



Chiropractic Clinics

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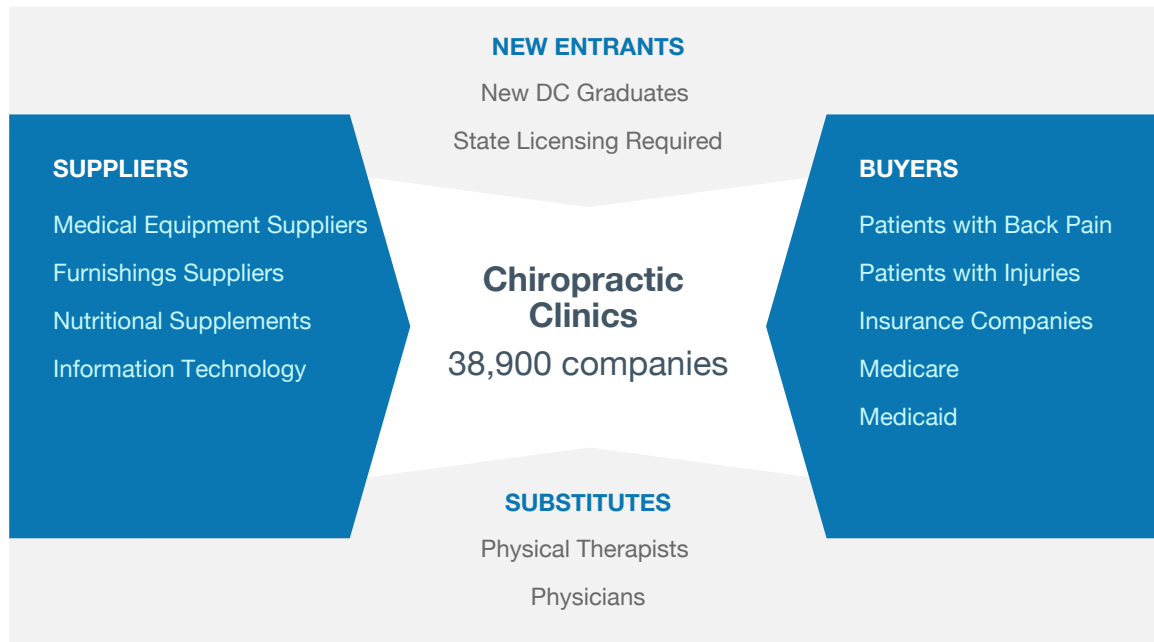
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Coronavirus Update

Jan 26, 2022 -- PPP Analysis Shows High Forgiveness Rate

- The Small Business Administration announced on January 10 that it has forgiven 80% of the \$791 billion in Paycheck Protection Program loans issued since the program was launched in 2020. About 81% of all PPP loan recipients have submitted forgiveness applications. Forgiveness has been requested for 85% of the total loan value of all PPP loans.
- Health care providers including chiropractors have signed hundreds of pandemic-related medical exemption requests for students in some states, according to education industry publication Education Week. A chiropractor in Venice, FL, for example, provided medical exemption forms for more than 500 children who did not want to wear a mask while attending Sarasota County Schools. The district subsequently adjusted its policy of what categories of medical professionals can sign an exemption. The issue is drawing attention throughout the country as the US Food and Drug Administration prepares to approve an emergency-use authorization for a COVID-19 vaccine for children as young as 5. Many governors have said that decisions about children's COVID-19 vaccine mandates won't come until federal officials give permanent approval to the inoculation for all age groups. Some states—including Alabama, Arizona, and Florida—have explicitly prohibited school districts and local officials from setting such mandates. US Secretary of Education Miguel Cardona recently said he “wholeheartedly supports” state and local vaccine requirements for eligible students.
- The federal Equal Employment Opportunity Commission said that employees may be barred from the workplace if they refuse the COVID-19 vaccine. “Requiring a vaccine is a health and safety work rule, and employers can do that,” said Dorit Reiss, a professor at the University of California Hastings College of Law. There are, however, some exceptions to a blanket requirement. A collective bargaining agreement may require negotiating with a union before mandating a vaccine. The Americans with Disabilities Act allows workers who don't want to be vaccinated for medical reasons to request an exemption.
- Many chiropractors say that they're seeing more patients with back and neck complaints. Industry experts cite the rise of telecommuting as a likely cause of the increase in back and neck complaints, as quickly converted home spaces may not be suitable for work sessions lasting eight hours or longer. Doctor Jaclyn Andrews, a chiropractor with Pittsburgh Chiropractic and Massage Therapy Center, says working from a kitchen table or couch isn't the best option. “Ideally, you want to have your shoulders rolled down and back and you also want to think about having your neck nice and neutral,” said Andrews.

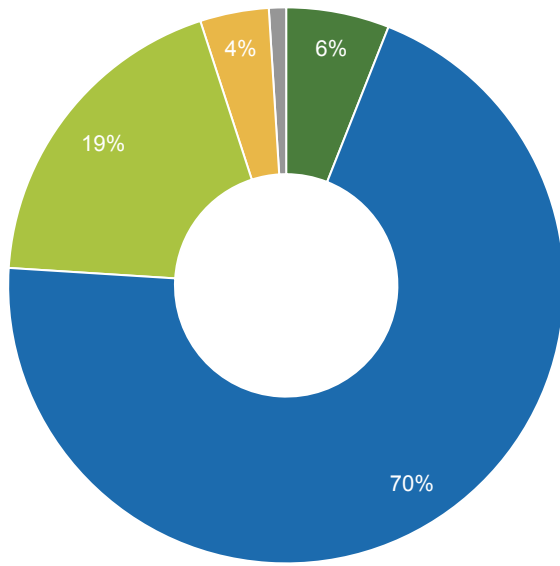
Industry Structure



A typical chiropractic clinic operates out of a single location, employs about 3-4 workers, and generates \$385,000 in annual revenue.

- The chiropractic industry consists of about 38,900 companies, which employ 138,500 workers and generates \$15 billion annually.
- Most chiropractors are solo practitioners who own and operate a single clinic. About 95% of chiropractic clinics employ less than 10 workers.
- No national chiropractic chains exist. The largest chains are confined by state boundaries.
- Half of all patients suffering from persistent back pain receive chiropractic treatment.

Industry Demographics



- Corporations (6.0%)
- S-Corporations (70.0%)
- Individual Proprietorships (19.0%)
- Partnerships (4.0%)
- Non-profit/Other (1.0%)

Source: US Census Bureau



Female Owned

26.0%



Minority Owned

13.0%



Veteran Owned

8.9%

Source: Census Bureau

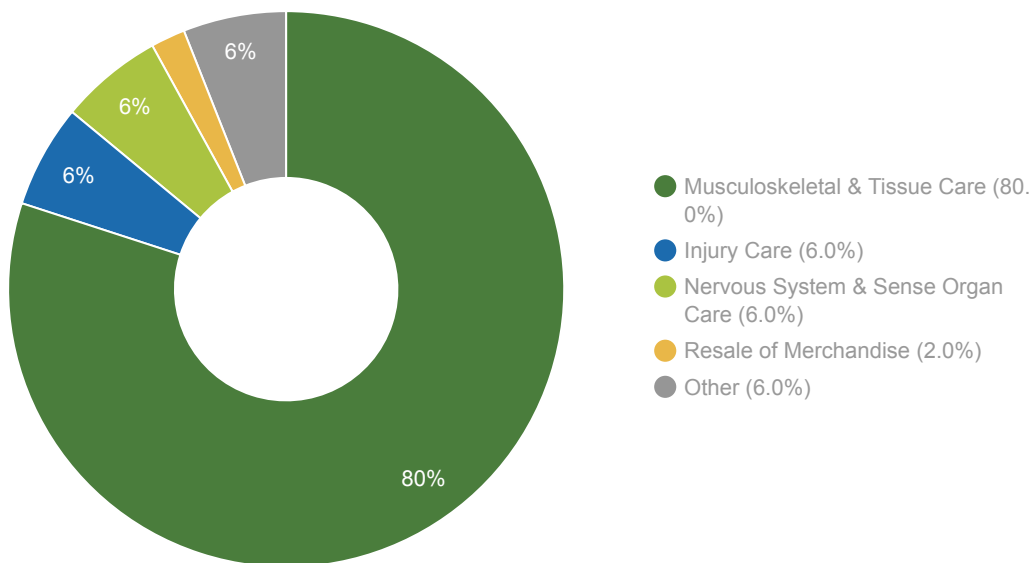
How Firms Operate

Products and Operations

Chiropractic clinics provide care that is focused on the spine and neck to patients suffering from disorders or injuries to the musculoskeletal system. Chiropractic principles focus on adjusting or realigning the spine to treat pain and other ailments and improve patient health.

