# PIMA URGENT CARE

**Tucson, Arizona**

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Section I Executive Summary

Deirdre Yapalater’s recent colonoscopy at a surgical center near her home here on Long Island went smoothly: she was whisked from pre-op to an operating room where a gastroenterologist, assisted by an anesthesiologist and a nurse, performed the routine cancer screening procedure in less than an hour. The test, which found nothing worrisome, racked up what is likely her most expensive medical bill of the year: $6,385.

According to an article written by Elisabeth Rosenthal entitled The $2.7 Trillion Medical Bill (June 1, 2013), a major factor behind the high costs is that the United States, unique among industrialized nations, does not generally regulate or intervene in medical pricing, aside from setting payment rates for Medicare and Medicaid, the government programs for older people and the poor. Many other countries deliver healthcare on a private fee-for-service basis, as does much of the American healthcare system, but they set rates as if healthcare were a public utility or negotiate fees with providers and insurers nationwide, for example.

“In the United States, the Company like to consider healthcare a free market,” said Dr. David Blumenthal, president of the Commonwealth Fund and a former adviser to President Obama. “But it is a very weird market, riddled with market failures.”

Consumers, the patients, do not see prices until after a service is provided, if they see them at all. And there is little quality data on hospitals and doctors to help determine good value, aside from surveys conducted by popular Web sites and magazines. Patients with insurance pay a tiny fraction of the bill, providing scant disincentive for spending.

Even doctors often do not know the costs of the tests and procedures they prescribe. When Dr. Michael Collins, an internist in East Hartford, Conn., called the hospital that he is affiliated with to price lab tests and a colonoscopy, he could not get an answer. “It’s impossible for me to think about cost,” he said. “If you go to the supermarket and there are no prices, how can you make intelligent decisions?”

Instead, payments are often determined in countless negotiations between a doctor, hospital or pharmacy, and an insurer, with the result often depending on their relative negotiating power. Insurers have limited incentive to bargain forcefully, since they can raise premiums to cover costs.
“It all comes down to market share, and very rarely is anyone looking out for the patient,” said Dr. Jeffrey Rice, the chief executive of Healthcare Blue Book, which tracks commercial insurance payments. “People think it’s like other purchases: that if you pay more you get a better car. But in medicine, it’s not like that.”

Contrast this scenario with the definition of an urgent care center published by the Urgent Care Association of America (www.ucaoa.org):

**Definition of Pima Urgent Care:** Urgent care is defined as the delivery of ambulatory medical care outside of a hospital emergency department on a walk-in basis without a scheduled appointment.

**Scope of Pima Urgent Care:** Urgent care centers treat many problems that can be seen in a primary care physician's office, but urgent care centers offer some services that are generally not available in primary care physician offices, for example: X-Ray facilities allow for treatment of minor fractures and foreign bodies, such as nail gun injuries. Minor trauma rooms allow also allow for repair of minor and moderate-severity lacerations in an urgent care center.

**Value of Pima Urgent Care:** Urgent care centers provide significant savings to patients and insurers over the alternative of hospital emergency departments for episodic care that cannot be delayed until an appointment at a physician office is available. In addition, their scope of treatment is more extensive than retail clinics (in-store clinics located in retail centers such as a drugstore) making the need for transfer (and additional charges and patient inconvenience) to a higher-level facility more unlikely.

**Convenience of Pima Urgent Care:** According to the Centers for Disease Control, patient visits to hospital emergency departments currently average 3.2 hours, and a more recent Press-Ganey study estimated visit time at 4 hours. Many of the problems currently treated in hospital emergency departments can receive timely treatment in less than one hour in an urgent care center.

** Appropriateness:** The Centers for Disease Control has reported that approximately 40% of visits to hospital emergency departments are for non-urgent or semi-urgent problems (more appropriate to urgent care). These
problems aggravate the overcrowded emergency departments of the country, and many would be better treated in an urgent care center.

Urgent Care Hours: Most urgent care centers offer extended hours in evenings and on weekends for patients to receive treatment when their personal physician is not available.

Industry Growth: With the first urgent care centers opening about 20 years ago, the industry has seen rapid growth, with multiple urgent care centers serving most communities in America. There are approximately 9,000 urgent care centers in the United States.

Complement to Primary Care: By definition, urgent care centers function as overflow valves for the public, when timely appointments to a primary care physician office are not available or after regular office hours when patients needing immediate attention would otherwise be diverted to a hospital emergency department. The Urgent Care Association of America recommends patients build a relationship with a primary care physician.

*In this context a new market has become obvious and necessary; it is anticipated that this will create a lucrative opportunity for urgent care medical services nationwide.*

Project Overview

Business Description
This plan describes Pima Urgent Care, a new business that will be established in Pima County, Arizona. The feasibility of implementing this model in this county is established in this document.

Management is responsible for establishing the urgent care center to the point it can begin seeing patients. This process includes selecting, leasing, building out and equipping the retail location, securing State and local licenses, credentialing and negotiating contracts with various insurance carriers and coordinating all other activities necessary to get the Center ready to see patients.

The Company has credentialed and contracted with most of the major insurance carriers in Arizona including Medicare and most Workers’ Compensation
insurers. As such, the Center will be immediately ready to bill these insurance carriers; a process that normally takes from three to six months for new startups.

1.2 Business NAICS Codes

1.2.1 NAICS Codes
This project involves the NAICS code 621493:

Emergency and Other Outpatient Care Centers in the United States
This industry includes establishments with medical staff primarily engaged in providing emergency, general or specialized outpatient care not included in other industries. Centers or clinics that include a variety of health practitioners, each with different specializations and operating in different industries, yet practice within the same establishment (e.g. doctor of medicine and doctor of dental medicine) are included in this industry.

Urgent Care Centers in the United States
This industry includes facilities that deliver medical care on an unscheduled, walk-in basis. Urgent care center are primarily used to treat patients who have an injury or illness that requires immediate care but is not serious enough to warrant emergency-room care.

1.3 Market Potential

1.3.1 Outlook

621493 Emergency and Other Outpatient Care Centers in the United States
The Emergency and Other Outpatient Care Centers industry will likely play a large role in the healthcare delivery system over the next five years. With increasing focus on quality, cost and access, consumers will seek out the outpatient setting. Over the five years to 2019, IBISWorld estimates that industry revenue will rise at an average annual rate of 2.5% to $103.1 billion. A rising portion of this revenue will be derived from private health insurance due to government budget pressures. Although there is some uncertainty about how certain provisions will be implemented, the healthcare reform is expected to provide more consumers with access to affordable insurance, driving demand for healthcare services.
Furthermore, the industry will continue to benefit from favorable demographic trends. Over the next five years, the number of United States residents aged 50 and older is projected to increase at an average annual rate of 1.6% to 116.1 million. As the population ages, the number of stroke patients and those suffering from other chronic diseases may increase, raising demand for industry services. In addition, climbing rates of obesity and diabetes will further underpin demand. In fact, the Centers for Disease Control and Prevention projects that as many as one in three United States adults could have diabetes by 2050.

**Consolidation on the rise**
For some companies, such as dialysis centers, operating costs have risen faster than revenue. In response, large centers will continue to consolidate to better negotiate with suppliers and to increase the sophistication with which they address purchasing. Improved techniques for purchasing and consolidation among industry players will help boost operating profit margins, despite rising costs for suppliers and only moderate increases in Medicare reimbursement.

The number of industry establishments, however, is projected to grow at an annualized rate of 3.3% to 28,889 during the five years to 2019. This growth, in addition to patients that are now eligible for insurance with the new reform, is expected to cause employment to increase at an annualized rate of 2.7% to 642,684. New centers will continue to be built in select markets with committed groups of physicians. However, a number of operators are closing or merging with hospitals or other industry companies. Consolidation will mainly occur through individual centers that continue to join larger organizations.

Physician owners of standalone centers will continue to struggle to maintain their independence and financial security in the face of volume, cost and regulatory pressures. Larger operators can negotiate with suppliers more effectively and have the resources to devote to meeting quality measures mandated by Medicare.

**Healthcare reform**
In March 2010, President Obama signed the Patient Protection and Affordable Care Act. The most notable effect of healthcare reform on the industry will be the increase in the number of people with health insurance coverage. The
Congressional Budget Office projects that, by 2019, an additional 32.0 million people will gain insurance coverage. Industry profitability is expected to benefit from the rise in the number of insured individuals since about 37.0% of industry revenue comes from commercial insurance payments. While Medicare beneficiaries comprise the majority of patients for most outpatient centers, commercial insurance payments make up a larger revenue source and nearly all of the industry’s operating profit. Consequently, a rise in the number of insured patients will boost industry revenue and profit.

Reform affects physician ownership
About 180 physician-owned outpatient centers exist in the United States. Physician ownership generally violates the Stark Law through the creation of a financial relationship between the physician and the facility. However, a longstanding exception to the Stark Law, the so-called "whole hospital exception," has allowed physicians to own hospitals and refer to them without breaking the general prohibition. Since the early 2000s, Congress and the Centers for Medicare and Medicaid Services have attempted to slow the growth of physician-owned hospitals or eliminate physician ownership altogether.

These attacks on the model came to fruition in the healthcare reform legislation. The newly enacted law amends the Stark Law’s whole hospital exception. As a result, it will halt new construction of physician-owned hospitals and limit the expansion of "grandfathered" hospitals. To expand operations, grandfathered hospitals have to meet requirements that virtually no physician-owned hospital currently meets. These requirements are in addition to conditions already in place, such as disclosure of ownership, disclosure of physician coverage, ability to meet standards and other financial disclosure requirements. As a result of stricter enforcement of the Stark Law, growth in the number of establishments is forecast to slow down during the five years to 2019.

Medicare payments remain flat
Medicare is also expected to make several changes due to healthcare reform and budgetary issues. The Centers for Medicare and Medicaid Services has already started applying a new mechanism, the "productivity adjustment," that will reduce annual payment updates for most healthcare providers. This mechanism, which applies to many categories of healthcare providers, will keep Medicare
reimbursement roughly flat or in line with inflation for ambulatory surgical centers each year through 2019. This factor will result in continued dependence on high payments from commercial insurance companies, which constitute the majority of profit for most industry players.

Favorably for the industry, cuts to Medicare spending may result in an extension of the Medicare Secondary Payer provision. Medicare Secondary Payer provides for the coordination of a benefits period between Medicare and private health insurance plans for individuals entitled to Medicare solely on the basis of end-stage renal disease. If an individual is entitled to Medicare because of end-stage renal disease and is covered by an employer group health plan, the employer group health plan is the first payer (primary) for the first 30 months. An extension of the Medicare Secondary Payer would positively affect the dialysis segment of the industry, because more patients would be covered by relatively generous private insurance.

Urgent Care Centers in the United States
During the next five years, the Urgent Care Centers industry is expected to continue expanding, as the shortage in primary care physicians provides the industry with high patient volumes. The aging population, coupled with more insured individuals due to healthcare reform, will prompt demand for urgent care center to play a role in primary healthcare. As urgent care center continue to be a less-expensive alternative to emergency room visits for low-acuity patients and health providers increasingly implement incentives for patients to visit these urgent care center, the industry will benefit.

During the five years to 2014, industry revenue is forecast to grow at an annualized rate of 6.3% to $21.4 billion, which can be attributed to the industry catering to more time-strapped individuals and the ability of patients to receive care on a walk-in basis. Profit is expected to stagnate from 9.6% in 2014 to 9.7% in 2019, as the trend of urgent care center providing more high-margin services, such as prepackaged pharmaceuticals, will be offset by more urgent care center entering the industry, which intensifies price-based competition.

Shortage of primary care providers
The shortage of primary care physicians will prompt patient demand for urgent care center over the next five years. One study conducted by the Annals of Family Medicine discovered that the United States will need an estimated 52,000 primary care physicians by 2025. While this trend could hamper urgent care center' access to primary care clinicians as well, most urgent care center only require a small portion of primary care physicians. Other factors, such as appointment wait times and the ability of primary care physicians to accept new patients, will affect demand for urgent care center.

Primary care providers will likely maintain longer appointment wait times, which can be attributed to healthcare reform inundating the market with an estimated 25 million previously uninsured individuals by 2018. The likely shortage of primary care physicians, coupled with more individuals using primary care providers as a form of preventive care, will result in more primary care physicians referring patients to urgent care center. In particular, urgent care center will be increasingly utilized to bridge the gap in healthcare from the emergency room to the primary care physician.

Furthermore, Medicaid reimbursement rates could potentially change the industry's landscape. For example, in response to rising healthcare costs, Medicaid could implement higher reimbursement rates for urgent care center to incentivize more Medicaid patients to utilize low-cost urgent care center rather than visit the emergency room. Additionally, more urgent care center will likely form partnerships with hospitals and other healthcare providers.

By becoming integrated with other healthcare providers, urgent care center could treat patients with more complex health conditions. For example, urgent care center could communicate with patients' primary care providers via electronic health records, which will enable industry operators to streamline patients' healthcare coverage and include more healthcare services.

**Increasing number of centers**
Over the next five years, urgent care center will remain competitive with alternative healthcare providers, such as emergency rooms and primary care physicians, by maintaining longer operational hours. In particular, urgent care center that include diabetes monitoring and occupational health services in their
product portfolio will fare well over the next five years. During the five years to 2019, the number of employees is anticipated to grow at an annualized rate of 2.4% to 121,674, as more urgent care center require nurse practitioners, x-ray technicians and other employees to provide additional services, such as school-related physicals.

In the five-year period, the number of enterprises is anticipated to rise at an annualized rate of 2.6% to 5,995. Many urgent care center will enter the market to cater to rural areas in the United States, where patients have limited access to primary care physicians. In particular, many urgent care center will emphasize high-margin ancillary services such as rehabilitative therapy and prepackaged pharmaceuticals to bolster profitability and compete with alternative healthcare.

1.4 Small Business Administration Plan Requirements
To enable Small Business Administration to determine the firm’s business development needs, the business plan must be comprehensive, setting forth business targets and objectives. Whether the participant uses the Small Business Administration form or its own format, the business plan must contain at least:

- A detailed description of any products currently being produced and any services currently being performed by the concern, as well as any future plans to enter into one or more new markets;
- The participant’s primary NAICS code and all related NAICS codes;
- Business targets and objectives including, as necessary, revenues, technical capabilities, etc.;
- An analysis of market potential, competitive environment, and the concern’s prospects for profitable operations during and after its participation in the program;
- An analysis of the concern’s strengths and weaknesses, with particular attention to ways to correct any financial, managerial, technical, or workforce conditions that could impede the concern from receiving and performing non-8(a) contracts;
- Specific targets, objectives, and goals for the business development of the concern during the next two years;
- Estimates of both 8(a) and non-8(a) contract awards that will be needed to meet its targets, objectives and goals.
1.5 Financial Summary

1.5.1 Sources and Uses of Funds

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<table>
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<th>USES</th>
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<td>Medical Equipment</td>
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<td>Development Fee</td>
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<td>Initial Medical Supplies</td>
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<td>Furniture, Fixtures and Equipment including Computer Systems</td>
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<td>Prepaid Expenses and Deposits</td>
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1.5.2 Assumptions

Assumptions:
1. Tax rate is 35.00%.
2. No tax loss carry forward is taken into account during projections; this results in more conservative cash flow and, hence, more conservative return-on-investment values.
3. All building costs and land improvements depreciable over 30 years with a residual value of $0.00 using straight-line method.
4. Loan Interest Rate: 2.50%.

1.5.3 Forecast Summary Table

<table>
<thead>
<tr>
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<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
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<td>Total Owner Equity</td>
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<td>$764,511</td>
<td>$1,210,442</td>
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1.5.4 Investor Return Schedule

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<th>Investment Return Schedule</th>
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<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
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Section II Business History, Background and Objectives

2.1 Company History
This Company was formed in 2013 after extensive study of the Pima County market area and careful evaluation of the potential for introducing a new urgent care clinic into it.

2.1.1 Initial Capitalization
Initial capitalization for this enterprise will be provided by Small Business Administration funding.

2.2 Company Goals and Objectives
- The Company plans to aggressively enter the market once it receives funding; and
- The Company plans to reach breakeven no later than operational year two.

2.3 Company Progress to Date
The Company has incorporated in the State of Arizona as a healthcare business.

2.4 Management Stability
All three of the principals involved have lived in Tucson their entire lives and have substantial ties to the community. There is no intention on the part of any of them to relocate or pursue other jobs or careers.

2.5 Regulatory Environment
Emergency and Other Outpatient Care Centers in the United States
The level of regulation is heavy and the trend is increasing. The healthcare sector is subject to extensive regulation by federal, state and local governments. States with Certificate of Need programs place limits on the construction and acquisition of healthcare facilities and the expansion of existing healthcare facilities and services. Many states, however, have eliminated the need to obtain a Certificate of Need for dialysis centers. Healthcare facilities may also need to obtain licensure at state or local level. Additionally, some facilities require certification at the federal level. Many operators in the industry gain accreditation of centers through
the Joint Commission for the Accreditation of Healthcare Organizations or the Accreditation Association of Ambulatory Healthcare.

Conditions of participation under various government programs can vary by service type. In order to participate in the Medicare program and receive Medicare reimbursement, facilities must comply with the applicable regulations of the United States Department of Human Services relating to, among other things, the type of facility, its equipment, its personnel, its standard of medical care and hygiene, as well as compliance with all state and local laws and regulations. In order to participate in the Medicare End Stage Renal Disease Program, treatment at a dialysis facility must be under the general supervision of a medical director who is a physician.

In addition to requiring that ambulatory surgery centers are certified in order to participate in the Medicare program, federal regulations also limit the scope of surgical procedures reimbursed in ambulatory surgery centers. Generally, services are limited to elective procedures with short anesthesia and operating times not requiring an overnight stay. These limitations do not apply to hospital outpatient departments.

Federal law (generally referred to as the United States Anti-Kick Back Statute) prohibits the offer, payment, solicitation, or receipt of any form of remuneration to induce, or in return for, the referral of Medicare or other government health program patients or patient care opportunities, or in return for the purchase, lease or order of items or services that are covered by Medicare or other government health programs. The United States Health Insurance Portability and Accountability Act 1996 effectively broadened the applicability of the Anti-Kick Back Statute.

The United States Health Insurance Portability and Accountability Act 1996 requires the adoption of standards for the exchange of health information in an effort to encourage the overall administrative simplification and to enhance the effectiveness and efficiency of the healthcare industry. In addition to requirements under The United States Health Insurance Portability and Accountability Act 1996, there are numerous other federal and state laws and regulations that regulate the privacy of an individual's health information.
There are also federal laws (generally referred to as the Stark laws) that prohibit physicians from referring patients to "designated health services" in which the physician has an ownership interest. Many states have also enacted laws similar in scope and purpose to the Anti-Kick Back Statute and the Stark laws to apply to state health programs. It should be noted, however, that many of the services provided by this industry are not designated health services.

Most surgery centers are at least partly owned by physicians who perform surgical or other procedures at such centers. On November 19, 1999, the United States Department of Human Services promulgated rules setting forth additional Safe Harbors under the Fraud and Abuse Law. This provided protection, provided certain requirements are met, for payments to investors in ambulatory surgery centers who are surgeons who refer patients directly to the center and perform surgery themselves on referred patients as an extension of their services.

Urgent Care Centers in the United States
The level of regulation is heavy and the trend is increasing. The healthcare sector is subject to regulation by federal, state and local governments. States with Certificate of Need programs place limits on the construction and acquisition of healthcare facilities and the expansion of existing healthcare facilities and services. Healthcare facilities may also need to obtain licensure at the state or local level. Additionally, some facilities require certification at the federal level. Regulations regarding state pharmacy and point-of-care medication dispensing laws vary from state to state.

