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Time to Adjust

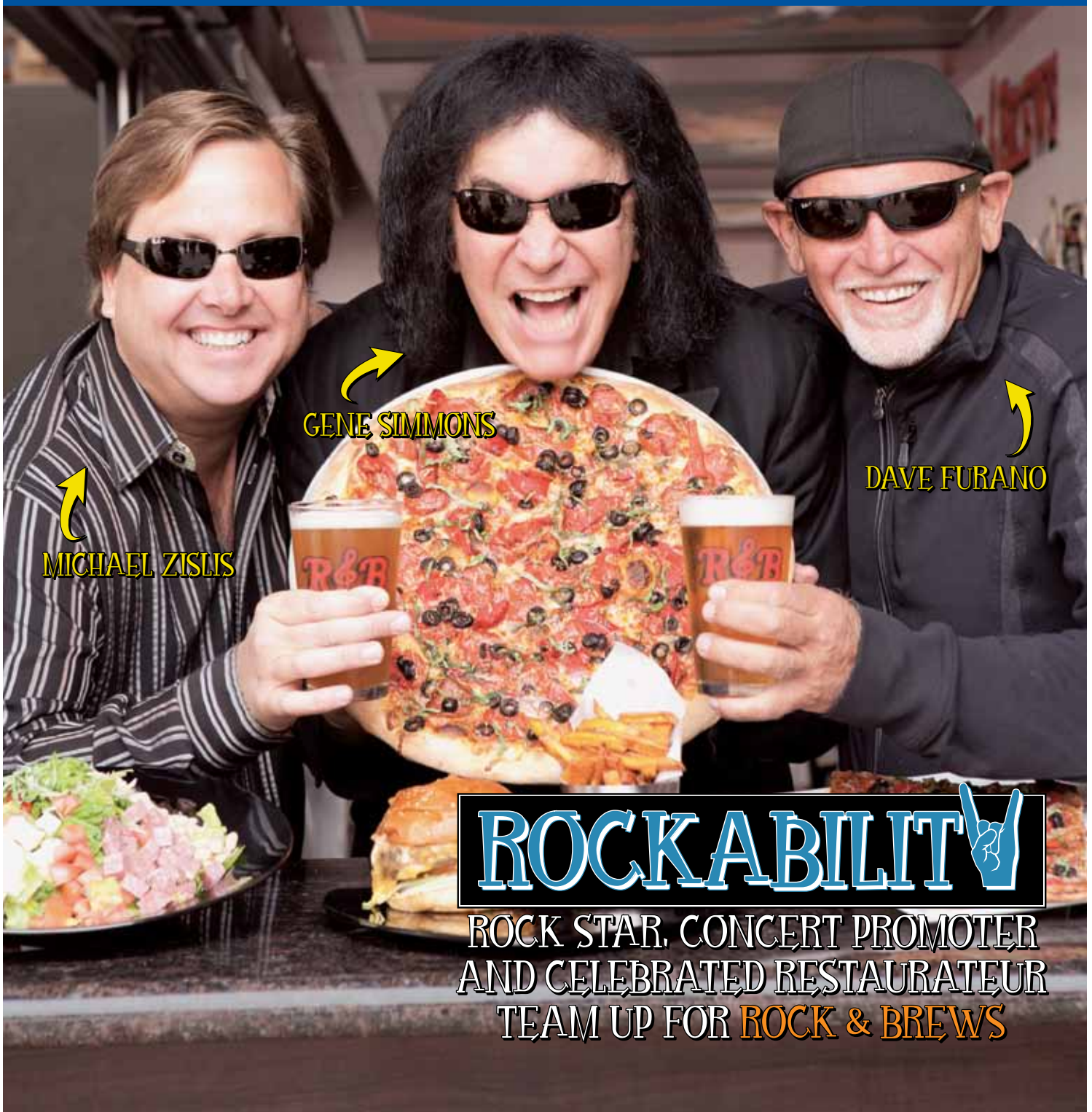
Many hands reach for chiropractic biz

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May 2012



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Industry Adjustment

Many hands seek share of chiropractic biz; 'devil' leads charge

By Beth Ewen

The founder of Massage Envy is starting to shake up the chiropractic business with The Joint—stores in high-traffic retail centers, open evenings and weekends, where the initial visit costs just \$19, no appointments are taken and no insurance or third-party payers are involved.

It's standard operating procedure for John Leonesio, CEO of The Joint Corp. in Scottsdale, Arizona. He's taken a consulting role this time around, lured in 2010 from "semi-retirement" by the investment group that bought The Joint and wanted to ramp up a nationwide franchise operation. The Joint has built 161 units in two years, twice as fast as Massage Envy's start, Leonesio said, which he built in six years to more than 600 locations before selling in 2008.

