



Operation Urgent Growth (2014)

Building Urgent Care Co. into a national urgent healthcare leader

University of Michigan

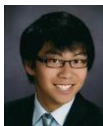
Brian Hu, Mehul Gaur, Jacob Marples, Stephen Wang

University of Michigan – Deloitte Case Competition

February 28th, 2014

Team Overview

Team Leader



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UNIVERSITY OF MICHIGAN, MAY 2016
Stephen M. Ross School of Business
Bachelor of Business Administration

Strategy and Operations



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Literature, Science, and the Arts
Bachelor of Science in Economics

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Bachelor of Business Administration
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Minor in Writing and Economics

Presentation Agenda

Building Urgent Care Co. into a national urgent healthcare leader

Situation Overview

- Executive Summary
- Problem Statement

Revenue Growth – Strategy and Operations

- Internal Analysis and Existing Opportunities
- Potential Growth Strategies
- Growth Outlook – Projected Results

ACA Compliance – Information Technology

- ACA Requirements
- Implementation Plan and Partners

Change Management – Human Capital

- Building Employee Buy-in
- Communication and Feedback Initiatives
- Training and Support Systems

Conclusion

- Risks and Mitigations
- Timeline of Implementation
- Questions and Answers

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Executive Summary

- I. Combined referral business, ancillary business line, and geographic expansion strategies can **grow Urgent Care Co.'s total top-line revenue by over 230% in 5 years**
- II. Implementation of Affordable Care Act compliant electronic record system should follow a defined, cascading implementation schedule with strong review and audit checkpoints
- III. Pursuing accreditation programs, utilizing formal feedback channels, and providing continuous training to employees will allow Urgent Care Co. to build successful change across the organization

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Urgent Care Co. must drive revenue growth, meet ACA electronic records regulations, and continue to guide its employees during a period of growth and change

Problem Statement

Revenue Growth

How can Urgent Care Co. grow its top-line revenue and become a market leader?

- Where does Urgent Care Co. currently stand in comparison to its competitors?
- Where are the growth opportunities? Which opportunities best fit Urgent Care Co.'s current core competencies and its future goals?
- How can Urgent Care Co. become a market leader in the urgent healthcare industry?

ACA Compliance

How can Urgent Care Co. bring electronic health record systems into compliance with ACA Mandates?

- How should Urgent Care Co. approach changing over its centers to meet Affordable Care Act requirements?
- What sort of timeline should Urgent Care Co. follow?
- What standards should Urgent Care Co. set for its urgent care centers?

Change Management

What can Urgent Care Co. do to help guide and support employees during this period of change?

- How can Urgent Care Co. increase employee buy-in for its long-term growth strategies?
- How can Urgent Care Co. better prepare and support its employees during periods of change?

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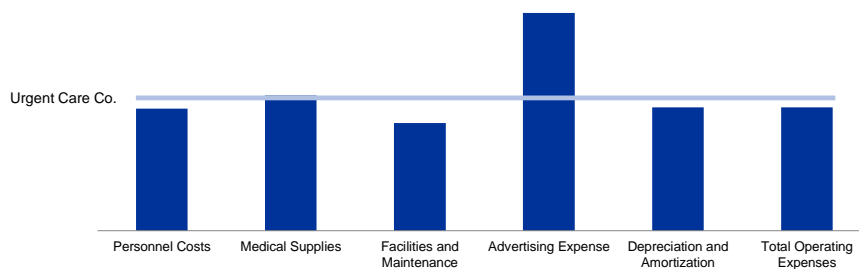
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Urgent Care Co. is competitive with competitor cost structures, but personnel expense reduction strategies could result in \$750k in annual savings

Average Competitor Expenses(% of Urgent Care's Expenses)



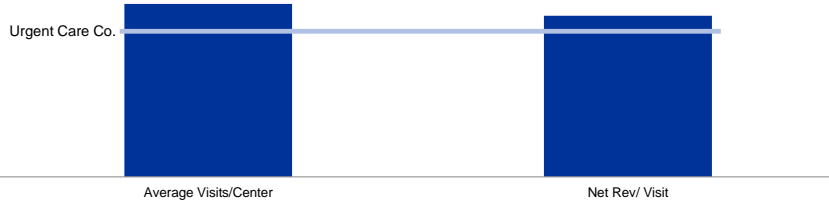
- Urgent Care Co.'s expenses are higher than the competitor average in these areas
- Additionally, a reduction in these costs to the competitor average would only increase the profit margin by ~4%