Employees in the industry must obtain a license to practice medicine from the state in which they are planning to practice. Urgent care centers participating in Medicare or Medicaid must also comply with regulations pertaining to these programs. Facilities must comply with United States Department of Human Services regulations relating to the type of facility, equipment, personnel, standard of medical care and hygiene, all state and local laws and regulations, among other regulations.

The American Medical Association develops and promotes standards in medical practice, research and education, and is an advocate for the medical profession.
The Urgent Care Association of America established national criteria for urgent care centers, including a Certified Urgent Care Center designation. This Certified Urgent Care Center designation means that the approved urgent care center has the correct specific scope of service, hours of operation, and staffing requirements. Urgent Care Association of America also partners with The Joint Commission in their Accreditation programs for urgent care centers.

**Federal laws**
Federal law (generally referred to as the Anti-Kickback Statute) prohibits the offer, payment, solicitation or receipt of any form of compensation to refer Medicare (or other government health program) patients or patient care opportunities. It also prohibits any kind of compensation in return for the purchase, lease or order of items or services that are covered by Medicare or other government health programs. The United States Health Insurance Portability and Accountability Act 1996 effectively broadened the applicability of the Anti-Kickback Statute.

The United States Health Insurance Portability and Accountability Act 1996 requires the adoption of standards for the exchange of health information. This act works to encourage the simplification of overall administration, and to enhance the effectiveness and efficiency of the healthcare industry. In addition to requirements under The United States Health Insurance Portability and Accountability Act 1996, numerous other federal and state laws and regulations oversee the privacy of an individual's health information. There are also federal laws (generally referred to as the Stark laws) that prohibit doctors from referring patients to designated health services in which the doctor has an ownership interest. Many states have also enacted laws similar in scope and purpose to the Anti-Kickback Statute and the Stark laws to apply to state health programs.

**Healthcare reform**
In March 2010, Congress passed a comprehensive healthcare reform bill sanctioning legislation that will expand healthcare coverage to an estimated 32.0 million Americans during the next ten years. These provisions, among others, are expected to move the country toward a more primary care-based healthcare system. Additionally, the Patient Protection and Affordable Care Act's insurance
exchange provision will begin to take effect in 2014, which will increase insurance coverage to an estimated 32.0 million people by 2019.

2.6 SWOT Analysis

2.6.1 Strengths
Dr. Huxstable is well-known in the Tucson medical community and has an extensive network of patients and associates that can become the basis for establishing a clientele or for referrals.

2.6.2 Weaknesses
As a new entrant into the urgent care provider arena, the Company will have to establish brand visibility and distinguish itself from other providers.

2.6.3 Opportunities
Federal and state funding for Medicare and Medicaid, combined with the terms of access to these reimbursement programs, affects demand for healthcare services. Increased funding will support demand for industry services. These factors also affect the prices charged for those services, as government healthcare payments make up nearly 40.0% of industry revenue. Federal funding for Medicare and Medicaid is expected to increase in 2014, representing a potential opportunity for the industry. The Company will also align itself to take advantage of these factors:

- **Access to highly skilled workforce:** Firms should be able to attract and retain quality medical, nursing and administrative staff.
- **Proximity to key suppliers:** Firms can benefit from being close to referring physicians.
- **Recommendation/accreditation from authoritative source:** Accreditation with an acceptable organization (e.g. the Joint Commission on Accreditation of Healthcare Organizations) can enhance a firm’s reputation, attract staff, and help gain access to private and government insurance reimbursement programs.
- **Understanding government policies and their implications:** Firms should have a good understanding of regulations, related costs and the effect of diagnostic mix on their costs and funding.
- **Having a loyal customer base:** Many services offered by industry operators
must be provided on a regular basis. This is particularly true for kidney dialysis patients. Having a loyal patient base creates a steady stream of revenue.

- **Effective product promotion:** Firms should be capable of marketing their services to referring doctors and insurers. Operators that provide elective procedures engage in significant marketing strategies to gain customers.

### 2.6.4 Threats

#### Urgent Care Centers in the United States

Compliance with government regulation can be costly and prohibitive to industry participation. As regulatory requirements increase for the industry’s product suppliers, including pharmaceutical manufacturers, the cost of these goods increases. The level of regulation is expected to increase over 2014, posing a potential threat to the industry.

#### Barriers to Entry

<table>
<thead>
<tr>
<th>Barriers to Entry checklist</th>
<th>Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competition</td>
<td>Medium</td>
</tr>
<tr>
<td>Concentration</td>
<td>Low</td>
</tr>
<tr>
<td>Life Cycle Stage</td>
<td>Growth</td>
</tr>
<tr>
<td>Capital intensity</td>
<td>Low</td>
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<tr>
<td>Technology change</td>
<td>Medium</td>
</tr>
<tr>
<td>Regulation &amp; Policy</td>
<td>Heavy</td>
</tr>
<tr>
<td>Industry Assistance</td>
<td>High</td>
</tr>
</tbody>
</table>

Barriers to entry in this industry are high and are steady. Barriers to entry include regulatory hurdles and the up-front costs to establish an urgent care center. According to the Urgent Care Association of America, startup costs are typically $800,000 for urgent care center, which is a high fixed startup costs due to operators not yet receiving reimbursements from third-party payers to boost their return on investment.

It is more difficult to enter the industry because urgent and unscheduled healthcare services require highly trained and diverse staff, costly equipment and healthcare licenses, compared with scheduled healthcare services. Regulation can represent a major barrier for potential urgent care center entrants. The healthcare industry is subject to regulation by federal, state and local governments. States with certificate of need programs place limits on the construction and acquisition of urgent care center and the expansion of existing urgent care center and services. At the state level, certificate of need programs were initially established in an effort to reduce healthcare costs by preventing unnecessary capital outlays for facility expansion (i.e. managing supply of healthcare resources) in addition to
assisting with patient safety and access to care. Urgent care center may also require licensure at state or local level. Some center require certification at the federal level.

Additionally, it may be difficult for urgent care center with limited resources to enter the industry. Larger companies have access to pricing discounts for insurance and equipment. Companies with more financial resources will be better able to purchase higher-quality equipment and retain more highly skilled staff, which intensifies competition for smaller companies.
Section III Business Environment

3.1 Industry-Specific Demand Determinants

621493 Emergency and Other Outpatient Care Centers in the United States

Demand for services provided by the healthcare providers, including emergency and outpatient care centers, is influenced by the general state of health of the population. Public- and private-funded programs can increase the overall level of health in the community by promoting healthy lifestyles (relating to diet, exercise and drug-taking), and increasing road, workplace and other safety. Some of these programs can, however, promote visits to healthcare providers and can assist in identifying diseases that require treatment. New technologies and drugs may in some cases avert or reduce the need for a visit to a healthcare provider (e.g. kidney transplants can avert the need for dialysis), while in other cases may increase demand for healthcare services.

Diseases treated

The size, age, ethnic distribution and disease prevalence of the population affect demand for health services, including services provided by this industry. Older adults tend to be major users of healthcare services, due to the development of diseases and conditions, such as heart disease, arthritis, and diseases of the urinary system, cancers and end-stage renal disease. End-stage renal disease is the stage of advanced chronic kidney disease characterized by the irreversible loss of kidney function and requires regular dialysis treatment or kidney transplantation to sustain life. End-stage renal disease is the disease most treated by this industry. Most patients suffering from end-stage renal disease must rely on dialysis, which is the removal of toxic waste products and excess fluids from the body by artificial means. A number of conditions, including diabetes, hypertension, glomerulonephritis and inherited diseases, can cause chronic kidney disease.

About 37.0% of end-stage renal disease cases can be attributed to diabetes. There are currently 25.8 million people in the United States who have diabetes, and the Centers for Disease Control estimates that 48.3 million Americans will have diabetes by 2050. In addition, the Centers for Disease Control projects that annual
diagnosed diabetes incidence (new cases) will increase from about 8 cases per 1,000 in 2008 to about 15 in 2050. These estimates are driven by rising trends of obesity and lack of exercise. The growth of this condition will likely contribute to patients diagnosed with end-stage renal disease in the future and continue the strong growth in dialysis spending in the United States.

Technological developments
Innovations can increase the range of treatments available in emergency and outpatient care centers and can shift procedures from inpatient to outpatient settings (increasing demand). For example, new surgical techniques and technology, as well as advances in anesthesia, have significantly expanded the types of surgical procedures that are being performed in ambulatory surgery centers and have helped drive growth in outpatient surgery. In fact, laparoscopic and endoscopic techniques and faster-acting anesthesia drugs were either pioneered in ambulatory surgical centers or gained widespread acceptance because of their use and refinement in ambulatory surgical centers. Some innovations can, however, reduce demand for some industry services (such as kidney transplants for patients with end-stage renal disease).

Cost of treatment
Demand for services provided by emergency and outpatient care centers is also impacted by the cost and availability of these services. People with higher incomes tend to spend more on healthcare and are more likely to have private health insurance. Health insurance can reduce the direct cost to patients of services, and hence boost overall demand. Government health policy (including the level of government funding for programs such as Medicare and Medicaid) can also affect the out-of-pocket payments for, and the quality of, services.

Urgent Care Centers in the United States
Consumer demand for services provided by the Urgent Care Centers industry is influenced by the general state of health of the population. Furthermore, demand is driven by other factors, which include the number of individuals with private health insurance, Medicare and Medicaid reimbursement rates, the industry's typical wait time as well as patients' access to primary care physicians.
Chronic overcrowding in emergency rooms has created a greater demand for urgent care center. As the average waiting time for emergency room visits increases, a larger number of hospitals have begun to refer low-acuity patients to urgent care center to reduce overcrowding. An increasing number of insurance companies have started to promote cost-effective urgent care as an alternative to more expensive emergency rooms.

A 2010 study (latest data available) by Rand Corporation found that the United States incurs an estimated $4.4 billion in annual costs from patients visiting the emergency room for routine, non-urgent care. To lower healthcare costs, many healthcare providers are attempting to raise awareness about services, such as urgent care center, to address patients' noncritical health ailments.

Urgent care center do not require appointments and have expanded their operational hours to include nights and weekends, which gives patients an alternative method of care, rather than patients visiting the emergency room. Demand for services provided in urgent care center is also impacted by the cost and availability of health insurance coverage, both private and public. People with higher incomes tend to spend more on healthcare and are more likely to have private health insurance. Patients who have insurance typically have lower out-of-pocket costs, which increases their access to urgent care services.

3.2 National Industry Analysis for Pima Urgent Care

3.2.1 621493 Emergency and Other Outpatient Care Centers in the United States

NAICS Code Definition and Market Overview by IBISWorld
This industry includes establishments with medical staff primarily engaged in providing emergency, general or specialized outpatient care not included in other industries. Centers or clinics that include a variety of health practitioners, each with different specializations and operating in different industries, yet practice within the same establishment (e.g. doctor of medicine and doctor of dental medicine) are included in this industry.
Products and Services
Outpatient care centers differ largely concerning the basis of the type of service offered. In the industry, the largest segments are freestanding ambulatory surgery and emergency centers (which account for about 27.1.0% of industry revenue) and kidney dialysis centers (which account for about 22.6% of industry revenue). Other centers included in the industry provide services such as biofeedback, infusion therapy, sleep disorder treatment and pain management.

Kidney dialysis centers
Kidney dialysis centers provide services to patients with kidney disease. Dialysis is primarily used to provide an artificial replacement for lost kidney function in people with renal, or kidney, failure. This is a large and growing segment of the industry. The growth in this segment is largely due to the increase in the number of dialysis procedures performed. This directly relates to the increase in the renal diseases incidence in the population. The incidence growth results from factors such as an aging population, increase in diabetes patients and hypertensive patients.

There are about 5,600 dialysis facilities in the United States serving more than 358,000 end stage renal disease patients in the United States. Patients can receive treatment at a clinic run by a public center (government owned or run), a healthcare organization (nonprofit organizations), a private center (owned or run by individual doctors or a group of doctors) or a company-owned clinic, including multi-clinic providers (owned or run by a company such as major player Fresenius Medical Care). Chronic kidney failure is painful and often deadly, and more people in the United States are suffering from it every year, with increasing rates of diabetes and hypertension contributing to the problem. Moreover, dialysis, the treatment that keeps many who are waiting for kidney transplants alive, involves several sessions per week, at several hours per session, during which blood pumps through an external circuit for filtration to replace an estimated 13.0% of kidney function.
The United States Renal Data System estimates that dialysis costs roughly $75,000 per patient per year. With more than 358,000 patients on dialysis, Medicare spends 6.0% of its total budget on treatments for kidney failure alone. Because of this burden on individuals and the healthcare system as a whole, significant resources are currently being invested in developing new technologies, including implantable, artificial kidneys.

More than 93.0% of patients who receive dialysis care in the United States are treated with hemodialysis. Hemodialysis is a method for removing waste products such as creatinine and urea, as well as free water from the blood when the kidneys are in renal failure. Hemodialysis is one of three renal replacement therapies; the other two are peritoneal dialysis and renal transplant. The technology of hemodialysis is well-known, although the effectiveness of the process has been improved with better filters and dialysis chemicals. An alternative to hemodialysis is peritoneal dialysis, which spreads chemicals through the abdomen. Hemodialysis is preferred over peritoneal dialysis. Peritoneal dialysis is a home based dialysis treatment procedure while the former is performed in clinics. There is also a home hemodialysis option that is performed at home, but it is less preferred. Kidney transplant is the best treatment for end-stage renal disease patients. Kidney transplant does not cure the disease, but helps the patient enjoy a normal life style avoiding the restrictions of dialysis. Due to the paucity in availability of sufficient donor organs, dialysis is in most cases a more viable immediate treatment option.

Freestanding ambulatory surgery centers
Also called outpatient surgical centers, surgeries performed at freestanding ambulatory surgery centers do not require hospital admission, and there is usually no emergency department on site. Patients are discharged the same day. Ambulatory surgical centers may be Medicare-certified and most require a state license. According to the Centers for Medicare & Medicaid, there were about 5,300 Medicare-certified ambulatory surgical centers at the end of 2009 (up about 85.0% since 2000). The major types of centers by specialty include mixed or multiple specialty (35.0%); gastrointestinal surgery (24.0%); ophthalmology (19.0%); pain management (8.0%); orthopedics (7.0%); dermatology (4.0%); and urology (2.0%). According to AmSurg Corporation, a large percentage of single specialty
ambulatory surgical centers and multi-specialty ambulatory surgical centers are independently owned.

Outpatient surgical centers have been offering a growing range of surgery services. Extensive cosmetic, gynecological, urological and dental procedures, as well as common cardiac and orthopedic surgeries are becoming increasingly popular. Lower costs, more personalized care and inviting medical environments are driving the trend. Some critics of outpatient surgical centers, many of which are privately owned by physician groups, say they are a threat to hospitals. Outpatient surgeons argue that it gives them an opportunity to practice better medicine. Freestanding ambulatory surgery centers compete directly with hospital outpatient departments for many medical procedures that can now be performed in an outpatient setting. This competition has intensified since 1982 when Medicare-certified ambulatory surgical centers were allowed to provide services to Medicare beneficiaries. There is a clear association of ambulatory surgical centers with hospital surgery volume, based on data from the 2002 Medicare Online Survey Certification and Reporting System and the American Hospital Association Annual Surveys of Hospitals, which shows that an increase in the number of ambulatory surgical centers is associated with a reduction in hospital outpatient surgical volume.

Health maintenance organization medical centers
This segment provides a range of outpatient medical services to a health maintenance organization's subscribers with a focus generally on primary healthcare. These establishments are owned by the health maintenance organization. A health maintenance organization is a healthcare system that assumes or shares both the financial risks and the delivery risks associated with providing comprehensive medical services to a voluntarily enrolled population in a particular geographic area, usually in return for a fixed, prepaid fee.

Health maintenance organizations have various types of service models. The two that are included in this industry segment are closed panel health maintenance organizations and staff model health maintenance organizations. A closed panel health maintenance organization is a managed care plan that contracts with physicians on an exclusive basis for services and does not allow those physicians to see patients from another managed care organization. In staff model health
maintenance organizations, physicians are salaried employees of the health maintenance organization. Medical services are delivered in health maintenance organization-owned medical facilities that generally are open only to health maintenance organization members. In this model, the physicians and the health plan are one and the same. The physicians adopt the principles of managed care and the system tries to reinforce high quality and cost-effective care with administrative supports. A small percentage of physicians practice in these settings.

Other
There are a large variety of other centers included in the industry, providing services such as biofeedback, infusion therapy, sleep disorder treatment and a variety of pain management treatments. Biofeedback is a technique that measures bodily functions and gives the patient information about them in order to help train him or her to control them. These are most often based on measurements of blood pressure, brain waves, breathing, heart rate, muscle tension, skin conductivity and skin temperature. Sleep disorder centers diagnose, monitor and treat sleep-related disorders such as sleep apnea, insomnia, excessive snoring. Infusion therapy involves the administration of medication through a needle or catheter, such as blood transfusions and chemotherapy. Outpatient interventional pain practice may perform injections while working with other specialists to help manage painful conditions.

Product and services segmentation

<table>
<thead>
<tr>
<th>Products and services segmentation (2014)</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.7% HMO medical centers</td>
</tr>
<tr>
<td>22.6% Kidney dialysis centers</td>
</tr>
<tr>
<td>41.6% Other outpatient care centers</td>
</tr>
<tr>
<td>27.1% Freestanding ambulatory surgical and emergency centers</td>
</tr>
<tr>
<td>Total $91.3bn</td>
</tr>
</tbody>
</table>

SOURCE: www.ibisworld.com
Market Share Concentration
Concentration in this industry is low. The Emergency and Other Outpatient Care Centers industry has a low level of market share concentration. The largest two firms are expected to account for about 24.5% of industry revenue in 2014. The large industry operators are both for-profit and nonprofit entities. Market share concentration varies by industry segment, with the health maintenance organization medical center segment having the highest level of concentration. Census Bureau data indicates that in 2007 the top four health maintenance organization medical center firms accounted for 78.0% of revenue in the segment, while the top four kidney dialysis firms accounted for 72.4% of revenue in the segment, the top four freestanding ambulatory surgical and emergency center firms accounted for 15.6% of revenue in the segment, and the top four other outpatient care center firms accounted for 14.5% of revenue in the segment.

In the dialysis market, strict regulation of prices and rising costs is resulting in an increase in concentration. According to the 2009 United States Renal Data System Annual Data Report, Fresenius Medical Care, DaVita and Dialysis Clinic together provided dialysis services for about 65.0% of dialysis patients in the United States. The remaining 35.0% of patients received dialysis at small regional chain operations, independent facilities, or hospital-based dialysis centers. The dominance of large firms in the dialysis segment has provided operators with the ability to set high prices with commercial insurance payers. The most commonly sighted reason for the pricing ability of dialysis providers is their high degree of local market penetration. This localization is evident when looking at the market share of the leading provider on increasingly smaller levels. Dialysis providers have successfully employed a facility clustering strategy that has often left them with a high degree of local market share and often local market monopolies. Data from the Centers for Medicare and Medicaid shows that over 65.0% of counties have only one dialysis provider option, and more than 90.0% of counties have a market share leader with more than 50% facility share. This facilitates bargaining power with commercial insurance companies among locally dominant firms.

