

Follow the Money

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I am sure you have heard this statement before: "Follow the money." It has been used in many situations and circumstances. In terms of the chiropractic profession - your practice and you, personally, I think it is time to follow the money and see where it goes. You may be surprised.

We will start with the money coming into your office. We will use \$1 and follow the path that dollar follows. This dollar walks into your office and is handed to your chiropractic assistant (CA). Since it is handed to a CA, we must not forget there are certain expenses involved, long before that dollar walks in. Of course, those expenses are referred to as "overhead." What constitutes overhead? Everything it takes to get that dollar into the office, the expense for that office, and the salary for that CA to be there to accept that dollar. Sounds like a lot, and in many instances, it is. Many times, it is too much.

What is "good" overhead? Anything below 50 percent is great. Overhead can consume a substantial portion of the dollars that come into your office. The goal is to get some of those dollars ultimately into your own pocket. For this exercise, we will assume the overhead in your office is running at 50 percent. This means that the dollar walks in and 50 cents are gone immediately to cover the overhead. That leaves us with just 50 cents. I have seen scenarios where the balance is 25 cents or even just 15 cents. That is just not a good situation to be in.

Overhead can get out of control very quickly. A common situation that can cause uncontrolled overhead is having too many employees. This happens in a busy office when the CA complains to the doctor that there is just too much work for one person to handle. The doctor hires another employee, and now the workload gets split between two people. Does more work get done? Usually not. One way to cure this problem is to have job descriptions for every employee. It should cover every task they should be doing. This includes who answers the phone after how many rings, and who empties the trash cans and when. Every detail needs to be covered. If not, the employee list grows and grows, but no additional work gets done. When I go into an office and see there are more CAs than patients, I know there is a major overhead problem!

OK, so we now have our 50 cents left. What do you do with it? Not much, because your partner now wants to be involved. This partner is not one who works in the office to generate more dollars. This one just wants a cut of every dollar you bring in. This one is actually a relative. It's not your spouse or kids; it's "Uncle Sam," better known as the IRS. The IRS wants its "fair share." The sad thing is that most not only give the IRS its fair share, they also give additional dollars as well. And the IRS never complains when it gets too much. The complaints come when the IRS doesn't get its fair share!

We will assume the fair share in this example is 25 cents to cover federal, state or local taxes. That's enough! Now we are left with 25 cents. A dollar walked in the door and before you could put it in your pocket, 75 cents disappeared. Gone, vanished, never to be seen again. Sad, but true. It is amazing when you think about all the effort that goes into getting that dollar in the door and before you know it - poof - all that is left is 25 cents.

So, if all that is left is just one quarter, what do you do with it? Well, before you start dreaming about expensive cars or exotic trips; let's not forget that there are other "overheads" to be dealt with. Rent or mortgage payments, food, clothing, insurance, car expenses, education for kids ... the list just goes on and on. Now, you have all of the "personal" overhead to be covered by that quarter. It takes a lot of quarters to cover that overhead, and job descriptions won't help with this one. I'm tired just thinking about it.

How much of that small quarter gets eaten up here? Overhead can consume all of it, and then some, if you aren't careful. For this example, we will say that 75 percent is needed to cover the personal overhead. That's 18 cents, which leaves us with just 7 cents out of that original dollar to satisfy our dreams and plans for the future.

Want to retire when you are age 50? Good luck! You've got 7 cents to get the job done. How about that education for your kids at that fancy Ivy League college? Will 7 cents do it? It's got to.

I know that this sounds like a horror story but it is what happens in the real world. That dollar gets chopped up into a lot of pieces, and the piece you get isn't very large. You have to do two things. First, make sure you have a lot of those dollars coming into the office and that the overhead, taxes and personal overhead don't consume too much. The second task is to invest and use what is left very carefully. Can the job be done with just 7 cents? Yes, it can, as long as you take the time to explore all of the options that are available to you. The goals you have may be large and the amount you have to work with may be small, but if handled properly, the rewards will be abundant.

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