Dynamic Chiropractic

YOUR PRACTICE / BUSINESS

The Problem With Telling Fish Stories

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Listen in on some conversations at the next seminar you attend and you likely will overhear a lot of chiropractic "fish stories." When chiropractors talk, we tend to boastfully remember the largest numbers we ever produced and then round up for good measure.

Stories of the day that you left with fingers so swollen you had to cut off your wedding ring make us feel good.

But do we ever mention numbers that *really* count? As a rookie chiropractor, I remember hearing those chiropractic fish stories and wondered how I would ever squeeze in 347 patients in one day, or if I would ever have a $2 million practice. I can even remember feeling slightly green with envy as one of my classmates already had surpassed the 250-visit-per-week milestone, less than one year into practice.

Several years ago, I had a friendly chat with a dentist friend of mine and found that things were really no different in their corner of the world. Fortunately, this dentist had a lot more wisdom and experience than I did. In a firm, but calm tone, he cautioned me that the fish stories I would hear would always focus on gross, as if it were so very important. "Listen closely," he said, "and you will notice no one ever mentions net ... and net is what matters."

As I began paying more attention to my numbers, I came to the conclusion that size does matter. Numbers make a big difference, and it's not all about being big. The doctor with the largest gross is not the winner if the net return is 20 percent. Think back to when you were an associate. You probably posted some pretty big numbers. Did your paycheck match? If it did, you would not have left!

So, if size matters - if net is critical and gross is the necessary step to get you there - an all important question begs to be asked: Why do you choose to work so hard for so little return? Paying attention to practice numbers ensures an excellent outcome, just as paying attention to the factors when setting up an X-ray will produce a quality radiograph. Ignoring practice statistics is a choice that can result in numbers moving in the opposite direction, sometimes without the doctor even being aware that it's happening. Guesstimates are a bad sign because size matters.

In chiropractic college, many of us talked endlessly about serving as many patients as possible. After all, who dreams of running a practice that limps along, barely able to get by? However, once we hit the "real world," the reality of earning a good living also set in. We want to be good providers for our families, our future and our patients. Sometimes we are so intent on producing - getting new patients, pumping up patient visits, seeing services skyrocket -that we fail to focus on getting paid.

When you make the decision to truly look at your practice statistics, it becomes quickly evident that there are many choices about size that matter beyond the simple gross and net. There are "size" choices about patient volume, doctor treatment time, fee schedules, marketing expenditures and many more elements that all impact the overall profitability of your clinic.

Bigger Is Not Always Better

Not long ago, I consulted with a client who was visibly frustrated with the income his practice produced. Overall, this man is an excellent chiropractor; his clinical skills are top notch and patients love his style. His problem: When we sat down and analyzed his practice, I discovered he consistently gave away a service for free at the start of every new patient's care - whether or not the patient had insurance, was a millionaire or was a grateful recipient of his generosity. Worse yet, the doc's impression (because he failed to track his numbers) was that he "occasionally" gave away this service "only to patients who really needed it." When we crunched the numbers, it turned out he gave away an average of $18,000 per year on just this one service! This doc thought his practice needed to grow bigger. Because size does matter, the easier solution was to start getting paid for work he was already doing!

A doc with whom I consulted in my home state of Washington was seekingto make better money, but he really didn't want to spend extra time marketing or even seeing more patients. His practice was at a comfortable level for his style, and he was content to stay at that pace. He was not satisfied, however, with staying at the same income level. In looking back at his statistics over the past several years, I noticed a very steady practice in every way, just as he described. As with everything, expenses increased. His error was simple, but is one of the most common ones I incur in my consulting practice. His fees had not been raised for more than three years, partly due to the fact that he didn't want to upset patients and partly because he had no systematic way to raise them.

One of the more interesting chiropractors I've consulted with practices in Northern California. On average, he works about 12 hours per week and enjoys an income that docs who work four times as hard would love to make. As you might guess, he does lots of personal injury (PI) work, has a high case average and an efficiently run office. He was happy with the hours he worked (who wouldn't be!), but he was constantly trying to see if he could "squeak" some more money out of his practice in an ethical manner. His procedures were well done, fee schedule appropriate and most of his practice numbers that really counted were right in line with what they should be. As it turned out, the only thing I could uncover that needed improvement was that about 70 percent of his top-quality patients (and income) came from five attorneys in the area. Even though he only knew one of the attorneys personally, they referred him patients with good case values and who paid on time. The other 30 percent of his cases were problematic in every way. Our solution: Spend some money marketing his services, even more to the "good attorneys" and phase out the "losers." Over the next six months, he spent approximately $2,500 (less than one average PI case) to market specifically to these five lawyers. The return: An increase in referrals over the past six months that already has brought nearly a 14:1 return on investment!

However, most situations I encounter in consulting are not as simple. For each of these docs, we were able to add to their gross without adding expenses, therefore resulting in an increase in net. Regardless of the complexity of the situation, I approach all my clients with the same simple question: Which would you rather have - a practice grossing $800,000 with a net of $450,000 or a practice grossing $1 million with a net of $200,000? We can rephrase the question to be the same for everyone: Do you want to start working harderor start working smarter?

Size does matter, so start thinking about how it applies to your practice. Are you a pain-oriented practice? Then you'll run through new patients the way an SUV eats gas, so make sure you prepare for lots of them. Are you comfortable seeing 15 patients a day? Low-volume docs who wish to remain profitable do best with a very large per-visit charge or a bargain-basement overhead. Combine a medium volume practice with a high-end overhead and you will find yourself working very, very hard only to learn the hard way that size does matter.

Finally, whether you are measuring or not, size does indeed matter. If you do not know your overhead per hour, how can you expect to cover it with your practice style? If you don't want to get any busier, but wish to make better income, you need to be able to analyze your numbers and see where you can make improvements in revenue. Set your goals for the right numbers to be large and some to be small. Strive to work smart, not hard.

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