Consolidation in the industry
Significant consolidation in the industry is forecast in the coming years. While there are several large companies, the industry remains fragmented. Moreover, the struggling economy and the uncertainty created by the wrangling over
healthcare reform held at bay many buyers during late 2008 and 2009. A number of standalone facilities have experienced drops in volume or reimbursement and are in search of capital and economies of scale. In addition, a number of companies backed by private equity sponsors may be anxious for some level of liquidity, if not complete exits, from their investments.

New corporate buyers have emerged, including health systems, private equity-backed buyers and existing industry companies that sat on the sidelines during the economic recession. A few historical corporate buyers, however, slowed down their acquisition strategies, due at least in part to the credit crunch. All of these factors will likely create an environment robust with consolidation activity over the five years to 2019.

As part and parcel of the consolidation trend, significant increases in physician-hospital joint ventures are likely in upcoming years. The attractiveness of joint ventures for outpatient centers and physician owned surgical hospitals is substantial. Steady and sufficient cash flow is critical to industry operators. This requires strong managed care and commercial contracts that are not always available to small, standalone facilities. Physician owners of outpatient centers are beginning to accept the idea that a hospital partner with access to contracts may be essential to long-term survival. Most payers will treat an outpatient center as an affiliate of a hospital, thus allowing the center to benefit from the hospital's reimbursement rates as so long as the hospital holds at least a majority of the center's equity. As a result, IBISWorld forecasts that hospitals will demand, and often receive, majority equity positions in these deals to allow the venture to take advantage of their managed care contracts.

Revenue Volatility
The level of volatility is low. Revenue volatility in the Emergency and Other Outpatient Care Centers industry is low. Healthcare spending in general is not volatile, because it is often considered a necessary rather than optional expenditure. Preliminary data suggests that growth in consumers' use of health services remained slow in 2011, but increased significantly in 2012. Although 2013 and 2014, have slow growth figures, health spending growth is expected to accelerate as the major coverage expansions in Medicare and Medicaid from the
Affordable Care Act begin. This indicates that consistent spending can be expected to continue.

More specifically, spending in several of the industry's segments is steady. For instance, kidney dialysis services are life-saving and recurring. Patients must regularly (i.e. several times per week) receive dialysis in order to stay alive. The United States Renal Data System projects the dialysis patient population will grow at a 3.0% average annual rate from 2010 to 2020. This compares to a projected 1.0% growth rate for the total population over the same period. The higher growth rate is driven by the aging population, demographic trends, higher incidence of diabetes, and improved life expectancy for dialysis patients. Also, treatment alternatives are limited, thus the growth in the dialysis patient population should match the growth in treatment volumes.

The availability of government healthcare programs (e.g. Medicare and Medicaid), private insurance and managed care can reduce patient out-of-pocket costs. Thus, spending on many industry services is less susceptible to fluctuations in personal income.

**Industry Outlook**

The Emergency and Other Outpatient Care Centers industry will likely play a large role in the healthcare delivery system over the next five years. With increasing focus on quality, cost and access, consumers will seek out the outpatient setting. Over the five years to 2019, IBISWorld estimates that industry revenue will rise at an average annual rate of 2.5% to $103.1 billion. A rising portion of this revenue will be derived from private health insurance due to government budget pressures. Although there is some uncertainty about how certain provisions will be implemented, the healthcare reform is expected to provide more consumers with access to affordable insurance, driving demand for healthcare services.

Furthermore, the industry will continue to benefit from favorable demographic trends. Over the next five years, the number of United States residents aged 50 and older is projected to increase at an average annual rate of 1.6% to 116.1 million. As the population ages, the number of stroke patients and those suffering from other chronic diseases may increase, raising demand for industry services.
In addition, climbing rates of obesity and diabetes will further underpin demand. In fact, the Centers for Disease Control and Prevention projects that as many as one in three United States adults could have diabetes by 2050.

**Consolidation on the rise**

For some companies, such as dialysis centers, operating costs have risen faster than revenue. In response, large centers will continue to consolidate to better negotiate with suppliers and to increase the sophistication with which they address supply purchasing. Improved techniques for purchasing and consolidation among industry players will help boost operating profit margins, despite rising costs for some suppliers and flat to moderate increases in Medicare reimbursement.

The number of industry establishments, however, is projected to grow at an annualized rate of 3.3% to 28,889 during the five years to 2019. This growth, in addition to patients that are now eligible for insurance with the new reform, is expected to cause employment to increase at an annualized rate of 2.7% to 642,684. New centers will continue to be built in select markets with committed groups of physicians. However, a number of operators are closing or merging with hospitals or other industry companies. Consolidation will mainly occur through individual centers that continue to join larger organizations, which has occurred for many years. Physician owners of standalone centers will continue to struggle to maintain their independence and financial security in the face of volume, cost and regulatory pressures. Larger operators can negotiate with suppliers more effectively and have the resources to devote to meeting quality measures mandated by Medicare.

**Healthcare reform**

In March 2010, President Obama signed the Patient Protection and Affordable Care Act. The most notable effect of healthcare reform on the industry will be the increase in the number of people with health insurance coverage. The Congressional Budget Office projects that, by 2019, an additional 32.0 million people will gain insurance coverage. Industry profitability is expected to benefit from the rise in the number of insured individuals since about 37.0% of industry revenue comes from commercial insurance payments. While Medicare beneficiaries comprise the majority of patients for most outpatient centers,
commercial insurance payments make up a larger revenue source and nearly all of the industry's operating profit. Consequently, a rise in the number of insured patients will boost industry revenue and profit.

Reform affects physician ownership
About 180 physician-owned outpatient centers exist in the United States. Physician ownership generally violates the Stark Law through the creation of a financial relationship between the physician and the facility. However, a longstanding exception to the Stark Law, the so-called "whole hospital exception," has allowed physicians to own hospitals and refer to them without breaking the general prohibition. Since the early 2000s, Congress and the Centers for Medicare and Medicaid Services have attempted to slow the growth of physician-owned hospitals or eliminate physician ownership altogether.

These attacks on the model came to fruition in the healthcare reform legislation. The newly enacted law amends the Stark Law's whole hospital exception. As a result, it will halt new construction of physician-owned hospitals and limit the expansion of "grandfathered" hospitals. To expand operations, grandfathered hospitals have to meet requirements that virtually no physician-owned hospital currently meets. These requirements are in addition to conditions already in place, such as disclosure of ownership, disclosure of physician coverage, ability to meet standards and other financial disclosure requirements. As a result of stricter enforcement of the Stark Law, growth in the number of establishments is forecast to slow down during the five years to 2019.

Medicare payments remain flat
Medicare is also expected to make several changes due to healthcare reform and budgetary issues. The Centers for Medicare and Medicaid Services has already started applying a new mechanism, the "productivity adjustment," that will reduce annual payment updates for most healthcare providers. This mechanism, which applies to many categories of healthcare providers, will keep Medicare reimbursement roughly flat or in line with inflation for ambulatory surgical centers each year through 2019. This factor will result in continued dependence on high payments from commercial insurance companies, which constitute the majority of profit for most industry players.
Favorably for the industry, cuts to Medicare spending may result in an extension of the Medicare Secondary Payer provision. Medicare Secondary Payer provides for the coordination of a benefits period between Medicare and private health insurance plans for individuals entitled to Medicare solely on the basis of end-stage renal disease. If an individual is entitled to Medicare because of end-stage renal disease and is covered by an employer group health plan, the employer group health plan is the first payer (primary) for the first 30 months. An extension of the Medicare Secondary Payer would positively affect the dialysis segment of the industry, because more patients would be covered by private insurance.

### Industry Ratios

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (Millions)</th>
<th>Establishments</th>
<th>Employment</th>
<th>Wages (Millions)</th>
<th>Number Of People With Private Health Insurance (Million people)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>71,997.80</td>
<td>19,704</td>
<td>460,746</td>
<td>25,451.80</td>
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<td>2009</td>
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<td>20,445</td>
<td>471,502</td>
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<td>2010</td>
<td>79,965.80</td>
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<td>494,673</td>
<td>28,027.50</td>
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</tr>
<tr>
<td>2011</td>
<td>83,179.00</td>
<td>21,785</td>
<td>512,289</td>
<td>29,164.30</td>
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</tr>
<tr>
<td>2012</td>
<td>87,304.30</td>
<td>22,991</td>
<td>535,395</td>
<td>30,651.60</td>
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<td>2013</td>
<td>89,029.20</td>
<td>23,537</td>
<td>547,272</td>
<td>31,376.70</td>
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<td>2014</td>
<td>91,333.30</td>
<td>24,608</td>
<td>563,535</td>
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<td>2015</td>
<td>93,866.60</td>
<td>25,264</td>
<td>578,968</td>
<td>33,344.80</td>
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<td>2016</td>
<td>96,970.70</td>
<td>26,458</td>
<td>598,945</td>
<td>34,596.00</td>
<td>219</td>
</tr>
<tr>
<td>2017</td>
<td>98,642.70</td>
<td>27,055</td>
<td>611,085</td>
<td>35,336.00</td>
<td>221</td>
</tr>
</tbody>
</table>

### Basis of Competition

Competition in this industry is high and the trend is steady. Competition varies by industry segment, due mainly to differences in the types of services rendered and the way services are paid for. Throughout the industry, however, most providers compete with hospitals that offer similar services. For instance, kidney dialysis centers compete with hospitals that operate dialysis facilities, although some dialysis centers also provide services to patients in hospitals. Because of their expertise in managing efficient centers, outpatient companies sometimes have contracts to manage in-hospital centers. These are usually smaller facilities that do not compete directly with larger independent centers. Some commercial centers provide mobile in-house services "as-needed" to hospitals without inhouse facilities. Many outpatient centers also compete with home healthcare solutions and providers.
Ambulatory surgery centers
Ambulatory surgery is a big piece of hospital business. Typically about half of all care is outpatient, and a significant portion of that is surgery. Outpatient surgery tends to be elective, scheduled and profitable. Moreover, the trend towards performing surgery on an outpatient basis is increasing. Consumer preferences and advances in technology and medical care are driving the explosion. In response, hospitals are developing programs focus on the most popular outpatient areas, among them gastroenterology, orthopedics, gynecology, podiatry, pain management, general surgery and ophthalmology. Hospitals and freestanding outpatient centers are both responding to consumer demand for convenience and a non-institutional environment by opening outpatient surgery centers closer to patients, most notably in the suburbs.

Freestanding ambulatory surgical centers compete within local areas on the basis convenience, cost, quality of service, and physician loyalty and reputation. Physicians typically choose to perform outpatient surgical procedures on the basis of convenience to themselves and their patients, access, scheduling and operating room turnaround time. Freestanding ambulatory surgical centers are usually at least partly owned by physician partners who utilize the center for a significant portion of their procedures. Increasingly, freestanding ambulatory surgical centers are offering extended recovery stays. Center owners will typically seek out physicians with a high volume of cases and a favorable case mix in terms of reimbursement.

Kidney dialysis centers
Kidney dialysis centers compete mainly on the basis of quality of care and services. Medicare offers a service to patients that compares dialysis facilities. Companies also compete based on convenience of location, the office environment (patients spend up to 15 hours a week at a center) and the ability to attract and retain nephrologists (who, among other things, are a source of patients). An end-stage renal disease patient generally seeks treatment at an outpatient dialysis center near his or her home where his or her treating nephrologist has practice privileges. A company's relationships with local nephrologists and its ability to meet their needs and the needs of their patients are key factors in the success of dialysis operations. One or a few physicians, including the outpatient dialysis center's medical director, usually account for all or a significant portion of an
outpatient dialysis center's patient base. Additionally, participation in the Medicare end-stage renal disease program requires that dialysis services at an outpatient dialysis center be under the general supervision of a medical director who is a licensed physician. Therefore, companies must engage physicians or groups of physicians to serve as medical directors for outpatient dialysis centers.

The availability of renal transplants is also a competitive factor (as recipients of kidney transplants will usually no longer require dialysis). Some large companies also manufacture and sell dialysis equipment and consumables, and such horizontal diversification has the potential to provide some cost advantages.

Industry Risk Score
Forecast Period: Ending December 31, 2015

<table>
<thead>
<tr>
<th>Risk Component</th>
<th>Weight</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structural risk</td>
<td>25%</td>
<td>3.45</td>
</tr>
<tr>
<td>Growth risk</td>
<td>25%</td>
<td>4.50</td>
</tr>
<tr>
<td>Sensitivity risk</td>
<td>50%</td>
<td>3.23</td>
</tr>
<tr>
<td>Overall risk</td>
<td></td>
<td>3.60</td>
</tr>
</tbody>
</table>

To calculate the overall risk score, IBISWorld assesses the risks pertaining to industry structure (structural risk), expected future performance (growth risk) and economic forces (sensitivity risk). Risk scores are based on a scale of one to nine, where one represents the lowest risk and nine the highest. The three types of risk are scored separately, then weighted and combined to derive the overall risk score.

Structural Risk Analysis
Structural risk will be LOW over the outlook period. The biggest source of difficulty within the industry is the high level of competition. Businesses competing fiercely for market share are forced to incur expenses to differentiate their offerings, keep prices low to entice demand or both. The result is a greater likelihood of declining revenue and lower profits. However, existing firms will benefit from the industry's growing life cycle stage, which steadily creates new products, markets and revenue stream for industry operators. Another positive for operators is the low revenue volatility. This suggests steady demand, easing the burden of cash flow management even during broader economic downturns.

Sensitivity Risk
Sensitivity risk is forecast to be LOW over the outlook period, down marginally from 2014. The two factors with the most significant impacts on the industry are
federal funding for Medicare and Medicaid and number of people with private health insurance. A rise in either of these factors will lower industry risk.

**Federal funding for Medicare and Medicaid**: Federal and state funding for Medicare and Medicaid, combined with the terms of access to these reimbursement programs, affects demand for healthcare services. Increased funding will support demand for industry services. These factors also affect the prices charged for those services, as government healthcare payments make up nearly 40.0% of industry revenue. This factor's contribution to risk is expected to increase in the coming year.

**Number of people with private health insurance**: People covered by private health insurance are more likely to use healthcare services more frequently. Therefore, the extent to which the United States population is covered by private health insurance affects demand for healthcare services. About 37.5% of industry revenue comes from private insurance payments. The number of people with private health insurance is expected to increase over 2014. This factor's contribution to risk is expected to decrease in the coming year.

**Number of adults aged 65 and older**: Older adults tend to be major users of healthcare services due to the development of diseases, such as heart disease and end-stage renal disease, later in life. Therefore, an increase in the number of adults over 65 years old has a positive influence on industry demand. The number of adults aged 65 and older is expected to increase over 2014. This factor's contribution to risk is expected to decrease in the coming year.

**Healthy eating index**: The healthy eating index is indicative of health trends that affect demand for several industry services. People with chronic diseases, such as obesity, usually have higher demand for outpatient care versus inpatient care, which is used among those with acute health complications. The healthy eating index is expected to decrease slowly over 2014. This factor's contribution to risk is expected to remain the same in the coming year.

**Per capita disposable income**: As disposable income rises, people are more capable ofaffording out-of-pocket expenses associated with receiving outpatient healthcare. Operators that offer elective procedures depend more on out-of-
pocket payments than private or public insurance because insurance typically
does not cover these procedures. Per capita disposable income is expected to
increase over 2014. This factor’s contribution to risk is expected to decrease in the
coming year.

**Regulation:** Compliance with government regulation can be costly and
prohibitive to industry participation. As regulatory requirements increase for the
industry’s product suppliers, including pharmaceutical manufacturers, the cost
of these goods increases. This factor’s contribution to risk is expected to increase
in the coming year.

### 3.2.2 Urgent Care Centers in the United States

**Market Overview by IBISWorld**

This industry includes facilities that deliver medical care on an unscheduled,
walk-in basis. Urgent care centers are primarily used to treat patients who have an
injury or illness that requires immediate care but is not serious enough to warrant
emergency-room care.

<table>
<thead>
<tr>
<th>Key Statistics</th>
<th>Revenue</th>
<th>Annual Growth 09-14</th>
<th>Profit</th>
<th>Wages</th>
<th>Annual Growth 14-19</th>
<th>Businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Snapshot</td>
<td>$15.8bn</td>
<td>8.2%</td>
<td>$1.5bn</td>
<td>$5.9bn</td>
<td>6.3%</td>
<td>5,275</td>
</tr>
</tbody>
</table>

**Products and Services**

Urgent care centers provide an array of services for unscheduled patient visits.
Additionally, urgent care centers offer services that are generally not available in
primary care physicians’ offices or retail clinics. The industry provides a wide
service offering, which is aimed to address health ailments that are more urgent
than health-related conditions treated at primary care offices. Furthermore,
patients visit urgent care centers for immediate care that is not serious enough to
warrant a visit to the emergency room.

Urgent care centers generally have limited hours of operation, unlike a hospital
emergency room, which is open at all times. Urgent care centers offer diagnostic
testing and laboratory services, dispense medication and perform minor
procedures, among other services. With rising wait times for both primary- and
emergency-care providers, urgent care centers represent an increasingly viable
alternative for patients. Overcapacity at primary care offices will result in a greater overflow of patients directed to urgent care center.

**Minor procedures**

Minor procedures comprise the largest market segment for the industry, accounting for 60.0% of industry revenue in 2014. Minor procedures treat medical conditions that require immediate medical care, but do not include life-threatening emergencies, or labor and delivery. Patients with major injuries are treated at emergency rooms. Urgent care center perform minor procedures for patients with less serious injuries or conditions. These minor procedures include setting broken bones, treating lacerations or taking care of patients with injuries from accidents or trauma.

Additionally, patients with less serious injuries or conditions, including cold, flu, sore throat, pneumonia, ear infections and other aches and pains, can all be treated by urgent care center. Urgent care center also provide outpatient surgical services and radiology on-site. As emergency-care facilities have become more crowded, a greater number of people have instead visited urgent care center to decrease their wait time. Consequently, this segment has increased as a share of revenue over the past five years.

**Diagnostic testing and laboratory services**

Diagnostic testing and laboratory services account for an estimated 15.0% of industry revenue in 2014. Urgent care center provide diagnostic testing for patients, to assist in diagnosing patients’ medical conditions. All urgent care center must provide x-ray services, which are used to immediately provide critical information, usually after a patient injury. Urgent care center are also able to perform electrocardiograms, magnetic resource imaging, electromyography, computed tomography scans and other types of testing. An electrocardiogram checks for problems with heart electrical activity. A magnetic resource image provides detailed images of internal body structures without the use of radiation. Electromyography is an examination of nerve and muscle function in the body.

Computed tomography scans combine x-ray equipment and specialized computers to produce multiple cross-sectional images of the body. These tests all work to help diagnose and treat patients. Urgent care center also provide human
immunodeficiency virus, sexually transmitted disease, pregnancy, preoperative, and alcohol breath testing. Urgent care center also provide laboratory processing. Medical specimens or samples are processed for analysis, which, in turn, are used to diagnose and treat patients. Urgent care center laboratory processing is able to provide a complete blood count and screen for various illnesses. This segment has steadily grown over the five years to 2014, which can be attributed to rising demand for diagnostic testing and laboratory services, coupled with a shortage of primary care physicians.

Medication dispensing
Medication dispensing is estimated to comprise 15.0% of industry revenue in 2014. Urgent care center are able to dispense medication to patients in-house, which allows patients to receive their prescriptions prior to leaving the urgent care center. By providing in-house prescription dispensing services, urgent care center streamline patients' healthcare process as well as bolster patient compliance, due to patients not needing to visit a pharmacy to pick up their prescription.

