

## CliniCorp is on the Move -- Buys Kats Management

Editorial Staff

Many events have highlighted the business dealings of ClinCorp since they presented their business plan to the profession (please see "The New Clinicorp" in the October 23, 1992 issue). At that time, Peter Fernandez, DC, had just resigned as president and director.

Since that time, Clinicorp has been active:

- November 3, 1992 -- purchased four chiropractic clinics in the Fort Pierce and West Palm Beach area of Florida.
- November 9, 1992 -- completed the placement of 1,793,000 shares of common stock, raising gross proceeds of \$17,932,000. Net proceeds to be used to acquire chiropractic clinics and general purposes.
- November 10, 1992 -- declared a 3-for-1 stock split in the form of a 200% stock dividend.
- November 12, 1992 -- reached agreements to acquire 32 chiropractic clinics in Alabama, Florida, Indiana and Louisiana.
- December 22, 1992 -- announced completion of the acquisition of Health Care Aware (HCA), a California based preferred provider organization (PPO). HCA is a network of over 900 chiropractors with more than 3.2 million subscribers.
- January 13, 1993 -- elected former Congressman C. Thomas McMillen (D-MD) to the board of directors, bringing the number of board members to seven.
- January 25, 1993 -- held first annual stockholders meeting. Stockholders approved an increase in authorized shares from 10 million to 50 million of common stock and 500,000 to 5 million in preferred stock.
- March 26, 1993 -- named Thomas Hartnett, PhD, president and chief operating officer. In 1978, Dr. Hartnett was of the founders and chief executive officer of Health Ways Systems Inc., a nationwide HMO. Since 1990, he served as vice president of Aetna Health Plans.
- March 31, 1993 -- announced that its registration statement covering the sale of 5,799,817

common shares by certain selling shareholders has been declared effective by the Securities and Exchange Commission.

- April 15, 1993 -- announced that a nine month period ending Feb. 28th showed a loss of \$5,685,00, or 60 cents per common share. Revenues totaled \$3,726,000. CliniCorp said losses reflect costs incurred by its acquisition program, putting new management in place, and staffing corporate and regional offices, etc.
- May 4, 1993 -- purchased Kats Management Service (KMS) paid for with shares of Clinicorp stock. KMS is a chiropractic seminar and consulting company headquartered in Lincoln, Nebraska. KMS conducts 35 seminars annually in seven major metropolitan areas. (Please see exclusive interview with David Kats, DC, page XX of this issue.)

CliniCorp expects to have as many as 5,000 chiropractors practicing under their sponsorship and projects controlling 10-20 percent of the \$10 billion U.S. chiropractic market.

With Clinicorp bringing such large amounts of money into the chiropractic profession, coupled with the number of clinics the company is purchasing, some chiropractic leaders have raised concerns over the CliniCorp phenomenon.

Whatever merit there is to those concerns, chiropractors are free to sell their practices to whoever they want for whatever terms they choose. No doubt, others in the health care "business" will recognize the potential of chiropractic.

Exclusive Interview with David Kats

DC: We understand you've sold your management service to CliniCorp.

Dr. Kats: Yes, Kats Management was purchased by CliniCorp on May 4, 1993.

DC: Is this considered a merger of the two companies?

Dr. Kats: No, CliniCorp is a much larger company than Kats Management. They are a publicly held, debt-free company that is traded on the American Stock Exchange. Kats Management was purchased in its entirety by CliniCorp.

DC: Why did you decide to sell?

Dr. Kats: First, because Kats Management was one of the largest management firms in the United States and very few companies are able to buy a firm the size of Kats Management. The best time to sell is when you have a buyer. Second, chiropractic and chiropractic management are changing. When Kats Management was started over a decade ago, the chiropractic profession was much smaller and much less complex. A small management firm was able to keep abreast of the changes in all aspects of the profession, but now chiropractic has grown so fast that it is impossible to be an authority on all aspects of chiropractic office management. National health care, Mercy Guidelines, OSHA compliance, safe harbor rulings, and CLLIA regulations all impact the chiropractic profession, but what small management group can stay abreast of all the changes? We needed to align ourselves with a national chiropractic organization that could assist us in staying current in the chiropractic profession and provide authorities in the areas needed. CliniCorp provided that opportunity. Third, I researched the history of CliniCorp and of Mr. Bob Goldsamt, president of

CliniCorp, and was very impressed with his past performance in the health care field. In my opinion, Mr. Bob Goldsamt is a genius at combining health care and business.