- The majority of a chiropractic practice's revenue comes from treating musculoskeletal and connective tissue problems. Chiropractic clinics also generate revenue from treating injuries and disorders of the nervous system or sense organs.
- Chiropractors may specialize in sports medicine, neurology, pediatrics, orthopedics, nutrition, or radiology. Some practices offer health and wellness counseling, and they may sell nutritional supplements.
- Multi-disciplinary clinics combine chiropractic services with physical therapy, physician's services, massage therapy, or acupuncture.
- Chiropractors cannot prescribe medication or perform surgery.

Chiropractic Clinics Revenue



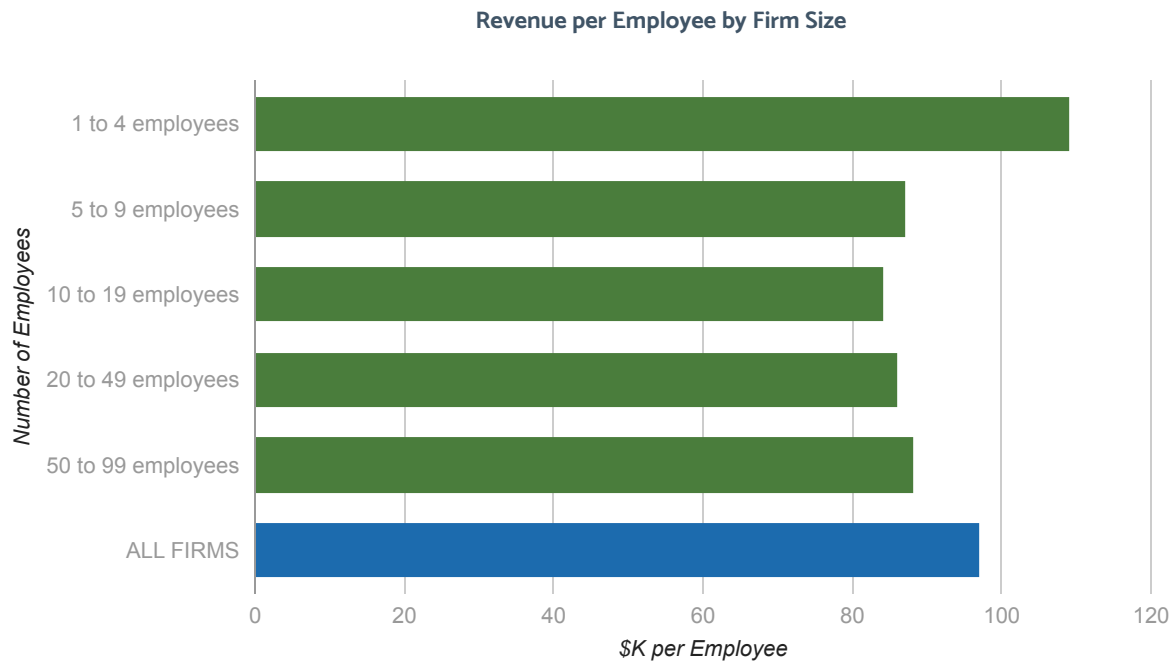
Source: US Census Bureau

Patients seeking chiropractic care typically suffer from some type of pain. Common ailments include acute and chronic lower-back pain, chronic spinal pain, fibromyalgia, lower-extremity conditions, myofascial pain syndrome, neck pain, and tendinopathy. Many patients select a particular clinic based on a referral from a medical practitioner, an attorney (when personal injury is involved), or a friend.

Chiropractors generally use diagnostic imaging (x-rays, MRI) to help identify spinal alignment problems, known as subluxations. After diagnosis, the chiropractor recommends a treatment plan, known as a "case." Cases usually involve multiple patient visits for active or passive treatments. Active treatment involves spinal manipulation, in which a chiropractor applies manual or mechanical force to a joint. Passive treatment includes electrical stimulation, ultrasound, heat, cryotherapy, laser, traction, and massage. Response to treatment can vary, but typically occurs within 4 weeks. Chiropractic clinics refer patients to doctors or other health care providers if their required care falls outside of the scope of chiropractic treatment.

In addition to treating acute pain, chiropractors may perform regular adjustments to patients in order to maintain flexibility and avoid problems. These "maintenance visits" are often not covered by insurance policies and are paid directly by patients. As part of promoting wellness, clinics may also sell nutritional supplements, orthotics, pillows, and exercise aids.

Chiropractors must earn a degree from an accredited chiropractic college, pass a national board exam, and acquire a state license. Clinics may employ chiropractic assistants (CA) to help manage reception, scheduling, billing, or other clinical activities. CAs with significant chiropractic knowledge can assist with exams or therapy or develop X-rays. Group practices may employ an office manager or bookkeeper to handle administrative or financial tasks.



Source: US Census Bureau

Profit Drivers

Achieving High Capacity Utilization

Practices need sufficient patient volume to fill appointment schedules, and efficient workflow to maximize the number of patients each chiropractor can treat. Since treatments often involve patients spending time receiving electrotherapy treatments or spinal massage, efficient scheduling can allow chiropractors to overlap patient visits - examining one patient while an assistant administers therapy to another patient. The volume of patient visits that must be handled each day has risen as reimbursement rates from Medicare and insurance companies have fallen.

Expanding Maintenance Treatments

Regular maintenance, or wellness, treatments for patients can provide a steady and predictable volume of revenue. They also help strengthen patient relationships and retention. Regular maintenance visits can also help chiropractors detect potential problems that can lead to additional treatment opportunities.

Adding New Products And Services

Chiropractors can increase revenue per patient and improve patient care by expanding the range of products and services they provide. Products include nutritional supplements, ergonomic pillows, braces, orthotics, and exercise equipment. New services can include kinesthetic taping for sports injuries and nutrition counseling. Besides providing additional revenue sources, offering these products and services can help a chiropractic practice position itself as a “wellness consultant,” rather than just a spine and neck specialist.

Attracting New Patients

Successful practices need a steady stream of new patients to replace inactive patients and to grow revenue. Most new patients come through referrals from other patients or health care providers. Marketing activities by chiropractic practices include creating and maintaining a web site and advertising via direct mail and local print and radio. Many chiropractors rely on contacts made through

churches, schools, business organizations, and social organizations for new patients. Some may participate in local health fairs or free clinics to generate awareness for their practice.

Retaining Existing Patients

Besides effective treatments, the key to retaining existing patients is a friendly and knowledgeable staff. Staff members who make patients feel welcome, clearly explain insurance coverage to avoid surprises, and provide appointment reminders help build lasting patient relationships. Patient retention is also enhanced by promoting regular maintenance visits, rather than just treating acute problems.