Product and services segmentation

<table>
<thead>
<tr>
<th>Products and services segmentation (2014)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medication dispensing</td>
<td>15%</td>
</tr>
<tr>
<td>Diagnostic testing and laboratory services</td>
<td>15%</td>
</tr>
<tr>
<td>Minor procedures</td>
<td>60%</td>
</tr>
<tr>
<td>Other</td>
<td>10%</td>
</tr>
</tbody>
</table>

Total $15.8bn

SOURCE: www.ibisworld.com

Urgent care center that offer medication dispensing typically enter a contract agreement with point-of-care dispensing corporations to offer this service. Due to point-of-care dispensing, urgent care center may only dispense prescriptions to their own patients, unlike pharmacies that can dispense to anyone with a prescription. Medication dispensing has been an increasing service segment for
the industry in the past five years, due to patients' limited access to primary care physicians.

Other
Urgent care center must also have specific operations available during all hours of operation. These required operations include providing intravenous fluids and phlebotomy services. Although not mandatory, some urgent care center provide health and wellness programs, occupational health services as well as school-related physicals. These services account for an estimated 10.0% of industry revenue in 2014.

Market Share Concentration
Concentration in this industry is low. The Urgent Care Centers industry has a low level of market share concentration. This industry is highly fragmented, with the largest four players expected to account for just over 1.0% of industry revenue in 2014. Consumers prefer to access facilities that are close to their homes, creating strong demand for urgent care center in many areas. Due to strong demand from a market niche of local clientele, a large number of small companies operate in the Urgent Care Centers industry. The vast majority of firms in the industry have fewer than 20 employees, with 23.8% of firms employing fewer than five people. Over the next five years, the number of companies in the industry is expected to continue growing as companies set up operations in more rural areas.

Additionally, individuals will increasingly demand primary care providers due to the overflow of patients, with noncritical health ailments, directed to urgent care center rather than emergency rooms due to rising wait times. The number of industry enterprises is anticipated to grow, at an annualized rate of 1.1% to 5,275 during the five years to 2014, as more urgent care center proliferate across the United States to bridge the gap between patients' primary care physician and the emergency room.

Revenue Volatility
The level of volatility is low. The Urgent Care Centers industry exhibits a low level of revenue volatility. Healthcare spending in general is not volatile because it is often considered by consumers to be a necessary, rather than discretionary, expenditure. During the five years to 2014, the number of people with private
health insurance is expected to grow, at an annualized rate of 1.3% to 209 million people, which enabled more individuals to visit urgent care center due to lower out-of-pocket healthcare costs. Based on a 2010 report by the Centers for Medicare and Medicaid, national health expenditures will grow as a proportion of the United States economy from 17.3% of Gross Domestic Product in 2010 to 17.7% in 2015.

This growth indicates that consistent spending will continue over the next five years, particularly as emergency rooms continue to overcrowded, which entices consumers to visit urgent care center and avoid long wait times at emergency rooms. Additionally, the availability of government healthcare programs and private insurance can reduce patient out-of-pocket costs. Due to this assistance, spending on many industry services is less susceptible to fluctuations in personal income, which limits industry revenue volatility.

Industry Outlook
During the next five years, the Urgent Care Centers industry is expected to continue expanding, as the shortage in primary care physicians provides the industry with high patient volumes. The aging population, coupled with more insured individuals due to healthcare reform, will prompt demand for urgent care center to play a role in primary healthcare. As urgent care center continue to be a less-expensive alternative to emergency room visits for low-acuity patients and health providers increasingly implement incentives for patients to visit these urgent care center, the industry will benefit.

During the five years to 2014, industry revenue is forecast to grow at an annualized rate of 6.3% to $21.4 billion, which can be attributed to the industry catering to more time-strapped individuals and the ability of patients to receive care on a walk-in basis. Profit is expected to stagnate from 9.6% in 2014 to 9.7% in 2019, as the trend of urgent care center providing more high-margin services, such as prepackaged pharmaceuticals, will be offset by more urgent care center entering the industry, which intensifies price-based competition.

Shortage of primary care providers
The shortage of primary care physicians will prompt patient demand for urgent care center over the next five years. One study conducted by the Annals of Family
Medicine discovered that the United States will need an estimated 52,000 primary care physicians by 2025. While this trend could hamper urgent care center’s access to primary care clinicians as well, most urgent care center only require a small portion of primary care physicians. Other factors, such as appointment wait times and the ability of primary care physicians to accept new patients, will affect demand for urgent care center.

Primary care providers will likely maintain longer appointment wait times, which can be attributed to healthcare reform inundating the market with an estimated 25.0 million previously uninsured individuals by 2018. The likely shortage of primary care physicians, coupled with more individuals using primary care providers as a form of preventive care, will result in more primary care physicians referring patients to urgent care center. In particular, urgent care center will be increasingly utilized to bridge the gap in healthcare from the emergency room to the primary care physician.

Furthermore, Medicaid reimbursement rates could potentially change the industry's landscape. For example, in response to rising healthcare costs, Medicaid could implement higher reimbursement rates for urgent care center to incentivize more Medicaid patients to utilize low-cost urgent care center rather than visit the emergency room.

Additionally, more urgent care center will likely form partnerships with hospitals and other healthcare providers. By becoming integrated with other healthcare providers, urgent care center could treat patients with more complex health conditions. For example, urgent care center could communicate with patients' primary care providers via electronic health records, which will enable industry operators to streamline patients' healthcare coverage and include more healthcare services.

Increasing number of center
Over the next five years, urgent care center will remain competitive with alternative healthcare providers, such as emergency rooms and primary care physicians, by maintaining longer operational hours. In particular, urgent care center that include diabetes monitoring and occupational health services in their product portfolio will fare well over the next five years. During the five years to
2019, the number of employees is anticipated to grow at an annualized rate of 2.4% to 121,674, as more urgent care center require nurse practitioners, x-ray technicians and other employees to provide additional services, such as school-related physicals.

Industry Ratios

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (Millions)</th>
<th>Establishments</th>
<th>Employment</th>
<th>Wages (Millions)</th>
<th>People With Private Health Insurance (Million people)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>10,143.20</td>
<td>8,000</td>
<td>91,255</td>
<td>4,179.00</td>
<td>203</td>
</tr>
<tr>
<td>2009</td>
<td>10,633.80</td>
<td>8,100</td>
<td>94,467</td>
<td>4,252.00</td>
<td>196</td>
</tr>
<tr>
<td>2010</td>
<td>11,293.90</td>
<td>8,549</td>
<td>97,772</td>
<td>4,488.90</td>
<td>196</td>
</tr>
<tr>
<td>2011</td>
<td>12,313.60</td>
<td>8,800</td>
<td>100,144</td>
<td>4,802.70</td>
<td>197</td>
</tr>
<tr>
<td>2012</td>
<td>13,194.50</td>
<td>9,300</td>
<td>102,966</td>
<td>5,153.60</td>
<td>199</td>
</tr>
<tr>
<td>2013</td>
<td>14,168.00</td>
<td>9,428</td>
<td>106,796</td>
<td>5,530.00</td>
<td>200</td>
</tr>
<tr>
<td>2014</td>
<td>15,770.30</td>
<td>9,899</td>
<td>108,244</td>
<td>5,933.80</td>
<td>209</td>
</tr>
<tr>
<td>2015</td>
<td>16,725.60</td>
<td>10,434</td>
<td>110,545</td>
<td>6,375.30</td>
<td>216</td>
</tr>
<tr>
<td>2016</td>
<td>17,819.20</td>
<td>10,903</td>
<td>113,117</td>
<td>6,835.00</td>
<td>219</td>
</tr>
<tr>
<td>2017</td>
<td>19,091.50</td>
<td>11,350</td>
<td>116,221</td>
<td>7,111.10</td>
<td>221</td>
</tr>
</tbody>
</table>

In the five-year period, the number of enterprises is anticipated to rise at an annualized rate of 2.6% to 5,995. Many urgent care center will enter the market to cater to rural areas in the United States, where patients have limited access to primary care physicians. In particular, many urgent care center will emphasize high-margin ancillary services, such as rehabilitative therapy and prepackaged pharmaceuticals, to bolster profitability and compete with alternative healthcare providers, such as primary care physicians and emergency rooms.

Basis of Competition

Competition in this industry is medium and the trend is steady.

Internal competition

Urgent care center compete mainly on the basis of quality of care and types of services offered. Companies also compete based on the convenience of location, the office environment (patients spend up to 15 hours a week at a center), available equipment and the ability to attract and retain employees. Differentiation of urgent care services can be on the basis of training experience as well as staff competence.
Patients are unlikely to go to an urgent care center that has a bad reputation, especially for patients with less urgent health ailments. Additionally, privately owned urgent care center may be independent or part of a chain of urgent care center. Urgent care center chains are able to consolidate costs, by sharing reimbursement collection-related costs, which provides a greater opportunity for profit compared to a single urgent care center.

Urgent care center compete to establish a reputation for low wait times. For example, according to Becker's Hospital Review, 96.0% of urgent care center had wait times less than 20 minutes, 28.0% had wait times between 21 and 40 minutes and 3.0% had a wait time longer than 40 minutes. To remain competitive, urgent care center will aim to offer low wait times, which is particularly prominent to remain competitive in urban areas with numerous urgent care center.

Industry operators also compete on the basis of their product portfolio. For example, urgent care center that include laboratories and x-ray equipment on-site will be able to generate larger revenue volumes. Many urgent care center are able to differentiate themselves from competitors with occupational medicine services as well as other ancillary types of care, such as physical therapy and weight loss services.

**External competition**
Throughout the industry, however, most providers compete with hospitals or primary care physicians that offer similar services. Many primary care physicians have expertise in managing efficient center and outpatient companies sometimes have contracts to manage in-hospital urgent care center. These are usually smaller facilities that do not compete directly with larger independent center.

Many urgent care center also compete with home healthcare solutions and providers. Urgent care center contend with competition from nurse practitioners, which also provide many of the same services, including treating common colds, infections, earaches and sore throats; performing physical examinations; prescribing medication for chronic or acute conditions; and performing screening and preventive services.

In addition, urgent care center compete with hospital-based and freestanding
emergency departments. In 2012 (latest data available), Americans visited the emergency room an estimated 136.1 million times, according to the Centers for Disease Control and Prevention. Unlike most urgent center, emergency departments provide acute care, which may be life threatening or require immediate attention. Furthermore, hospital emergency departments are required by federal law to provide patient care regardless of patients’ ability to pay and healthcare coverage.

### 3.3 Demand Analysis

This demand analysis was performed on the basis of whether the Company’s projected revenue was in line with industry standards, whether it was in line with local standards and whether the population base would support it. Revenue for the Company was projected as conservatively as possible on the basis of the lowest estimated revenue.

#### Industry Standard Revenues for a Startup Pima Urgent Care Clinic During First Five Years of Operation

<table>
<thead>
<tr>
<th>Projected Revenue Based on Twenty-Three Visits Per Day</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum**</td>
<td>31</td>
</tr>
<tr>
<td>Minimum</td>
<td>15</td>
</tr>
<tr>
<td>Average</td>
<td>23</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Projected Revenue Based on Thirty-Four Visits Per Day</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum**</td>
<td>42</td>
</tr>
<tr>
<td>Minimum***</td>
<td>25</td>
</tr>
<tr>
<td>Average</td>
<td>34</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Projected Revenue Based on Thirty-Seven Visits Per Day</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum**</td>
<td>49</td>
</tr>
<tr>
<td>Minimum**</td>
<td>25</td>
</tr>
<tr>
<td>Average</td>
<td>37</td>
</tr>
</tbody>
</table>

*Average Per Visit Charge (2012 Pima Urgent Care Benchmarking Survey Results (Urgent Care Association of America)*

**Average Number of Visits Per Day for an Pima Urgent Care Center in First Five Years of Operation (The Market for Retail Health Clinics & Pima Urgent Care Centers, September 2012)*

**Minimum Number of Visits for a Mature Clinic (The Market for Retail Health Clinics & Pima Urgent Care Centers, September 2012)*
Validation of Ability to Absorb at Least One New Pima Urgent Care Center

<table>
<thead>
<tr>
<th>Revenue Based on Visits Per Day</th>
<th>Revenue Feasibility Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>23</td>
<td>$1,276,500</td>
</tr>
<tr>
<td>29</td>
<td>$1,859,250</td>
</tr>
<tr>
<td>32</td>
<td>$2,053,500</td>
</tr>
<tr>
<td>36</td>
<td>$2,275,500</td>
</tr>
<tr>
<td>38</td>
<td>$2,358,750</td>
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</tbody>
</table>

Pima Urgent Care Center Projected Revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1,188,780</td>
<td>$1,670,445</td>
<td>$1,876,845</td>
<td>$2,113,425</td>
<td>$2,211,255</td>
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</tbody>
</table>

Projected Revenue Within Industry Standards

<table>
<thead>
<tr>
<th>Year</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TRUE</td>
<td>TRUE</td>
<td>TRUE</td>
<td>TRUE</td>
<td>TRUE</td>
</tr>
</tbody>
</table>

Validation of Projected Revenue Based on Local Industry Standards

This validation measure the projected revenue against average of other similar establishments in the county according to the BizMiner Convenience Clinics Industry Market Report.

2013 Pima County Convenience Clinic Revenue

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Establishments</th>
<th>=</th>
<th>Per Establishment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pima County Convenience Clinic Revenue</td>
<td>$28,548,135</td>
<td>24</td>
<td>=</td>
<td>$1,189,506</td>
</tr>
<tr>
<td>Pima Urgent Care</td>
<td>1,189,780</td>
<td>24</td>
<td>=</td>
<td>$1,189,506</td>
</tr>
</tbody>
</table>

Pima Urgent Care Projected Year One Revenue Valid Based on Local Standards

| Validation of Company Ability to Enter the Arena Based on the Target Market |
|------------------------|--------------------------|
| A case study done by Julie Wright, MBA, CMPE, and Pima Urgent Care Clinic Evaluation: A Case Study (http://jucm.com/read/casereport.php?casereport=11), found that a profitable urgent care center needs a population base of approximately 20,000 to 30,000 to support its success. A county was considered to be viable if it had an unserved population of at least 20,000, as shown below. |

Target Market Population Demographics by Esri

<table>
<thead>
<tr>
<th>County</th>
<th>2014 Population</th>
<th>Median Income</th>
<th>Median Age</th>
<th>2019 Population</th>
<th>Median Income</th>
<th>Median Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pima</td>
<td>1,000,763</td>
<td>51,761</td>
<td>39</td>
<td>1,025,986</td>
<td>51,761</td>
<td>39</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Population</th>
<th>Current Convenience Clinics Plus One</th>
<th>Population Per Clinic</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,000,763</td>
<td>35</td>
<td>28,593*</td>
</tr>
</tbody>
</table>

*This number exceeds the 20,000 to one recommended ratio.
Section IV Pima Urgent Care

The new Pima Urgent Care operation will have as its base Pima County in the State of Arizona. The Company believes that this model, among others, is an effective way to generate better-than-average returns for investors.

The Company has credentialed and contracted with most of the major insurance carriers in Arizona including Medicare and most Workers’ Compensation insurers. As new Centers are built out under the umbrella organization, they will be immediately ready to bill these insurance carriers; a process that normally takes from three to six months for new startups. Furthermore, the increasing number of Centers under management provides a negotiating leverage with insurance carriers thereby increasing reimbursement rates.

Pima Urgent Care will be staffed at all times by a physician and other medical staff and will be equipped with four exam rooms, digital X-Ray equipment, on-site laboratory, and pharmacy dispensing the most common urgent care medicines. The Lead Doctor will be responsible for managing the day-to-day activities of the Center. The competition in the urgent care sector is comprised of single unit center owned and operated by a physician or satellite center of a local or regional hospital.

With very little branding of medical care in this sector, Pima Urgent Care is well positioned to become the leader. Competitors generally build larger (5,000 to 6,000 square foot) centers and staff them with physician’s assistants or nurse practitioners with a physician on call. To maintain a sustainable competitive advantage as a low-cost provider, the Pima Urgent Care model concept is a 3,284 square foot urgent care center located in an existing, high-traffic, retail shopping center.

Pima Urgent Care
No appointment necessary for minor emergencies and sudden illnesses
Come in today!
With its retail service delivery platform, Pima Urgent Care prefers to have more ubiquity across the markets by building more but smaller centers closer to the patients it expects to attract. Generally, patients will not pass one urgent care center for another unless they trust the brand.
With a highly favorable demographic profile, the Arizona market has three distinct targets.

- The full-time resident, who may or may not have a Primary Care Physician;
- The part-time resident (affectionately known as “snow birds”), whose Primary Care Physician is most likely back “home”; and
- The transient visitor or vacationer.

The target market population numbers on which this model was validated included neither the part-time resident nor the transient visitor. The model was based on resident demand. It is believed, however, that each of the other two target markets will generate demand for a provider with expanded hours to meet their needs.

Pima Urgent Care treats everything from cuts and bruises to fractures and colds and everything in between. They have onsite lab tests, x-rays and prescriptions with no appointments needed. They have state-of-the-art urgent care center with physician’s onsite every day. Centers are open every day with extended hours. No appointments are needed and they accept most insurance plans. They can offer services such as the following, which makes them a welcome alternative to a long wait at the doctor’s office or not being able to see a doctor at all:

- Laceration Repair
- Incision and Drainage of Cysts or Abscess
- Drug Screening
- Colds and Coughs
- Breaks and Sprains
- Infections
- Flu and Virus
- Sore Throat
- Fever
- Illness
- Nausea, Vomiting, Diarrhea
- Back Pain, Joint Pain, Body Aches
- Headache, Migraine Pain, Dizziness
- Asthma, Allergies, Breathing Treatments
- Occupational Health
• Travel Vaccinations
• Laboratory Tests
• Bites and Rashes
• Cuts and Burns
• Earaches or Infection
• Minor Injuries
• Ear Cleaning
• Physical Exams for School, Sports, Work
• Urinary Tract Infection
• Upset Stomach, Heartburn
• Skin Infections
• Initial Burn Treatment and Dressing
• Wound Debridement and Dressing Change
• Pediatric Illness
• Vomiting
• Aches and Pains
• Cold Sores
• Pink Eye, Minor Eye Injuries
• Immunizations and Tuberculosis Tests

Pima Urgent Care offers a state-of-the-art laboratory. Results are available within ten minutes, leading to a quicker diagnosis and treatment plan. Some of the tests that can be performed include:

• Complete Blood Counts
• Urinalyses
• Cultures
• Chemistry Panels

Within the Pima Urgent Care facility community, the Company has developed a unique retail service delivery platform model of a business/medical partnership. The concept partners with a physician acting as the Lead Doctor who is:

• Arizona licensed in urgent care or equivalent discipline
• Board-certified
• In possession of a good insurance history
The Pima Urgent Care center will be open from 8 a.m. until 8 p.m., seven days a week. Therefore, it is believed that the facility need only see one patient every fifteen minutes to generate nearly $2.2 million in net collected revenues.

Pima Urgent Care’ digital medical records process ensures all patient services are accurately billed and all billings are for actual services rendered. Pima Urgent Care will accept most major insurances including Medicare. Carriers generally take from 60 to 90 days to pay for services rendered.

