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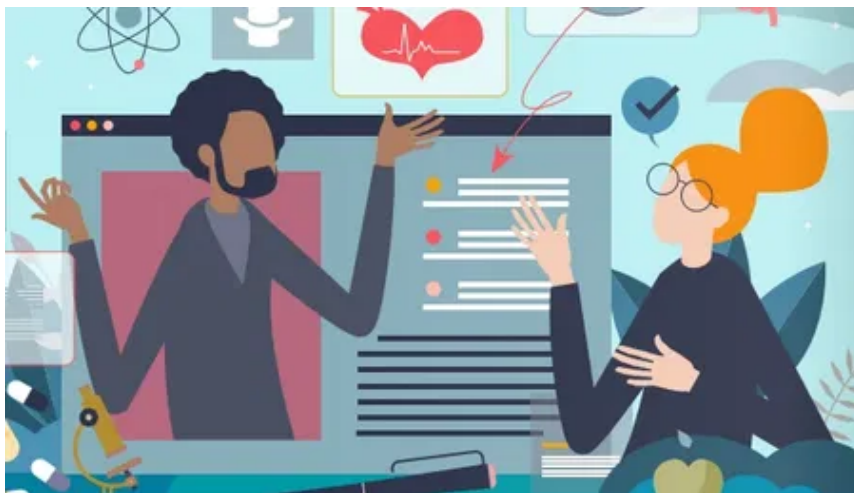
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The consolidation of the chiropractic profession

David Foster, DC June 13, 2023

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CURRENT ISSUE



Where does your clinic fit into the integration of health care groups, franchises and private equity?

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its acquisition of **1Life Healthcare**, which operates a primary-care practice under the name One Medical. The deal gives Amazon access to dozens of medical offices in more than 20 U.S. markets. "Together, we believe we can make the health care experience easier, faster, more personal and more convenient for everyone," Amazon CEO Andy Jassy said.

CVS Health purchased primary-care practice **Oak Street Health** for approximately \$10.6 billion including debt. The merger expands the health care company's footprint of primary-care doctors with a large network of senior-focused clinics.

Walgreens has also recently bet on doctors over drugstores under CEO Rosalind Brewer. In November, Walgreens agreed to a deal valued at roughly \$9 billion to combine its primary care center subsidiary, Village Practice Management, with Summit Health, the parent company of CityMD urgent-care centers.

Walmart has contracted a chiropractic private equity firm to implement a pilot program for chiropractic services to 15 locations, with plans to then expand to 500 locations.

Chiropractic integration

In recent years the medical community has been creating studies to determine the efficacy of chiropractic, proving what we already know: that chiropractic is highly effective for many musculoskeletal diagnoses.

For example, in a study, "Chiropractic Integration into Private Sector Medical Facilities: A Multisite Qualitative Case Study (**Anthony J Lisi 1 2, Stacie A Salsbury 3, Elissa J Twist 3, Christine M Goertz 4**), the abstract objectives state: "Chiropractic care may have value in improving patient outcomes and decreasing opioid use, but little is known about the impetus for or process of incorporating these services into conventional medical settings. The purpose of this qualitative study was to describe organizational structures, care



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To envision the **future of chiropractic**, we need to follow the recent past in other health care disciplines like dermatology, veterinary, dental and optometry.

The trend is consolidation and integration. Multidiscipline consolidated health care facilities are budding nationally, with varied business plans and personalities. Many of these new business plans are funded by large investment firms. Chiropractic is now profitable to investors. The goal of each business plan is to create high profitability with expert management and professional caregiving providers.

Current chiropractic business plans and their respective trends include:

Private equity

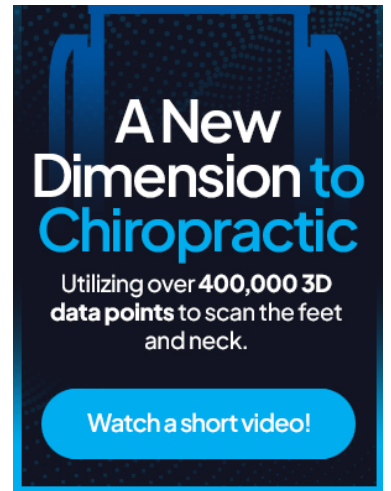
Presently, the fastest-growing business model is the private equity corporate clinic. This is when one corporation owns and operates multiple offices under one brand.

