

DC Recruitment & Compliance

Amy Karroum, Vice President of Human Resources
Dr. Steve Knauf, Director of Chiropractic & Compliance

<<Amy Karroum, Vice President of Human Resources-The Joint Corp.>>

All right. Hi. I'm Amy Karroum, and this is my friend, Dr. Steve. I'll tell you a little bit about my background. I joined The Joint four years ago. My background has been startup, high growth human resources. So I spent five years in homebuilding when homebuilding was the hot market. I spent three years in oil and gas when oil and gas was the hot market. And I joined The Joint four years ago because I believe the health and wellness is really where the future is going. Go ahead, Dr. Steve.

<<Steven Knauf, Senior Director of Chiropractic Operations for Arizona-The Joint Corp.>>

All right. And I'm Dr. Steve Knauf. I'm the chiropractor on the leadership group. I got my degree, my doctorate in chiropractic from Northwestern Health Sciences University in Minnesota. I've been with The Joint since 2011, started in the clinics, working full time for about four years, went to management level and has now been in this position going on in my third year here. I also am part of the state licensing board here in Arizona. I was appointed by the governor in 2017. And I also serve on a couple of other boards for associations within chiropractic as well.

<<Amy Karroum, Vice President of Human Resources>>

Okay. So we're really going to focus today on talking to you about our chiropractor DC recruitment. What's our vision? Who do we have on our team? What's the professional overview? Why chiropractors choose to work for The Joint and then The Joint model. What the clinical experience that they have working for us is? What we're currently working on and then a little bit about compliance.

So Peter mentioned this in the opening, one of the big part of our vision is to be the career path of choice for chiropractors. We say it that way because we're happy to have them work for us or be an owner, and this is all encompassing. So however you want to join our team, we want to have – we want to be the place that chiropractors want to go. Just a little bit about our team. On my team, I have human resources, corporate support for our corporate clinics. We have 50 corporate clinics now. So I have a team that supports the corporate clinic. I also have our recruiting team. And then they have our Director of Risk and Compliance Services. And then Dr. Steve also has a new member joining our team to focus on DC relations with the colleges and training.

So this question came up earlier today, I think, where are the chiropractic schools? So I think it's a helpful visual to get an idea of where those schools are nationwide. There's 19 campuses. They are definitely in little clusters, not evenly spread across the country as we would like. They graduate about 2,500 students per year, and there's approximately 70,000 licensed chiropractors in the country. If you lay this map across our map, you can get an idea of where we might have a little more challenge, kind of convincing the doctors to move further away from those schools where they graduated.

So you get an idea of where markets that might be a little bit easier to graduate students into and where we may have to help them decide to move when they graduate. So about 1,200 chiropractors currently in The Joint as employees. And then about 40% of our chiropractors have 15 or more years of professional experience post-graduation. We get about 23% that are Palmer grads, which is one of the biggest chiropractic schools, and then 16% came from Life University. Okay.

So Jason mentioned some patient research that he did recently, and we piggybacked off his patient research and did research with our chiropractic team. And we wanted to find out perception of our brand as an employer, what they're looking for when they're looking for a career path when they graduate, what they're looking for 15 years later, how do those interests changed. Really, it's an engagement survey, but bigger, because we looked at more than just the current doctors working for us. We talk to the schools, we talk to the associations, we talk to doctors that have left us. Just to get an all-encompassing view of how our brand is perceived.

And it was the first time anything like that's ever been done, and it was a really exciting initiative that we did. And we're going to use that information to really refine our recruiting messaging and make sure that the things that they're looking for in a company when they graduate or when they're looking for a career path that our messaging is clear that we're addressing those issues. We're also working on relationships with the schools constantly. You can see here it's a little bit light, but this is our lobby. At Sherman College, you can see it's a brand, it's The Joint Chiropractic. So these are huge steps for us and building those relationships with the colleges. And we continue to focus on that and continue to support the education process so the doctors go to – go through. So they see us as supporting their career path.