Industry Trends

Trends are affected by the COVID-19 pandemic.

Changes in revenue, employment, business practices, trade and forecasts are occurring rapidly and data reporting by the government lags the changes. We are tracking changes in the “Coronavirus Update” chapter.

Growing Acceptance of Chiropractic Care

Changing perceptions of alternative medicine and more rigorous educational requirements have led to gradual acceptance of chiropractic care. Patients also are seeking less invasive treatments that do not involve drugs or surgery. More doctors are referring patients to chiropractors, particularly for chronic conditions or situations where traditional medicine has been ineffective. Government acceptance of chiropractic treatment has also helped the industry’s credibility – recent Congressional acts require chiropractic care in veteran’s hospitals and the Department of Defense’s health care system.

Integrated Care

A small but growing number of hospitals provide chiropractic care or offer privileges to chiropractors. Integration into a traditional hospital setting can lead to more referrals and also help establish credibility for chiropractic treatment within a community. While participation in a hospital system involves bureaucracy and may not be lucrative in the beginning, integration into a traditional care setting gives chiropractors access to better facilities and educational opportunities.

Rural Care

Because the majority of traditional medical care is clustered in heavily populated locations, chiropractors have discovered opportunities by practicing and providing primary care for patients in rural areas. Although rural areas tend to have more low income and Medicaid patients, chiropractors that work in rural health clinics (RHC) can receive higher reimbursements through special government programs. Most RHCs are multi-disciplinary and allow chiropractors to be part of an integrated health care system. Participation can also generate referrals to private practice.

Multi-Disciplinary Practices

To grow revenue and provide a wide variety of services to patients, chiropractors are joining group practices that provide both traditional and alternative care. Group practices may include chiropractors, physical therapists, and physicians. Such consolidation allows chiropractors to provide more cost-effective care and develop a larger patient base. In addition, providing physical therapy and/or medical care in-house generates an incremental revenue stream for the practice. Most states prohibit DCs from hiring certain medical personnel directly and require chiropractors to set up a corporate structure in order to offer multi-disciplinary care.

Geriatric Care

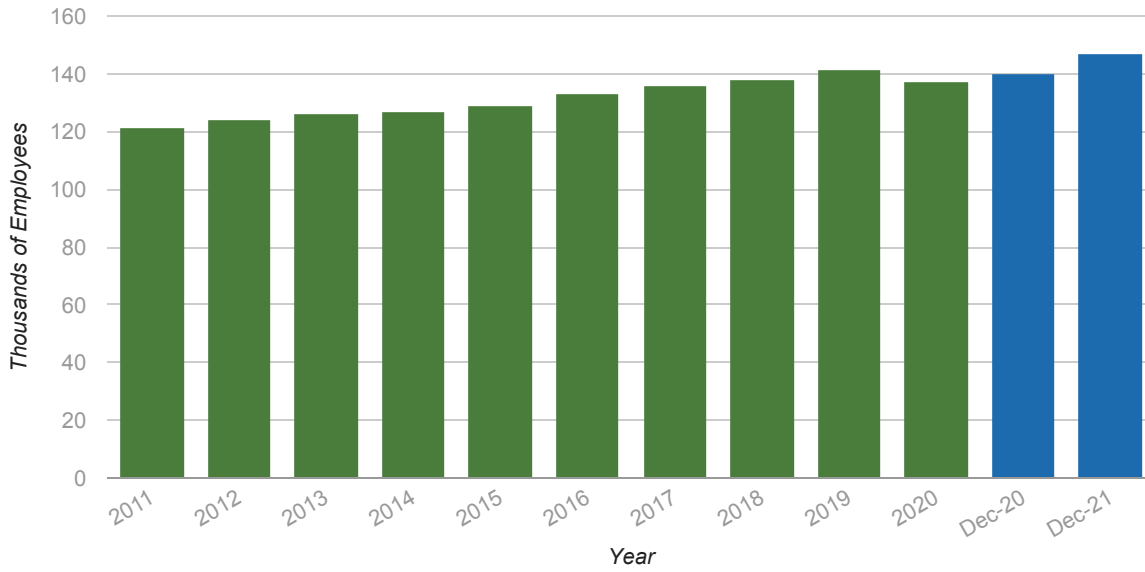
As baby boomers age, demand for geriatric care will increase and create opportunities for chiropractors to provide specialized treatment plans for the elderly. Baby boomers, more so than other generations, are more interested in alternative health care and staying active late in life. Many senior citizens suffer from back or neck pain and other ailments commonly treated by chiropractors. Medicare covers some chiropractic services.

Employment and Wage Trends

Employment by chiropractic clinics increases

Overall employment by chiropractic clinics changed 4.6% in December compared to a year ago, according to the latest data from the Bureau of Labor Statistics.

Chiropractic Clinics Employment

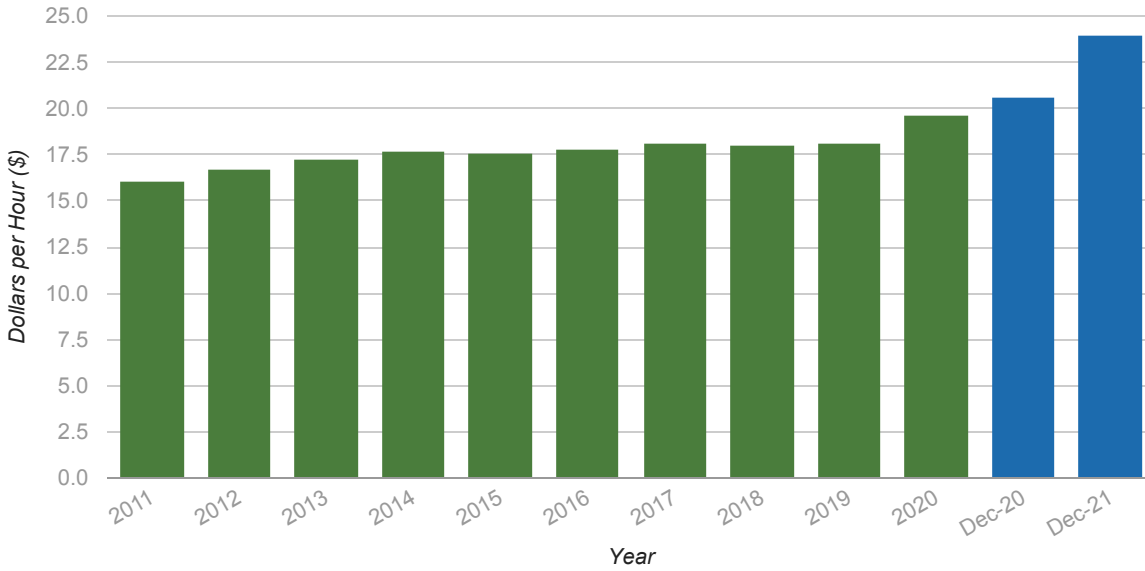


Source: Bureau of Labor Statistics

Wages at chiropractic clinics rise

Average wages for nonsupervisory employees at chiropractic clinics were \$23.94 per hour in December, a 16.2% change compared to a year ago.