- By switching doctors with nurse practitioners, and moving displaced doctors to expansion locations, Urgent Care Co. can meet \$750k in annual cost savings
- A reduction in facilities expense would diminish the quality of service and does not have a significant impact on margin

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Urgent Care Co. underperforms in average visits per care center and net revenue per patient compared to key competitors

Average Competitor (% of Urgent Care)



- Urgent Care Co gets ~19% less visits to its clinics than the average competitor
- Additionally, the strategy of undercutting competitors' prices causes net revenue to be lower by approximately ~10%

Average Visits	Net Revenue/Visit					
	108	114	119	125	131	
28.7	2.8%	7.6%	12.0%	16.0%	19.6%	
31.4	4.0%	8.8%	13.1%	17.0%	20.6%	
34.0	5.0%	9.7%	14.0%	17.9%	21.5%	
36.7	5.9%	10.5%	14.8%	18.7%	22.2%	
39.4	6.6%	11.3%	15.5%	19.3%	22.8%	

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Three primary growth opportunities exist for Urgent Care Co. – Partnering with Health Systems, Ancillary Services, and Geographic Expansion

Partnering w/ Health Systems

Build a Referral Network: Develop strong relationships with overcapacity health systems (Hospitals, primary care physicians, ect.) to become a first-choice alternative care provider for patients seeking non-emergency services

Grow Customer Base: Increase customer inflow and box out competitors from high demand markets by securing a first-in-line position seeking urgent healthcare

Ancillary Services

Build out Secondary Product Lines: Meet increasing demand for services extending beyond core urgent care: physicals, medication dispensing, physical therapy, pain management, palliative care, ect.

Increase Operating Margins: Increase average per patient revenue levels and raise overall profit through developing and selling high-margin ancillary services













Geographic Expansion

Expand Care Centers: Locate and enter high-potential markets within the south-east region in order to continue building market share and drive revenue growth

Grow Customer Base: Enter markets with high population density, high healthcare services demand, and where Urgent Care Co. carries strong brand recognition

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Growth Opportunities			
	Partnering w/ Health Systems	Ancillary Services	Geographic Expansion
Definition	Build mutually beneficial, referral relationships with overcapacity hospitals and health systems to grow customer base	Provide new lines of secondary ancillary, high margin services to grow per patient revenue and overall profit levels	Expand into high potential markets with strong urgent care demand and high population density
Style of Strategy	Customer Growth	Margin Growth/ Customer Growth	Customer Growth/ Margin Growth
Core Competency Fit			
Capital Requirements			
Revenue Potential			
Risk of Brand Dilution			

¹Economist Intelligence Unit estimates

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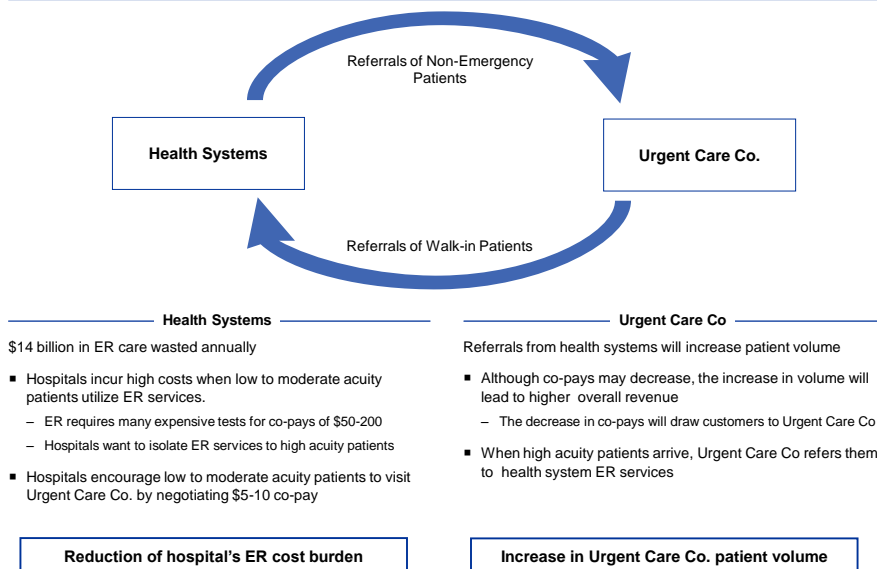
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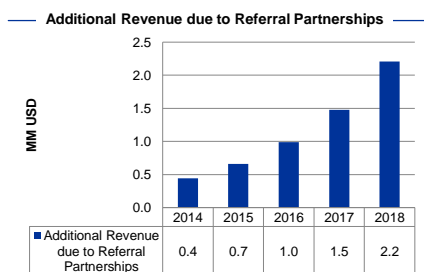
Mutually beneficial relationships with health systems will ease overcapacity burdens while driving customer growth through referral business



