

## Raising Fees and CPVs

Kiki Herfert brings more than 30 years of chiropractic experience to her columns, convention presentations and management work.

Here's a question that I received recently:

"After 15 years with no fee increase, I raised my fees and tightened up my financial policies. I didn't raise them as much as I need to because I was worried about losing too many patients. How soon can I raise my fees again? Any advice would be welcome."

I'm glad you got a long overdue raise. I'm sure that everything from your light bill to your car payments has increased over the past 15 years. Some items have increased more than others. Your personal expenditures generally rise too, as you move from a small apartment to a home. You get rid of your old car and get a new car(s). You get married and have a family. Fortunately, your patient load went from zero to its present level, or you'd either be out of business or working a part-time job!

I think it's a shame when a person goes through everything it takes to become a DC and then doesn't make a "living" that is commensurate with that of successful patients. We are in a serving profession, but as a professional you are entitled to make a living that reflects your investment and dedication to your patients and your practice.

For the life of me, I can't figure out why doctors can't separate their service decisions from their business decisions. You may have heard this conflict described as the service hand and the business hand. Your fees and decisions regarding them need to be made as business decisions based on facts. I call it "making decisions without faces on them." In other words, good decisions are broad-based, not in response to a certain isolated person or situation.

Most doctors I've met can't tell me their cost per visit (CPV). Not collection per visit, but what it actually costs to take care of someone. The formula is simple. Divide your overhead for a time (a year, e.g.) by the number of visits (not patients) during the same period. The result is what it actually costs to take care of someone.

In a growing practice, the good news is that this number drops as your practice grows. Remember, a new practice is all overhead and no income. Eventually, you settle in at a comfortable level. Your costs don't rise noticeably unless you hire more people, remodel or do something that cuts into your "profit." Now remember, I'm not talking about personal expenses, even if you somehow make them deductible.

The bad news is that as time goes on, you generally want an improved lifestyle. Maybe you get married and want a house in a nicer neighborhood, want your kids to go to private schools or college, and want a retirement fund, and whatever else. You can increase your income by seeing more people and/or raising your fees to keep up with inflation. There is a limit, generally speaking, to how high your fees can go.

It sounds (and I'm guessing) that your practice grew along with your needs for awhile, but you

finally hit that point where you either need to make some changes in how you see patients or raise your fees. If you haven't raised your fees in 15 years, you were long overdue.

Many doctors developed the bad habit of allowing their insured patients to "subsidize" their uninsured patients. Now I'm not talking about charity/hardship patients; I'm talking about the "sloppy, avoid asking people to pay a reasonable fee" patients. I'm talking about considering anyone who doesn't feel like paying a reasonable fee as worthy of a reduced fee. I'm talking about the bad habits that insurance money allowed to develop.

Unless you have dedicated yourself to caring for the truly poor, indigent and needy, the fact is that patients need to pay a fee based on what it costs you to take care of them -- CPV! They need to be paying more than the cost if you are in practice as something other than a hobby. Why so many have trouble expecting to receive a reasonable fee is a whole other topic.

If your fees aren't average for your area, you can have another increase six months or so after the first increase. To get a picture of where your overhead/profit ratio stands, picture a bottle of salad dressing. The oil floats on top of the vinegar. The oil is your profit and the vinegar your overhead. The proportion can change either way. If the size of the bottle (your practice size) remains constant, any increase in expenses results in a smaller profit layer. Increasing fees makes a significant change in your profits. Even a small change is significant.

If you'll send me a stamped, self-addressed envelope marked "FEES," I'll send you a simple chart that shows you how raising (or lowering) your fees affects your profits. Please, no requests for faxes or mercy mailings -- send the envelope.

Call, write or e-mail me with your concerns and questions. I can't promise a personal answer, but I try to respond to questions that are brief and to the point.

P.S.: To Jan, who works for the DCs in Alabama -- I'm waiting to hear from you!

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