Also true to Leonesio's form, the model is rattling the chiropractic industry, marked by aging practitioners, declining revenue and baby boomers with bad knees and shoulders looking for easier access to their favorite "adjustments," as such services are called. "I met a lot of resistance with the massage industry, too. Most of them thought I was the devil and was going to ruin their industry, because we came in at a much lower price point," Leonesio said.

Instead, he claims, massage services are up overall in the past decade. "I think it's going to be the same thing here," he said about chiropractic treatments. "We think there's going to be a lot more people taking advantage of this service, which to me is the

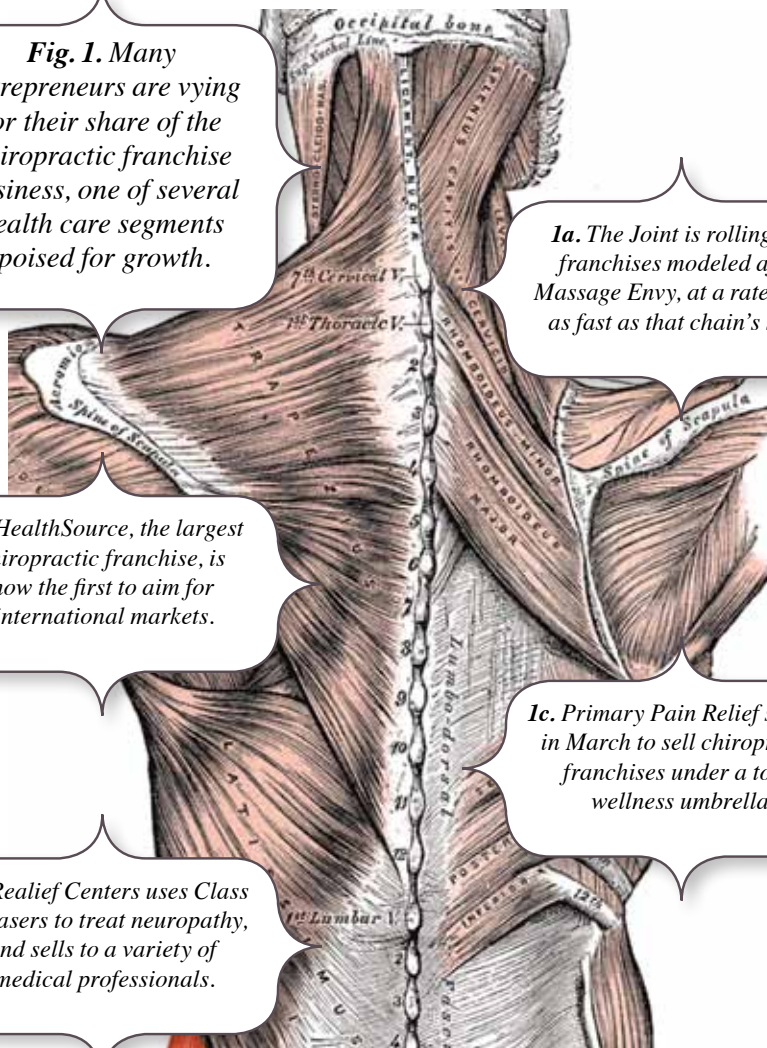
The Joint—depending on their point of view. And the industry leader, HealthSource Chiropractic & Progressive Rehab in Vermilion, Ohio, with 350 units, aims this year to become the first chiropractic franchisor to go international, with units planned in Canada, Singapore and Australia.

HealthSource founder Dr. Chris Tomshack proves there's more than one brash entrepreneur in this business. His goal: "We're going to do 10,000 clinics within the next 10 years," he said, although he didn't detail how such a feat would be achieved. "We are by far the largest. It's really easy to get complacent, but you can't get complacent because that's how you get knocked off. Besides, it's fun climbing the mountain. Let's keep climbing."

Time for a change

No one's disputing the chiropractic business needs to change. Many individual chiropractic offices are thriving, of course. But on the whole those in traditional businesses face declining payments—some report revenue cut by 60 percent. They complain about cumbersome reimbursement systems that require two or three full-time staff members just to chase fees. "The chiropractic industry has gone through a retrenchment because insurance companies have cut payments, so chiropractors are looking for ways to increase revenue," said John Power, who operates Biltmore Franchise Consulting in Phoenix. "That's

Fig. 1. Many entrepreneurs are vying for their share of the chiropractic franchise business, one of several health care segments poised for growth.



1a. The Joint is rolling out franchises modeled after Massage Envy, at a rate twice as fast as that chain's start.