4.1 Company Location
Description

The space is currently built out as medical office, and was previously occupied by Hanger Prosthetics. Providing incredible visibility from the street. Located at 123 Anywhere Road just west of Grande. This property is easily accessible from Interstate 10.
Total Space Available
4,000 Square Feet

Rental Rate
$12 /Square Feet/Year

Property Type
Office or Street Retail

Property Sub-type
Office or Street Retail
Section V Present Market

5.1 Target Market

<table>
<thead>
<tr>
<th></th>
<th>Pima County</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014 Total Population</td>
<td>1,000,763</td>
</tr>
<tr>
<td>2014 Total Households</td>
<td>397,056</td>
</tr>
<tr>
<td>2014 Median Household Income</td>
<td>43,303</td>
</tr>
<tr>
<td>2014 Average Household Income</td>
<td>61,558</td>
</tr>
<tr>
<td>2014 Per Capita Income</td>
<td>15,452</td>
</tr>
<tr>
<td>2019 Total Population</td>
<td>1,025,986</td>
</tr>
<tr>
<td>2019 Total Households</td>
<td>407,939</td>
</tr>
<tr>
<td>2019 Median Household Income</td>
<td>51,761</td>
</tr>
<tr>
<td>2019 Average Household Income</td>
<td>71,109</td>
</tr>
<tr>
<td>2019 Per Capita Income</td>
<td>16,213</td>
</tr>
</tbody>
</table>

Medical Care 18,302,357
Physician Services 1,052,268

5.2 Pima County Demographic Profile

The demographics for this population are important because it is from this source that the project will derive its employee base.

<table>
<thead>
<tr>
<th></th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000 Population</td>
<td>843,746</td>
</tr>
<tr>
<td>2010 Population</td>
<td>980,263</td>
</tr>
<tr>
<td>2012 Population</td>
<td>997,096</td>
</tr>
<tr>
<td>2017 Population</td>
<td>1,032,670</td>
</tr>
<tr>
<td>2000-2010 Annual Rate</td>
<td>1.51%</td>
</tr>
<tr>
<td>2010-2012 Annual Rate</td>
<td>0.76%</td>
</tr>
<tr>
<td>2012-2017 Annual Rate</td>
<td>0.70%</td>
</tr>
<tr>
<td>2012 Male Population</td>
<td>49.2%</td>
</tr>
<tr>
<td>2012 Female Population</td>
<td>50.8%</td>
</tr>
<tr>
<td>2012 Median Age</td>
<td>38.0</td>
</tr>
</tbody>
</table>

In the identified area, the current year population is 997,096. In 2010, the Census count in the area was 980,263. The rate of change since 2010 was 0.76% annually. The five-year projection for the population in the area is 1,032,670 representing a change of 0.70% annually from 2012 to 2017. Currently, the population is 49.2% male and 50.8% female.
Households by Income
Current median household income is $42,439 in the area, compared to $50,157 for all United States households. Median household income is projected to be $52,076 in five years, compared to $56,895 for all United States households.

Current average household income is $57,749 in this area, compared to $68,162 for all United States households. Average household income is projected to be $65,032 in five years, compared to $77,137 for all United States households. Current per capita income is $23,749 in the area, compared to the United States per capita income of $26,409. The per capita income is projected to be $26,701 in five years, compared to $29,882 for all United States households.

<table>
<thead>
<tr>
<th></th>
<th>Median Household Income</th>
<th>Average Household Income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012 Median Household Income</td>
<td>$42,439</td>
</tr>
<tr>
<td></td>
<td>2017 Median Household Income</td>
<td>$52,076</td>
</tr>
<tr>
<td></td>
<td>2012-2017 Annual Rate</td>
<td>4.18%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Housing</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000 Total Housing Units</td>
<td>366,737</td>
</tr>
<tr>
<td>2000 Owner Occupied Housing Units</td>
<td>213,603</td>
</tr>
<tr>
<td>2000 Owner Occupied Housing Units</td>
<td>118,747</td>
</tr>
<tr>
<td>2000 Vacant Housing Units</td>
<td>34,387</td>
</tr>
<tr>
<td>2010 Total Housing Units</td>
<td>440,909</td>
</tr>
<tr>
<td>2010 Owner Occupied Housing Units</td>
<td>248,970</td>
</tr>
<tr>
<td>2010 Renter Occupied Housing Units</td>
<td>139,690</td>
</tr>
<tr>
<td>2010 Vacant Housing Units</td>
<td>52,249</td>
</tr>
<tr>
<td>2012 Total Housing Units</td>
<td>447,957</td>
</tr>
<tr>
<td>2012 Owner Occupied Housing Units</td>
<td>242,699</td>
</tr>
<tr>
<td>2012 Renter Occupied Housing Units</td>
<td>151,840</td>
</tr>
<tr>
<td>2012 Vacant Housing Units</td>
<td>53,418</td>
</tr>
<tr>
<td>2017 Total Housing Units</td>
<td>466,009</td>
</tr>
<tr>
<td>2017 Owner Occupied Housing Units</td>
<td>253,187</td>
</tr>
<tr>
<td>2017 Renter Occupied Housing Units</td>
<td>156,556</td>
</tr>
<tr>
<td>2015 Vacant Housing Units</td>
<td>56,266</td>
</tr>
</tbody>
</table>
Currently, 54.2% of the 447,957 housing units in the area are owner occupied; 33.9%, renter occupied; and 11.9% are vacant. Currently, in the United States, 56.5% of the housing units in the area are owner occupied; 32.1% are renter occupied; and 11.4% are vacant. In 2010, there were 440,909 housing units in the area - 56.5% owner occupied, 31.7% renter occupied, and 11.9% vacant.

The annual rate of change in housing units since 2010 is 0.71%. Median home value in the area is $139,543, compared to a median home value of $167,749 for the United States. In five years, median value is projected to change by 3.51% annually to $165,836.

### 5.3 Tucson Demographic Profile

The demographics for this population are important because it is from this source that the project will derive its employee base.

<table>
<thead>
<tr>
<th>Year</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000 Population</td>
<td>483,926</td>
</tr>
<tr>
<td>2010 Population</td>
<td>520,116</td>
</tr>
<tr>
<td>2012 Population</td>
<td>529,110</td>
</tr>
<tr>
<td>2017 Population</td>
<td>545,164</td>
</tr>
<tr>
<td>2000-2010 Annual Rate</td>
<td>0.72%</td>
</tr>
<tr>
<td>2010-2012 Annual Rate</td>
<td>0.76%</td>
</tr>
<tr>
<td>2012-2017 Annual Rate</td>
<td>0.60%</td>
</tr>
<tr>
<td>2012 Male Population</td>
<td>49.5%</td>
</tr>
<tr>
<td>2012 Female Population</td>
<td>50.5%</td>
</tr>
<tr>
<td>2012 Median Age</td>
<td>33.4</td>
</tr>
</tbody>
</table>

In the identified area, the current year population is 529,110. In 2010, the Census count in the area was 520,116. The rate of change since 2010 was 0.76% annually. The five-year projection for the population in the area is 545,164 representing a change of 0.60% annually from 2012 to 2017. Currently, the population is 49.5% male and 50.5% female.

### Households by Income

Current median household income is $34,705 in the area, compared to $50,157 for all United States households. Median household income is projected to be $41,265 in five years, compared to $56,895 for all United States households.
Current average household income is $46,930 in this area, compared to $68,162 for all United States households. Average household income is projected to be $52,950 in five years, compared to $77,137 for all United States households. Current per capita income is $19,889 in the area, compared to the United States per capita income of $26,409. The per capita income is projected to be $22,327 in five years, compared to $29,882 for all United States households.

<table>
<thead>
<tr>
<th>Median Household Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012 Median Household Income</td>
</tr>
<tr>
<td>2017 Median Household Income</td>
</tr>
<tr>
<td>2012-2017 Annual Rate</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Average Household Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012 Average Household Income</td>
</tr>
<tr>
<td>2017 Average Household Income</td>
</tr>
<tr>
<td>2012-2017 Annual Rate</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Housing</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000 Total Housing Units</td>
</tr>
<tr>
<td>2000 Owner Occupied Housing Units</td>
</tr>
<tr>
<td>2000 Owner Occupied Housing Units</td>
</tr>
<tr>
<td>2000 Vacant Housing Units</td>
</tr>
<tr>
<td>2010 Total Housing Units</td>
</tr>
<tr>
<td>2010 Owner Occupied Housing Units</td>
</tr>
<tr>
<td>2010 Renter Occupied Housing Units</td>
</tr>
<tr>
<td>2010 Vacant Housing Units</td>
</tr>
<tr>
<td>2012 Total Housing Units</td>
</tr>
<tr>
<td>2012 Owner Occupied Housing Units</td>
</tr>
<tr>
<td>2012 Renter Occupied Housing Units</td>
</tr>
<tr>
<td>2012 Vacant Housing Units</td>
</tr>
<tr>
<td>2017 Total Housing Units</td>
</tr>
<tr>
<td>2017 Owner Occupied Housing Units</td>
</tr>
<tr>
<td>2017 Renter Occupied Housing Units</td>
</tr>
<tr>
<td>2015 Vacant Housing Units</td>
</tr>
</tbody>
</table>

Currently, 43.8% of the 233,737 housing units in the area are owner occupied; 45.3%, renter occupied; and 10.9% are vacant. Currently, in the United States, 56.5% of the housing units in the area are owner occupied; 32.1% are renter occupied; and 11.4% are vacant. In 2010, there were 229,762 housing units in the area - 46.4% owner occupied, 43.0% renter occupied, and 10.6% vacant.
The annual rate of change in housing units since 2010 is 0.77%. Median home value in the area is $122,925, compared to a median home value of $167,749 for the United States In five years, median value is projected to change by 2.74% annually to $140,746.

5.4 Pricing Structure

Pima Urgent Care

- Basic - $150.00
- Moderate - $180.00
- Complex - $250.00
- International Insurance - $175.00

Vaccines

- Flu Vaccine: $30
- Hepatitis A Vaccine (each injection, 2 required): $100.00
- Hepatitis B (each injection, 3 required): $80.00
- Tuberculosis Skin Test, includes reading results: $20.00
- Tetanus, Diphtheria, Pertussis: $80.00
- Gardasil Vaccine: $175.00
- Meningitis Vaccine: $140.00
- MMR Vaccine: $100.00
- PneumoVax: $90.00
- Shingles (Zostavax) Vaccine: $250.00
- Typhoid: $80.00
- Varicella (Chicken Pox): $165.00

Physicals

- School/Sports (PPE): Beginning at $100.00

Other Services

- Ceftriaxone medication and administration $25.00
- Ketorolac medication and administration $25.00
- Electrocardiogram with interpretation $50.00
- Urine Drug Screen 5 panel $50.00
- Urine Drug Screen 9 panel $75.00
- X-ray with interpretation beginning at $75.00
6.1 Urgent Care

<table>
<thead>
<tr>
<th>Facility</th>
<th>Address</th>
<th>City</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Valley Urgent Care</td>
<td>12133 West Bell Road</td>
<td>Surprise</td>
</tr>
<tr>
<td>Tricity Express Care PLLC</td>
<td>12775 West Bell Road</td>
<td>Surprise</td>
</tr>
<tr>
<td>Nextcare Arizona LLC</td>
<td>13075 West McDowell Road</td>
<td>Avondale</td>
</tr>
<tr>
<td>Cambridge Medical Center Urgent Care</td>
<td>13624 West Camino Del Sol</td>
<td>Sun City West</td>
</tr>
<tr>
<td>Sun Health Urgent Care Centers, LLC</td>
<td>13950 West Meeker Boulevard</td>
<td>Sun City West</td>
</tr>
<tr>
<td>American Current Care of Arizona PA</td>
<td>14155 North 83rd Avenue</td>
<td>Peoria</td>
</tr>
<tr>
<td>Tri-City Express Care PLLC</td>
<td>1507 North Litchfield Road</td>
<td>Goodyear</td>
</tr>
<tr>
<td>Nextcare Arizona LLC</td>
<td>15351 West Bell Road</td>
<td>Surprise</td>
</tr>
<tr>
<td>Banner Urgent Care Arizona LLC</td>
<td>15468 North Civic Center Drive</td>
<td>Surprise</td>
</tr>
<tr>
<td>Sun Health Urgent Care Centers, LLC</td>
<td>15468 North Civic Center Drive</td>
<td>Surprise</td>
</tr>
<tr>
<td>Phoenix Children’s Urgent Care Centers</td>
<td>1665 North Avondale Boulevard</td>
<td>Avondale</td>
</tr>
<tr>
<td>Carondelet Medical Group Urgent Care, Inc.</td>
<td>1704 West Anklam Road # 105</td>
<td>Tucson</td>
</tr>
<tr>
<td>Tri-City Express Care, PLLC</td>
<td>1895 West Valencia Road</td>
<td>Tucson</td>
</tr>
<tr>
<td>American Current Care of Arizona PA</td>
<td>2005 West Ruthrauff Road</td>
<td>Tucson</td>
</tr>
<tr>
<td>Nextcare Arizona LLC</td>
<td>20470 North Lake Pleasant Road</td>
<td>Peoria</td>
</tr>
<tr>
<td>Sun City Urgent Care LLC</td>
<td>20470 North Lake Pleasant Road</td>
<td>Peoria</td>
</tr>
<tr>
<td>San Tan Urgent Health Care Center</td>
<td>2081 West United States Highway 70</td>
<td>Thatcher</td>
</tr>
<tr>
<td>Velo Med Urgent Care PC</td>
<td>2404 East River Road</td>
<td>Tucson</td>
</tr>
<tr>
<td>American Current Care of Arizona PA</td>
<td>3402 East Broadway Boulevard</td>
<td>Tucson</td>
</tr>
<tr>
<td>Gila Health Resources</td>
<td>401 Burro Aly</td>
<td>Morenci</td>
</tr>
<tr>
<td>Nextcare Arizona LLC</td>
<td>4280 North Oracle Road</td>
<td>Tucson</td>
</tr>
<tr>
<td>American Current Care of Arizona PA</td>
<td>4600 South Park Avenue</td>
<td>Tucson</td>
</tr>
<tr>
<td>Nextcare Arizona LLC</td>
<td>5369 South Calle Santa Cruz</td>
<td>Tucson</td>
</tr>
<tr>
<td>Statelinix PLC</td>
<td>680 East Deuce of Clubs</td>
<td>Show Low</td>
</tr>
<tr>
<td>American Current Care of Arizona PA</td>
<td>7119 East Broadway Boulevard</td>
<td>Tucson</td>
</tr>
<tr>
<td>The Company Care Urgent Care Centers PLLC</td>
<td>7615 West Thunderbird Road</td>
<td>Peoria</td>
</tr>
<tr>
<td>Southern Arizona Urgent Care LLC</td>
<td>7725 North Oracle Road Suite 131</td>
<td>Oro Valley</td>
</tr>
<tr>
<td>Will Jeffers D.O., P.C.</td>
<td>8631 West Union Hills Drive</td>
<td>Peoria</td>
</tr>
<tr>
<td>Good Night Pediatrics East Valley PC</td>
<td>8801 West Union Hills Drive</td>
<td>Peoria</td>
</tr>
<tr>
<td>Tri-City Express Care, PLLC</td>
<td>9175 East Tanque Verde Road</td>
<td>Tucson</td>
</tr>
<tr>
<td>Nextcare Arizona LLC</td>
<td>9525 East Old Spanish Trail</td>
<td>Tucson</td>
</tr>
</tbody>
</table>

6.2 Competitive Analysis

Source: BizMiner - release date: June 2014

The market area includes 412,490 personal income reporting units with total gross income of $22,588,842,490 (average income: $54,762), 4.3% below the United States average of $57,227. (Each personal income reporting unit represents a single IRS tax return and is used to approximate a consumer decision-making unit.) The
percentage of earning units within each income reporting bracket is noted in the table:

<table>
<thead>
<tr>
<th>Income Bracket</th>
<th>Market Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1 to $25,000</td>
<td>41.40%</td>
</tr>
<tr>
<td>$25,000 to $50,000</td>
<td>24.40%</td>
</tr>
<tr>
<td>$50,000 to $75,000</td>
<td>13.10%</td>
</tr>
<tr>
<td>$75,000 to $100,000</td>
<td>8.40%</td>
</tr>
<tr>
<td>$100,000 to $200,000</td>
<td>10.00%</td>
</tr>
<tr>
<td>Over $200,000</td>
<td>2.70%</td>
</tr>
</tbody>
</table>

The average income of the 41,240 personal income units reporting $100,000-$200,000 gross income is $132,983; Average income of the 11,170 units reporting more than $200,000 gross income is $441,114.

**Competitive Market Concentrations and Vitality**

- Market Penetration
- Industry Vitality

The Convenience Clinics industry captures $59 in sales per personal income earning unit within the market area, representing local demand above United States national levels of $6. Local industry sales are about 0.1% of gross personal income, above the United States national level of 0.0%. The industry location quotient of 7.14 indicates market area employment concentrations above the industry employment concentration nationally (where the United States concentration equals 1.00).

The market area Convenience Clinics industry transacts $543 in sales per private sector business establishment, representing local demand above United States national levels ($48). Locally generated industry sales represent 21.03% of the total volume of sales generated in the market area by businesses of all types, a 21.03 multiple of the national average share.

Over the 24 month period year-end 2011-2013, 30.5% of United States business establishments in the industry, and 60.9% in its small business segment, ceased independent operation.
By contrast, the cessation rate in the market area was 86.67% industrywide and n/a% for small businesses. On the new business vitality side of the equation, no independent industry startups and new branch operations were identified in the market area, creating a new operation rate of n/a% in the most recent analysis year (2012 to 2013), less than the national rate of 2.64%. Unusually low new operation rates can indicate market saturation or lack of perceived opportunity, while high rates suggest both opportunity and the recognition of it. Due to the limited number of new operations at any given time, this indicator is often less useful in small local market areas.

**Industry Market Size and Projections**

- Market Volume
- Small Business Share
- Growth and Projections

In this market area, the Convenience Clinics industry includes 24 business operations.

Industry firms based in the market area represent locally generated industry sales of $24,449,180, which excludes operations of branches owned by local firms but situated outside the market area; and conversely, includes branch operations inside the market area, even if owned by firms based elsewhere. The locally generated industry market volume figure is projected from sales per employee data and local employment totals. The generated market volume of the industry’s small business segment in the market area is n/a, or n/a% of the total local market. Nationally, small businesses capture 3.2% of industry market share. For the market-specific focus of this competitive analysis, generated sales is applied as the most useful barometer of industry-wide market area revenue unless otherwise specified.

Average annual (locally-generated) site sales are $2,222,653, including branch operations controlled from outside the market area. Nationally, industry site sales are $1,281,933 or 57.7% of local levels. Market area small business sales average $490,909, or 58.9% below the national average for small businesses in the industry.
Employment in the Convenience Clinics industry is projected to grow by 2.8% per year through 2018. Output is projected to increase by 0.6% per year over the same period.

Market area growth will be differentially impacted by local conditions including income levels and business-to-business demand. The utility of short-term projections may be adversely affected by unforeseen economic turbulence and volatility.

**Market Analysis and Business Valuation Benchmarks**

- Annual Sales
- Sales per Employee Officer Compensation
- Discretionary Owner Earnings
- Profit
- Efficiency

Industry sales per employee are $127,080 at the national level and $174,637 in the market area.

Nationally, industry officer compensation for industrywide in the Convenience Clinics industry is 17.57%. Discretionary owner earnings increase to 29.73% when net profit of 10.71% and non-cash expenses (Amortization-Depletion-Depreciation) of 1.45% are added back into actual available dollars.

Actual market area owner compensation is further affected by local and regional factors such as wage costs state tax levels and by local rental rates.