DC: Who owns CliniCorp?

Dr. Kats: CliniCorp is a publically-owned company. The founder of CliniCorp, Bob Goldsamt, is the largest shareholder. I don't know if you are aware that Bob is credited with starting the for-profit hospital management industry. As Medicare/Medicaid became effective in the mid '60s, he was the first to recognize the opportunity for an expanded role by free enterprise in the health care system. His vision now is that chiropractic as health care will reshape health care in the '90s. With back problems accounting for \$60 billion in direct and indirect charges to the nation's health care cost, chiropractic should become a primary care provider as the redistribution of health care services evolves. That is what Bob Goldsamt intends to help bring about for the chiropractic profession. I am very proud to be associated with him in CliniCorp and very pleased that I am also one of the company's shareholders.

DC: Why did CliniCorp pick Kats Managements?

Dr. Kats: Several reasons. As you know, CliniCorp purchased selected assets from PMA. Some of those selected assets were management contracts of chiropractors around the United States. As a result, CliniCorp needed a management consultant to service those contracts. CliniCorp interviewed two other major management groups but decided on Kats Management for three reasons. First, Kats Management is a national management firm. Most management companies specialize in a region of the United States. Our seminar locations most closely matched the areas where CliniCorp was giving seminars. Second, CliniCorp had a large number of startup doctors in the process of opening their practices. Kats Management was the only other national management firm which had a well established program for helping new doctors get started in practice. Third, because of the previous bad publicity in the profession concerning management consulting, CliniCorp wanted a firm with a good reputation.

DC: Are you concerned that this acquisition will link you with the former PMA problems?

Dr. Kats: Yes, I have a little concern. That's why we have distanced ourselves from past procedures which caused problems.

DC: What have you changed?

Dr. Kats: Kats Management has been servicing the past CliniCorp clients since October of 1992. At that time Kats Management converted all percentage contracts to flat-rate contracts and stopped recruiting students while in school. Kats Management is a member of the Society of Chiropractic Management Consultants. The Society has a very strict code of ethics. Chiropractors should be aware of this association. I feel any management group which is a member of SCMC has an excellent reputation and complies with very strict business and practice ethics.

DC: How will Kats Management change now that you have been acquired by CliniCorp?

Dr. Kats: From a client's perspective, nothing will change. Even though we were just purchased May 4, 1993, Kats Management entered into an agreement with CliniCorp in September of 1992 to service any CliniCorp clients. Any changes that would have occurred already occurred nine months ago. CliniCorp clients are totally integrated into Kats Management and have been for the last six months. As a result, clients will see no change.

DC: Do you feel there are advantages for your management clients now that you have been

purchased by CliniCorp?

Dr. Kats: Yes, there are many advantages. We are able to hold bigger seminars with more classes and better speakers. We have CliniCorp's corporate resources, which include many authorities on all aspects of office management, and the ability to stay current on political issues that involve chiropractic.

DC: Now that you have sold Kats Management, will you personally be staying with the company?

Dr. Kats: Yes, Kats Management was sold to CliniCorp with the agreement that I would continue to run the management company for them, and we have signed long-term employment contracts. In addition, I love management and plan to be involved in chiropractic management for as far as I can see into the future.

DC: Do you see the role of management consultants changing?

Dr. Kats: Absolutely. The era of chiropractors blindly following their "management guru" is over. Chiropractors are much more sophisticated than in the past and the business of chiropractors is much more complex. In the past, some management firms taught ways to increase practices through gimmicks, new patient ploys, and billing schemes. Ethical management firms built practices with good basics in business procedure, which included acquisition of new patients, patient education, philosophy, and motivation. While the basics cannot be lost, management now has to address much more -- national health insurance, debt reduction, compliance standards, taxes, overhead management, practice guidelines, and a myriad of other practice concerns -- if a management company is to be considered a full-service company.

DC: Thank you Dr. Kats.

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