The corporation is commonly financed by private equity firms or banks looking for a high return for investors over a period of approximately five years. The chiropractor is an employee of the corporation.

The goal of the corporation is to acquire additional offices (roll up) and create one large cluster. This cluster will have a higher value than the total of the individual clinics. If the cluster is managed professionally and if it has a high level of net profitability (EBITDA) it will become a target for purchase from an even larger group. The ultimate goal is to sell the cluster of clinics to another investment group.

The investment community looks to purchase large, well-managed practices where the owner/doctor is not the primary caregiver. The clinic attracts quality new patients who are served by compassionate caregiving chiropractors. It is run by staff who follow well-executed systems that are goal-oriented and measured by analytics.

Franchising



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implements marketing, administrative procedures, billing/collection and retention content. This model works well for the chiropractor who is interested in being a caregiver and is not focused on the management and marketing of the clinic. Franchisors also have an economy of scale that works to reduce the cost and increase the efficiency of the clinic.

There are many chiropractic franchises, each with its unique support model. The doctor looking to become a franchisee should search for the organization that fits their personality. The fit should match the strengths of the franchise to the weakness/challenges of the chiropractor. Typically, the franchisor receives from 8-11% of the gross dollars collected for this service.

For many doctors a business plan with franchise support will create a more profitable, less stressful career. The franchise is a long-term relationship with no goal in packaging and selling the group to a larger entity.

Groups/partnerships

Also popular is multi-chiropractic facilities with two or more chiropractors joined in a partnership, associate or independent contractor relationship. In this model the benefits of economy of scale are rent, marketing technology and employees.

In successful group-run practices, the chiropractors complement one another in personality – one doctor a practice-builder, and the other a caregiver. These clinics may also offer and employ a variety of complementary disciplines such as physical therapy, acupuncture, nutrition, laser therapy and even psychotherapy. Multidiscipline practices are created by and driven by the passion of the chiropractor.

The solo practitioner

The solo practice has decreased in popularity due to its challenging model in modern health care. The doctor must wear many hats and be proficient in



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decreased. For these reasons the solo practice has declined and will continue to fall in popularity.

Chiropractors are entrepreneurial in nature and now more than ever offer a variety of services. The MD/DC model of over 20 years ago has evolved into every imaginable business plan. It has widened in philosophy, from insurance-based fee schedule to pay-for-service cash plans.

As the public rejects prescription drugs for pain management and anti-inflammatory treatment of the musculoskeletal diagnosis, chiropractic has risen in demand, popularity and profitability. Chiropractic integration and consolidation has increased from allopathic, non-allopathic, esthetic and a variety of complementary services.

Positioned for success

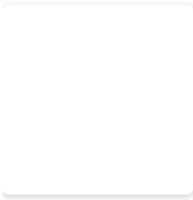
Chiropractic has gained market share as primary-provider clinics consolidate, along with professional financial strength and an increasingly cash-paying public. The motivating forces come from the growing percentage of the disenchanted post-COVID public coupled with decreasing insurance coverage.

As the medical model dumbs down the public and is exclusively insurance-dependent, chiropractic will be there, as always, to educate patients and excel without insurance reliance. Get ready – we are now positioned to accept and enlighten this movement toward a healthy life through a wellness model.

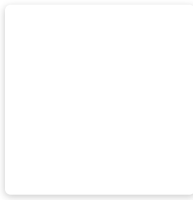
DAVID FOSTER, DC, has practiced chiropractic since 1991 and has co-owned 12 practices. He graduated Boston University with a major in finance and marketing. Prior to attending Life Chiropractic College, he was a securities broker, and with his acquired knowledge and experience he has been a consultant within the chiropractic community for the past 23 years. He consults in appraisals, buy-sell, and associate agreements and strategic negotiations, in addition to a wide variety of legal, franchise and private equity



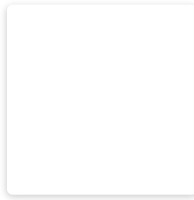
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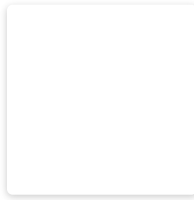
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