¹IBIS World Industry Report "OD5458", 2013

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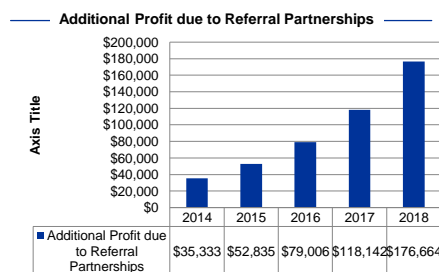
Referral Partnerships with local hospitals will result in an increase of Net Revenue by \$5.7MM over 5 years



Assumptions:

35% of Emergency Room visits are for non-emergency conditions.

415 Emergency Room Visits/year per 1000 people in the United States



Model Breakdown:

- Assumes increase in % of non emergency visits over 5 years to 10%.
- Extra Revenue is added to predicted annual revenue growth of 6%.

²© Cross Blue Shield
Blue Cross Health Services

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Ancillary services can be segmented into four tiers of acuity – Urgent Care Co. is well positioned to expand into acuity tiers adjacent to core urgent care

Immunizations Scheduled (polio, tetanus, etc.) and annual flu vaccination <ul style="list-style-type: none"> Traditionally serviced by primary care physicians or retail clinics 	Pre-and-Post Travel Consultations Pre-travel medical preparations including supporting vaccinations <ul style="list-style-type: none"> Traditionally serviced by primary care physicians 	Medication Dispensing Medication and pharmacology related services <ul style="list-style-type: none"> Traditionally serviced by retail clinics and retail pharmacies 	Physicals Comprehensive annual and other physicals assessing health <ul style="list-style-type: none"> Traditionally serviced by primary care physicians 	Physical Therapy Remediation of disabilities through guided weekly therapy <ul style="list-style-type: none"> Traditionally serviced by external services and hospital/health systems
Chronic Disease Counselling Condition management for Alzheimer's, Parkinson's, and diabetes patients <ul style="list-style-type: none"> Traditionally serviced by hospital/health systems 	Pain management Provides patients with chronic systems with pain treatment and medication <ul style="list-style-type: none"> Traditionally serviced by hospital/health systems 	Infusion Therapy Provides patients with relief from the symptoms and pain of serious illnesses <ul style="list-style-type: none"> Traditionally serviced by hospital/health systems 	Palliative Care Provides patients with relief from the symptoms and pain of serious illnesses <ul style="list-style-type: none"> Traditionally serviced by hospital/health systems 	Abdominal Pain Treatment Emergency services with critical treatment requirements within life and death situations <ul style="list-style-type: none"> Traditionally serviced by hospital/health systems

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Preventative		Low Acuity		
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Moderate Acuity		High Acuity		
Chronic Disease Counselling Condition management for Alzheimer's, Parkinson's, and diabetes patients <ul style="list-style-type: none"> Traditionally serviced by hospital/health systems 	Pain management Provides patients with chronic systems with pain treatment and medication <ul style="list-style-type: none"> Traditionally serviced by hospital/health systems 	Infusion Therapy Provides patients with relief from the symptoms and pain of serious illnesses <ul style="list-style-type: none"> Traditionally serviced by hospital/health systems 	Palliative Care Provides patients with relief from the symptoms and pain of serious illnesses <ul style="list-style-type: none"> Traditionally serviced by hospital/health systems 	Abdominal Pain Treatment Emergency services with critical treatment requirements within life and death situations <ul style="list-style-type: none"> Traditionally serviced by hospital/health systems

