



# 5 Ways to Grow Your Practice

## Is your software an expense or an investment?

by Reuven Lirov, M.A.

### What's Your ROI?

“ROI?” Carmen repeated. “ROI is simple. How much are you investing, and what kind of return are you getting?”

“But what’s the answer supposed to be?” Ben asked. “Are we going for 100%?”

“It really doesn’t work that way.” Carmen frowned. “I know you went to chiropractic college, not business school, but still—didn’t you talk about this in practice management class or something?”

“I never had a practice management class. I’m not sure that’s even a thing. And do you think you could help me with this without the condescension?”

Carmen gave her husband a hug. “I don’t mean to be condescending. It’s just that this is a pretty basic concept. It’s hard for me to believe that you’ve never thought about it in your practice.”

“Maybe it’s not as simple in a medical practice as it is in a pizza parlor,” suggested Ben.

“Now who’s being condescending?” Carmen settled a pillow behind her back.

“I don’t mean it that way,” protested Ben. “Listen, you know how much every pizza is going to bring in, right? They have prices. And the cost is predictable, too. You know how much the ingredients cost and you could probably figure out exactly how much a pizza costs and how much money it brings in. It’s not like that for us. We don’t know exactly how much each appointment will bring in or exactly what costs will be associated with a treatment plan, and we’re really not used to thinking in those terms.”

“Well, let’s simplify it. You know your expenses, right? Some of

# ROI practice profits

## management costs

software revenue Roi billing

those things you pay for are cost centers and some are profit centers. So you pay for electricity because you have to. You don't get any higher revenue by buying more electricity. But you sell supplements and books at a profit, so buying more of those brings in more revenue, as long as you sell them all."

"Now we're getting somewhere," Ben said excitedly. "What about all the things that are somewhere in between? Practice management software, for example. We've made some investment there already, but I'm getting push-back from my partners. They see it as a cost that's avoidable. And their whole concept of ROI is about reducing costs wherever we can."

Carmen shook her head. "That's crazy. Return on investment is about measuring the return you get on your investment and making more investments on that basis, not on trying to stop making investments that pay off."

"And now we're back full circle! I don't think we really understand ROI."

"I'm beginning to believe you," Carmen agreed. "What are you going to do about that?"

Ben sighed. What was he going to do about that?

*Can Dr. Ben's practice get a handle on using ROI for business decisions?*

### Dreaming of Healthy Practice

"Do you think about the ROI of your spending in the grocery store?" Ben was teasing his wife, but he was also still trying to decide how to approach the issue of ROI in his practice. He wanted to get his partners on board with the idea of completing a Dream Practice Analysis, but he was facing some resistance.

"I guess in a way I do," Carmen answered thoughtfully. "I consider fresh produce an investment in our

family's health and wellbeing, even if it costs more than chips. But groceries are usually an expense, not an investment. We have to buy food. That's not the same as—what were you thinking about? Software?"

"Practice management software. We've been asked to take part in a Dream Practice Analysis. The object is to figure out how what kind of return on investment we'd get from practice management software."

"Now, that's a perfect example for ROI," said Carmen, reaching for a jar of mustard. "Whatever the software can do, you could probably do yourselves with paper and pencil if you had the time and the skill. But automating some of those tasks can pay off big time by reducing current costs and helping you identify areas of opportunity. Software can be a very important investment and the ROI can be significant."

"I guess that's the key to the problem," said Ben. He quickly compared the nutrition labels of two loaves of bread before tossing one into the basket. "It's like these labels. You can't tell which loaf has more fiber just by looking—taking the time to check the labels makes a difference. The partners feel like we can just look at the cost of the software and say yes or no. But I think the DPA might give us more accurate information."

"Obviously," Carmen agreed. "You know I looked at franchise



opportunities before I decided to open my own pizzeria. A lot of them pointed to their management software as a big part of the value they provided for the franchise fees. The right software can replace a lot of worker hours, reduce errors that cost money, and keep your practice running smoothly. If you don't have a handle on your finances, though, you can end up making bad investments."

"I guess that's why they're worrying about. It's not like we haven't tried different software solutions. Some have been great and some have not."

"If you make random choices about the investments you make in your company, you can expect random results," Carmen said flatly. "I don't mean to be harsh, but I can't see why your partners can't grasp that. You should never make an investment without running the numbers. If you have someone who will help you sort

it out, it's just common sense to let them help."

*What's the ROI of a DPA?*

## Why Do a DPA?

Ben shut his office door quietly behind him and gave a deep sigh. He had a meeting coming up with his partners. He was hoping they'd join him in going through a Dream Practice Analysis. His wife had suggested that he prepare a PowerPoint presentation with the objections he had been hearing in the casual discussions they'd had so far.