Average Wages for Nonsupervisory Employees



Source: Bureau of Labor Statistics

Credit Underwriting and Risks



Business Exit Rates:	5.5	Comparable to US average for all businesses
Cyclical Sensitivity:	4.5	Moderate sensitivity
Barriers to Entry:	4.1	Low initial capital; moderate regulatory/technical barriers; very low concentration
External Risk:	5.0	Moderate external risk
Industry Outlook:	3.6	Higher than GDP; some cyclical risk
Financial Summary:	2.3	High margins; high liquidity; low leverage

Key Metrics

METRIC	VALUE	COMPARISON
Performance During 2007–2009 Recession	3.8%	0.0% GDP
Business Exit Rate 2019–2020	9.57%	9.0% All Industries
Compound Annual Growth Forecast (2020–2025)	7.79%	6.1% GDP
SBA 7(a) Default Rate by Number of Loans (2010–2019)	3.82%	3.82% All Industries
SBA 7(a) Default Rate by Gross Loan Amount (2010–2019)	2.34%	1.21% All Industries

Underwriting Considerations

- Typical lending facilities are Lines of Credit and term notes for equipment and office furniture. Does the company have near-term needs for this type of financing? What assets would collateralize the loans?
- Does the company own the building it runs the business out of? If yes, this would be owner occupied real estate financing.
- How does the company market the business?
- How business savvy is the owner? Being a good chiropractor does not mean they are able to run the business well.

Industry Risks

Skepticism Among Medical Community

Because chiropractic treatment is considered a form of alternative medicine, chiropractors continue to experience a degree of discrimination within the mainstream medical community. While the efficacy of spinal adjustment to treat back pain is generally accepted, many doctors question the use of chiropractic for other conditions, such as arthritis, high blood pressure, and children’s ear infections. In addition, multiple contradictory medical studies proving and disproving the effectiveness of chiropractic medicine have created doubt among doctors and patients.

Healthcare Reform Impacts Insurance Coverage

The Affordable Care Act (ACA) includes language that has changed how the insurance industry covers chiropractic services. Now, insurers can’t exclude types of healthcare providers, such as chiropractors, from their networks. Before ACA, some insurance plans specifically excluded chiropractic care. Many plans covered chiropractic treatment for an acute condition or injury but set limits on the number or frequency of visits or procedures. Maintenance or preventative chiropractic care were considered elective and generally not covered. Insurers typically denied coverage for procedures that were deemed experimental. Chiropractors, like other healthcare

providers, have struggled with shrinking reimbursement rates from managed care systems, but rates under the ACA are not guaranteed and subject to change. Also, chiropractors could see a flood of new patients (the previously uninsured) seeking treatment and stretching the office's resources. However, investment in practice expansion to accommodate more patients may be risky. If insurers significantly alter reimbursement rates or require policy holders to pay more out of pocket, patients may make fewer visits to the practice and revenue could suffer.

Competition from Other Providers

In addition to chiropractors, other medical providers, such as physical therapists and osteopaths, can treat patients for back or joint pain. Because chiropractors continue to struggle for credibility among doctors, physicians are more likely to refer patients to other medical providers. Patients seeking alternative treatments may consider massage therapists or acupuncture specialists.

Association with Fraudulent Activity

The chiropractic industry has unfortunately been associated with well-publicized fraudulent marketing practices and insurance scams. To increase patient counts, some chiropractors advertise aggressively and make false promises. Unscrupulous practitioners may render treatment that is not medically necessary or submit fake claims to insurers. Chiropractors are often involved in treating auto accident victims and account for a large share of claims. Excessive chiropractic treatment is considered a "red flag" by many insurance companies.

Risk of Malpractice

While the incidence of lawsuits is low for chiropractors, manipulating the neck and spine is risky. Improper treatment can result in injury or exacerbate an existing condition. Often, patients who come to chiropractors have multiple problems and may have exhausted traditional medical methods. Litigation can be costly and time consuming. Popular malpractice claims include failure to diagnose, failure to refer, and disc herniation.

Demand Dependent on Economy

Many patients view chiropractic care as discretionary and cut back on treatments when the economy is weak. They may stop treatment all together or cut back on the frequency of treatment. High unemployment may also reduce insurance coverage for patients. The recent recession had a significant impact on revenues for many chiropractic practices.

Company Risks

Start-Up Challenges

Most chiropractors fresh out of school struggle to start their own practices, particularly if they have student loans to pay off (ranging \$40,000 to \$120,000 depending on the school), according to the American Chiropractic Association (ACA). Most new chiropractors earn \$35,000 - \$53,000 annually. The intricacies of practice management, particularly billing, coding, and reimbursement, can be a challenge. With limited resources, new chiropractors must also spend time and effort establishing a referral network. Lending to start-up practices can be very risky.

Regional Oversupply of Chiropractors

While demand for chiropractic services is projected to increase, the supply of new chiropractors is growing faster. Colleges continue to graduate thousands of new Doctors of Chiropractic (DCs) annually, resulting in oversupply in some areas of the country. Oversupply results in a more competitive market, lower fees, and a higher attrition rate. A saturated market is especially difficult for marginally-performing clinics which struggle to maintain a patient base.

Lack of Business Management Skills

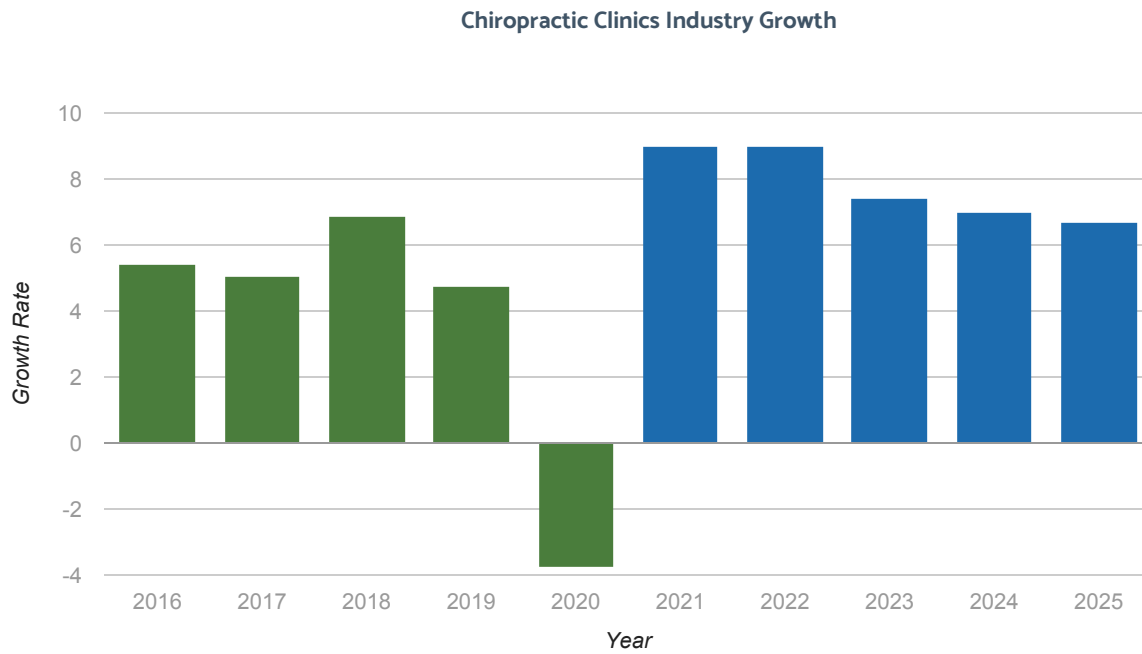
Many chiropractors admit they are not good at running the "business side" of their practice and fail to allocate sufficient time to management tasks. They prioritize their true passion, patient care activities, over business management activities. Most chiropractors lack formal training in accounting and business management and many fail to develop skills in these areas.

Industry Forecast

Sales for the US chiropractic clinics industry are forecast to grow at a 7.79% compounded annual rate from 2020 to 2025, greater than the growth of the overall economy.

Vertical IQ forecasts are based on the Inforum inter-industry economic model of the US economy. Inforum forecasts were prepared by the Interindustry Economic Research Fund, Inc.

Last Update: August 2021



Source: Interindustry Economic Research Fund, Inc.

