

## The Need for Practice Management

David J. Kats, DC

In recent Dynamic Chiropractic articles, we've heard from doctors who have had bad management experiences. Most of the stories are probably true and I'm sure we could find many more. It is interesting to see that even the doctors who had an overall bad experience still see the value of good management consulting, "----they helped me in certain areas----to increase my services." (Dynamic Chiropractic, "Gross" Nets Zero, March 14, 1990) and most doctors who had a bad experience still see good value in management if the cost is reasonable (Dynamic Chiropractic, "Gross" Nets Zero, March 14, 1990, "Anywhere between \$5,000-\$10,000 [per year] would be a reasonable amount to pay.").

Good management is needed. The ACA's 1988 Statistical Study shows that the average doctor's new patients have dropped from eight to nine per week in 1980-1982 to seven to eight per week in 1983-1984, and down to six to seven new patients per week in 1985-1988. How much lower can this go before it becomes alarming to the profession? In 1975, the representatives of the national associations came to the chiropractic schools and encouraged student DCs by telling them the ratio of DCs to population in most areas was over 10,000:1, and we needed approximately 7,500:1 to serve people well. Now, as a management consultant, I'm satisfied with even a 5,000:1 ratio for clients. Will this trend reverse in the near future? Probably not, especially when you realize that 1/4 of all chiropractors are in chiropractic schools and will be in the profession within three to four years. In 1975, only eight percent of the chiropractors surveyed felt there were too many chiropractors for the existing demand; just a decade later, 24% felt that way. In addition, these surveys are probably not recent enough to show the impact of HMOs and PPOs, which tend to exclude chiropractic. Good management is needed to help the doctor in the more competitive market of the 90's.

During my years in practice, prior to becoming a management consultant, I was a management client. For the past several years I have been a management consultant. In viewing management from both perspectives, here are the qualities a management company needs to have to be of greatest benefit to the client.

### To Make a Practice Grow

**New Patient Procedures:** Many doctors join management groups for the express purpose of helping them generate more new patients. Good management consultants should place major emphasis on the acquisition of new patients with reliable, low-cost procedures and should avoid new patient acquisition through gimmicks or gadgets.

**Good Office Procedures:** Frequently, the lack of new patients is a symptom, rather than the problem per se. A good management firm will have specific information on basic office procedure, which will streamline your office and make it efficient while still covering all the necessary bases for patient satisfaction and legal protection.

**Good Philosophy:** Good philosophy includes chiropractic philosophy, which increases the doctor's belief system and good patient philosophy, which allows the doctor to treat the patient for the

patient's well-being as opposed to making money at the expense of the patient or insurance company.

**Patient Education:** If the national average of new patients per chiropractor is dropping, and one-fourth of our entire population of chiropractors is now in chiropractic school, it appears that the marketplace will become more competitive. That does not necessarily translate into "let's produce less chiropractors," but should translate into "let's establish a larger market share in the health care delivery system." To do that, patients need to be educated. Well-educated patients will refer more, use chiropractors more, and give stability and growth to the practice. This, in turn, will reduce the need for another gimmick or ploy to get new patients in the office.

**Staff Education:** A chiropractic practice will not grow if the doctor is not interested in growth. The same is true of the staff. For a practice to grow, the staff must be well-educated in procedure and in the understanding of chiropractic. Any good management service should have individual classes for beginning and advanced doctors, as well as beginning and advanced CAs, and should cover all staff training, front desk/receptionist's activities, insurance and billing procedures, and activities performed by the chiropractic technician.

**Consistency:** Practices grow through the consistent application of good business procedures and positive motivation, not through sensationalism. For a management company to truly help its clients, it should avoid sensationalism or teaching of procedures that can only be implemented if you have the same personality and power as the teacher.

**A Progressive Program:** One of the major values of joining a management company that requires a year-long commitment is that it allows a progressive, logical growth pattern to be developed throughout the year. Management services that are strictly a "pick and choose service," as far as classes are concerned, hold very little value over those companies that do weekend-only practice seminars. If the doctor prefers to attend management seminars that provide for "pick and choose" classroom attendance only, he would be better off attending practice-building courses that do not require a one to three year contract, such as Anderson Management or Parker.

**Patient Orientation:** In the 1990 decade, heavy emphasis will be placed on service. The quality of service provided to the patient will dictate to a large extent the size of the practice. Management firms who teach money-making procedures to the exclusion of patient satisfaction will be providing a far less valuable service than those management companies who emphasize practice growth through excellent patient-doctor relationships.

## Personal Help

If a doctor is to pay a management consultant between \$5,000 to \$10,000 per year, he should expect the following:

1. The management consultant or a service representative in the consultancy should understand the doctor's practice and not group him into "one of the clients" in the consultancy. There are very few cookbook approaches that work for everyone. Activities, equipment, and staff that may be needed for a large practice may be impractical for the small start-up practice. Practices in rural communities will differ from practices in metropolitan areas, and practices will vary from state to state. Your management consultant should be able to show proof that they can handle you as an individual client instead of a member in the class.
2. For personal help, you should have ready access to a service representative and doctor consultants in the management organization. These service reps should be knowledgeable

and have had experience in the chiropractic field and give advice based on chiropractic management principles only. Most good management firms have a procedure where the doctor consultant or other service representative will call the client on a regular basis for at least the first few years. Prior to signing the management contract, be sure the management company contacts their clients on a regular basis. This procedure has great value and separates the good management services from those with a hit and miss approach.

