spend tens of thousands of dollars on new software and retraining your entire staff on new, adequate urgent care software. Meanwhile, you will have lost thousands of dollars in lost efficiencies.

Being cheap when it comes to software can be very costly. Almost every week we hear about an urgent care center that realized it made a big mistake using another software program, and they want to switch to a system designed for urgent care.

What is included in your software payment? Often new urgent care entrepreneurs don't carefully read the software contract, only to be surprised later by what was missing.



- Will you want training? Will it cost \$10,000 or even more?
- Do you need a scheduler? How much will that cost?
- Will you want an electronic billing module? How much will that cost?
- Will you want an occupational medicine module? Does the software even have an occupational medicine module? Does the software have customizable protocols for each corporate client? How much will that cost?

- Will you need to purchase a server to host on-site? If the software is not served up on the internet, you will need a computer server. How much will that cost? How much will server setup and installation cost?
- How will you pay for server maintenance? Whenever the server goes down or has problems, you will need a computer consultant to work on the system. How much will the consultant charge? \$100 an hour? \$150 an hour? How many thousands of dollars will computer consultant charges add up to in a year?
- Will you need software support and upgrades? How much do they cost?

Why not buy the “best” family practice billing software? Because those practice management systems are focused on scheduled patient visits. They typically have little functionality for workers’ compensation and employer paid services, requiring you to buy loads of functionality that you will never use. Suffice it to say, you will have the wrong tool for the job. That means you will pay staffers to constantly work inefficient processes into the system to retrofit it for your urgent care center.

Why not simply purchase a pure occupational medicine software system? First of all, these systems tend to be very expensive. Secondly, occupational medicine systems rarely have adequate functionality for billing and collections for walk-in patients, who are covered by HMOs, PPOs and other types of insurance.

Why not use your local hospital computer software system? Hospital systems are rarely designed to work in the high-paced, high-volume, low-dollar ticket atmosphere of an urgent care center. You will be duck hunting with a cannon; you are unlikely to hit the duck, and if you do, you won’t have much duck to eat.



***“Experity EMR is helping expedite the process in our center. We can accomplish much more with our team with no need to add hours to finish charting or always having less front desk support. It also gives us an enjoyable work environment so our staff loves to come in and do their work at the highest level.”***

Victor Mora, *VP of Operations, Metrodoc Urgent Care*

## MISTAKE TWENTY ONE

# Overstaffing the Startup

When it comes to staffing your clinic, being a minimalist at the start makes sense. Why hire several urgent care receptionists, an X-ray technologist, a registered nurse, a physician assistant and other ancillary staff up front? Before you get very busy, you, the owner, will be intimately involved with your urgent care business.

See if your state requires a certified radiology technician; if not, maybe a nurse or medical assistant can become certified to shoot the X-rays for your startup urgent care. If you are only seeing a few patients per day for a few months, you can use your clinical staff to cover the front desk. Many startup urgent care centers find that this bare-bones arrangement works fine at an average of one (or less) patient per hour.

But what if you don't have enough staff to handle the patients rushing into your doors? Fantastic! You don't have a problem. You have a great opportunity. It's not a problem if a football team scores over one hundred points, but the scoreboard only holds two-digit scores. It is not much of a problem for Bill Gates if his bank statement can't handle enough zeros to print out his account balance. In the same way, it is no big deal if your patient volume overwhelms your initial staffing model. It only takes a few weeks to hire and train more staff.

But what if growth early on is relatively modest — as it is with most startup businesses? Paying staff to sit around waiting for patients is very expensive. Letting staff go is even more demoralizing, as staff are always looking over their shoulders to see if they might be next. But firing staff early on is painful for you, puts a pall on staff emotions, and gives the staff a feeling that the center is a failing endeavor.



Hedge your bets. Start with a bare-bones staff to minimize your upfront expenses and maximize the chance for your startup urgent care to succeed. You can always hire more people later.

## MISTAKE TWENTY TWO

# Ignoring Ancillary Income Sources

Ancillary income can account for up to 25 percent of the income of your startup urgent care center. Early on, it is unlikely to make the difference between financial success and failure, but finding appropriate ancillary sources can improve profitability and provide improved patient care and customer service in urgent care.

Here are a few ancillary services offered by some urgent care centers:

**Pre-packaged Medication Dispensing:** Some states (for example, New York) have such severe restrictions on medication dispensing that limits the feasibility of offering this service to patients. In states that allow an urgent care center to dispense medication, however, you can increase center revenue and improve convenience for the patient by stocking basic generic medications. Some EMRs are integrated with an ePrescribe service to provide a single point of patient demographic entry at urgent care registration. A side benefit is that providers will be less likely to prescribe expensive brand name medications when they are not indicated.

**Physical Therapy:** Once your urgent care builds a significant amount of workers' compensation business, many of these patients will benefit from physical therapy. If space allows offering physical therapy within your urgent care center, it will allow you to coordinate the recovery and return-to-work of these patients.



## MISTAKE TWENTY THREE

# Marketing Without Using Free Press

And not much is free in this world, so free press doesn't come easy. You will need to work hard to make sure that the opening of your urgent care center gets free press.