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Low Acuity			Moderate Acuity	
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Primary Service Expansion

1. Ancillary service lines that build per patient revenue

- Diversify Urgent Care Co. offerings to adjacent, low acuity ancillary services that help increase overall profit margins
- Opportunity to cross-sell current patients into additional potential revenue streams

2. Moderate scaling process to limit required investment

- Build new service line best practices through trials within existing urgent care centers
- Organic growth of customer base through leveraging referral business from existing health system partners

Secondary Service Expansion

1. Stable revenue in recurring outpatient care

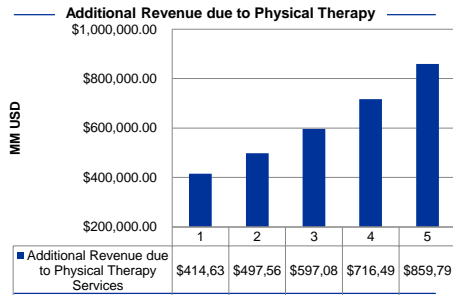
- Provide consistent, high-level treatment to patients in need of specific services unfilled by current primary care physicians
- Build a steady, predictable customer base in treating chronic disease and other recurring patients

2. Leverage connections with health system partners

- Offload capacity from overloaded health services to allow health systems to focus on emergency, high priority needs
- Build additional value for health systems unable to support increasing patient loads among an aging baby boomer population

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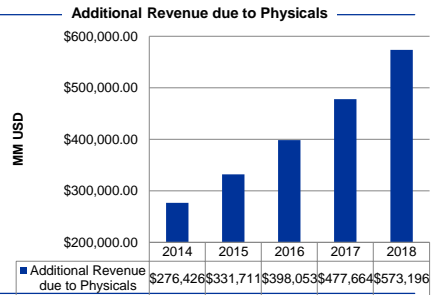
Additional Revenue from ancillary services leads to an increase in revenue of 5.4MM over 5 years



Assumptions:

Average of 3% of the population uses Physical Therapy

ⁱⁱUrgent Care Co captures 1% of the physical therapy users in each area they operate within.



Assumptions:

10% of the population gets physical evaluations every year.

Urgent Care Co captures 10% of the physicals completed in each area they operate within.

American Physical Therapy Association
American Academy of Pediatrics

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Urgent Care Co. should identify high population density, over-capacity health system regions within the south-east as strong targets for geographic expansion

Criteria Factors for Geographical Expansion

Population density

- High population density lowers marketing costs and increases potential to improve brand recognition
- Measured by people/per sq. mile

Over-capacity Health Systems

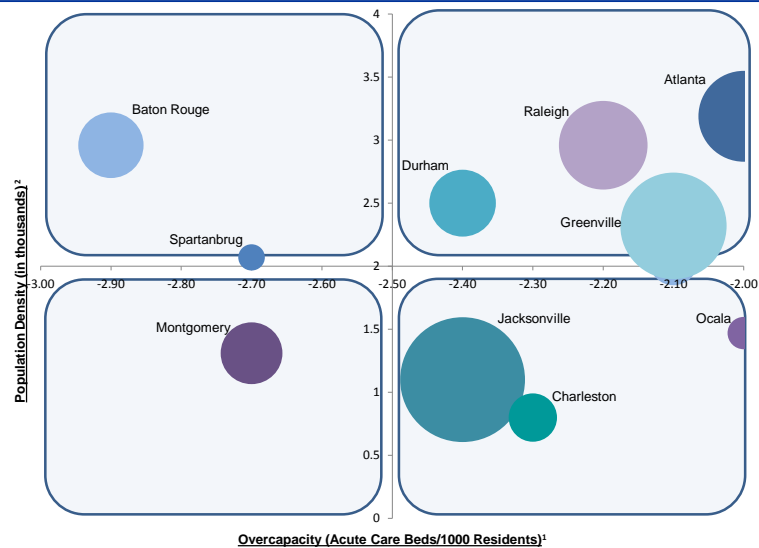
- Higher over-capacity will increase the patient volume from health system referrals, and increase consumer demand for urgent care
- Measured by emergency room beds per 1000 people