3. A good management service will understand your goals and incorporate them into their plan for you. Not every doctor is interested in doubling his practice. Some doctors prefer to see less patients. Some join a management firm to create a smooth transition into retirement and to help sell the practice. Others join for help in establishing associate practices or multiple clinics; and still other, for motivation or to help them through financially difficult times. A good management consultant should be aware of the doctor's goals and work toward that end as opposed to assuming that everyone wants what their management company teaches. Their program should be able to be modified to the place that they can provide logical assistance in reaching your goals in the event your goals are different than the more common goals in the profession.
4. Probably one of the most important values a management firm has is the ability to work with a doctor to reach his goals while still staying inside his belief system. It's important that a management firm can expand the doctor's comfort zone without taking him totally outside that comfort zone into an area where every day's activity adds stress because of confrontation over scheduling length, pricing, and other unusual management approaches.

#### Financial Help

One of the values of a management company is providing for financial stability. A well-rounded management company will provide financial stability in four areas.

1. They should be able to assist the new doctor in preparing financial plans for obtaining bank loans and help new doctors who prefer to lease equipment. The new doctor, however, should be aware that some management consulting firms receive large sums of money for placing leases and equipment in the client's office. While most leasing companies pay points to someone, the doctor should be sure that the price of the equipment he is purchasing through his management consultant is competitive with purchasing the same equipment from a different source and that the terms of the lease money available are similar to other leasing companies.
2. Unfortunately, many doctors are troubled with excessive overhead, back taxes and various other financial problems. A complete management firm should be able to assist clients in this area of financing as well. Even though it is not as well publicized, good management firms are capable of assisting the financially-troubled practitioner.
3. Good management firms should present logical savings and wealth accumulation plans, not based on gimmicks, or get-rich-quick schemes, but on sound principles of debt reduction, savings and investment. It has been my observation as a management consultant that chiropractors are good at generating services, average in collecting that income, and below average in saving and investing their income. Their philosophy seems to be, if I use up all I have, I can go make more where I made this. Doctors with that attitude, and without a dedicated wealth accumulation plan, are destined to an unrewarded financial future.
4. Management consultants should advise you on finances, but should not be your only financial advisor. Be wary of management consultants who encourage you to enter into investment opportunities with them. In most cases, they are not certified financial planners and, as a

result, may not be qualified to suggest logical investments. Ask the management company you are considering who their financial planner is. Most reputable management companies use the services of companies such as Shearson Lehman Hutton, Merrill Lynch, or other financial institutions.

## Client Protection

The chiropractor's lack of business and investment knowledge mentioned above is evident by the management contracts that many of them sign. By following a few simple rules, the client can reduce his risk to a logical and stated amount. Before joining a management company, consider these five values:

1. **Contract length:** Obviously, the shorter the contract length as far as time is concerned, the less financial exposure you are likely to have. If the doctor is totally opposed to any contract, but would like to attend chiropractic management seminars, he should join a group such as Anderson Management or other management groups who allow you to pay on a per seminar basis. If you want the consistency and good growth that year-long management provides, join the management group for just one year. If you have had a good experience during that year, you can always re-join. If you feel comfortable with the group and their contract, you may want to join for two years, but be careful involving yourself in contracts that bind you for longer periods of time.
2. **Fixed rate:** It becomes obvious in reading articles by disenchanted clients that one of the major problems with joining a management firm is that initially a percentage contract sounds good, but in reality, it can be extremely expensive, especially when compared to the doctor's net profit. As a result, limit your exposure by knowing the exact amount that you will pay. Join a management firm that has a fixed rate contract, or a percentage contract with a logical cap. In today's market, you should be able to find a full-service management group with a fixed-rate contract, or percentage contract with a cap, at \$10,000 per year with absolutely no trouble. Avoid open-end percentage contracts if you're concerned about the long-term risk.
3. **Study the history of the consulting groups available in your area.** Every management consultant has a small percentage of disenchanted clients, just as every chiropractor has a small percentage of disenchanted patients. (Perhaps in fairness, after we isolate one management consultant, find the client that is most disenchanted with him and allow that story to be printed and distributed to the entire population of chiropractors. The following week, we should find the patient that is most disenchanted with that doctor and print their story and circulate it to every person in the doctor's drawing area.) Most management consultants are known by their reputation. There are good management consultants with locations throughout the entire United States. In the near future, I have a nephew that will be graduating from chiropractic college. If he was unable to join the Kats Management organization, I would certainly encourage him to join other good management groups, such as Gibson Management, Ward Management, Anderson Management, Bill Harris Management, or Markson Management, depending on his specific management needs. There isn't an area in the continental United States that is not serviced by a good management consultant.
4. **Personal referrals from a management client,** (not a testimonial from an advertisement), just as in chiropractic, is your greatest source of security in choosing a management firm. If you know doctors who practice similarly to the way you practice or would like to be practicing, and they have had good experiences with a management group, you have probably found a management group that you, too, would be happy with.

5. Management firms, just as people, are known by the company they keep. Join a management firm who is in the mainstream of chiropractic, who believes in promoting the profession through state and national organizations, and who supports the chiropractic colleges in the United States. In the last two years, I have spoken on the campus of eight chiropractic colleges and have spoken at eight state association meetings, all by invitation. Dr. Bill Harris has given large amounts of money to the chiropractic profession, including one of his latest gifts of one million dollars. Obviously, he has the interest of the profession at heart.

Good management firms are abundant, they are easy to find, and can provide great results. Doctors who want to be involved with management can find a management group that suits their need. But management involves two parties, the management firm and the doctor. When the doctor joins, he should be prepared to focus his time, energy and desire for growth, and realize that he has made a commitment to the management firm just as they have made a commitment to him. The results will follow.

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