



Financial Literacy

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Alan Ayers has ~17 years' experience in strategic planning, business development, clinical operations, sales/marketing and customer service for urgent care, occupational medicine, and primary care facilities.

Currently, Ayers serves as President of Experity Consulting, responsible for helping clients identify and cultivate new revenue streams while supporting the company's strategic growth initiatives. Ayers has consulted with independent, PE-backed, and hospital-affiliated platforms representing well over 1,000 units. He has also served as an expert witness in landlord-tenant litigation involving urgent care.

From 2017 to 2021, while still part of Experity, Ayers served as Chief Executive Officer of Velocity Urgent Care, a venture of Sentara Healthcare, growing the company from 7 to 15 locations building a complete operating and administrative infrastructure, assembling leadership and management teams, migrating systems, optimizing the staffing model, acquiring the hospital's occ med practice, and implementing a values-based culture. In 2020, Velocity Urgent Care became the leading provider of COVID19 test services in its markets.

A prolific and award-winning writer, Ayers is Senior Editor of *The Journal of Urgent Care Medicine* (JUCM), and has contributed hundreds of original articles, blog entries and presentations on urgent care-related subjects. In 2018 he was co-author of *The Health Care Executives' Guide to Urgent Care and Freestanding EDs, Second Edition*.

Ayers has served as Chief Operating Officer of OhioHealth Urgent Care and spent eight years in executive positions at Concentra including VP of Corporate Development responsible for acquisitions, divestitures, de novos, relocations, and major renovations.

For eight years, Ayers served the Board of Directors of the national Urgent Care Association (UCA), providing expertise and guidance on emerging issues; identifying market and regulatory trends; defining content, planning educational programs, and speaking at industry events. In 2019, he received UCA's prestigious Lifetime Membership Award.

Ayers graduated Phi Beta Kappa from the University of North Carolina, has an MBA from the University of Mississippi, and a Masters of Accounting from The Ohio State University graduating first in his class.





Today's Focus

- **Categories of Financial Activity**
- **Financial Statement Overview**
- **Driving Financial Performance**





The Financial Buckets

**OPERATING
EXPENSES**

**COST OF
REVENUE**

REVENUE

REVENUE DEFINED

The amount you charge your customers for services.



COST OF REVENUE DEFINED

All costs directly connected
to delivering services



OPERATING EXPENSES DEFINED

Everything else.





ACTIVITY #1:

CAR DETAILING SERVICES

HOME OFFICE STAFF

ADVERTISING

SOAP/WAX

PAY AS YOU GO WASHES

HOME OFFICE RENT

DETAILING SUPPLIES

WINDSHIELD CHIP REPAIR

DENT REMOVAL SERVICES

CAR WASH LABOR

BOOKKEEPER FEES

WATER USED

RESEARCH/DEVELOPMENT



FINANCIAL BUCKETS: CAR WASH

•REVENUE

- Car Detailing Services
- Pay As You Go Washes
- Windshield Chip Repair
- Dent Removal Service

•COST OF REVENUE

- Soap/Wax
- Detailing Supplies
- Car Wash Labor
- Water Used

•OPERATING EXPENSES

- Advertising
- Home Office rent
- Bookkeeper fees
- Research/Development
- Home Office Staff

Common Calculations:

 - 	=	GROSS PROFIT 
 - 	=	EBITDA 
 ÷ 	=	GROSS MARGIN






REVENUE



COST OF REVENUE



OPERATING EXPENSES

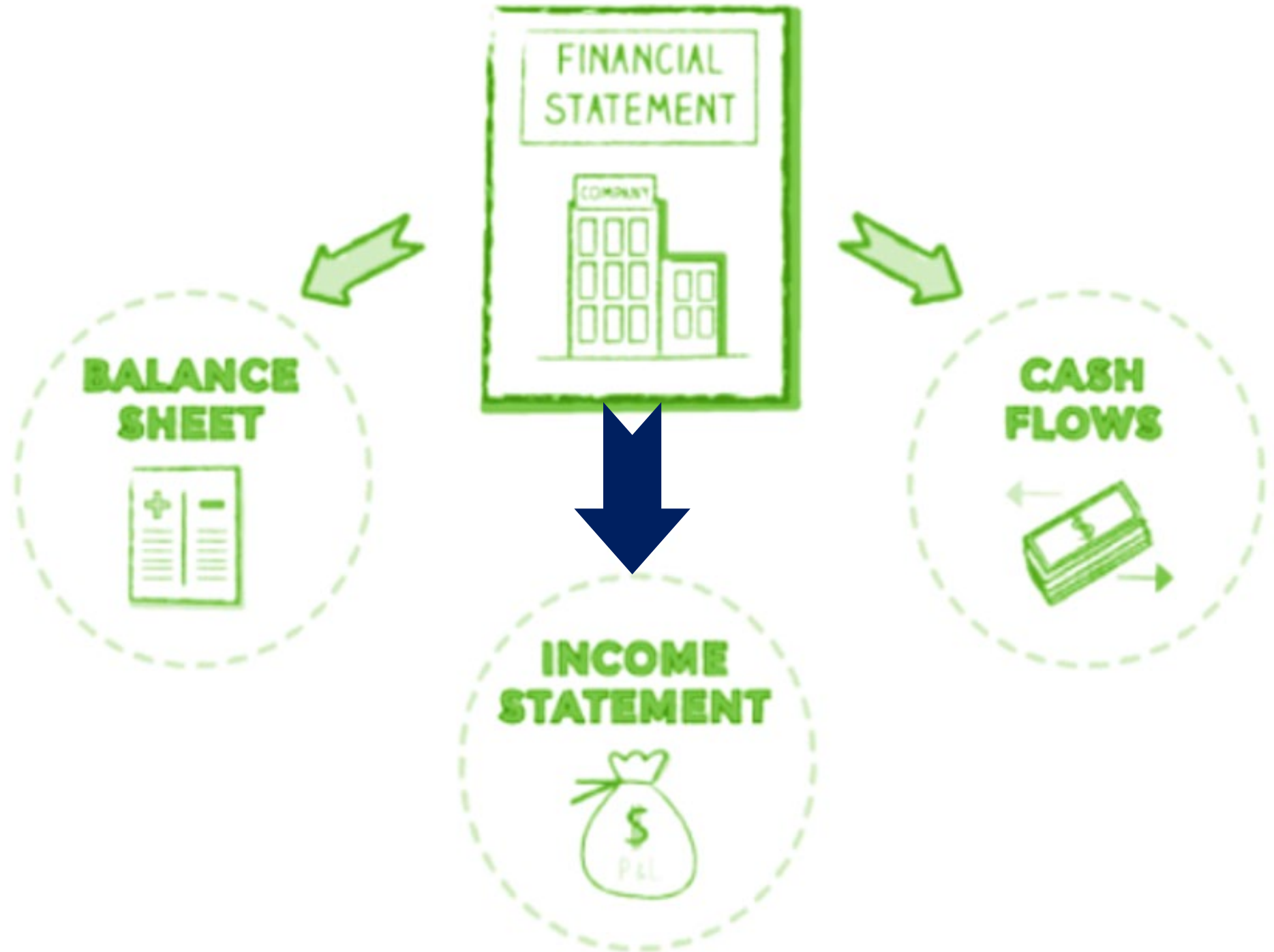
Scenario:	 Revenue	 Cost of Revenue	 Operating Expenses	 EBITDA
Cost of soap & wax increase 10%	No change		No change	 Impact



