

CliniCorp/PMA -- A House Divided

Editorial Staff

Very recently, rumors have abounded that the marriage between Practice Management Associates (PMA's) President Peter G. Fernandez, D.C., and CliniCorp's founder and chairman Robert S. Goldsamt was on the rocks. Sources close to the organization have now confirmed that there is an effort underway to buy out Dr. Fernandez' holdings and replace his position as president of CliniCorp.

The company was originally formed to purchase "selected assets" of PMA and purchase chiropractic clinics (please see "PMA Becomes CliniCorp" in the February 28, 1992 issue). The original prospectus for the public stock offering, that netted CliniCorp a reported \$5,400,000, stated the company intended to continue offering "PMA's Practice Starter Program," as well as other PMA services. The Practice Starter Program was the program that many former PMA clients felt was responsible for the hundreds of lawsuits filed between PMA and many of their clients.

According to CliniCorp's Secretary and General Council Norbert A. Schlei, "As CliniCorp's prospectus makes clear, Mr. Goldsamt and members of his group own 923,460 shares of voting stock. That was 85% of all outstanding voting stock before the recent public offering, 44% afterward. Dr. Fernandez and his group own 150,000 voting shares, which was 14% before the public offering, 7% afterward." Should Dr. Fernandez decide to leave CliniCorp, Mr. Goldsamt (and his group) would have to buy him out in order to retain control of the company (51% of the voting shares).

This leads to several interesting questions:

Should Dr. Fernandez leave CliniCorp, how will CliniCorp continue the PMA seminars?

Will this ultimately cause CliniCorp to abandon the Practice Starter Program, thus eliminating the last known percentage contract from the face of chiropractic consulting?

What will be the thrust of CliniCorp without Dr. Fernandez?

Unfortunately, neither Mr. Goldsamt nor Dr. Fernandez will consent to be interviewed. Attorney Schlei has suggested that due to business reasons, Mr. Goldsamt must decline an interview at this time. An interview from Dr. Fernandez has been requested by fax every week for the last five months.

While the above questions can't be answered with any certainty, there is some evidence that may shed a glimmer of light on the issues at hand. It's difficult to imagine a PMA seminar without Dr. Fernandez, but the seminars have seen decreasing attendance in the past few years, and the CliniCorp prospectus does show significant losses from the PMA operations (\$28,170 in 1990 and \$220,296 after only 9 months in 1991). It may be financially advantageous for CliniCorp to ultimately abandon the PMA programs, including the Practice Starter Program.

As to the direction of CliniCorp, a recent article in the St. Petersburg Times (July 12, 1992) "CliniCorp

Inc. is small, but has big plans" gives some interesting insight. According to the article, CliniCorp has:

"... recently announced agreements in principle to buy 69 chiropractic clinics throughout the South and Southwest."

"... bought a preferred provider organization of 1,000 chiropractors in California and Florida."

"... plans to market itself to the public, to workers' compensation insurers and to managed care networks."

The article includes some interesting comments about the chiropractic profession.

"It's an industry (chiropractic) that is crying out for consolidation," Goldsamt said. Chiropractors "are in a state of total disorganization."

"The 1990s likely will see the McDonald's-type institutionalization of marketing chiropractic care," Dirks (a research analyst at the firm that underwrote the CliniCorp stock offering) wrote recently. "The chiropractic profession is likely to develop more rapidly by emulating ...(the) chains of outpatient clinics, surgical care centers, rehabilitation facilities, etc."

How CliniCorp intends to conduct business within the chiropractic profession is of great interest to practitioners, as CliniCorp is currently attempting to buy practices and PPOs. The effects of such a national chiropractic network on the average community and the other practitioners within that community remains to be seen.

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