

## Why Aren't You Merging Your Office?

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It's not what you earn in business that counts; it's what you take home. The two ways to make more money in business are by increasing sales or cutting costs. Chiropractors are renowned for developing ways to increase sales - marketing for new patients, adding secondary profit centers, incorporating ancillary product sales, and improving billing strategies. However, most chiropractors have not taken steps to lower their operating costs and preserve their hard-earned money.

Productivity is today's buzzword in corporate board rooms across America. Wall Street demands increased productivity each year from the publicly traded companies. The only way to get ahead is to find ways that your employees, equipment and resources can make more widgets or service more customers in the same amount of time. The learning curve accounts for some productivity increases - the more experience an employee has with a process, the more efficiently he or she can complete that process. Think of how long it took your chiropractic assistant to enter patient data into your new billing software the first time; after a few weeks, entering the data took her only a few minutes. Experience improves productivity.

Productivity is different for a doctor seeing patients, because some things cannot be hurried. How many more patients can you squeeze into a shift without sacrificing the quality of care? Even with the advent of patient management software and other time-saving devices and techniques, there are reasonable limits. Famed New York University economist William Baumol once described a similar productivity problem with classical music concerts. To properly perform a classical piece today, the same number of musicians will require the same time to play a piece as they did 20, 50 or 100 years ago. There is no way to improve the "productivity" of a musical piece. The result of zero productivity is that ticket prices rise accordingly to compensate the performers, much in the same way that the cost of health care rises.

Recognizing that you can't significantly improve your own productivity in seeing patients suggests that you should look elsewhere in your office for possible productivity improvements. Most chiropractic offices have a 30-50% overhead for operations, the bulk of which goes to employee salaries and benefits, rent, office expenses, marketing, and equipment. Taking steps to reduce your overhead can result in more money in your pocket. A dollar saved is a dollar earned.

Businesses of all sizes understand this strategy. From Blue Chips to micro-caps, companies understand the value in merging two similar or synergistic operations. By some estimates, up to 70% of all medical doctors are in group or clinical practices. Chiropractors, however, have not yet accepted this strategy as part of their business playbook - but they should.

Most local towns have several practicing chiropractors, each operating in their own facility, paying their own staff salaries, buying their own equipment and spending their own marketing dollars. However, if two chiropractors decided to merge offices and operate under one facility, with one staff, one set of equipment and one marketing campaign, both doctors could cut their operating costs by half! That means that the average chiropractor could be taking home 15-25% more money in saved operating expenses! Imagine what you could do with a 25% raise in your salary!

Working together with another local chiropractor has more benefits than just saving operating costs. You can share your in-network insurance affiliations that may otherwise have closed panels. You can expand your office hours by using a partially overlapping weekly schedule. You can provide office coverage for each other's vacations and seminars, instead of losing money those weeks. If the two of you practice different techniques, you can also consider collaborating on patients who are slow to respond to care. It's a win-win situation!

Dr. Robert Wise and Dr. Sharon Guida are two chiropractors who decided to merge their separate offices a few months ago. Dr. Wise practiced for 24 years in an office in Garwood, N.J., and Dr. Guida worked for 15 years in an office a few miles away in Clark, N.J. They saw the opportunity to lower their overheads by combining forces into a single office.

At the end of 2003, Dr. Guida closed her facility and moved most of her equipment into Dr. Wise's office. They added one additional treatment room to the office and plan on future expansion. Using a popular formula for merging practices, Dr. Guida and Dr. Wise split the rent 50-50, but share the other office expenses, based on the number of patients each individual doctor sees. If Dr. Wise sees 60% of the patient volume, he is responsible for 60% of the operating expenses.

By combining offices, Dr. Guida and Dr. Wise have already realized individual savings of 25% of their overheads! That's a lot of extra profitability without even seeing one more patient or working one extra hour!

Running a chiropractic office is more than just providing care to patients; you are also running a small business. When practice gets more competitive, you should be looking at ways to better manage your expenses and run a more cost-effective operation. Merging two offices can be a great cost-management tool to consider. Best of all, practicing with another doctor in your office can be a lot of fun. There is great camaraderie in having a colleague to share your chiropractic success stories, or to help address a patient with a difficult problem.

There are numerous details to be addressed before entering into a merger, and a lawyer can help you navigate the process. A practice consultant who has helped facilitate other chiropractic office mergers can also provide some relevant guidance and an eye of experience.

Most chiropractors tout that they can think outside of the box for new patient marketing programs. Apply this same outside-the-box thinking to the business operations of your practice, and you will see the potential of an office merger. The end result will be more profits - something you can both take to the bank!

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