Dynamic Chiropractic

The Sustainability of Chiropractic

Greg Stanley

In Sebastian Junger's book, *The Perfect Storm,* he points out that the eventual size of a wave is a combination of three factors: depth of water, wind velocity and distance to land. In the worst case, you can have a wave that reaches 200 feet in height. Even at about 70 feet, you've got a ship-crushing wave. I believe in chiropractic we're now facing a combination of insurance deterioration, market contamination (through extremism) and oversupply - thus the perfect chiropractic storm.

I believe the current flow of DCs into the marketplace is unsustainable. In time, we'll see the price of an adjustment fall to levels that won't support free-standing offices. In my consulting practice, we get calls each day from doctors practicing in the living room of their mother's mobile home, wanting to know if we have a consulting program that can save them. Currently, the student loan default rate in chiropractic is twice as high as all other health care disciplines combined.

Am I saying chiropractic is in danger of being eliminated from the health care scene? No, but it's in the slow and steady process of being changed from its current status as a highly profitable, free-standing, entrepreneurial career to that of a second job for most of the profession.

There are three problems that have, unfortunately, come together to threaten the prosperity of a well-run chiropractic office. I designate the "well-run" office because poorly run offices were in danger of extinction long before the recent threats to the profession appeared.

Several years ago, I saw a breakdown of the top 200 jobs in America and what they paid. Chiropractic ranked at 11th place in personal income, just two notches below a general dentist. Disturbingly, what I see and hear leads me to believe all this is about to change for the worse.

In my 30 years of consulting for chiropractic offices, I've seen many changes come to this challenging profession. As I began my career, chiropractic was just emerging from the "box on the wall" era. This was a time when DCs routinely would see hundreds of patient visits each day, and be paid whatever the patient felt like paying, often $1 or less. Yes, there were few people who would pay more for their visit, but in all, it was still an underpaid and under-respected industry. During this same time, the people drawn to chiropractic were highly committed to the concept of natural healing and serving for the sake of serving. The money, however, had not yet arrived on the chiropractic scene. In fact, traditional health care providers also were an underpaid group, and the world of specialized medicine had not yet come into its own.

Next came the rise of indemnity insurance. During this phase of chiropractic's development, a chiropractor would submit a bill for just about any amount they felt like charging and hope to get a check within the next two weeks for most or all of the billed amount. As some of the more assertive and venturesome DCs pushed the limits of what chiropractors could charge for their services and, more importantly, *what* procedures they could charge for (i.e., exams, X-rays and physical therapy);

the money began to pour into the pockets of DCs across the country. In fact, it was not unusual to see a normal patient's first day visit reach $600 for routine diagnostic procedures. During this time, I offered a money-management seminar about debt reduction and conservative investing. It seemed most of the attendees were in a state of high anxiety about what to do with the newfound wealth. Back then, many were saving each month what the average DC now grosses before monthly overhead.

Then came 1992, and the rest is chiropractic history. During this fateful year, the well-heeled insurance industry, fearing what would amount to nationalization of the industry, made bold moves to reduce health care costs. The Clinton administration had promised national health care within the first 100 days of its term. This prompted insurance companies to do the unthinkable. They introduced insurance plans that denied or noticeably limited a person's right to be reimbursed for seeing their own physician. Medical doctors had bet that insurance companies would not be able to induce patients to see the "Company Doctor." In short, they bet wrong.

During 1992 alone, many states saw physician income drop 30 percent. An orthopedic surgeon client of mine saw his personal income drop from $950,000 to $450,000 in just one year. He called me to ask if he, like many of his colleagues, should bail out and cash in his $25,000-per-month personal disability income policy. Two years later his income had fallen below $200,000 per year with longer hours than when he had worked as a resident. He left the profession for good.

Yes, this was the first shot fired in what would become a long and protracted war between insurance companies and health care providers. And yes, this battle still rages to this day. Insurance companies come up with new ways to hassle and cut hospital bills and physician incomes. Doctors fight back with hundreds of previously unknown diseases, diagnosis and creative interpretations of how fees and billing procedures should be expressed. From my perspective, it looks like a gang war, with no one owning the moral high ground.

I think it's important to look at the major influences contributing to the current deterioration of the chiropractic entrepreneurial model. The first influence is the loss of third-party reimbursement for chiropractic. I don't have to tell you this is taking place; you're living it every day. It happens as insurance plans renew to ever higher deductibles, lowered reimbursement rates and harsher interpretations of reasonable and customary. I saw a survey recently that showed the average out-of-pocket cost for an insured chiropractic visit at $30. In some areas, this was reported as high as $50. You don't have to be a math wizard to figure out that when this amount passes our average adjustment charge, we're no longer in the insurance reimbursement system at all. On the surface, I actually see this as a positive thing. And patients no longer expect to have their insurance pay for their chiropractic visits. Yes, it works well in dentistry, and by itself would have led to better times for our profession.

Why do I say that what should have been a welcome loss of third-party coverage is really a serious challenge to our survival? The answer to that question is in the second influence: the rise of "Jihad," or the health care holy warrior. As third-party reimbursements fail, many in chiropractic are seeking to maintain insurance-era prices by presenting large case fees to patients and then hard closing them for annual prepays. There are many variations on this theme, but they all have the same destructive effect on chiropractic's market share.

As more and more patients are exposed to what they interpret as chiropractic extremism, fewer and fewer people are considering chiropractic care. In my own family, one of my grown children was pushed to buy a $4,000 case and then systematically was stalked by the doctor to return to the office and pay for a year of care. In short, with lower reimbursement, chiropractors can only go in two directions: heightened consumerism (e.g., more cash-based fees, no appointment availability, etc.) or attempt to intimidate the patient into long-term commitments with up-front payment. The idea being that if patients pay for their entire treatment regimen up front, they won't realize they're still paying the old insurance rate for their care. And by the way, my patients quit as soon as the pain goes away, so I've learned to get the money up front before they decide to disappear.