Free public relations is often much more effective than thousands of dollars of paid advertising. Your urgent care center can't buy a two-inch advertisement on the front page of your local newspaper, but you may be able to have a full-color photo and be the headline story for a day. Memories of your story will last in your community for years. Money can't buy that. In a small market, the opening of your urgent care center can dominate the local news (television and newspaper) for the week. Even in a large market, you can find a way to get free press.

- Ask the town mayor to cut the ribbon on opening day.
- Send out a press release to your local newspapers, radio stations and TV stations.
- Give free medical care (not including supplies, X-rays and medications) on opening day. Paying your staff to see lots of patients costs no more than paying them to sit and wait for patients to show up. Expect to see more than 80 patients on opening day.

Give a coupon to return if you have to turn people away. You are not losing anything because almost every person you see is likely to return (or refer a friend) at least once in the next six months.

- Let local reporters know about the event. Make it a symbol that you are bringing a cost-effective alternative to the hospital emergency department.
- Set up a tent and do drive-through flu shots in the parking lot of your urgent care center.
- Write an article about the role of urgent care for your local paper.
- Volunteer to write a weekly health column for the local paper. This is a big job. Make sure you are willing to put in the time.
- Call a local newspaper or TV reporter as soon as a big medical story hits the news. Offer an interview on a hot medical topic, such as preventing heat exhaustion, flu shots, virus/disease outbreaks or weight control. TV reporters are often looking for an interview at 7 p.m. Give the local TV reporters your card and let them know you are available for interviews at that time. It takes less than 20 minutes, and you will be astounded to find out how many people have seen you on the news. Make only one request: the name of your startup urgent care center is placed in text under your name at the beginning of your interview.
- Another method to get free visibility for your urgent care center is to get your website listed on free or low-priced directories on the internet.

## MISTAKE TWENTY FOUR

# Not Marketing Occupational Medicine

Every month we meet another aspiring urgent care entrepreneur who wants to focus on marketing only to walk-in patients. Although the pure walk-in clinic model can work, without any significant marketing toward occupational medicine, you may double the initial investment (i.e., startup center losses) you will make in your center. There are plenty of reasons to focus on occupational medicine in urgent care marketing.

The human resources person not only directs drug screens, post-offer exams and workers' compensation injury care, but often is the same person who suggests to a sick employee, "You can't get in to see your doctor today? Why don't you just go to Acme Urgent Care Center? They are doing our occupational medicine. In fact, I just met the doctor, and she is really nice..." Can your urgent care center really afford to ignore this powerful marketing ally — the local company human resource person?

Often employees who first visit your urgent care center for a drug screen or a workers' compensation injury will think of you when they come down with the flu, cut a finger or sprain a back. If they can't get right in to their primary care doctor, what will they think of first? Why not your startup urgent care center?

A drug screen becomes the marketing tool that produces a walk-in urgent care visit for a medical problem. New patients are the key to measuring marketing success in starting an urgent care center. In this case, it is fantastic to realize urgent care marketing success at almost no cost. In fact, the company marketed your urgent care for you, and they even paid you (the cost of a drug screen) to market your urgent care center for you!

Urgent care centers offer an excellent alternative to the hospital emergency department for care of workers' compensation injuries. In fact, many, if not most, workplace injuries are now seen in America's urgent care centers.

This can easily amount to half of the visits to your urgent care center. Because states often heavily regulate workers' compensation care, payments are often prompt and required by state statutes.

## MISTAKE TWENTY FIVE

# Starting a Second Urgent Care Too Soon

Recently, we have seen enthusiastic entrepreneurs planning a second urgent care center before even starting a first center. The business plan for the first center includes a second and maybe even a third center within the first 12 months of operation. These entrepreneurs see other successful urgent care businesses operating three to ten centers and seek to emulate that success. There is nothing wrong with having a big vision, but you must develop a solid foundation before building a multi-site urgent care business.

Make sure you have a solid, working prototype before you multiply the number of operating centers. With any prototype, there are always problems to be worked out. You must make certain you first work out the flaws and problems before you open a second center. If not, your second center will double the mistakes in your model.

Fixing problems will be even more difficult while you are trying to operate two centers. Your second center will double your problems, double your staff issues and double your financial losses. The first month your new urgent care center turns a profit, you are ready to start thinking about a new urgent care center.

Too many people see other multi-center urgent care businesses

and think the key to success is opening several centers. The truth, however, is that opening a location prematurely can drain your focus, energy and checkbook when you need to be single-mindedly working and investing in your business.

When your first center is profitable, you have a working prototype that can help fund a second center, and you know how much personal and financial sacrifice it takes to get an urgent care business off the ground.

We were once visited by a founder/owner of a well-known national fast food chain. He was investigating whether his vast experience in multi-site restaurant chains might help him succeed in developing a chain of urgent care centers. He told us that when his team opened the first restaurant, designed to be a prototype for a new chain, they made so many mistakes they closed down the restaurant. Then they immediately opened the first three wildly-successful restaurants in the new chain. When I asked, "Why three?" He answered, "We had learned what not to do." Since he had hundreds-of-millions of dollars, he could afford this brashness. Since a millionaire with decades of experience can fail miserably in setting up a prototype, how much more important is a prototype urgent care for someone just entering the business?

Make big plans, dream big dreams, and work hard on perfecting your model. Don't be afraid to think about operating a multi-site urgent care and serving your entire community.

But wait until your first center is a success before writing a business plan or spending time investigating other sites for an urgent care center.



# Urgent Care. Defined.



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