**Competitive Summary**

- Market Area to National Industry Peers

The competitive analysis identifies industry strengths and weaknesses in this market area relative to the national performance of firms within the industry classification:
### Competitive Indicators: Local Industry Market to National Industry

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2013 Industry</th>
<th>2013 U.S. Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry Sales as a Per Cent of Total Market Sales</td>
<td>Higher</td>
<td>Higher</td>
</tr>
<tr>
<td>Industry Cessation Rate</td>
<td>Higher</td>
<td>Higher</td>
</tr>
<tr>
<td>Market Peer Group Cessation Rate</td>
<td>Higher</td>
<td>Higher</td>
</tr>
<tr>
<td>Industry New Operation Rate</td>
<td>Higher</td>
<td>Higher</td>
</tr>
<tr>
<td>Average Site Sales</td>
<td>Higher</td>
<td>Higher</td>
</tr>
<tr>
<td>Average Market Peer Group Sales</td>
<td>Higher</td>
<td>Higher</td>
</tr>
<tr>
<td>Sales per Personal Income Reporting Unit</td>
<td>Higher</td>
<td>Higher</td>
</tr>
<tr>
<td>Sales per Gross Dollar of Personal Income</td>
<td>Lower</td>
<td>Lower</td>
</tr>
<tr>
<td>Industry Sites per Household</td>
<td>Lower</td>
<td>Lower</td>
</tr>
<tr>
<td>Industry Employment Concentration</td>
<td>Higher</td>
<td>Higher</td>
</tr>
</tbody>
</table>

### Competitive Analysis Table

<table>
<thead>
<tr>
<th>Metric</th>
<th>2013 Industry</th>
<th>2013 U.S. Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Area Industry Establishments</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>Market Area Industry Branch Establishments</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>2013 Market Area: Industry Volume ($)</td>
<td>24,449,180</td>
<td></td>
</tr>
<tr>
<td>2013 United States Industry: Average Annual Industry Firm Sales ($)</td>
<td>36,931,869</td>
<td></td>
</tr>
<tr>
<td>2013 United States Industry: Average Annual Industry Site Sales ($)</td>
<td>1,281,933</td>
<td></td>
</tr>
<tr>
<td>2013 Market Area: Average Annual Industry Site Sales ($)</td>
<td>2,222,653</td>
<td></td>
</tr>
<tr>
<td>2013 United States Industry: Average Annual Industry Small Business Sales ($)</td>
<td>1,193,073</td>
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<tr>
<td>2013 Market Area: Average Annual Industry Small Business Sales ($)</td>
<td>490,909</td>
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<tr>
<td>2013 United States Industry: Sales per Employee ($)</td>
<td>127,080</td>
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<tr>
<td>2013 Market Area: Industry Sales per Employee ($)</td>
<td>174,637</td>
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</tr>
<tr>
<td>United States Industry: Sales per Personal Income Reporting Unit ($)</td>
<td>6</td>
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<tr>
<td>Market Area Industry: Sales per Personal Income Reporting Unit ($)</td>
<td>59</td>
<td></td>
</tr>
<tr>
<td>United States Industry: Sales per United States Business Establishment ($)</td>
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<td></td>
</tr>
<tr>
<td>Market Area Industry: Sales per Area Business Establishment ($)</td>
<td>543</td>
<td></td>
</tr>
<tr>
<td>United States Industry: Sales as % of Gross Personal Income</td>
<td>0.0%</td>
<td></td>
</tr>
<tr>
<td>Market Area Industry: Sales as % of Gross Personal Income</td>
<td>0.1%</td>
<td></td>
</tr>
<tr>
<td>Sales Concentration/Quotient (United States=1.00)</td>
<td>21.03</td>
<td></td>
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<tr>
<td>Employment Concentration/Quotient (United States=1.00)</td>
<td>7.14</td>
<td></td>
</tr>
<tr>
<td>Industry Officer Compensation: Industry wide</td>
<td>17.57%</td>
<td></td>
</tr>
<tr>
<td>Industry Net Profit: Industry wide</td>
<td>10.71%</td>
<td></td>
</tr>
<tr>
<td>Industry Discretionary Owner Earnings: Industry wide</td>
<td>29.73%</td>
<td></td>
</tr>
<tr>
<td>United States Industry: Cessation Rate</td>
<td>30.5%</td>
<td></td>
</tr>
<tr>
<td>Market Area Industry: Cessation Rate</td>
<td>86.7%</td>
<td></td>
</tr>
<tr>
<td>United States Industry: Small Business Cessation Rate</td>
<td>60.9%</td>
<td></td>
</tr>
<tr>
<td>United States Industry: New Business Vitality Rate</td>
<td>2.64%</td>
<td></td>
</tr>
</tbody>
</table>
Section VII Marketing Plan

URGENT CARE MARKETING PLAN

The goal of marketing is to build the Pima Urgent Care brand in each market by:

- Creating an urgent care to consumer program
- Creating an urgent care to business (Occupational Health) program
- Becoming a health resource in the community by participating in local health and community grand openings and becoming a resource for the media
- Advertising in each local trading area

Marketing takes place at the corporate, regional and local level. The marketing blueprint for Pima Urgent Care includes advertising, sales promotion budget, public relations and employee training among other things. There will be several unique targeted plans. This will include pre-opening, grand opening, consumer, physician and business marketing plans. There are three unique market segments: consumer, business and physician. Each market segment will have its own plan and goals, but the overall Pima Urgent Care message is the same with unique sub-messages for each market segment.

Pima Urgent Care to Consumer Message:
Pima Urgent Care is a medical center where care is part of the cure. The Company deliver quality healthcare from a compassionate team of highly trained professionals at convenient times and an affordable price.

Pima Urgent Care to Business Message:
The Company will deliver quality healthcare to your employees at convenient times and work with you to get your employees safely back to work. The Company is your company physicians.

Pima Urgent Care to Physician Message:
The Company will view patients from the healthcare provider’s perspective. The Company will keep you informed and refer new patients to you. The Company will act as an extension of your practice.
The marketing blueprint will be developed for each market by:

- Analyzing each target area: Consumer, Business and Physicians
- Developing Marketing Goals
- Establishing Action Plans and Execution milestones
- Create a Marketing Budget
- Measure and analyze results
- Adjust activities, actions, people, and tools based on the analysis of the results

**Advertising Media**

Different types of advertising will reach different target markets and affect selected target groups to differing degrees. The marketing experience of the Lavender Health Care team will enable the selection of the most effective media and negotiate the right advertising mix for each of the Arizona markets to get the right message through the right medium to reach the target audience. The various media that will be considered are:

- Direct mail (flyers, coupons)
- Radio
- Television
- Newspaper and magazines
- Yellow Pages (Minimal investment in this area, most likely only the basic free listing)
- Internet

**Networking**

Making contacts with businesses in each of the markets and with businesses and organizations that share the same demographic audience will be a significant method of promoting the Pima Urgent Care brand and the Arizona businesses and making it a fixture in the communities.

- Networking with potential referral sources such as the following will educate the community about the business and will establish referral sources for the facility.
  - Local medical community
  - Business organizations
• Professional organizations (e.g., chambers of commerce, medical associations, Rotarians, etc.)

It is the intent to establish a rapport with these types of groups, and look for ways to gain exposure in the marketplace through the participation.

Word of Mouth or “Buzz” Marketing
Word-of-mouth advertising will be the best, most cost-efficient method of promoting the Pima Urgent Care businesses. Satisfied patients will provide the best means of gaining new patients. Satisfied patients will be the best advertisers for the business and they will also be a prime source for repeat business.

Associates will continually be on the lookout for opportunities to obtain referrals, whether they are from patients, business acquaintances, vendors, or other people the Company come into contact with throughout the course of a day.

Public Relations
For the facility, there will be two initial public relations campaigns, followed by ongoing public relations. The first public relations campaign will be during the Center’s pre-opening phase. The second is for the grand opening. Once those are completed and the Center is open, the Company will migrate to ongoing healthcare public relations campaign.

Part of the ongoing public relations campaign will include such topics as why get a flu shot, allergies, sports injuries, etc.

Pima Urgent Care Corporate Public Relations group will help the facility localize national stories. If there is a national health story, the corporate group will help the facility position it for local media and how this news impacts the market. Pima Urgent Care Corporate has a bank of press releases and press release templates.

Pima Urgent Care Corporate will provide training to the facility for working with the Media and how to pitch a story. Pima Urgent Care Corporate will provide training to the facility to prepare for a Media interviews.
Pre-Opening Activities
There are a number of pre-opening activities that are defined in the Marketing Blueprint and will be customized for each of the locations.

Pima Urgent Care Occupational Health Program
Pima Urgent Care offers Occupational Health Services at all locations. The benefit to employers and employees is quick and convenient, high-quality healthcare at two-thirds the cost with no appointments necessary.

The Pima Urgent Care one-stop service approach helps employers stay productive by returning injured employees to work as soon as possible, saving time and money. The benefit to Pima Urgent Care is a steady revenue stream during non-peak times.

A fully trained staff of nurses and technicians provides the Pima Urgent Care Occupational Health program. The Company provide a seamless relationship between employer and Pima Urgent Care. In addition to Occupational Health Care services, Pima Urgent Care provides case management and workmen’s comp documentation for employers.

Pima Urgent Care Occupational Health Services include:
- Workers' Compensation
- Point-of-Entry medical care
- Referral to qualified specialists in network
- Post-accident drug screens with medical evaluations
- Blood or urine alcohol testing

Physical Examination and Drug Screen Testing:
- Pre-employment physicals, including pre-employment drug testing
- For-Cause or Reasonable-Suspicion drug testing
- Blood or urine alcohol testing

Other Services Related to Occupational Health:
- Hepatitis A
- Hepatitis B
- Polio
• Typhoid Fever
• Yellow Fever
• Rabies
• Tetanus
• Meningitis
• Measles
• Japanese Encephalitis
• Varicella
• Influenza

An Integrated System with Employers
When an employer contacts Pima Urgent Care, the Company create an electronic Employer Instruction File that all Pima Urgent Care medical staff has access to during the employee’s visit.

Instructions include the company’s Return-to-Work policies, Light Duty programs, Physical Examination requirements, Drug Testing protocols, Special Pricing, Billing Information, and Specialist Physician Networks.

Following the exam, Pima Urgent Care gives the employee instructions on Return-to-Work/Light Duty status and treatment.

After the visit, an urgent care staff contacts the employer’s representative with immediate feedback to help the employer determine appropriate case management and to discuss Light Duty and Return-to-Work options.

Pima Urgent Care provides the employer with the complete documentation required for the First Report of Accident

Pima Urgent Care Physician to Physician Program
Pima Urgent Care is an excellent resource for the local medical community. Our sales proposition is clear: the Company will treat your patients as you would.

The medical community the Company serves:
• Primary Care Physicians
• Internal Medicine
PIMA URGENT CARE
Tucson, Arizona

- Pediatrics
- Sports Medicine
- OB-GYN
- Ambulatory Surgery Centers
- Eye Centers
- Dental Surgery Centers
- Cosmetic Surgery Centers

The services the Company provide:
- X-rays
- Travel immunizations
- Same day lab work
- On-site prescriptions
- Electronic records for physicians
- Convenient hours
- An additional resource for patients, not trying to become Primary Care Physician

Other General Pre-Opening Public Relations and Marketing Activities
- Press releases
- Media updates on personnel hires
- Signage
- Create a media list for each location.
- Develop a three-month calendar of health stories to pitch.
- Define the three audiences for each location: consumer, physician and business and media to utilize.
- Employee training for marketing implementation
- Community events to create “buzz.”
- Become listed on all government and community websites as a health resource

Grand Opening Activities
The grand opening is one of the most exciting days in any center. It is the culmination of the hard work and the first day on a new adventure. The goal is to make it special for the employees and the community and to create a sense of excitement that Pima Urgent Care is open for business.
PIMA URGENT CARE
Tucson, Arizona

Working with Pima Urgent Care Corporate, the Company will prepare a Customized Grand Opening Strategy for each location with timeline for preparations for:

- Who to Invite
- Invitations
- Entertainment
- Catering
- Marketing Materials
- Grand Opening Schedule
- Media Coverage for the Grand Opening
- Post Grand opening procedures

Required Advertising Expenditures
As an urgent care facility, the Company is required to participate in advertising at both the national and local levels. The franchisor has developed an advertising program that is designed to achieve the maximum name recognition and consumer acceptance for the entire Pima Urgent Care network.

National Advertising Fund
Pima Urgent Care currently does not have a National Advertising Fund. However, the financial forecast includes a $1,000 per month to this Fund for each location. When a National Advertising Fund is established, the advertising fund contribution will be paid in the same manner as the royalty payment. Our contributions will be pooled with the contributions of all facilities for the development of both advertising strategies and professionally produced advertising materials for print or broadcast media. These materials will include those to be used by the franchisor on behalf of the facilities or those that will be appropriate for use by the facilities in the local markets.

Regional Cooperative Advertising
Pima Urgent Care may at some point designate a geographic area as a region for purposes of establishing an advertising cooperative. The purpose of such a cooperative will be to administer advertising programs and develop promotional materials for advertising within the designated region.
At such time as the franchisor establishes a regional cooperative in which the franchise is located, the Company have agreed to participate in such cooperative advertising and have agreed to contribute required amounts.
Section VIII Management and Organization

8.1 Management Team
President
Dr. Aldous Huxstable

Secretary
Harey Carey

Treasurer
Elvira Gildez
### Section IX Business Resources

#### 9.1 Company Operating Equipment

<table>
<thead>
<tr>
<th>Equipment</th>
<th>Urgent Care Equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audiometer</td>
<td>Laboratory and Clinical Minor Equipment and Supplies</td>
</tr>
<tr>
<td>Autoclave</td>
<td>Microscope</td>
</tr>
<tr>
<td>Baum Meters, Wall-Mounted</td>
<td>Otoscopes and Ophthalmoscope Power Table</td>
</tr>
<tr>
<td>Cabinets</td>
<td>Oxygen Regulator and Tanks</td>
</tr>
<tr>
<td>Calculators</td>
<td>Patient Furniture</td>
</tr>
<tr>
<td>Centrifuge</td>
<td>Patient Seating</td>
</tr>
<tr>
<td>Computer system</td>
<td>Photocopier</td>
</tr>
<tr>
<td>Controller</td>
<td>Portable Blood Pressure Units</td>
</tr>
<tr>
<td>Crash cart</td>
<td>Safe</td>
</tr>
<tr>
<td>Cryogenics</td>
<td>Scales</td>
</tr>
<tr>
<td>Developer, 90 Second</td>
<td>Scanner</td>
</tr>
<tr>
<td>Digital Camera</td>
<td>Security System (full alarm with security camera and recording capabilities)</td>
</tr>
<tr>
<td>DVD player</td>
<td>Signage</td>
</tr>
<tr>
<td>Electrocardiogram</td>
<td>Small Office Supplies and Equipment</td>
</tr>
<tr>
<td>Electronic Thermometers</td>
<td>Spirometer</td>
</tr>
<tr>
<td>Exam lights</td>
<td>Staff Desks</td>
</tr>
<tr>
<td>Exam Stools</td>
<td>Staff Seating</td>
</tr>
<tr>
<td>Exam Tables</td>
<td>Surgical Instruments, Assorted</td>
</tr>
<tr>
<td>Fax Machine</td>
<td>Surgical lights</td>
</tr>
<tr>
<td>File Cabinets</td>
<td>Telephone System</td>
</tr>
</tbody>
</table>

#### 9.2 ISO 9001:2008-Compliant Quality Control Manual Overview

##### 9.2.1 Scope and Exclusions

**Quality Manual**

**Pima Urgent Care**

123 Anywhere Road

Tucson, Arizona 85745

**Scope**

This Quality Manual contains policies that have been implemented at Pima Urgent Care at 123 Anywhere Road, Tucson, Arizona 85745. This manual pertains to processes relating to the levels of criticality fall into the following four categories: 1) Immediate Threat to Health and Safety, 2) Situational Decision Rules, 3) Direct Impact Requirements, and 4) Indirect Impact Requirements:
Immediate Threat to Health and Safety

This category represents the most immediate risk and involve a recommendation for Preliminary Denial of Accreditation. While not linked to any specific standards or Elements of performance, immediate threat to health or safety situations have or may potentially have serious adverse effects on patient health and safety. These issues must be resolved through the Evidence of Standards Compliance process within 45 days. Upon resolution of an Immediate Threat to Life Situation, the organization's accreditation status will change from Preliminary Denial of Accreditation to Conditional Accreditation. A follow-up survey will then be conducted to validate the proper implementation of corrective actions.

Situational Decision Rules

These situations involve a recommendation for Preliminary Denial of Accreditation or Conditional Accreditation based on such issues as loss of facility licensure, provision of care by unlicensed individuals who require such a license, and failure to implement corrective action in response to identified Life Safety Code deficiencies. To follow-up in these situations, organizations must demonstrate resolution of the situation through the Evidence of Standards Compliance process within 45 days. A follow-up survey is then conducted to validate the proper implementation of corrective actions.

Direct Impact Requirements

A "Direct Impact" requirement (standard, elements of performance, National Patient Safety Goal, or Accreditation Participation Requirement) is a requirement that has a direct impact on quality of care or patient safety if noncompliance is likely to create an immediate risk to patient safety or quality of care. The immediate risk usually results because there are no or few processes—or no or few protective defenses—intervening between the noncompliance and the impact on the safety or quality of a patient's care. These issues must be resolved through the Evidence of Standards Compliance process within 45 days.

All instances of identified partial compliance or insufficient compliance with elements of performance which are associated with the Direct Impact requirements above need to be resolved through the Evidence of Standards Compliance process within 45 days.
Compliance process within 45 days. The organization's accreditation decision is awarded after successful submission of Evidence of Standards Compliance.

**Indirect Impact Requirements**

These requirements pose less immediate risk to patient care and safety than Direct Impact requirements, but noncompliance increases risk to patient safety and quality of care over time.

All instances of identified partial compliance and insufficient compliance with elements of performance under these Indirect Impact requirements must be resolved through the Evidence of Standards Compliance process within 60 days. As above, the organization's accreditation decision is awarded after successful submission of Evidence of Standards Compliance.

**Environment of Care**

The goal of this chapter is to promote a safe, functional, and supportive environment within the organization so that quality and safety are preserved. The environment of care is made up of the following three basic elements:

- The building or space, including how it is arranged and special features that protect patients, visitors and staff
• Equipment used to support patient care or to safely operate the building or space
• People, including those who work within the organization, patients, and anyone else who enters the environment, all of whom have a role in minimizing risks

The manual and related quality system documentation are written to comply with the requirements of ISO 9001:2008.

Exclusions
The organization has no permissible exclusions as they apply to ISO 9001 requirements. The organization has (three) exclusions:

Design and Development
Justification: Pima Urgent Care does not design or develop products for our customers.

Validation of processes for production and service provision
Justification: Pima Urgent Care does not have any processes where deficiencies become apparent only after the product is in use.

Control of monitoring and measuring equipment
Justification: Pima Urgent Care does not use any equipment to monitor and measure processes for products delivered to the customer.

9.2.2 Company
Company Overview
Company Organizational Chart
9.2.3 Terms and Definitions
Throughout this Quality Manual, the term “organization” refers to (insert Pima Urgent Care). Quality Management System refers to a system that considers the three main components: quality control, quality assurance and quality improvement. Quality management is focused not only on product or service quality, but also the means to achieve it. A Quality Management System, therefore, uses quality assurance and control of processes, as well as products/services to achieve more consistent quality.