1b. HealthSource, the largest chiropractic franchise, is now the first to aim for international markets.

1c. Primary Pain Relief started in March to sell chiropractic franchises under a total-wellness umbrella.

1d. Realief Centers uses Class IV lasers to treat neuropathy, and sells to a variety of medical professionals.

goal of any industry."

Chiropractors themselves, and at least two entrepreneurs who began rolling out their own franchise operations this year, are curious, worried, critical, defensive, dismissive, enthusiastic or competitive about

what our model does.”

Power is helping Dr. Steven Poulos, a dentist and entrepreneur in the Phoenix area, to launch a chain of chiropractic franchises called Primary Pain Relief. Poulos initially thought he would franchise his thriving dental business, which he markets as a “smile center” through his smilecntr.com website. Then he visited a chiropractor who worked on his shoulder, Dr. Jay McFarlane, who operates a practice with revenue more than twice as high as average. “He and I hit it off well just in terms of our chemistry and our thinking,” Poulos said, and now McFarlane has developed the model that Primary Pain Relief began offering to franchisees in March.

With a goal of five to 10 units opened this year, they’re marketing to new chiropractors, to owner/investors who could open a center and then employ a chiropractor—a practice that is allowed in some states—and to chiropractors with existing practices who want to convert. So far that last group has been most interested, Poulos said, probably because of the relatively low cost to convert. Total investment for an existing center to join the system is \$34,097 to \$51,097, Power said. To start a new center, the investment ranges from \$152,772 to \$311,172.



The approach contrasts sharply from The Joint, Poulos said, for a reason: “The Joint is very unwelcome by the chiropractic industry people, and the main thing they’re unhappy with there is the price points are set so low that it is somewhat degrading to the profession,” he said. He also touts his system’s flexibility, which contrasts with the HealthSource model that some chiropractors call “rigid,” he said.

Poulos acknowledged that his competitors would no doubt counter such claims—as The Joint and HealthSource executives did.

Yet another fledgling competitor, Realief Neuropathy Centers in Minneapolis, is taking a laser-focused approach toward franchising, literally. Dr. Timothy Kelm has done extensive research using a Class IV therapeutic laser to treat peripheral neuropathy nerve damage, a condition causing pain, numbness, tingling, burning and balance problems, and affecting cancer patients, peo-

ple with diabetes, and others. With one clinic open in a Minneapolis suburb, they’re working to secure pending agreements in a handful of far-flung states. The clinics will emphasize the rigorously built software and patent-pending protocol developed by Kelm, and will be marketed to a variety of health care professionals, from chiropractors to medical doctors to podiatrists.

(See story on page 38.)

Plenty of room

To HealthSource’s CEO and founder Tomshack, all the recent activity seems like an echo to something he’s pursued since 2006. He dismisses The Joint as not much more than a massage store, and rejects one of its key features—selling membership plans, where The Joint clients can get a certain number of adjustments each month for \$49. “By the way, memberships are illegal. They’re 100 percent illegal,” Tomshack said—again, a matter that Leonesio and state chiropractic boards that allow the practice would dispute.

Tomshack has loads of confidence. “There are no other competitors of any stature whatsoever that run a model anywhere near what ours is,” he said. “When a patient walks into our clinic they’re getting gold standard care. Gold standard today is better than it was six

Health care franchising ‘not for faint of heart’

Attorney Kevin Hein’s enthusiasm for health-care franchising comes with a warning: “This is not easy, and it is not inexpensive, and it is not for the faint of heart,” said Hein, who chairs the franchising and distribution practice at Faegre Baker Daniels in Denver.

Hein’s firm has a year-old specialty practice in health care and wellness franchising, and will hold its second annual conference on the topic October 24 and 25 in Denver—he calls it the only conference of its kind. The reason: Health-care franchises encounter more legal issues.

“You multiply by a factor of five or 10 the amount of legal services needed in health care,” he said. One-size-fits-all

models are more difficult to come by, too, than in sectors such as restaurants or car care. “You have to be more flexible in developing a model for health care, because there are so many different types of issues,” and they vary from state to state.

Ron Guthrie ran into that very situation after opening units of The Joint, three in Houston and two in Albuquerque. He’s not allowed to offer certain package deals in New Mexico, because the state’s chiropractic board won’t allow it. In Texas the practice is OK. “That’s been an eye-opener for me,” he said.

Hein said in a typical health-care model, a medical professional will

develop a concept and replicate it in a couple of places, in one state. “A

franchisor will come along and say, Let’s franchise. When they open in a different state, that’s when the chickens come home to roost because what they’ve opened in another state, it’s illegal. Then you have to un-ring the bell,” Hein said.