Working Capital

Sell and invoice

Chiropractic clinics rely on referrals from health care providers and patients to grow their client base. Traditional marketing vehicles, such as local print, TV, Internet, or radio ads, also help generate awareness among potential patients. On average, firms spend about 1% of sales on advertising. Payment depends on the type of treatment, and includes patient-pay, private insurance, and Medicare/Medicaid. The number of Medicare patients is increasing as baby boomers reach age 65. Some clinics require payment at the time of service, and most accept credit and debit cards. Verifying insurance coverage prior to treatment can help prevent unexpected charges for patients.

48% of other health practitioners said they go to their accountant or bookkeeper for cash flow advice, while 9% turn to their banker, 11% turn to an industry partner, and 52% do not seek advice, according to a survey of small businesses by Barlow Research Associates.

Source: Barlow Research Associates.

Collect

Accurate billing is critical to maintaining healthy cash flow. Insurance carriers and government programs will reject invoices with improper coding, delaying payment. Electronic claims submission and payment speeds up reimbursement for uncontested claims. Because billing can be time consuming and many offices have limited staff, chiropractors may choose to outsource billing activities to a third party. Receivables account for 5-6% of total assets.

Manage Cash

Practices may face cash shortfalls due to delays in reimbursement payments from insurance companies and Medicare/Medicaid. Some chiropractors use factoring and sell receivables to improve cash flow. Practices may see some seasonality of demand, as summer vacations reduce patient visits. January and February can also be slower, as patients who have insurance deductibles are forced to pay for visits. Demand peaks in the fall and early winter.

Pay

Labor is the single largest expense and accounts for 31-32% of sales. Rent accounts for about 4-5% of sales. Because chiropractors require little space and basic equipment, most solo practices enjoy relatively low overhead costs.

Report

Most firms use practice management systems designed for chiropractors or health care practices. These software systems support scheduling, accounting, creation and maintenance of electronic health records (EHR), and billing. After-tax net profit averages 16-18% of sales. Key metrics include the number of patient visits, the number of new patients, and visits per patient (due to insurance limits on visits per year or treatment).

Cash Management Challenges

Low Reimbursement Rates

To reduce healthcare costs, Medicare is lowering the reimbursement rate for chiropractic treatments and limiting the scope of patient treatments for which it will pay. Insurance companies typically follow Medicare's lead and are adopting similar reimbursement policies. In some cases, chiropractic clinics may be able to save patients money by not filing an insurance claim, since the reimbursement rate may be less than the patient's co-pay amount.

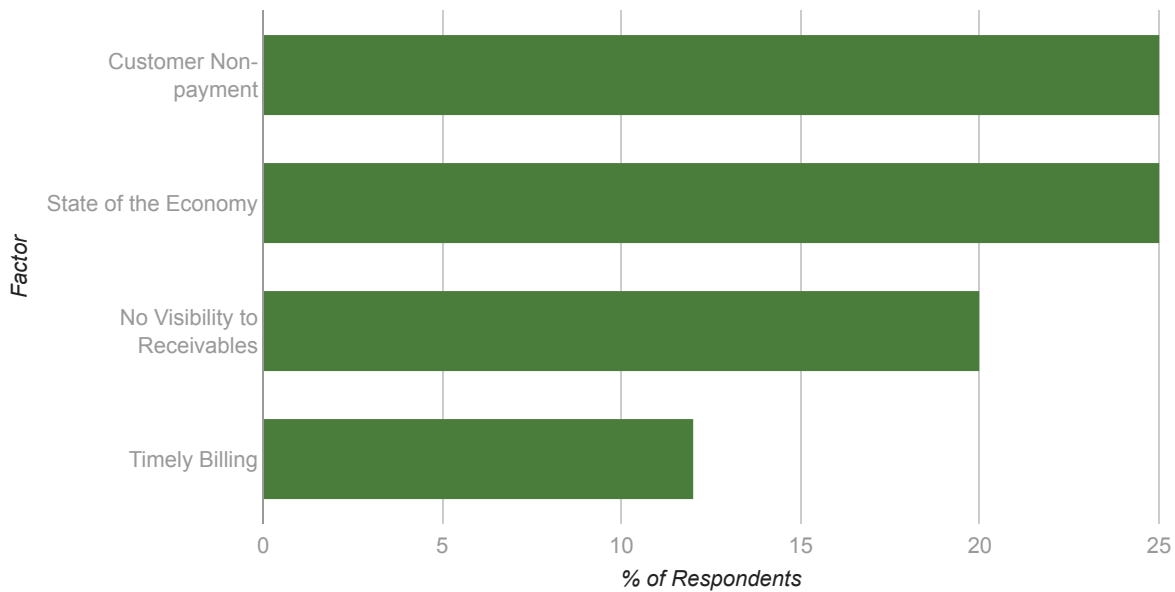
Complexity Of Insurance Billing

The complexity of varying treatment codes, policies and paperwork for different insurance companies and Medicare requires additional staffing by chiropractic practices to handle reimbursement billing. Complexity also leads to errors in claim submissions, which delays receipt of payment from insurers.

High Patient Cost Delays Treatment

Chiropractic practices may lose revenue when the cost of treatment for patients rises. Patients typically pay higher co-pays for chiropractors and other “medical specialists,” and insurance companies may require multiple co-pays for a single treatment case that requires multiple visits. Patients on high deductible plans must pay the full cost of treatments until they reach their deductible amount. These high direct costs to patients can cause them to delay the start of treatment or end treatment early before the recommended number of visits is complete.

Factors Causing Cash Flow Stress: Other Health Practitioners



Source: Barlow Research Associates

Capital Financing

Most independent chiropractic clinics have minimal capital needs, but they may require start-up financing for leases, equipment, office furnishings, and information systems. A new practice can be established in as little as 700 square feet of space. Equipment may include diagnostic imaging (x-ray) machines, adjusting chairs, and tables for treatment. Multi-disciplinary practices may require rehabilitative and physical therapy equipment. Used or leased equipment can minimize upfront costs. A chiropractor right out of school may choose to purchase an existing practice rather than build a new one.

Practice management software helps chiropractors with scheduling, accounting, creation and maintenance of electronic health records (EHR), and billing. Medicare incentives to implement EHR are encouraging more chiropractors to consider installing or upgrading existing software systems.

While most chiropractors choose to lease office space in high traffic areas, some may purchase their space as an investment for retirement.

Examples of Equipment Purchases



Chiropractic Table

\$2,000 - \$10,000

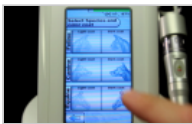
Table used for treating patients; may include rollers for automating spinal massage and electronic adjustments.



Inversion Table

\$1,000 - \$4,000

Table for placing patients in upside down position to decompress discs and reduce nerve pressure causing back pain. More expensive models are motorized.



Class IV Therapeutic Laser

\$25,000

Laser used to relieve pain by stimulating tissues, joints and muscles. Allows stimulation of deep tissue to increase blood circulation and cellular activity.



Electrotherapy Machine

\$1,000 - \$5,000

Machine for electrical stimulation of muscles to relax spasms, increase blood circulation, rehabilitate and heal tears, and increase range of motion.



X-ray Radiography

\$18,000 - \$25,000

High-frequency x-ray for examining inner structure of muscles and bones by producing pictures on x-ray film.



Digital X-ray

\$100,00 or more

Creates digital images of internal structures for easier storage and sharing, and for inclusion in electronic health records.