FINANCIAL STATEMENT OVERVIEW



Financial Statement Basics



INCOME STATEMENT DEFINED

A statement showing revenue minus expenses, equaling the profit for a specified time frame.



EBITDA DEFINED

Demonstrates profitability of the operation independent of capital expenditures, financing and government activities.



Urgent Care Income Statement Categories: EBITDA Profitability

Urgent Care Revenue	MINUS: COST OF REVENUE	MINUS: COST OF OPERATIONS
Gross Patient Charges	Billing and EMR Services	Salaries and Wages
MINUS: Contractual Allowance	Medical Supplies	Payroll Taxes
MINUS: Write-off to Bad Debt	Medications	Employee Benefits
PLUS: Ancillary Service Revenue	Malpractice Insurance	Rent and CAM Expenses
EQUALS: NET URGENT CARE REVENUE	Radiology Overread	Billing and Collection Fees
EQUALS: GROSS PROFIT		Office Supplies and Postage
		Computer and Communication Costs
		Management Fees
		Purchased Services
		Legal and Professional Fees
EQUALS: EBITDA PROFIT		



Urgent Care Income Statement Categories: Net Profit and Cash Flows

Net Profit Calculation

EBITDA

MINUS: Interest Payments

MINUS: Income Taxes

MINUS: Depreciation

MINUS: Amortization

EQUALS: NET PROFIT

Net Cash Flow Calculation

NET INCOME

PLUS: Depreciation

PLUS/MINUS: Accounts Receivable Decrease/Increase

PLUS/MINUS: Supply Inventory Decrease/Increase

PLUS/MINUS: Prepaid Expense Decrease/Increase

PLUS/MINUS: Accounts Payable Increase/Decrease

PLUS/MINUS: Loan Proceeds/Payments

MINUS: Dividends and Distributions

EQUALS: NET CASH FLOW





DRIVING FINANCIAL PERFORMANCE



Urgent Care Economics: Basic Revenue Equation

- Revenue Equation: Volume x Rate

- Rate = Reimbursement

- Some discretion in coding and services provided
 - Rates largely set by BUCA payers (economic price takers)
 - Case rates equalize reimbursement across visits

- Volume = Daily Visits

- Controllable factors: real estate, marketing, patient ratings
 - Non-Controllable factors: flu/COVID incidence, weather, seasonality, saturation



Urgent Care Economics: Staffing as a Fixed Cost

- Cost of Revenue

- Variable costs—incurred only if a patient is seen
- Supplies and EMR costs are relatively small
- Exception may be high cost lab tests or radiology over-reads

- Operating Costs

- Fixed costs—incurred if no patients seen (levered across all patients)
- Labor, benefits, and payroll taxes are >75% of operating costs
- Center cannot operate without a skeletal crew



Urgent Care Economics: Volume-Driven Business

- Volume-driven Business:

- Once labor cost is covered, each incremental visit flows to the bottom line
- Profitability is maximized by leveraging fixed costs across greater revenue
- KPI is patients per staff member per hour
 - Providers: 4 patients/hour Medical Assisting: 2 patients/hour Front Desk: 4 patients/hour
- Most urgent care centers are operating well below capacity



Urgent Care Economic Considerations

- Volume depends on strength, timing and duration of flu season
- Prices are set by health insurance companies
- High proportion of costs are subject to wage inflation
- Excess labor capacity due to minimum staffing models
- Excess labor capacity due to “on demand” ebb/flow (vs. appointments)
- Excess labor capacity due to incremental labor problem



Post-COVID Growth Theses

- **New patients** introduced to urgent care during the pandemic but also a focus on pediatric populations
- **New payers** especially expansion and privatization of state Medicaid programs
- **New geographies** including underserved rural and urban markets
- **New services** brand-relevant integration of ancillary, primary care and specialist services
- **New rooftops** growth continues, but more of an analytical approach is needed