In a sense, chiropractic is emerging out of the insurance era with no idea of how to charge people for unreimbursed visits or what level of overall consumerism would be required to keep patients active in the practice. As DCs try one fee scheme after another, patients are predictably repulsed as they find themselves asymptomatic after a few visits, with a shocking balance looming on their Visa card. The chiropractic extremist chalks it up to patients just not getting the big picture, while patients simply put it down to health care fanaticism and a financial rip-off.

How do we know this is taking place? There actually are several indicators we watch along these lines. First, advertising effectiveness. Our average dentist can send out 5,000 community mailers and get 20 to 40 new patients. Over time, we have seen our DC clients advertising efforts wind down to shockingly poor returns. An average DC who sends 5,000 strongly written, value-rich mailing pieces can expect to get less than one-third of a new patient as a result. That's less than one patient from 5,000 mailing pieces.

Overall, chiropractors are among the best marketers in the world. When we have a marketing seminar, I'm continually amazed at the creative methods and innovations that DCs have come up with to attract new patients. It's a little like crafting fishing lures; the problem is that the fish get better at spotting the hook. Patients have learned that on the other end of that free exam mailer, there's a pitch selling lifetime care (for the right reasons) to the entire family, followed with the hard close of paying up-front and in full.

One of my clients actually lived the chiropractic dream. He moved to Italy and opened a practice. He was the only DC in a town of just over 1 million people and was immediately flooded with hundreds of new patients. Within a few months, he was seeing more than 400 patient visits per day. And yes, he was making good money. He was charging $38 per visit and literally had a line of patients waiting to pay him.

So, why did he hire me as a consultant? By the time I came on the scene, he had alienated all but a handful of patients and was seeing 16 to 18 patient visits per day. He had shortened his hours and raised his fees. To his detriment, he began forcing patients to pay for 12 visits in advance, and making them feel very uncomfortable unless they brought their entire family with them to be treated.

This doctor's practice clearly manifested the corrosive impact of what I refer to as unbridled "practicism," which is the opposite of consumerism. Notice that the doctor's patients didn't mind paying what amounted to a good fee for chiropractic (in Italy). It was the inconvenience. The locals could only see the intimidation and extremism of his unchallenged practice, which eventually came to a standstill.

I am not attacking chiropractic; I'm attacking chiropractic extremism. I think a definition of extremism is in order. Extremism is not the mere consideration of lifetime care for the right reasons. However, it is attempting to get unreimbursed patients to pay insurance prices on far more care than they currently need. If you feel compelled to present far more care than patients think they need, put a box on the wall of your reception room and invite patients to pay whatever they feel comfortable paying for your care. Do this and you are a true and righteous holy warrior, not a wild-eyed fanatic.

To be honest, the third influence is what has driven us to consider a new chiropractic delivery system. The first and second influences actually are manageable challenges if a doctor becomes a master of consumerism. That is, if they make care convenient, affordable and without the guilt or fear of intimidation.

The third influence is the appalling oversupply of new chiropractors into the marketplace. It's been our experience in the consulting field that when an area reaches a prospective patient to DC ratio of 800-to-1 (or less), meaning there are fewer than 800 prospective patients per DC, and the effects of direct competition become undeniable.

Oversupply to an area can manifest in a doctor's need to charge lower fees, provide hyper-convenience, (e.g., walk in without an appointment) and make fewer demands on patients, such as no requirement to attend a health talk (formerly a spinal care class), bring their entire family for treatment or pay for weeks or months of care in advance.

In the past, when oversupply occurred, many doctors simply ratcheted up the demand for prepayment, family visit commitment, etc. Strangely enough, in a heavily insured community this worked; meaning that if enough patients have good insurance, a DC could thrive on fewer new patients. This same phenomenon has been well-documented among physicians.

When oversupply occurred among medical doctors, patients received more surgery than before. To hear the medical profession defend this is an interesting presentation. They say that when a doctor had more time to spend with each patient, they found more problems to fix, etc.

Depending on the period of history you want to examine, the data from the U.S. Department of Commerce will show that the average overall DC market revenue (all revenue coming into all chiropractic offices) increased at a rate of approximately 2.8 percent per year, with the total number of DCs increasing at exactly twice that rate. The number of chiropractors in the U.S. grew from 13,000 in 1970 to 40,000 in 1990. That should have been a large enough jump to invite talk of restricted chiropractic college enrollment. However, the jump of more than 50,000 by 1994 should have set off alarm bells.

As I mentioned earlier, something has to give. I see three possible solutions:

1. Greatly limit the number of new DCs being licensed. Control the supply (unpopular with schools).
2. Soften the message and rebuild the image of the profession (hard to enforce).
3. Reposition chiropractic to a secondary position in another business such as massage, anti-aging, etc. (hard to swallow).

Statistics indicate we've already hit the displacement point in the profession; that is, we lose a practicing DC for every one we add. Yes, we're only reaching 7 percent of the health care market, but unfortunately, that's all our message appeals to as is now presented. And let's face it, we've had plenty of time to see if this percentage would grow - and it hasn't.

If chiropractic has made an industry-wide mistake, it is trying to move people too fast through the acceptance process. In other words, people need more time and experience with chiropractic treatment to be open to the "lifetime care for the right reasons" pitch.

Of the three solutions I mentioned, I personally like the third option because, as a DC, you have individual control over your personal practice strategy. As to getting zealots to back off, or getting a few schools to close, you already know how difficult that will be. Yes, insurance has blinded us all to the requirements of the unreimbursed practice; but let's face it, no fixed market can withstand an unlimited flow of new health care providers.

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