Strong Brand Recognition

- In order to retain benefits of existing branding, only cities in the south-east were considered as potential markets

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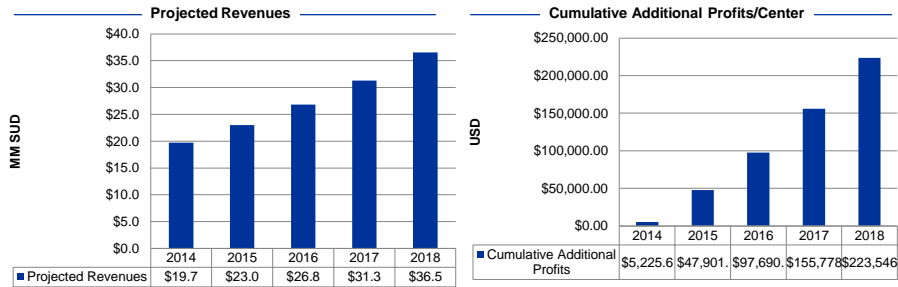
Strong geographic expansion candidates include Ocala, Durham, and Greenville



¹Dartmouth University "Atlas of Healthcare", 2006
²United States Census Bureau, 2010

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Geographic Expansion leads to an additional \$8MM in profits over 5 years



Assumptions:

Based on expansion strategy growth rate of an average of 3 additional centers per year

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Urgent Care Co. must address new compliance standards as a result of the ACA and the lack of homogeneity across centers

ACA Compliance

IT Implementation: Hybrid cascading structure between “big bang” deployment and center-specific deployment that upgrades systems in small groups.

Full Compliance: All centers become ACA compliant within the year, without efficiency loss due to differing levels of current compliance.

Homogeneity

Cascading Implementation: The cascading structure of implementation will allow all centers to have the same system by year end.

Future Growth: A common, standardized system across systems will serve as a catalyst for future growth, in addition, to allowing greater efficiency in response to further regulatory action.

Urgent Care Co. must become ACA-compliant by year end while maintaining homogeneity across deployment centers to allow for future growth and compliance regulation changes

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Urgent Care Co. has three options for achieving ACA electronic record requirements: “big bang” roll-out, center specific deployment, and a hybrid cascading deployment

Implementation Options

“Big Bang” Roll-out

Simultaneous implementation of compliance systems across a short, condensed period

Advantages:

- Homogenous work technology environments
- Strong positioning to react to additional regulatory requirements
- Short implementation timeline

Disadvantages

- High-risk deployment period
- Little time allocated to review and implementation testing
- Failures can waterfall through the full information technology infrastructure

Center Specific

Specific strategies for implementing compliance at each care center

Advantages:

- Less risk of catastrophic failures: each environment is isolated
- Additional timing for user adaption to new operating requirements
- Adapt implementation strategies to specifically address center specific issues

Disadvantages

- Non-homogenous environments makes future changes difficult
- Little to no data sharing capability for extended periods of implementation

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Hybrid-cascade

Hybrid cascade up method of implementation to “fix-up” trailing centers to set standards

Advantages:

- End homogenous environments across the technology infrastructure
- Built-in review periods for adapting and troubleshooting problems
- Allows for gradual, “catch-up” to required compliance standards from separate starting points

Disadvantages

- Long implementation period
- Requires continuous training on behalf of employees to reach required standards

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Urgent Care Co. should bucket current center capabilities and cascade up ACA compliance requirements through to set standards by

Running head

Center	ACA Compliance	Center	ACA Compliance
Atlanta, GA 3	90%	Montgomery, AL 1	60%
Jackson, FL 1	90%	Jackson, MS 1	65%
Atlanta, GA 2	75%	Baton Rouge, LA 1	40%
Atlanta, GA 4	75%	Charleston, SC 1	40%
Montgomery, AL 2	75%	Augusta, BA 1	25%
Jacksonville, FL 2	75%	Jacksonville, FL 3	25%
Atlanta, GA 1	60%		

