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The #1 Practice Truth: Statistics Never Lie

ARE YOUR NUMBERS FACT OR FICTION?

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Investment banking is a fast-paced, high-pressured world, and it's where I started my professional career. I traveled all over the country working with mergers and acquisitions and direct investment programs. In the investment arena, statistics are the lifeblood of analysis and knowing whether you are working a good deal or a bad one.

After a few years and many changes in investment banking, I decided to make a change. I analyzed different industries and opportunities, and chiropractic kept rising to the top. So, I took the plunge and enrolled in chiropractic college.

During my last year of school, I met with practicing physicians so I could develop my own model and thoughts about how I wanted to run the business side of my practice. As I visited offices, I noticed some really had a handle on their numbers and others didn't. The common theme: those who knew their stats and tracked them over time seemed to be more successful than those who didn't. My banker brain could not understand how you could run a business without any type of statistical analysis.

The Value of Statistical Analysis



Stats don't lie. You can't put your head in the sand and not track them; and you can't enter them on a spreadsheet each month and not analyze them.

Statistical analysis is beneficial on many levels. For example, how do this month's new-patient numbers stack up against the new-patient numbers from last month, or a year ago? Statistics show trends in your practice. Are your patient visits declining? Is your patient visit average contracting or growing?

In my consulting business, I often get calls from doctors requesting help with their practices. They sense they don't have enough growth or feel they should be making more money. One of the first questions I ask is, "Tell me what's good about your practice?" Invariably, the answer I get is either their monthly new-patient numbers or "I see X number of patients per week."

That's great, and they may be outstanding numbers, but what's your profit? What's your net revenue after taxes? Where is your practice in relation to your goals? What's the cost of delivery of care in your clinic? What's the asset value of your practice? What do your six-month, one-year and five-year trends look like? These questions are often answered with, "I don't know."

When you don't understand the numbers of your practice, you have no way of knowing whether you're successful (or not), or how to effectively manage your business. Tracking and analyzing statistics are paramount to success. Remember the common theme I mentioned earlier? *Practices that track and analyze statistics are more likely to see true success.*

Understanding the Stats

Let's look at some of the statistics we analyze when reviewing a practice. Of course, we review services, collections, new patients and patient visits. But more importantly, we want to look at the relationship of those numbers and the story they tell about your practice.

Some statistical measures are known as averages in the chiropractic profession. For example, case visit average and patient visit average are important numbers showing the relationship between common measures. Patient visit average gives us an indication of the number of times you are seeing a new patient, and case visit average offers insight into the value of each individual new patient's treatment plan. Collection visit average shows how much you collect per patient visit, while dollar visit average shows how much you bill in services per patient visit.

These are all important statistics for analyzing your practice ... but do they truly tell you how successful you are?

Profitability vs. Sustainability

Of course, we all likely have our own individual definitions of success. From my point of view, the real measures of success are born around profitability and sustainability. If we explore these two concepts, we can better understand the depth by which numbers and statistical analysis become important.

Profitability is quite simple. How much do you make over your costs? In other words, can you collect more than you spend?

Recently I spoke with a doctor wanting to convert his practice from insurance to cash. He had lit on a number to charge for cash, so I asked him how he arrived at it. His comment was, "Well, it just seemed like a fair number that people would pay without question."

Right then I knew he did not understand the statistics of his practice. So, as we worked through the numbers, we discovered some interesting facts. Most importantly, the price he wanted to set for his cash patients was far below his profit margin. Because he wasn't aware of the statistics, he was going to charge less than he spends - and that will *not* create a sustainable practice.

Sustainability is an incredibly important factor in success because growth over time not only allows you to keep the doors open, but also hedges you against inflation. Sustainability is what builds the value of your practice so that, if and when you decide to retire, you have an asset value that puts money in the bank for your retirement years.

Think of your practice like an IRA. If you begin investing \$100 per month today, you know that at the end of 12 months, you will have invested \$1,200 dollars. We can use statistical models to figure out how that money will grow over time. If you invest that \$100 every month at a 7 percent interest rate, you know you will have just over \$52,000 saved in 20 years.

We can look at our practices in the same way. What will your practice be worth in 20 years at your current pace? When you do that analysis, you can see if you are on pace with your goals. If you're off track, you can adjust your business model to reflect the pace you need, just like you would with your IRA portfolio.

Statistical Trending and Forecasting

This is where statistical trending and forecasting come into play. In my opinion, this is the real value of analyzing your statistics. We can look at trends over time in collections, new patients, patient visits and retention. Retention is a whole other conversation, but it's also one of those incredibly important statistical factors many practices don't track. To put it very simply, without retention, you cannot have stability.

Use Statistics to Determine the Health of Your Practice (and Then Treat It Accordingly)

As chiropractic physicians, our goal is to help patients improve function, develop a healthy lifestyle, and live a life of wellness. As chiropractic entrepreneurs, we need to perform these same "services" for our practices. Statistics are an important and valuable tool to help you understand how healthy your practice is and in what direction it is tracking. For those practices that don't track their numbers or analyze their stats, they are missing an important step in running a successful business.

Statistics are like the diagnosis in your treatment plan for patients, telling the story about what you're treating and guiding the plan of care toward successful outcomes. Years of practice experience is valuable, but if we can analyze, trend and forecast statistics to help us make better business decisions, then the numbers are an invaluable reflection of the real success in our businesses.

OCTOBER 2020