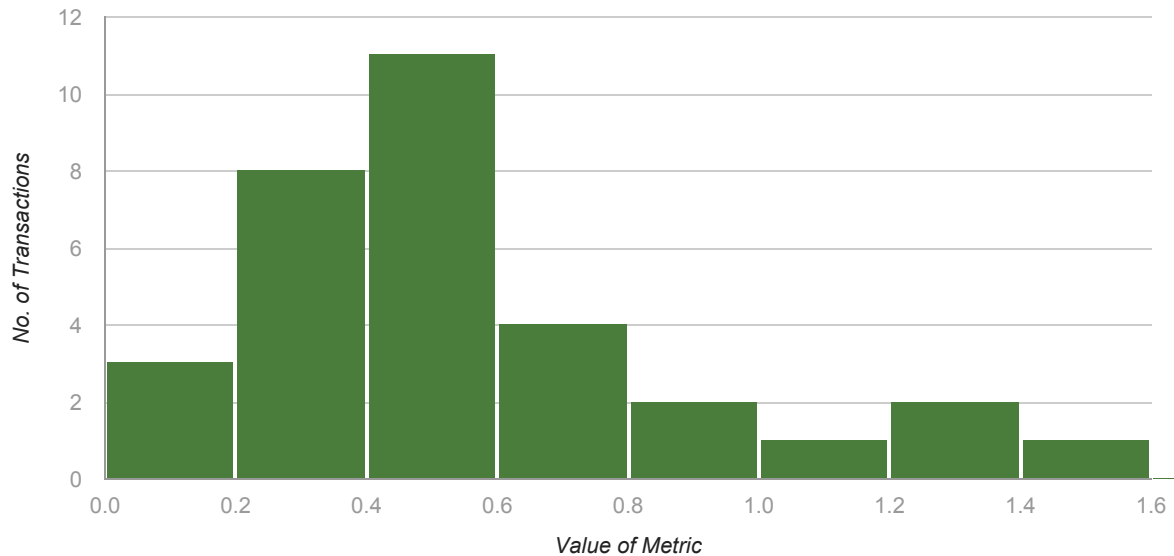
Business Valuation

This data on business valuations is supplied by DealStats, an online database with the most complete financial details on nearly 36,000 acquired companies. These companies are mostly small and medium-sized private firms.

Summary Valuation Data for Chiropractic Clinics

	MEDIAN	MEAN	# TRANSACTIONS	DATES
Price to Net Sales	0.49	0.57	32	03/15/1999–02/28/2020
Price to Gross Profits	0.55	0.6	25	03/15/1999–02/28/2020
Price to EBITDA	2.52	28.8	22	03/15/1999–02/28/2020
Price to EBIT	2.21	4.23	25	03/15/1999 –02/28/2020

Click on the metric below to see a distribution of transactions for the industry:



Source: DealStats

Count: 32

Min: 0.07

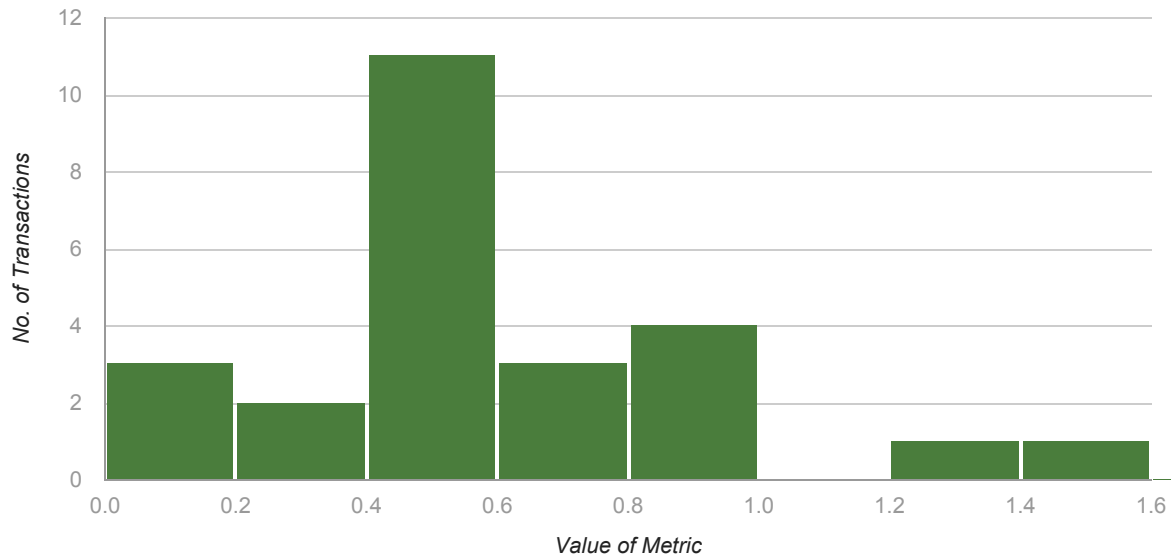
Max: 1.5

Mean: 0.57

Median: 0.49

Price to Sales = Selling Price/Net Sales

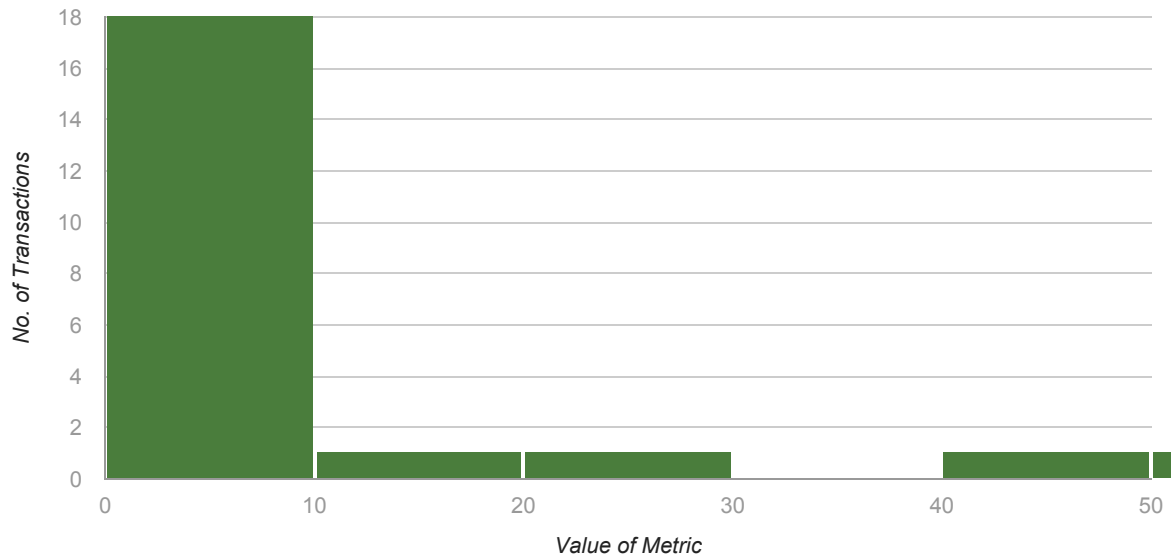
Date range: 03/15/1999 - 02/28/2020



Source: DealStats

Count: 25 **Min:** 0.07 **Max:** 1.5 **Mean:** 0.6 **Median:** 0.55

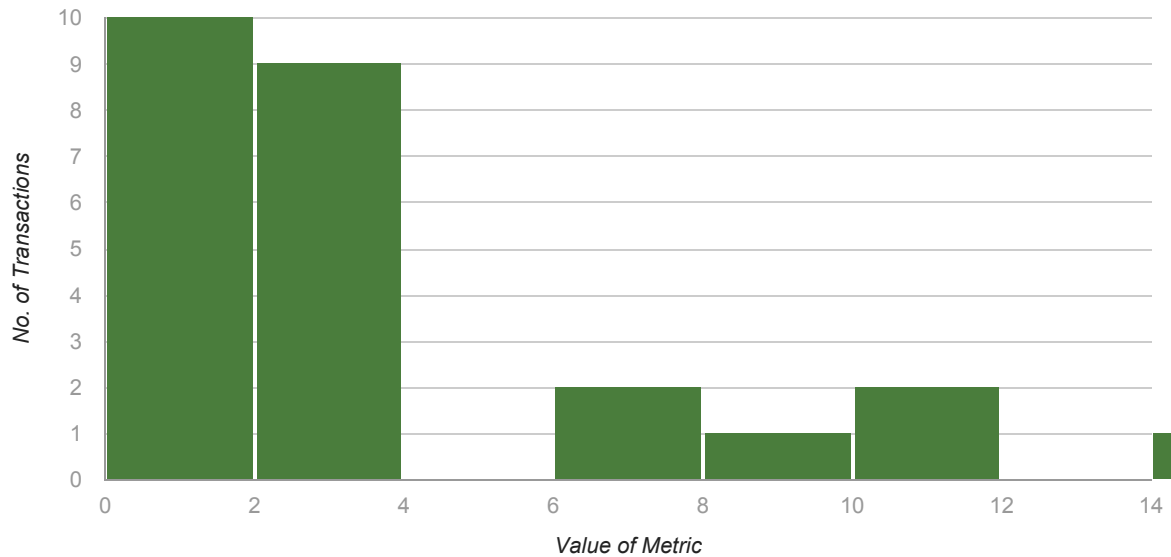
Price to Gross Profit = Selling Price/Gross Profit
Date range: 03/15/1999 - 02/28/2020



Source: DealStats

Count: 22 **Min:** 0.14 **Max:** 500.0 **Mean:** 28.8 **Median:** 2.52

Price to EBITDA = Selling Price/Operating Profit + Depreciation & Amortization
Date range: 03/15/1999 - 02/28/2020



Source: DealStats

Count: 25

Min: 0.14

Max: 29.07

Mean: 4.23

Median: 2.21

Price to EBIT = Selling Price/Operating Profit

Date range: 03/15/1999 - 02/28/2020

Selling Price, also known as MVIC (Market Value of Invested Capital) is the total consideration paid to the seller and includes any cash, notes and/or securities that were used as a form of payment plus any interest-bearing liabilities assumed by the buyer. The MVIC price includes the noncomplete value and the assumption of interest-bearing liabilities and excludes (1) the real estate value and (2) any earnouts (because they have not yet been earned, and they may not be earned) and (3) the employment/consulting agreement values. In an Asset Sale, the assumption is that all or substantially all operating assets are transferred in the sale. In an Asset Sale, the MVIC may or may not include all current assets, non-current assets and current liabilities (liabilities are typically not transferred in an asset sale).

Source: DealStats 2019 (Portland, OR; Business Valuation Resources LLC). Used with permission. DealStats is available at <https://www.bvresources.com/learn/dealstats>

Financial Benchmarks

The following financial benchmark data is based on annual financial statements submitted by member institutions of the Risk Management Association from Q2 of the first year listed through Q1 of the following year.

Financial Ratios (Chiropractic Clinics, Industry-wide)

MEASURE	2018-19	2019-20	2020-21
Current Ratio [?]	3.05	2.72	5.08
Quick Ratio [?]	2.93	2.59	5.03
Days Inventory [?]	1.28	1.17	0.69
Days Receivables [?]	48	58	166
Days Payables [?]	15.4	26.86	34.3
Pre-tax Return on Revenue [?]	13.57%	15.63%	14.39%
Pre-tax Return on Assets [?]	25.07%	33.37%	15.42%
Pre-tax Return on Net Worth [?]	40.69%	71.08%	26.00%
Interest Coverage [?]	22.51	38.95	33.73
Current Liabilities to Net Worth [?]	.22	.43	.22
Long Term Liabilities to Net Worth [?]	0.41	0.7	0.46
Total Liabilities to Net Worth [?]	.62	1.13	.69
<i>Number of Firms Analyzed</i>	<i>188</i>	<i>136</i>	<i>118</i>

Income Statement (Chiropractic Clinics, Industry-wide)

ITEM	2018-19	2019-20	2020-21
Revenue	100.0%	100.0%	100.0%
Cost of Sales	10.39%	12.58%	10.3%
Gross Margin	89.61%	87.42%	89.7%
Officers Compensation	8.85%	8.93%	8.7%
Salaries-Wages	21.3%	22.76%	27.27%
Rent	4.56%	4.74%	3.97%
Taxes Paid	2.71%	2.75%	3.11%
Advertising	1.07%	1.11%	0.61%
Benefits-Pensions	1.86%	1.99%	3.4%
<i>Number of Firms Analyzed</i>	<i>188</i>	<i>136</i>	<i>118</i>

ITEM	2018-19	2019-20	2020-21
Repairs	0.57%	0.61%	0.92%
Bad Debt	7.43%	7.31%	1.98%
Other SG&A Expenses	20.37%	17.1%	19.06%
EBITDA	20.89%	20.12%	20.68%
Amortization-Depreciation	1.87%	2.31%	2.86%
Operating Expenses	70.59%	69.61%	71.88%
Operating Income	19.02%	17.81%	17.82%
Interest Expense	1.3%	1.2%	2.05%
Other Income	-0.28%	-0.12%	-2.05%
Pre-tax Net Profit	18.0%	16.73%	17.82%
Income Tax	0.17%	0.32%	-0.07%
After Tax Net Profit	17.83%	16.41%	17.89%
<i>Number of Firms Analyzed</i>	<i>188</i>	<i>136</i>	<i>118</i>

Balance Sheet (Chiropractic Clinics, Industry-wide)

ASSETS	2018-19	2019-20	2020-21
Cash	32.36%	36.37%	48.71%
Receivables	6.28%	5.05%	4.14%
Inventory	1.45%	1.0%	0.59%
Other Current Assets	2.81%	4.34%	1.75%
Total Current Assets	42.91%	46.77%	55.19%
Net Fixed Assets	33.71%	28.64%	21.17%
Net Intangible Assets	12.9%	12.2%	16.21%
Other Non-Current Assets	10.42%	12.41%	7.45%
<i>Total Assets</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>
LIABILITIES			
Accounts Payable	1.22%	2.81%	1.58%
Loans/Notes Payable	20.01%	15.48%	22.8%
Other Current Liabilities	13.93%	12.22%	12.18%
<i>Number of Firms Analyzed</i>	<i>188</i>	<i>136</i>	<i>118</i>

LIABILITIES

Total Current Liabilities	35.15%	30.51%	36.56%
Total Long Term Liabilities	43.13%	33.82%	51.4%
Total Liabilities	78.28%	64.33%	87.96%
Net Worth	21.69%	35.7%	12.06%
Total Liabilities & Net Worth	100.0%	100.0%	100.0%
<i>Number of Firms Analyzed</i>	<i>188</i>	<i>136</i>	<i>118</i>

Vertical IQ financial benchmark data is based on data provided by the Risk Management Association (RMA) and Powerlytics, Inc. RMA's Annual Statement Studies provide comparative industry financial benchmarks based on financial statements of small and medium business clients of RMA's member institutions. Additional detail on income statement line items is provided using Powerlytics financial benchmarks, which are based on reporting submitted to the IRS. Additional detail on these data sources can be found at [RMA](#) and [Powerlytics](#).

Bank Product Usage

Top Bank Products Used by Chiropractic Clinics

The following table provides the frequency of bank product usage by Chiropractic Clinics with less than \$10 million in annual revenue. It is provided by Barlow Research Associates, Inc., the premier market research firm in the financial services industry.