ISO 9001 Quality Management System Model

9.2.4 Quality Management System
General requirements
This system stresses the importance of managing risks in the environment of care, which are different from the risks associated with the provision of care, treatment, or services. The standards are organized around the concepts of planning, implementing, and evaluating of results. The organization Pima Urgent Care has established, documented, implemented and currently maintains a quality management system. The Company continually improve its effectiveness in
accordance with the requirements of ISO 9001. Important aspects of the environment addressed in the standards include the following:

The organization: has determined the processes needed for the quality management system and their application throughout the organization, determined the sequence and interaction of these processes, determined criteria and methods needed to ensure that both the operation and control of these processes are effective, ensures the availability of resources and information necessary to support the operation and monitoring of these processes, monitors, measures where applicable, and analyzes these processes, and implements actions necessary to achieve planned results and continual improvement of these processes.

These processes are managed by the organization in accordance with the requirements of ISO 9001.

The key business processes of the organization are:

Standard Environment of Care
- The organization manages safety and security risks.
- The organization manages medical equipment risks.
- The organization inspects, tests, and maintains medical equipment.
- The organization establishes and maintains a safe, functional environment.

Emergency Management
- The organization has an Emergency Management Plan.
- As part of its Emergency Management Plan, the organization prepares for how it will manage resources and assets during emergencies.
- As part of its Emergency Management Plan, the organization prepares for how it will manage patients during emergencies.
- The organization evaluates the effectiveness of its Emergency Management Plan.

Human Resources
- The organization determines how staff functions within the organization.
- Staff are competent to perform their responsibilities.
• The organization provides orientation to licensed independent practitioners.

Infection Prevention and Control
The processes outlined in this chapter are applicable to all infections or potential sources of infection that an ambulatory health care practitioner might encounter, including a sudden influx of potentially infectious patients.

• The organization plans for preventing and controlling infections.
• The organization reduces the risk of infections associated with medical equipment, devices, and supplies.
• The organization works to prevent the transmission of infectious disease among patients, licensed independent practitioners, and staff.

Information Management
Every episode of care generates health information that must be managed systematically by the organization. All data and information used by the organization is categorized, filed, and maintained. Health information should be accessed by authorized users who will use health information to provide safe, quality care. Unauthorized access can be limited by the adoption of policies that address the privacy, security, and integrity of health information.

• The organization protects the privacy of health information.
• The organization has a written policy addressing the privacy of health information.
• The organization implements its policy on the privacy of health information.
• The organization uses health information only for purposes as required by law and regulation or as further limited by its policy on privacy.
• The organization discloses health information only as authorized by the patient or as otherwise consistent with law and regulation.
• The organization monitors compliance with its policy on the privacy of health information.
• The organization effectively manages the collection of health information.
• The organization uses uniform data sets to standardize data collection throughout the organization.
• The organization has a written policy that includes the following:
  ➢ Terminology and definitions approved for use in the organization
  ➢ Abbreviations, acronyms, symbols and dose designations approved for use in the organization
  ➢ Abbreviations, acronyms, symbols, and dose designations prohibited from use in the organization, which include the following:
    ➢ U,u
    ➢ Trailing zero (X.0 mg)
    ➢ IU
    ➢ MS
    ➢ Q.D., WD, q.d., qd
    ➢ MSO4
    ➢ Q.O.D., QOD, q.o.d, qod
• The organization retrieves, disseminates, and transmits health information in useful formats.
• The organization’s storage and retrieval systems make health information accessible when needed for patient care, treatment, or services.
• The organization disseminates data and information in useful formats within time frames defined by the organization and consistent with law and regulation.

Leadership
The safety and quality of care, treatment, or services depends on fostering a culture of safety as a priority for everyone who works in the organization.

• Leaders regularly communicate with each other on issues of safety and quality.
• The organization complies with law and regulation.
• The organization provides services that meet patient needs.
• Leaders establish priorities for performance improvement.

Medication Management
A safe medication management system addresses an organization’s medication processes which, in essence, supports patient safety and improves the quality of care by doing the following:
The organization plans its medication management processes.
The organization safely stores medications.
The organization safely manages any emergency medications.

National Patient Safety Goals
This chapter addresses the requirements of the 2010 National Patient Safety Goals. The purpose of The Joint Commission's National Patient Safety Goals is to promote specific improvements in patient safety. The organization accepts the patient for care, treatment, or services based on its ability to meet the patient's needs.

- The organization assesses and manages the pain of patients who have pain.
- The organization provides for diagnostic testing.
- The organization plans for and responds to life-threatening emergencies.
- The organization coordinates the patient's care, treatment, or services based on the patient's needs.
- Before the organization discharges or transfers a patient, it informs and educates the patient about his or her follow-up care, treatment, and services.
- The organization compiles and analyzes data.
- The organization improves performance.

Record of Care, Treatment, and Services
The "Record of Care, Treatment, and Services" chapter contains a wealth of information about the components of a complete clinical record. The record of care functions not only as a historical record of a patient's episode(s) of care, but also as a method of communication between practitioners and staff that can facilitate the continuity of care and aid in clinical decision-making.

- Documentation in the clinical record is entered in a timely manner.
- The organization audits its clinical records.
- Qualified staff receive and record verbal orders.
- The organization respects the patient's right to receive information in a manner he or she understands.
- The organization respects the patient's right to receive information about the individual(s) responsible for his or her care, treatment, or services.
• The patient and his or her family have the right to have complaints reviewed by the organization.

Waived Testing
A laboratory test is an activity that evaluates a substance(s) removed from a human body and translates the evaluation into a result. The high, moderate, and provider performed microscopy levels, otherwise called nonwaived testing, have specific and detailed requirements regarding personnel qualifications, quality assurance, quality control, and other systems. Waived testing, on the other hand, has few requirements and is less stringent than the requirements for nonwaived testing.

Standard Waived Testing
The person from the organization whose name appears on the Clinical Laboratory Improvement Amendments of 1988 (Clinical Laboratory Improvement Amendments of 1988) certificate identifies the staff responsible for performing and supervising waived testing. Responsible staff may be employees of the organization, contracted staff, or employees of a contracted service. Responsible staff may be identified within job descriptions or by listing job titles or individual names.

The organization performs quality control checks for waived testing on each procedure. Note: Internal quality controls may include electronic, liquid, or control zone. External quality controls may include electronic or liquid. The following page provides a Process Map showing the sequence and interactions of these processes. Where the organization chooses to outsource any process that affects product conformity to requirements, the organization ensures control over such processes. The type and extent of control to be applied to these outsourced processes are defined within the quality management system.

<table>
<thead>
<tr>
<th>Outsourced Process</th>
<th>Provider</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment Maintenance</td>
<td>ABC Medical Equipment Maintenance</td>
</tr>
<tr>
<td>Controls</td>
<td></td>
</tr>
</tbody>
</table>

The Company provides complete records of equipment maintained by serial number, the date the maintenance was performed and whether or not any repairs had to be made; if so, they are detailed.
Documentation Requirements

General
The quality management system documentation includes: documented statements of a quality policy and quality objectives, a quality manual, documented procedures and records required by ISO 9001, including Document Control, Record Control, Internal Audit, Control of Nonconforming Product, Corrective and Preventive Action, documents, including records, determined by the organization to be necessary to ensure the effective planning, operation and control of its processes.

Quality Manual
The organization has established and currently maintains a quality manual that includes:
The scope of the quality management system, including details of and justification for any exclusions, the documented procedures established for the quality management system, or reference to them, and a description of the interaction between the processes of the quality management system.

The Company Secretary is responsible for maintaining the quality manual.

**Document Control**
Documents required by the quality management system are controlled. Records are a special type of document and are controlled according to the requirements given.

A documented procedure has been established (see Control of Documents Procedure) to define the controls needed:

- To approve documents for adequacy prior to issue,
- To review and update as necessary and re-approve documents,
- To ensure that changes and the current revision status of documents are identified,
- To ensure that relevant versions of applicable documents are available at points of use,
- To ensure that documents remain legible and readily identifiable,
- To ensure that documents of external origin determined by the organization to be necessary for the planning and operation of the quality management system are identified and their distribution controlled, and
- To prevent the unintended use of obsolete documents, and to apply suitable identification to them if they are retained for any purpose.

The Company Secretary is responsible for maintenance of the Document Control Procedure, to ensure that relevant versions are available at points of use, to remove obsolete documents, and to control external documents. Documents are reviewed and approved, including re-approval as required, by the Owner.

**Control of Records**
Records established to provide evidence of conformity to requirements and of the effective operation of the quality management system shall be controlled. A
documented procedure has been established to define the controls needed for the identification, storage, protection, retrieval, retention and disposition of records. Records are legible, readily identifiable and retrievable. The Company Secretary is responsible for maintenance of the Records Control Procedure.

**Management Responsibility**
Top management provides evidence of its commitment to the development and implementation of the quality management system and continually improve its effectiveness by:

- Establishing the quality policy,
- Communicating to the organization the importance of meeting customer as well as statutory and regulatory requirements,
- Ensuring that quality objectives are established,
- Conducting management reviews, and
- Ensuring the availability of resources.

Top management includes the following members:
- President
- Secretary
- Treasurer

**Customer Focus**
Top management ensures that customer requirements are determined and are met with the aim of enhancing customer satisfaction.

**Quality Policy**
Top management ensures that the quality policy:

- Is appropriate to the purpose of the organization,
- Includes a commitment to comply with requirements and continually improve the effectiveness of the quality management system,
- Provides a framework for establishing and reviewing quality objectives,
- Is communicated and understood within the organization, and
- Is reviewed for continuing suitability.
The Company Secretary is responsible for ensuring the quality policy is reviewed during the Management Review process.

Planning

Quality Objectives
Top management ensures that quality objectives, including those needed to meet requirements for product, are established at relevant functions and levels within the organization. The quality objectives are measurable and consistent with the quality policy.

Quality management system planning
Top management ensures that:

- The planning of the quality management system is carried out in order to meet the requirements given in section 4.1, as well as the quality objectives, and
- The integrity of the quality management system is maintained when changes to the quality management system are planned and implemented.

Responsibility, Authority and Communication

Responsibility and authority
Top management ensures that responsibilities and authorities are defined and communicated within the organization. This is achieved through distribution of the employee handbook.

Company Secretary
Top management has appointed a member of management who, irrespective of other responsibilities, has responsibility and authority that includes:

- Ensuring that processes needed for the quality management system are established, implemented and maintained,
- Reporting to top management on the performance of the quality management system and any need for improvement, and
- Ensuring the promotion of awareness of customer requirements throughout the organization.

The appointed management representative serves as the liaison to external parties on matters relating to the quality system.
Internal communication
Top management ensures that appropriate communication processes are established within the organization and that communication takes place regarding the effectiveness of the quality management system. This is achieved by use of the Company Operations Manual.

Management Review
Top management reviews the organization’s quality management system, at planned intervals, to ensure its continuing suitability, adequacy and effectiveness. This review includes assessing opportunities for improvement and the need for changes to the quality management system, including the quality policy and quality objectives. Records from management reviews are maintained by the Company Secretary. The input to management review includes information on:

- Results of audits,
- Customer feedback,
- Process performance and product conformity,
- Status of preventive and corrective actions,
- Follow-up actions from previous management reviews,
- Changes that could affect the quality management system, and
- Recommendations for improvement.

The output from the management review includes:

- Any decisions and actions related to improvement of the effectiveness of the quality management system and its processes,
- Improvement of product related to customer requirements, and
- Resource needs.

Resources Management
Provision of Resources
The organization determines and provides the resources needed to implement and maintain the quality management system and continually improve its
effectiveness and to enhance customer satisfaction by meeting customer requirements. Resource needs are discussed during management review.

Human Resources

General
Personnel performing work affecting conformity to product requirements are deemed competent on the basis of appropriate education, training, skills and experience. Human Resources is responsible for assessing competence. Competency requirements are defined in the Company job descriptions.

Competence, training and awareness
The organization:

- Determines the necessary competence for personnel performing work affecting conformity to product requirements,
- Where applicable, provides training or takes other actions to achieve the necessary competence,
- Evaluates the effectiveness of the actions taken,
- Ensures that personnel are aware of the relevance and importance of their activities and how they contribute to the achievement of the quality objectives, and
- Maintains appropriate records of education, training, skills and experience.

Human Resources is responsible to determine competency requirements and to oversee the training process. Training requirements are defined in the Operations Manual. Human Resources maintains appropriate records of education, training, skills, and experience. As of the initial release of this document, all current employees are considered to be competent.

Infrastructure
The organization determines, provides and maintains the infrastructure needed to achieve conformity to product requirements. Infrastructure includes, as applicable: Buildings, workspace and associated utilities; process equipment (both hardware and software); and supporting services (such as transport, communication or information systems).
Scheduled maintenance, including data backup, is performed on the following:

<table>
<thead>
<tr>
<th>Urgent Care Equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audiometer</td>
</tr>
<tr>
<td>Autoclave</td>
</tr>
<tr>
<td>Baum Meters, Wall-Mounted</td>
</tr>
<tr>
<td>Centrifuge</td>
</tr>
<tr>
<td>Controller</td>
</tr>
<tr>
<td>Crash cart</td>
</tr>
<tr>
<td>Cryogenics</td>
</tr>
<tr>
<td>Developer, 90 Second</td>
</tr>
<tr>
<td>Digital Camera</td>
</tr>
<tr>
<td>Electrocardiogram</td>
</tr>
<tr>
<td>Electronic Thermometers</td>
</tr>
<tr>
<td>Hematology unit</td>
</tr>
<tr>
<td>Hyfreator</td>
</tr>
</tbody>
</table>

**Work Environment**

**Purchasing process**

The organization ensures that purchased product conforms to specified purchase requirements. The type and extent of control applied to the supplier and the purchased product is dependent upon the effect of the purchased product on subsequent product realization or the final product.

The organization evaluates and selects suppliers based on their ability to supply product in accordance with the organization’s requirements. Criteria for selection, evaluation and re-evaluation are established. Records of the results of evaluations and any necessary actions arising from the evaluation are maintained in management review.

Purchasing is responsible for controlling the purchasing process and for maintaining appropriate records. As of the initial release of this document, all current suppliers in good standing are considered to be approved.

**Purchasing information**

Purchasing information describes the product to be purchased, including where appropriate:

- Requirements for approval of product, procedures, processes and equipment,
• Requirements for qualification of personnel,
• Quality management system requirements, and
• Purchasing information is communicated to suppliers’ quality control procedures.

The organization ensures the adequacy of specified purchase requirements prior to communication to the supplier.

**Verification of purchased product**
The organization establishes and implements the inspection or other activities necessary for ensuring that purchased product meets specified purchase requirements. Purchased product is verified at the time of receipt for conformity.

**Monitoring and measurement**

**Customer satisfaction**
As one of the measurements of the performance of the quality management system, the organization monitors information relating to customer perception as to whether the organization has met customer requirements.

Customer satisfaction is monitored by analysis of market share and the percentage of repeat clients.

**Internal audit**
The organization conducts internal audits at planned intervals to determine whether the quality management system:

• Conforms to the planned arrangements, to the requirements of ISO 9001 and to the quality management system requirements established by the organization, and
• Is effectively implemented and maintained.

An audit program has been planned, taking into consideration the status and importance of the processes and areas to be audited, as well as the results of previous audits. The audit criteria, scope, frequency and methods are defined. This selection of auditors and conduct of audits ensures objectivity and impartiality of the audit process. Auditors do not audit their own work.
A documented procedure has been established (see Internal Audit Procedure) to define the responsibilities and requirements for planning and conducting audits, establishing records and for reporting results. Records of the audits and their results are maintained. The Internal Audit Coordinator is responsible to oversee the internal auditing system and for maintaining appropriate records.

The management responsible for the area being audited ensures that any necessary corrections and corrective actions are taken without undue delay to eliminate detected nonconformities and their causes. Follow-up activities include the verification of the actions taken and the reporting of verification results.

**Monitoring and measurement of processes**
The organization applies suitable methods for monitoring and, where applicable, measurement of the quality management system processes. These methods demonstrate the ability of the processes to achieve planned results. When planned results are not achieved, correction and corrective action is taken by the appropriate personnel, to ensure conformity of the product.

**Monitoring and measurement of product**
The organization monitors and measures the characteristics of products used to verify they meet FDA requirements. This is carried out at appropriate stages of the product purchase and maintenance processes in accordance with the planned arrangements.

Evidence of conformity with the acceptance criteria is maintained. Records indicate the person(s) authorizing release of product for facility use.

**Control of nonconforming product**
The organization ensures that product which does not conform to product requirements is identified and controlled to prevent its unintended use or delivery. A documented procedure has been established (see Control of Nonconforming Product Procedure) to define the controls and related responsibilities and authorities for dealing with nonconforming product.
Where applicable, the organization deals with nonconforming product by one or more of the following ways:

- By taking action to eliminate the detected nonconformity;
- By authorizing its use, release or acceptance under concession by a relevant authority and, where applicable, by the customer;
- By taking action to preclude its original intended use or application;
- By taking action appropriate to the effects, or potential effects, of the nonconformity when nonconforming product is detected after delivery or use has started.

When nonconforming product is corrected, it is subject to re-verification to demonstrate conformity to the requirements.

Records of the nature of nonconformities and any subsequent actions taken, including concessions obtained, are maintained.

**Analysis of data**
The organization determines, collects and analyzes appropriate data to demonstrate the suitability and effectiveness of the quality management system and to evaluate where continual improvement of the effectiveness of the quality management system can be made. This includes data generated as a result of monitoring and measurement and from other relevant sources.

The analysis of data provides information relating to:

- Customer satisfaction,
- Conformity to product requirements,
- Characteristics and trends of processes and products including opportunities for preventive action, and
- Suppliers.

Data analysis is conducted by means of Internal Audit. The Company Secretary is responsible for determining the data requirements and for coordinating with other departments to collect and subsequently analyze the data in order to make improvements.
Improvement

Continual improvement
The organization continually improves the effectiveness of the quality management system using the quality policy, quality objectives, audit results, analysis of data, corrective and preventive actions, and management review.

Corrective Action
The organization takes action to eliminate the cause of nonconformities in order to prevent their recurrence.

Corrective actions are appropriate to the effects of the nonconformities encountered.

A documented procedure has been established (see Corrective and Preventive Action Procedure) that defines requirements for:

- Reviewing nonconformities (including customer complaints),
- Determining the causes of nonconformities,
- Evaluating the need for action to ensure that nonconformities do not recur,
- Determining and implementing action needed,
- Recording and maintaining records of the results of action taken, and
- Reviewing the effectiveness of the corrective action taken.

The Corrective Action Manager is responsible for maintaining the procedure and the associated records.

Preventive Action
The organization determines action to eliminate the causes of potential nonconformities in order to prevent their occurrence. Preventive actions are appropriate to the effects of the potential problems. A documented procedure has been established (see Corrective and Preventive Action Procedure) to define requirements for:

- Determining potential nonconformities and their causes,
- Evaluating the need for action to prevent occurrence of nonconformities,
- Determining and implementing action needed,
- Recording and maintaining the results of action taken, and
- Reviewing the effectiveness of the preventive action taken.

The Corrective Action Manager is responsible for maintaining the procedure and the associated records.

