

Hire an Associate, Sell or Retire? A New Problem Chiropractors Must Consider

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My previous article, "How Will You Leave Chiropractic?" [[Jan. 15 issue](#)] generated lots – no, tons – of e-mails from chiropractors around the country looking for even more helpful hints on developing a viable exit strategy. One common concern voiced by many DCs was in respect to associate doctors; for the most part, their concerns are justifiable. Most of us have either experienced or heard of an associate relationship gone bad.

While this makes the associate route difficult enough to navigate, today's hyper-competitive, audit-rich, paperwork-heavy healthcare marketplace has created a new wrinkle in not only standard associate relationships, but also retirement possibilities. First, let's look at the protective mechanism need for employees.

Employer Beware! Discuss Before Your Contract Is Signed

Unfortunately, even though most decent attorneys will help you navigate the specifics of creating legal contracts that will protect your interest and create a working document that dictates the terms of the associate's employment, few understand the specifics of what a chiropractor does on a daily basis and how those duties can affect the employer-employee relationship. Specifically, recent changes in the way we do business as chiropractors have forced some DCs to suffer at the hand of non-producing associates.

By non-producing, I am not even talking about those [associate chiropractors](#) who fail to post the visit numbers desired by the owner doctor. The "new" problem generated by a non-producing associate is that they can fail to produce adequate documentation, billing or coding information for the claim to be paid.

In days past, chiropractors had to monitor their associates to make sure they kept their visit numbers and revenue production at appropriate levels. In the "pre-audit era" of chiropractic, claims were generally always paid and post-payment audits were rare.

Times have changed. These days, it is not enough to have an associate who is only a revenue producer. An owner doctor can seemingly have a brilliant associate who performs wonderfully in the area of general revenue production. Since most associates are paid on a salary basis, the owner doc feels that this associate has merited their pay and is a profit generator for the clinic. But wait; consider these two scenarios gone wrong.

Scenario #1: An associate doctor is paid a regular salary of \$4,500 per month and all seems well to the owner, as the associate generally produces about \$15,000 in monthly services. Recently, however, several insurance companies have asked for chart notes and the trouble begins. The "brilliant" associate has focused their time and attention on production, but neglected to adequately document any of the services rendered. Though they have been paid already, the insurance company denies claims over the past three months and the owner doctor is now looking a loss of approximately \$8,000, which is nearly two months wages for their associate. Suddenly, the

compensation the owner already paid their employee, the tax burden and the loss of income make this associate look not so profitable after all.

Scenario #2 comes into play when the associate is paid, the clinic is paid and – you guessed it – a post-payment review performed by the insurance company or an auditor reveals that the owner doctor owes \$27,000 for work done, but not correctly documented, billed or coded by the associate doctor. This represents six months of paid salary for the associate and is income the owner has already spent. Ouch.

Present and Future Risk

Both of the above scenarios are bad news for the owner doctor in more ways than one. First, the owner is either forced to pay an associate for work the clinic did not collect on or for work the practice actually had to repay. Either way, the business operates at a loss.

However, the owner doctor is not only at a loss for these past incidents, but will also likely operate at risk for future mishaps. This is largely due to the fact that most chiropractic practices have no policies, procedures, training or contractual terms to protect the owner and the practice against these things.

I Want Out, But I Can't Get Out

The above scenarios not only represent danger in the owner-associate relationship; it's also likely that a significant majority of chiropractors who wish to *leave* the profession will face similar challenges. Here are two more eyebrow-raising situations I have run across too many times:

The owner doctor is ready to head for the hills, kick back their heels and sail into retirement. They have planned well, worked hard for decades and, fortunately, [found a buyer](#) to be their successor. The two doctors discuss the practice stats and the fantastic opportunity presented to the young doctor, and a deal is struck. Before the contract is signed, the buyer requests a "walk-through" of the practice, which is standard in most practice sales. After all, few buy a house sight unseen, and the same logic applies to your practice – regardless of whether you are actually selling the real estate.

To the soon-to-be-retiring owner's dismay, the walk through lasts all of 5 minutes and it is a deal breaker. In no uncertain terms, the young doctor informs the seller that the practice is vintage 1985. The office decor is straight out of 1985, as are the collections procedures (co-pays and deductibles routinely waived, lots given away free, etc), as is the documentation, billing and coding.

Translation: It's back to the drawing board for the owner. They can cancel that trip to Hawaii because they've got to hang around for a while longer until they can find someone else to buy the practice.

For some, a second retirement scenario is worse. In this situation, the owner wants to get out but becomes entangled in a post-payment audit. They must face the music and either pay back the insurance company so they can hurry up and retire – at a significant hit to their bank account; or hang on, hoping to resolve the insurance situation in time to meet their retirement goals. Worst of all, in the due diligence process, during which a buyer and the lender scrutinize every aspect of the business, the owner may be forced to disclose the fact that they were audited and had to return income, face fines or both.

The Inescapable Reality of Compliance

I realize that most of us never give a thought to how far-reaching [compliance concerns](#) may be. It is not an issue that most chiropractors care to spend time on, but unfortunately, it is becoming one that the present reality of the health care marketplace is forcing us to address.

Certainly, the associate problems mentioned above can be partially handled with appropriate contractual language and clear job expectations so that the owner can be protected. However, this solution is only marginally effective if the associate fails to ever improve. Eventually, the time, money and effort wasted on services rendered, but not paid for, will frustrate either the owner or the associate (or both) enough to terminate the relationship.

Instead, the associate (and probably the owner as well) need to be trained on proper documentation, billing and coding procedures. As chiropractors, we do not need to understand the entire mechanics of the revenue cycle, but we need to fully comprehend our responsibilities and how what we do can either create or prevent future payment problems and revenue loss.

Similarly, doctors looking to retire need to be sure that they have a business with teachable, compliant systems in place that will command a premium price for the efforts of their career. Some doctors are aware of the fact that the "personality-driven" practice, in which the owner is the primary marketing vehicle, is a scary entity for a successor to buy, but few doctors look at compliance as a part of their exit strategy or transition plan.

Just as solid systems assure a buyer that the owner can step away and the business will still run "by the book," smart owners looking to retire will also ensure that their business contains up-to-date, reproducible and *compliant* systems that will allow the buyer to run an effective practice in *this* century – not the last.

If You Have a Hammer, Everything Looks Like...

Certainly, I do not want to go on record as saying that all successful associate relationships and/or retirement transitions will hinge on compliance, documentation, billing or coding procedures. However, so *little* attention is paid to these things during the course of everyday practice that it is becoming increasingly evident that many doctors are getting a lesson from the school of hard knocks that could have easily been prevented.

My hope is that those of you in practice who have associates under your wing and/or are looking to retire will view this article as an encouragement (or perhaps a wake-up call) to pay attention to this often neglected items. To help you in this respect, I would encourage you to go www.strategiccdc.com and type in the words "Baseline Audit Test" in the Search bar at the top, right-hand corner of the page. This test is available free to readers and should give you a feel if these are areas to which you need devote time and attention.

In the end, I don't expect you to go around your office pounding every compliance nail into the ground, but most doctors would reduce a significant amount of risk in their practice (and in the process, likely increase revenues as well) by addressing a few of these neglected projects. Now get your hammer out and get to work!

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