Week: 1

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Running head

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Atlanta, GA 3	90%	Montgomery, AL 1	60%
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Montgomery, AL 2	75%	Augusta, BA 1	40%
Jacksonville, FL 2	75%	Jacksonville, FL 3	40%
Atlanta, GA 1	60%		

Week: 4

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Atlanta, GA 4	75%	Charleston, SC 1	75%
Montgomery, AL 2	75%	Augusta, BA 1	75%
Jacksonville, FL 2	75%	Jacksonville, FL 3	75%
Atlanta, GA 1	75%		

Week: 11

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Week: 20

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Human Capital Issues Prevent Effective Implementation of New Technology

Static Employee Personalities

Non-Conducive Environment for Growth Opportunities:

58% of employees are deliberate and risk averse in decision-making and only 23% of employees are adaptive or open to experimentation

Lack of Transparency & Communication

Incorporation of Feedback:

Rated **3.6/10** by average employee and **2.15/10** by Nurses and Nursing Assistants according to annual survey.

Lack of Training Post-Change

Employees Uncomfortable with New Systems:

Rated **5.5/10** by average employee and **3.8/10** by Nurses and Nursing Assistants in annual survey.

Static employee personalities, lack of communication, and lack of training lower morale and could increase resistance to change.

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Urgent Care Co. should pursue AAUCM accreditation, develop structured feedback systems, and continuous training programs

AAUCM Accreditation

Enhance Reputation – Accreditation provides a leading marketing tool

Attract Prospective Staff – Professionals are drawn to up-to-date centers

Reduce Insurance Costs – Access to government and private reimbursements

Structured Feedback System

Anonymous Feedback – Every 3 months, employees are required to submit anonymous feedback regarding strengths and potential improvements

Update Meetings - Every month, center-wide meetings review employee feedback, current initiatives, and updates from employee group (receptionist, nurse, physicians, etc)

Continuous Training Program

Short-term - In the year of implementation and the year following, training workshops will be offered at high frequency across all employee roles

Long-term - Two years after implementation, benchmarks set by feedback system will determine the frequency of training workshops

In addition to gaining AAUCM accreditation, implementing a feedback system and continuous training program will lead to a dynamic, responsive culture

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Accreditation by AAUCM is a low-cost initiative that will drive synergy

Benefits

- Quality-Assurance
 - Effective policies, procedures, and bylaws
 - Modern technology is utilized and appropriately tested
 - Medical and administrative staff are appropriately certified and meet continuing medical education (CME) standards
- Differentiation from Competitors
 - Many of Urgent Care Center's competitors are not accredited
 - Urgent Care can be marketed as an industry leader
- Collaborative Goal-Setting
 - Accreditation challenges the status quo in a positive way
 - All employee roles must coordinate to meet requirements
 - Employees naturally feel a sense of pride and obligation to best represent Urgent Care Co. at the site visit

Costs

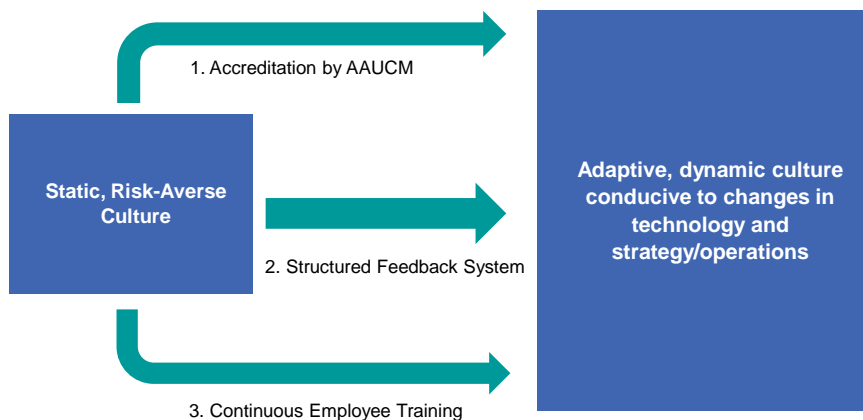
- Employees may feel that accreditation is unnecessary
 - "Don't fix what isn't broken" –Employee survey
 - Morale may be lowered by extra effort required by employees
- Accreditation fees range from \$1800 - \$14,000
 - 0.6% of center revenue
- Accreditation requirements utilize time and resources
 - However, effort is spent auditing and preparing for industry changes



The modernization and synergy benefits of accreditation outweigh the financial and opportunity costs

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Human Capital Initiatives will shift culture from static to adaptive



A shift in culture will allow for change management, thereby streamlining the implementation process.