BANK PRODUCT	% OF FIRMS
Business checking account services	98.0
Business debit card or business check card	76.0
Business savings or money market account	75.0
Automated clearing house services (ACH)	75.0
Overdraft protection for business checking	73.0
Point-of-sale credit card processing	71.0
Electronic payments initiated through the Internet (Bill Payment)	69.0
Business credit card issued in your company's name (Visa, MasterCard, Amex, etc.)	61.0
Payroll processing	44.0
Remote deposit capture (scanning checks at your office or by mobile device for electronic deposit)	38.0
Commercial real estate mortgage	37.0
Credit lines secured by receivables, inventory, property or other assets	35.0
Commercial real estate mortgage (company occupied building)	32.0
Money market mutual funds or short-term investments	32.0
Wire transfer services	31.0
SBA loans	30.0
Company sponsored 401(k), SEP, pension or profit sharing plan	30.0
Unsecured short-term loans or working capital line of credit (less than one year)	26.0
Certificates of deposit	19.0
Account reconciliation processing (ARP)	16.0
Term loans or equipment financing (one year +)	16.0
Commercial real estate mortgage (investment property)	14.0
Accounts receivable collection (lockbox)	14.0
Overnight investment or sweep accounts	8.0
International (foreign exchange, import/export letters of credit)	7.0
Equipment leasing	6.0

Barlow's Small Business Banking program is a multi-client research program sponsored by leading banks. Each quarter, a stratified random sample of businesses throughout the United States with sales between \$100,000 to \$10 million compiled from an independent list provider are invited to participate in a comprehensive banking survey of over 100 questions. The results measure channel adoption, bank satisfaction, brand power, account management, service quality, business product usage and the selling abilities of leading providers. The results in this chapter are calculated directly from the business product usage section and represent usage for the average small business (\$100K-\$10MM).

For more information on Barlow's banking research, go to <http://www.barlowresearch.com/>

Quarterly Insight

1st Quarter 2022

Medicare Telehealth Payments Extended, Expanded

The Centers for Medicare & Medicaid Services (CMS) issued a final rule for 2022 that provides for payment of various telehealth services through at least the end of 2023. Some of these reimbursable services fall under the category of “remote therapeutic monitoring” (RPM). The creation of these new RPM codes enables chiropractic providers to continue to provide care to patients who don’t feel comfortable returning to the office without losing the ability to submit for reimbursement through Medicare or Medicaid. Industry experts say that patients may be more likely to continue with their chiropractic protocol if they know that their visits will be covered through their federal insurance plan, since it has less impact on their monthly budget.

4th Quarter 2021

Federal Public Health Emergency Extended Again

The US Department of Health & Human Services (HHS) announced that the Public Health Emergency (PHE) declaration for COVID 19 will be renewed for another 90 days, beginning on October 18 (the date the PHE was previously scheduled to expire) and extending through January 12, 2022. The emergency measure linked to the PHE that may be of most interest to chiropractic clinics is coverage of telehealth services. Medicare and Medicaid coverage of telehealth services was extended immediately. Industry experts say that waiver of cost-sharing for medical and behavioral telehealth services by health insurers is likely to be extended again by insurers who have done so for earlier PHE renewals. Clinics should remember that HHS retains the discretion to terminate the PHE at any time.

3rd Quarter 2021

Visits Per Week Increase

Average patient visits per week increased more than 15%, from 142 to 168, in the latest Chiropractic Economics Salary & Expense Survey, measuring the pandemic months from April 2020 to April 2021. Chiropractors reported a surge of back and neck injuries from people adapting to working from home. The number of solo chiropractic practitioners increased roughly 6% to 63% during the period covered by the survey. Group practitioners/partners and associates decreased less than 1%, franchise owners increased to 1%, and urban practitioners increased about 3% to 30% while suburban and rural practitioners decreased less than 1%.

2nd Quarter 2021

Pandemic-related Pain Issues Continue

Chiropractors are seeing more patients with headaches, neck pain, shoulder issues, and lower back pain during the coronavirus pandemic. “The reality of life in the last year is that people are sitting more than we were ever designed to sit,” chiropractor Dr. Brandon Linatsas said. “We are built to move and working from home, we aren’t even going to the car to do our commute, we are just stuck on our chair.” Some chiropractors note the effects of increased stress that manifests itself physically. Demand for care for these issues may decrease as the pandemic wanes.

1st Quarter 2021

Colorado Chiropractors may Administer COVID-19 SHOTS

Colorado Governor Jared Polis has signed an executive order allowing health care professionals including chiropractors, dentists, and veterinarians to give vaccines to people “in hospital-like settings” where the state has already approved COVID-19 distribution. The order is intended to speed-up the distribution of COVID-19 vaccinations in the state. Polis said that the state is still on track to vaccinate 70% of Coloradans over age 70 by the end of February. The executive order is subject to renewal every 30 days.

4th Quarter 2020

Federal Public Health Emergency Extended

The US Department of Health & Human Services (HHS) announced on October 2 that the Public Health Emergency (PHE) declaration for COVID-19 will be renewed for another 90 days, beginning on October 23 (the date the PHE was previously scheduled to expire) and extending through January 20, 2021. The emergency measure linked to the PHE that may be of most interest to chiropractic clinics is coverage of telehealth services. Medicare and Medicaid coverage of telehealth services was extended immediately. Industry experts say that waiver of cost-sharing for medical and behavioral telehealth services by health insurers is likely to be extended again by insurers who have done so for earlier PHE renewals. Clinics should remember that HHS retains the discretion to terminate the PHE at any time.

3rd Quarter 2020

Florida Bill Would Allow Chiropractors to Give Nutritional Injections

A bill introduced in the Florida legislature would allow chiropractors to once again “administer articles of natural origin,” which the bill defines as “vitamins, minerals, amino acids, fatty acids, hyaluronic acid, enzymes, saline, antioxidants, dextrose, glandulars, cellular components, extracts, water, botanicals, phytonutrients, and homeopathics.” Chiropractors were once authorized to give vitamin and enzyme injections, but state law was changed in 1957 to only allow oral nutritional supplements. Florida allows pharmacists to give flu shots, and some patients across the US are expected to inject their own drugs. The practice covered by the proposed legislation is currently legal in Oklahoma, Idaho, New Mexico and Utah.

2nd Quarter 2020

Telecommuting Boosts Business

Many chiropractors say that they're seeing more patients with back and neck complaints. Industry experts cite the rise of telecommuting as a likely cause of the increase in back and neck complaints, as quickly converted home spaces may not be suitable for work sessions lasting eight hours or longer. The demand boost provided by telecommuting may be short-lived. Forty-eight states had begun easing social distancing restrictions by May 22. Most have announced phased approaches to shutdown rollbacks that follow guidelines from federal officials. Many states that have allowed healthcare services to reopen recommend that providers implement a system in which patients can wait in their vehicles prior to being called into offices for appointments. States also typically recommend pre-scheduled and spaced out appointments to minimize interaction between people.

Industry Terms

CA

Chiropractic Assistant.

DC

Doctor of Chiropractic.

Mixer

Chiropractor who combines spinal manipulation with traditional medical treatment.

Musculoskeletal

Involves tendons, muscles, ligaments, and joints.

RHC

Rural Health Clinic.

Straight

Chiropractor who focuses exclusively on spinal manipulation.

Subluxation

Abnormalities or misalignments of the spine.

Web Links

[American Chiropractic Association](#)

News, trends, issues provided by industry trade association ? ACA News.

[Dynamic Chiropractor](#)

News, trends, polls, and surveys.

[Chiropractic Economics](#)

News, trends, purchasing guides.

[National Center for Complementary and Integrative Health](#)

News, clinical studies, and research for alternative medicine from National Institutes of Health.

Related Profiles

Hospitals

NAICS: 622110 SIC: 8062, 8069

Medical Equipment Distributors

NAICS: 423450 SIC: 5047

Physician Practices

NAICS: 621111 SIC: 8011

Rehabilitative Therapy Practices

NAICS: 621340 SIC: 8049

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