Contractor Method
Of Starting a Practice

In the business world the term “Independent Contractor” usually refers to an individual who contracts to provide a particular service in exchange for a specific amount of money, i.e. an independent house painter contracts with you to paint your house for the sum of $2,365. However in the chiropractic profession, “Independent Contractor” typically refers to a D.C. who leases space from another D.C., with each D.C. practicing completely independent of each other.

The terms of the “independent contractor” lease between a start-up doctor and an established doctor, varies widely from one independent contractor to the other. What does the lease include? Lease items that need to be negotiated include use of the entire office, available office hours, lease payment due the established doctor, telephones, adjusting tables, exam equipment, x-ray, and, who files the independent contactor’s insurance, applies therapy, makes appointments, etc. Everything is negotiable and in some cases, the Independent Contractor may elect to pay for extras, i.e. specialized adjusting equipment.

THE ADVANTAGES OF AN INDEPENDENT CONTRACTOR ARRANGEMENT FOR A START-UP DOCTOR

- Lower start-up costs compared to starting a solo practice.
- Little or no investment unless the start-up doctor has to purchase equipment.
- The start-up doctor is practicing in a known proven location that is already recognized as a chiropractic office by the community.
- The established doctor has no control over how or when the start-up doctor practices.
- The start-up doctor has an affiliation with a successful D.C., which provides psychological and clinical support.
- If he’s smart, the start-up doctor will seek the advice of the established doctor and allow himself to learn from the established doctor’s experience.

This is the least expensive way to start a practice but it is also a very risky undertaking. Please read the following disadvantages section carefully.
THE DISADVANTAGES OF AN INDEPENDENT CONTRACTOR ARRANGEMENT FOR A START-UP DOCTOR

1. The start-up doctor is in competition with the established D.C., which creates stress between the two doctors.

2. Practice growth will eventually come to a halt because of space restraints. As both doctors build their practices, something has to give. The new doctor is usually evicted.

3. There is a loss of authority because the start-up doctor has no say regarding the management of the staff or how the practice is run, etc.

4. The staff always treats the start-up doctor as second best to the established doctor. This is natural considering who pays their wages.

5. The start-up doctor will not be able to resolve staff problems or alter office procedures without the consent of the established doctor. (Remember, the staff is loyal to the established doctor, not the start-up doctor.)

6. There is always the threat to the start-up doctor that he will be thrown out. And, when this happens, while the start-up doctor tries to acquire and remodel a new location, his patients will stay and be lost to the established practitioner.

7. If the start-up doctor practices with a less-than-successful established doctor, he will pick up bad practice habits that will plague him for the rest of his professional career.

SPECIAL INDEPENDENT CONTRACTOR BENEFITS FOR THE ESTABLISHED DOCTOR

1. His office can be open longer hours, and therefore be able to attract and see more patients.

2. He will enjoy extra income by collecting rent for his office and equipment while he’s not there.

3. If he has a lot of extra space, the established doctor can accommodate multiple start-up doctors, thereby, multiplying his income.

4. He essentially has a built-in buyer in the event he can no longer practice, or he decides to retire.
5. He has a built-in vacation-relief doctor. His patients will be happy to be treated by someone they know and not by a stranger who comes in once a year.

DECISIONS TO BE MADE

1. Non-competition agreement. Is one necessary, or not?

2. How much notice must the established doctor give the “independent contractor” before he throws him out?

3. What is the penalty for violating the agreement?

4. How should a non-solicitation be written?

5. What changes should be made to the office signage and at whose expense?

6. Who owns the office telephone numbers?

7. Should the agreement include a first-right-of-refusal clause?

8. How are new patients allotted?

9. Who owns the patient files?

10. Is the executed leasing-of-space agreement in compliance with IRS’s rigid definition of “independent contractor”?

COMPENSATION FOR AN INDEPENDENT CONTRACTOR

How Is The Independent Contractor’s Compensation Determined?

Important: When not prepared correctly, an Independent Contractor agreement can easily violate Federal Kickback Statutes - and many do.

1. Should the contract state the agreement is an escalating leasing-of-space agreement?

2. Who is responsible for expenses pertaining to conventions, post-graduate seminars, licensing fees, advertising, and malpractice insurance?
Does the Independent Contractor relationship seem complicated? Yes, it is very complicated. Do these relationships work? Yes! Long term? No! Partnerships don’t work for long and an Independent Contractor is a pseudo-partnership.

My advice to the doctor who starts his practice as an “Independent Contractor,” is to immediately start saving money towards opening his own practice. Odds are the Independent Contractor will be out and on his own within 24 months.

Think about it. Do you want to suffer through the work and expense of opening two different practices within a 24-month period of time? That should be motivation enough to start your new practice from scratch and not as an Independent Contractor. However, if you have decided on the Independent Contractor method of starting your practice - do it right, and get the most benefits possible out of the relationship by engaging and following the expert advice of a Practice Starters® program consultant.

Today, the Practice Starters® program guides about 25% of its clients into practice using the “Independent Contractor” method, 50% of our Practice Starters® program clients start their practices from scratch, and the remaining 25% purchase an existing practice.

Regardless of your preference on how to start your practice (Independent Contractor, starting from scratch, or buying an existing practice), you need the specialized services of the Practice Starters® program.

Why do you need expert guidance in starting your practice if you are going to begin as an Independent Contractor? Because the only difference between starting a practice from scratch and practicing as an Independent Contractor, is who you rent your space from - a doctor starting a practice from scratch rents space from a landlord, and an Independent Contractor rents space from another D.C.. Beyond that, the numerous other aspects of starting a new practice are the same … and, by following the Practice Starters® program, your success is assured.