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- Questions and Answers

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Urgent Care Co. must understand the risks part of revenue growth, ACA Compliance, and Change Management strategies and develop mitigation plans to address them

Revenue Growth Strategy Risks

Dilution of brand while expanding into new regions and services

Expansion into new services and regions could result in a dilution of Urgent Care Co.'s brand



Mitigation Strategy:

Build new services and geographic growth through internal standards to maintain established mission goals and values

Stringent insurance providers could limit patient access:

Inflexible insurance plans could cause patient groups to avoid Urgent Care Co. for competitor providers



Mitigation Strategy:

Develop working relationships with insurance providers to build working co-pay, prevention services, and health system alternative strategies

ACA Compliance Risks

Missing implementation deadlines could result in compliance fines:

Failing to meet timeline goals could result in expensive ACA regulated fines and penalties



Mitigation Strategy:

Build in additional review and assessment buffer periods on schedule to preemptively identify and address potential trouble points

Implementation costs exceed projected costs:

Compliance efforts that exceed expected costs due to lack of internal IT services expertise



Mitigation Strategy:

Implement on a set schedule parallel to internal talent acquisition and development of IT service capabilities

Change Management Risks

Lack of employee buy-in for growth and technology strategies:

Inability to build employee buy-in across the organization could result in a repeat of past unsuccessful change initiatives



Mitigation Strategy:

Construct strong bottom-up feedback channels that increase overall employee stakehold in change

Culture shift could create fault lines between old and new

Rapid growth could create fault lines between old and new employees, as cultural shifts develop

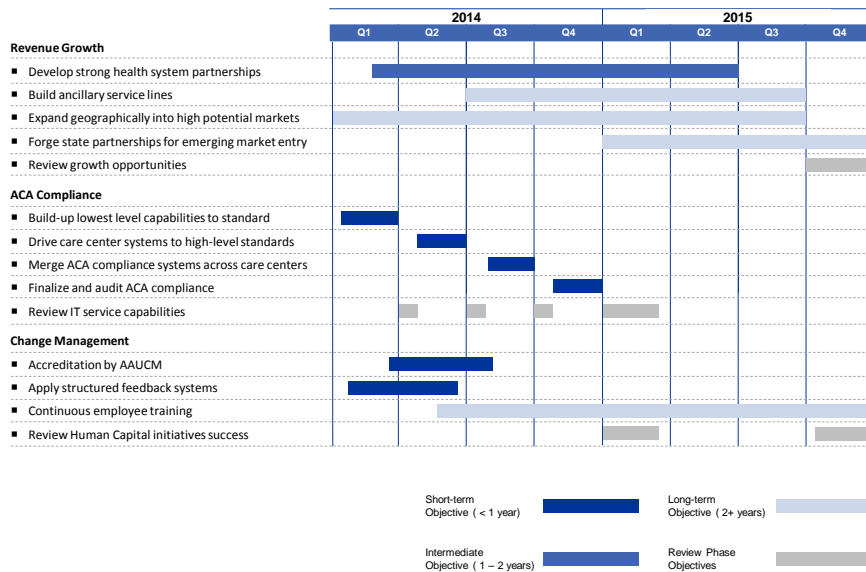


Mitigation Strategy:

Parallel onboarding and continuous training programs to build relationships across old and new within the expanding organization

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To continue the Urgent Care Co.'s success, Deloitte will develop a detailed 2-year roadmap to achieve the agreed strategic objectives



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Conclusion, key considerations, and next steps

Conclusion

- I. Combined referral business, ancillary business line, and geographic expansion strategies can **grow total top-line revenue by over 230% in 5 years**
- II. Implementation of a Affordable Care Act compliant electronic record system should follow a defined, cascading implementation schedule with strong review and audit checkpoints
- III. Pursuing accreditation programs, utilizing formal feedback channels, and providing continuous training to employees will allow Urgent Care Co. to build successful change across the organization

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Questions and Answers