"That way," Carmen had said, "you'll be prepared. You won't get defensive or go off track or decide to go along with the majority even though you know they're wrong. You'll be giving your ideas a fair chance."

Ben wasn't sure he showed up as well as he'd have liked in Carmen's imaginary picture of the meeting, and he wasn't sure how his partners

would react if he showed up with a slide presentation, but he figured it was worth trying.

So he had put together his slides and now it was time for a final run-through before the meeting.

"We don't need to waste time on dreaming. We're an established practice," said the first one. Ben ran through his thoughts on that: how easy it was to get mired in the day to day details and to lose sight of the big picture and how important it was to reset goals sometimes. He found himself speaking eloquently—under his breath, of course—about the value of having an objective outsider helping them to see where they were and how they could step up to the next place they wanted to be.

Deciding to try a Dream Practice Analysis wasn't a criticism of their current practice, he realized, and he wasn't sure that he had ever made that point in their discussions.

The next slide said, "Reducing costs is the key to ROI." His talks with Carmen had really helped him understand this one. He knew his partners couldn't see how spending money on software could provide a good return on investment, because they didn't see it as an investment. They thought of it as overhead, and figured that increasing overhead couldn't be a good thing.

Carmen, with her business school background, could see how the right practice management software could increase revenue and reduce costs, so the investment in the software would pay off.

Ben also realized that the practice might need an expert to help them figure out the potential ROI. That brought him up to his next slide: “We don’t want to share sensitive information.” Of course, being careful with information was second nature for any medical practice, but it was clear to Ben that they really didn’t know what to do with their numbers. They had tried to figure out the potential ROI for themselves, but they hadn’t been successful. In fact, if he was honest with himself, he thought they had mostly been confused.

Ben decided not to share that observation with his partners. Instead, he figured he’d emphasize the value of having expert insight and help the group determine some parameters that would help them feel comfortable sharing the information that needed to be shared.

Finally, Ben turned to a slide that just said, “Opportunity.” He knew that the kind of insights the practice could get from the Dream Practice Analysis with experts who had worked with plenty of other practices would be worth paying for—and they weren’t having to pay. This was an opportunity to get some valuable consultation



that would give them important knowledge, no matter what decision they made.

Ben saved his presentation to a thumb drive and headed for the conference room. He felt lighter than he had in a while.

*Can Dr. Ben help his partners see why he wants to do a DPA when they only see why not?*

## **Happiness is a Dream Practice**

“Honey, I’m home!” Ben sang out theatrically as he opened the door. His son came running, with his wife not far behind.

“How’d the Dream Practice Analysis go?” Carmen asked. Her beaming face showed the answer she was anticipating.

Ben swept her into an embrace and gave her the answer she expected. “It was great. Really useful.”

They settled onto the sofa and Carmen pulled their little boy onto her lap. “We went over the distinction between return on investment and expenses,” Ben went on.

“Did everybody get the concept?” Carmen asked.

“I really think they did,” Ben said. “It’s completely clear to me now, too. And then we looked at our practice stats compared with general industry and product information. That was really eye opening.”

“It can be so hard to get the information!” Carmen remarked. “It’s great to set benchmarks, though.”

“I don’t think we’ve ever heard that data before,” Ben agreed, “and I



think everyone felt that sharing our information was worth it—the value of the information we got was excellent, and I don’t think we could have gotten so many highly relevant insights without sharing.”

“That makes sense. However much expertise people have, they can’t really speak to your needs if they’re just talking in the abstract.

“We had a good talk about the most useful metrics to follow,

too, and how we can capture and use the data we need to be able to examine the different dimensions of the practice metrics that make the most sense for us.”

“Sometimes figuring out what to measure is the hard part,” Carmen observed. “It sounds like the process was very useful. What about the product?”

“They shared some opportunities and even some guarantees. We

have to thrash it out, of course, but I think we’re ready to make an informed decision.”

“That’s wonderful!”

“I’m feeling very optimistic. It seems like things are really looking up at the practice, and this could be a turning point for us.”

“Disney World for our vacation this year?” Carmen asked slyly. Their son perked up.

“Could be!” Ben smiled. “How about mini golf tonight?”

Jonathan jumped down and ran to the door. Carmen hugged Ben. “I think that’s a great idea, but you know what? The best part is seeing you happy.”

Ben smiled down at his wife. That was a kind of ROI he hadn’t thought about.

*Has Dr. Ben considered all the possible returns on his investment?*

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