Kevin Hein

That being said, Hein notes a benefit in all those rules: “The regulations also create a nice barrier of entry to your competitors.”



Massage Envy's founder says he likes to 'keep franchising simple'

John Leonesio said he developed The Joint's model the same way he built Massage Envy's, and before that health clubs called the Q. "It's actually as simple as asking the customers what they want. When I try to do any of these businesses that are service-based, I don't change what the ultimate service is. I just want to change the way the service is delivered.

"Ask them what they want and if you can figure out how to give it to them and make money, you've got something," he said.

The Joint units are opening twice as fast as Massage Envy's did at the beginning, he said, because he and his management team know what they're doing—many worked with him before to build Massage Envy, and many franchisees of The Joint also own Massage Envy units.

"I try to keep my model simple, not a lot of moving parts. Franchising has to be simple. If you make it too complicated then you have to find people with specific skill sets to run it. If you keep it simple and then you build in a lot more infrastructure to support the franchisee, that works."

months ago. I believe that's why we don't have any competitors."

The HealthSource effort to expand abroad has him salivating over all those new patients—without the cumbersome reimbursement structure found in the United States. "Our goal is to take the very best chiropractic care globally, and to spread the usage," he said. He thinks as much as 35 percent of HealthSource's unit growth will happen outside of the United States.

Kevin Hein, a franchise attorney with Faegre Baker Daniels in Denver, believes the entire health care segment is ripe for more growth. What are the drivers? Health care reform, in whatever form it finally takes, will add millions of insured users able to access services. He compares that to a declining number of primary care doctors. "You realize we're going to have a real crisis in the delivery of health care," Hein said. "And then you look at the fact that franchising is going to be part of the solution, because what franchising does very well is deliver services."

He believes more and more consumers will shop for health care services just as they buy other items: "You find a brand you trust and you stick with that brand," Hein said. That's where franchising comes in. "Franchising is very good at developing brand awareness, and developing consistency in the brand offerings. Doctors, on the other hand, are not. Now when you combine the two you've got something."

One prominent Louisiana chiropractor, Dr. Dallas Humble, is gung-ho about the franchising trend. He is a regional developer for The Joint, based in West Monroe.

He even has a flashy vehicle wrap on his car that blares the name "The Joint—The

Chiropractic Place." "I absolutely love the name. The name is very catchy, and you need a name that's catchy," Humble said, acknowledging with a laugh that "joint" has other meanings, too. "I don't know of any novel idea that has grown that hasn't had to get through scrutiny to get there."

Humble's involvement is a coup for The Joint, because he can be counted among the profession's establishment. He can credibly refute any grumbling that The Joint's model undercuts traditional practices, he believes. "I was on that side," he said, "until I actually looked and realized that those concerns are unfounded."

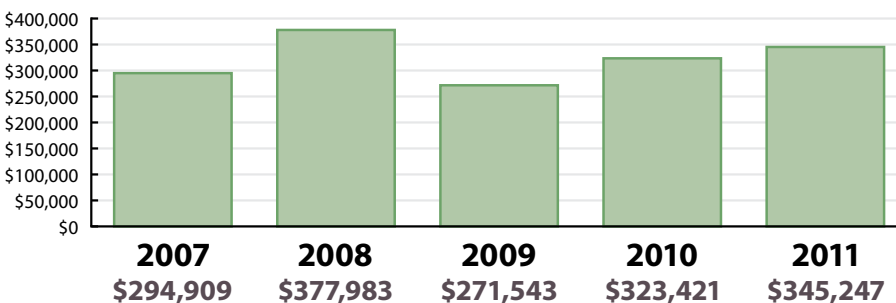
Specifically, Humble said, The Joint is not driving down the fees that chiropractors receive who bill through insurance. That's because such fees are set based on the average charges submitted to insurance companies by all providers. The Joint doesn't submit charges to insurance companies, hence "we're not affecting that average."

Humble admits he attracts attention when he motors about town with his vehicle wrap, or opens up another new unit called "The Joint." "We are creating a stir," he said. But his mission goes beyond attracting attention—he sees the health care delivery system as broken, and he thinks providing affordable, convenient and accessible services is one way to fix it.

"I take it when people are younger, creating a stir seems to stimulate them. At my point in life I want to do something that is significant," he said. "One of my chiropractic heroes used to say, 'Do something to change the world. Anything else is Mickey Mouse.' We're trying to change the world in the way health care is provided for the public." [FT](#)

Not great since 2008

Average gross collections by U.S. chiropractors



Source: Chiropractic Economics annual salary & expense surveys