**Reference Documents**

- Control of Documents Procedure
- Control of Records Procedure
- Control of Nonconforming Product Procedure
- Corrective/Preventive Action Procedure
- Internal Audit Procedure

**Change Log**

<table>
<thead>
<tr>
<th>Revision #</th>
<th>Document Revision Date</th>
<th>Description of Change</th>
<th>Approval(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rev. 000</td>
<td>xx/xx/xx</td>
<td>Initial Release</td>
<td>xxxxxxxx</td>
</tr>
</tbody>
</table>

**9.3 Staffing**

The staffing structure and job descriptions for this organization are described below.
Medical Director/Center Administrator
1 (One) Full-Time Employee
Plan, direct, or coordinate medical and health services in hospitals, clinics, managed care organizations, public health agencies, or similar organizations.

Tasks
- Conduct and administer fiscal operations, including accounting, planning budgets, authorizing expenditures, establishing rates for services, and coordinating financial reporting.
- Direct, supervise and evaluate work activities of medical, nursing, technical, clerical, service, maintenance, and other personnel.
- Maintain communication between governing boards, medical staff, and department heads by attending board meetings and coordinating interdepartmental functioning.
- Review and analyze facility activities and data to aid planning and cash and risk management and to improve service utilization.
- Plan, implement and administer programs and services in a healthcare or medical facility, including personnel administration, training, and coordination of medical, nursing and physical plant staff.
- Direct or conduct recruitment, hiring and training of personnel.
- Establish work schedules and assignments for staff, according to workload, space and equipment availability.
- Maintain awareness of advances in medicine, computerized diagnostic and treatment equipment, data processing technology, government regulations, health insurance changes, and financing options.
- Monitor the use of diagnostic services, inpatient beds, facilities, and staff to ensure effective use of resources and assess the need for additional staff, equipment, and services.
- Develop and maintain computerized record management systems to store and process data such as personnel activities and to produce reports.

Staff Physician
1 (One) Full-Time Employee
Physicians who diagnose, treat, and help prevent diseases and injuries that commonly occur in the general population. May refer patients to specialists when needed for further diagnosis or treatment.
Tasks

- Prescribe or administer treatment, therapy, medication, vaccination, and other specialized medical care to treat or prevent illness, disease, or injury.
- Order, perform, and interpret tests and analyze records, reports, and examination information to diagnose patients' condition.
- Collect, record, and maintain patient information, such as medical history, reports, and examination results.
- Monitor patients' conditions and progress and reevaluate treatments as necessary.
- Explain procedures and discuss test results or prescribed treatments with patients.
- Advise patients and community members concerning diet, activity, hygiene, and disease prevention.
- Refer patients to medical specialists or other practitioners when necessary.
- Coordinate work with nurses, social workers, rehabilitation therapists, pharmacists, psychologists, and other healthcare providers.
- Direct and coordinate activities of nurses, students, assistants, specialists, therapists, and other medical staff.
- Plan, implement, or administer health programs or standards in hospitals, businesses, or communities for prevention or treatment of illness.

Registered Nurse

2 (Two) Full-Time Employees

Assess patient health problems and needs, develop and implement nursing care plans, and maintain medical records. Administer nursing care to ill, injured, convalescent, or disabled patients. May advise patients on health maintenance and disease prevention or provide case management. Licensing required.

Tasks

- Monitor, record, and report symptoms or changes in patients' conditions.
- Maintain accurate, detailed reports and records.
- Record patients' medical information and vital signs.
- Order, interpret, and evaluate diagnostic tests to identify and assess patient's condition.
- Modify patient treatment plans as indicated by patients' responses and conditions.
• Direct or supervise less-skilled nursing or healthcare personnel or supervise a particular unit.
• Consult and coordinate with healthcare team members to assess, plan, implement, or evaluate patient care plans.
• Monitor all aspects of patient care, including diet and physical activity.
• Instruct individuals, families, or other groups on topics such as health education, disease prevention, or childbirth and develop health improvement programs.
• Prepare patients for and assist with examinations or treatments.

**X-Ray Technician**

1 (One) Full-Time Employee

Maintain and use equipment and supplies necessary to demonstrate portions of the human body on x-ray film or fluoroscopic screen for diagnostic purposes.

**Tasks**

- Prepare and set up x-ray room for patient.
- Use beam-restrictive devices and patient-shielding techniques to minimize radiation exposure to patient and staff.
- Explain procedures to patients to reduce anxieties and obtain cooperation.
- Position x-ray equipment and adjust controls to set exposure factors, such as time and distance.
- Position patient on examining table and set up and adjust equipment to obtain optimum view of specific body area as requested by physician.
- Determine patients' x-ray needs by reading requests or instructions from physicians.
- Operate mobile x-ray equipment in operating room, emergency room, or at patient's bedside.
- Assure that sterile or non-sterile supplies such as contrast materials, catheters, films, chemicals, or other required equipment, are present and in working order or requisition materials.
- Process exposed radiographs using film processors or computer generated methods.
- Make exposures necessary for the requested procedures, rejecting and repeating work that does not meet established standards.
Laboratory Technician
1 (One) Full-Time Employee
Perform complex medical laboratory tests for diagnosis, treatment, and prevention of disease. May train or supervise staff.

Tasks
- Conduct chemical analysis of body fluids, including blood, urine, or spinal fluid, to determine presence of normal or abnormal components.
- Analyze laboratory findings to check the accuracy of the results.
- Enter data from analysis of medical tests or clinical results into computer.
- Operate, calibrate, or maintain equipment used in quantitative or qualitative analysis, such as spectrophotometers, calorimeters, flame photometers, or computer-controlled analyzers.
- Establish or monitor quality assurance programs or activities.
- Provide technical information about test results to physicians, family members, or researchers.
- Set up, clean, and maintain laboratory equipment.
- Supervise, train, or direct lab assistants, medical and clinical laboratory technicians or technologists.
- Collect and study blood samples to determine the number of cells, their morphology, or their blood group, blood type, or compatibility for transfusion purposes, using microscopic techniques.
- Analyze samples of biological material for chemical content or reaction.

Medical Assistant
3 (Three) Full Time Employees
Perform administrative and certain clinical duties under the direction of a physician. Administrative duties may include scheduling appointments, maintaining medical records, billing, and coding information for insurance purposes. Clinical duties may include taking and recording vital signs and medical histories, preparing patients for examination, drawing blood, and administering medications as directed by physician.

Tasks
- Record patients' medical history, vital statistics, or information such as test results in medical records.
- Prepare treatment rooms for examinations and keeping the rooms clean.
• Interview patients to obtain medical information and measure their vitals.
• Authorize drug refills and provide prescription information to pharmacies.
• Clean and sterilize instruments and dispose of contaminated supplies.
• Prepare and administer medications as directed by a physician.
• Show patients to examination rooms and prepare them for the physician.
• Explain treatment procedures, medications, diets, or physicians' instructions to patients.
• Help physicians examine and treat patients, handing them instruments or materials or performing such tasks as injections or removing sutures.
• Collect blood, tissue, or other laboratory specimens, log the specimens, and prepare them for testing.

Medical Receptionist
1 (One) Full-Time Employee
Answer inquiries and provide information to the general public, customers, visitors, and other interested parties regarding activities conducted at establishment and location of departments, and offices within the organization.

Tasks
• Operate telephone switchboard to answer, screen, or forward calls, providing information, taking messages, or scheduling appointments.
• Greet persons entering establishment, determine nature and purpose of visit, and direct or escort them to specific destinations.
• Transmit information or documents to customers, using computer, mail, or facsimile machine.
• Hear and resolve complaints from customers or the public.
• Perform administrative support tasks, such as proofreading, transcribing handwritten information, or operating calculators or computers to work with pay records, invoices, balance sheets, or other documents.
• File and maintain records.
• Provide information about establishment, such as location of departments or offices, employees within the organization, or services provided.
• Collect, sort, distribute, or prepare mail, messages, or courier deliveries.
• Receive payment and record receipts for services.
10.1 Income Statement

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical Fees</td>
<td>$1,137,750</td>
<td>$1,581,750</td>
<td>$1,776,000</td>
<td>$1,998,000</td>
<td>$2,081,250</td>
</tr>
<tr>
<td>Pharmacy Fees</td>
<td>$51,030</td>
<td>$88,695</td>
<td>$100,845</td>
<td>$115,425</td>
<td>$130,005</td>
</tr>
<tr>
<td><strong>NET SALES</strong></td>
<td>$1,188,780</td>
<td>$1,670,445</td>
<td>$1,876,845</td>
<td>$2,113,425</td>
<td>$2,211,255</td>
</tr>
<tr>
<td><strong>COST OF GOODS SOLD</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pharmacy Fees</td>
<td>$16,840</td>
<td>$29,269</td>
<td>$33,279</td>
<td>$38,090</td>
<td>$42,902</td>
</tr>
<tr>
<td><strong>TOTAL COST OF GOODS SOLD</strong></td>
<td>$16,840</td>
<td>$29,269</td>
<td>$33,279</td>
<td>$38,090</td>
<td>$42,902</td>
</tr>
<tr>
<td><strong>GROSS PROFIT MARGIN ON SALES</strong></td>
<td>$1,171,940</td>
<td>$1,641,176</td>
<td>$1,843,566</td>
<td>$2,075,335</td>
<td>$2,168,353</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Royalty</td>
<td>$61,236</td>
<td>$106,434</td>
<td>$121,014</td>
<td>$138,510</td>
<td>$156,006</td>
</tr>
<tr>
<td>National and Local Advertising</td>
<td>$51,030</td>
<td>$88,695</td>
<td>$100,845</td>
<td>$115,425</td>
<td>$130,005</td>
</tr>
<tr>
<td>Rent</td>
<td>$82,500</td>
<td>$84,975</td>
<td>$87,524</td>
<td>$90,150</td>
<td>$92,854</td>
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<td>Insurance</td>
<td>$36,000</td>
<td>$37,080</td>
<td>$38,192</td>
<td>$39,338</td>
<td>$40,518</td>
</tr>
<tr>
<td>Medical Supplies</td>
<td>$61,236</td>
<td>$106,434</td>
<td>$121,014</td>
<td>$135,510</td>
<td>$156,006</td>
</tr>
<tr>
<td>Janitorial, Maintenance and Security</td>
<td>$6,000</td>
<td>$6,180</td>
<td>$6,365</td>
<td>$6,556</td>
<td>$6,753</td>
</tr>
<tr>
<td>Utilities</td>
<td>$12,000</td>
<td>$12,360</td>
<td>$12,731</td>
<td>$13,113</td>
<td>$13,506</td>
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<tr>
<td>Taxes and Licenses</td>
<td>$20,412</td>
<td>$35,478</td>
<td>$40,338</td>
<td>$46,170</td>
<td>$52,002</td>
</tr>
<tr>
<td>Legal and Professional</td>
<td>$6,000</td>
<td>$6,180</td>
<td>$6,365</td>
<td>$6,556</td>
<td>$6,753</td>
</tr>
<tr>
<td>Management Fee</td>
<td>$51,030</td>
<td>$88,695</td>
<td>$100,845</td>
<td>$115,425</td>
<td>$130,005</td>
</tr>
<tr>
<td><strong>Human Capital Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical Director/Center</td>
<td>$64,300</td>
<td>$64,300</td>
<td>$65,586</td>
<td>$66,898</td>
<td>$68,236</td>
</tr>
<tr>
<td>Staff Physician</td>
<td>$95,500</td>
<td>$95,500</td>
<td>$97,410</td>
<td>$99,358</td>
<td>$101,345</td>
</tr>
<tr>
<td>Registered Nurse</td>
<td>$90,000</td>
<td>$90,000</td>
<td>$91,800</td>
<td>$93,636</td>
<td>$95,509</td>
</tr>
<tr>
<td>X-Ray Technician</td>
<td>$24,600</td>
<td>$24,600</td>
<td>$25,092</td>
<td>$25,994</td>
<td>$26,106</td>
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<tr>
<td>Laboratory Technician</td>
<td>$21,100</td>
<td>$21,100</td>
<td>$21,522</td>
<td>$21,952</td>
<td>$22,391</td>
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<tr>
<td>Medical Assistant</td>
<td>$62,100</td>
<td>$62,100</td>
<td>$63,342</td>
<td>$64,609</td>
<td>$65,901</td>
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<tr>
<td>Medical Receptionist</td>
<td>$18,200</td>
<td>$18,200</td>
<td>$18,564</td>
<td>$18,935</td>
<td>$19,314</td>
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<tr>
<td>Training and Recruiting</td>
<td>$5,000</td>
<td>$5,150</td>
<td>$5,305</td>
<td>$5,464</td>
<td>$5,628</td>
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<tr>
<td>Employee Benefits and Taxes</td>
<td>$133,750</td>
<td>$161,581</td>
<td>$171,070</td>
<td>$176,202</td>
<td>$181,488</td>
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<tr>
<td><strong>TOTAL OPERATING EXPENSES</strong></td>
<td>$901,994</td>
<td>$1,115,042</td>
<td>$1,194,925</td>
<td>$1,282,402</td>
<td>$1,370,327</td>
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<tr>
<td><strong>EBITDA</strong></td>
<td>$269,946</td>
<td>$526,133</td>
<td>$648,641</td>
<td>$792,933</td>
<td>$798,027</td>
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<tr>
<td>Interest Cost</td>
<td>($25,000)</td>
<td>($25,000)</td>
<td>($25,000)</td>
<td>($25,000)</td>
<td>($25,000)</td>
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<tr>
<td>Principal</td>
<td>($39,379)</td>
<td>($42,226)</td>
<td>($45,278)</td>
<td>($48,551)</td>
<td>($52,061)</td>
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<tr>
<td><strong>EBTDA</strong></td>
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<td>$458,908</td>
<td>$578,363</td>
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<td>Depreciation Charge</td>
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<td>($33,333)</td>
<td>($33,333)</td>
<td>($33,333)</td>
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<tr>
<td>Tax Charge</td>
<td>$71,948</td>
<td>$148,951</td>
<td>$190,760</td>
<td>$240,117</td>
<td>$240,671</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>$133,619</td>
<td>$276,623</td>
<td>$354,269</td>
<td>$445,931</td>
<td>$446,961</td>
</tr>
</tbody>
</table>
### 10.2 Cash Flow

#### Cash Flows from Operating Activities

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income</td>
<td>$133,619</td>
<td>$276,623</td>
<td>$354,269</td>
<td>$445,931</td>
<td>$446,961</td>
</tr>
<tr>
<td><strong>Adjustments to Reconcile:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>$0</td>
<td>$33,333</td>
<td>$33,333</td>
<td>$33,333</td>
<td>$33,333</td>
</tr>
<tr>
<td>Taxes Paid</td>
<td>$71,948</td>
<td>$148,951</td>
<td>$190,760</td>
<td>$240,117</td>
<td>$240,671</td>
</tr>
<tr>
<td>Interest</td>
<td>$64,379</td>
<td>$67,226</td>
<td>$70,278</td>
<td>$73,551</td>
<td>$77,061</td>
</tr>
<tr>
<td><strong>Total, Operating Activities</strong></td>
<td>$269,946</td>
<td>$526,133</td>
<td>$648,641</td>
<td>$792,933</td>
<td>$798,027</td>
</tr>
</tbody>
</table>

#### Cash Flows, Investing Activities

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Capital Spending</td>
<td>$1,000,000</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Total, investing Activities</strong></td>
<td>$1,000,000</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

#### Cash Flows, Financing Activities

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>EB-5</td>
<td>$1,000,000</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Total, Financing Activities</strong></td>
<td>$1,000,000</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

#### Cash Flows, Other

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes Paid</td>
<td>($71,948)</td>
<td>($148,951)</td>
<td>($190,760)</td>
<td>($240,117)</td>
<td>($240,671)</td>
</tr>
<tr>
<td>Interest</td>
<td>($64,379)</td>
<td>($67,226)</td>
<td>($70,278)</td>
<td>($73,551)</td>
<td>($77,061)</td>
</tr>
<tr>
<td><strong>Total, Other Activities</strong></td>
<td>($136,328)</td>
<td>($216,177)</td>
<td>($261,039)</td>
<td>($313,668)</td>
<td>($317,732)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Increase (Decrease) in cash</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$133,619</td>
<td>$309,957</td>
<td>$387,603</td>
<td>$479,265</td>
<td>$480,294</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash, Beginning of Year</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$0</td>
<td>$133,619</td>
<td>$443,575</td>
<td>$831,178</td>
<td>$1,310,442</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash, End of Year</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$133,619</td>
<td>$443,575</td>
<td>$831,178</td>
<td>$1,310,442</td>
<td>$1,790,736</td>
</tr>
</tbody>
</table>
10.3 Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$133,619</td>
<td>$443,575</td>
<td>$831,178</td>
<td>$1,310,442</td>
<td>$1,790,736</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>$133,619</td>
<td>$443,575</td>
<td>$831,178</td>
<td>$1,310,442</td>
<td>$1,790,736</td>
</tr>
<tr>
<td>Capitalized Expenditures</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>$0</td>
<td>$33,333</td>
<td>$66,667</td>
<td>$100,000</td>
<td>$133,333</td>
</tr>
<tr>
<td>Net Long-term assets</td>
<td>$1,000,000</td>
<td>$966,667</td>
<td>$933,333</td>
<td>$900,000</td>
<td>$866,667</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$1,133,619</td>
<td>$1,410,242</td>
<td>$1,764,511</td>
<td>$2,210,442</td>
<td>$2,657,403</td>
</tr>
</tbody>
</table>

| **LIABILITIES**      |             |             |             |             |             |
| Current Liabilities/Deferred Revenue | $0         | $0          | $0          | $0          | $0          |
| **Long-Term Liabilities:** |           |             |             |             |             |
| EB-5 Loan            | $1,000,000  | $1,000,000  | $1,000,000  | $1,000,000  | $1,000,000  |
| **TOTAL LIABILITIES**| $1,000,000  | $1,000,000  | $1,000,000  | $1,000,000  | $1,000,000  |

| **SHAREHOLDER EQUITY** |             |             |             |             |             |
| Total Owner Equity    | $133,619    | $410,242    | $764,511    | $1,210,442  | $1,657,403  |
| **TOTAL LIABILITIES AND EQUITY** | $1,133,619 | $1,410,242  | $1,764,511  | $2,210,442  | $2,657,403  |
Data Sources

Market research data and competitive analysis reports are sourced from an array of the nation’s government and private statistical sources. None of these raw data sources creates the final measures reflected in industry profiles. In total, data elements are sourced specifically from:

- Dun and Bradstreet
- Demographics.com
- IRS SOI Corporation Income Tax Returns
- IRS SOI Corporation Tax Book
- IRS SOI 1040 Schedule C Income Tax Returns
- IRS SOI Statistics of Income - Individual Tax Statistics
- United States Economic Census of Manufactures
- United States Census Economy Overview
- United States Census Annual Survey of Manufactures
- United States Census Annual Retail Trade Survey
- United States Census Annual Wholesale Trade Survey
- United States Census Quarterly Financial Reports
- United States Census County Business Patterns
- Bureau of Labor Statistics Monthly Employment Reports
- Bureau of Labor Statistics Monthly Unemployment Reports
- United States Census Wholesale Trade Report
- United States Census Quarterly (New Housing) Sales by Price and Financing
- United States Census Total Construction Spending
- United States Census Retail Trade Report
- United States Census Quarterly Services Survey
- Commercial Real Estate Survey
- Credit Reporting Agencies
- Other Sources, as Cited

While 100% firm coverage is desirable for analysis purposes, the greatest value of reports rests in discerning patterns of activity, which are reflected in the large samples used to develop our reports. The overall current coverage of the databases surpasses 13 million active business operations at any point in time. To the best of our knowledge, the data contained in our business plans is valid through 2012.