Okay, so why do chiropractors choose The Joint? So this is out of that research study that I talked about. There's definitely some reasons why they like this model. The doctors mentioned not having to do marketing. If they were to start their own independent practice, right, they would have to deal with insurance, they have to deal with marketing, they would have to find patients. Here, what they really enjoy is that they can just be a chiropractor. They can just come to work and just do what they wanted to go to school for. So that's really what makes this model attractive to those professional chiropractors that might have 15 or more years of experience. They might have had an independent practice in the past. They may have struggled and, my gosh, I don't want to run my own company anymore. I want to do what I want to do, which is just be a chiropractor. We find that students are interested in our model because they can get a lot of experience quickly. They don't get a ton of adjustments experienced in college. They get more adjustment experience working one week at The Joint than they probably got in their entire student experience, just with the amount of volume that we push through the clinic. And of course, the DC pass the ownership program that Eric mentioned during his presentation. It's a great opportunity for chiropractors to join our team, get the experience, get to know the model and then potentially have that ownership piece down the road.

<A – Steve Knauf>: So we talked about the simple model, and I just kind of want walk you through maybe a day in the life of in one of the clinics. And you actually heard David talked to this earlier, starting with just what does the staff look like in our clinics? It's really very simple. We have a front office worker, and we start off with one chiropractor working in the back office. As patient visits continue to grow, we see patient volumes increase or the number of new patients increase, we need to start adding doctors, staff into the clinic. But even running at three or four, running very high capacity

clinics, managing only four staff is a much different world than when you have to manage about 20 or 30 as David was talking about.

Now how many of you have been in The Joint clinic? Have you ever visited? I see a lot of poor posture out there. So you definitely have to go there. I think you should definitely go and check it out. I think a lot of you could benefit. But what our doctors are typically seeing in the day is somewhere around 60 patients. That's what they should be able to see in our clinics. If you think about your traditional medical practice and you think about all the time that you spend, either with your primary care or an urgent care, like how do doctors see 60 people in a day? I spend an hour and a half just waiting to see the doctor by myself. How do they get through 60?

But we have a really very focused model. All we do, our consultation, exams and adjustments. And so it allows our doctors to focus on the chiropractic adjustment. If many of you had visited other chiropractors or other models, traditional ones might add exercises, rehabilitation, stretching, they might hook you up to electric stim and shock you a little bit. And those are all things that we just don't spend time doing with our patients. And we're getting really incredible results in affecting the lives of the people that we do see and treat by focusing on the adjustment.

I think one of the questions that we get asked probably most often, I know Peter has gotten in on some of the calls, well, when is that you're going to do something than the adjustment or are you ever going to? And the answer that's been given is, it's just a matter of timing. There's not a week that goes by where we don't get some proposition for weight loss or stem cell injections or [indiscernible] mattresses, pillows, there's a lot of other things out there that chiropractors can do and get involved in, but we're just not there yet. This is a really successful model. It's really very easy for our doctors. It's really very easy for our franchisees, and we're focused on this right now.

One of the other things that we typically get questions about is how do we know that we have good doctors and staff in our clinics? We've got a lot of non-doctor owners owning these clinics that may not know much about chiropractics. So how do we know that we have good doctors? And this is kind of how we determine that. First of all, our doctors have to be licensed in the state in which they're practicing. It's similar with other providers. There's the licensing board, there's the one that I sit on here that looks at any issues with chiropractors, make sure that they don't have it if they're not doing it well. So that's kind of our first layer of protection for chiropractors in our system. Our able to be covered by malpractice work with the three required vendors right what our limits are, the requirements for the malpractice coverage.

They understand who needs to be covered so that all the parties are covered appropriately and we're making sure that we're covering ourselves from a liability standpoint. In that malpractice process, there is also some checking into, have there been previous claims with these chiropractors, because that starts to affect the insurance premium as well. So they have to covered by our policy and our limits as the second layer of protection. Thirdly, doctors at The Joint have to complete our training.

And we need to have certification of that, and we track that as a system, full-time part-time doctors. I think it's funny, people say, well, why do to be a chiropractor? That's what you go. What else is there? And actually it's really very different when you practice as a chiropractor in model versus an insurance

model. In an insurance model, to you out of need, out of necessity. Often, they don't have a lot of options in who their provider are.

You're either in network or you're out of network, and so a lot of these determinations are already made for them. It's different in a cash practice. Patients are electing your care, and they're really voting for you with their dollar. Didn't necessarily have to see. They can take that money that's not necessarily the flexibility that you have in insurance kind of payment systems.

Our doctor is received training not necessarily in the clinical side of things, but what they receive training in is how do you interact with patients? How do you just provide a really great patient experience? How do you connect with your patients? And that's what really starts you set us apart from other just providers, in general. I don't think a lot of providers are worried about this doctor-patient relationship. Often, it's I'm here to diagnose you, I'm here to treat you and you're on your way.

And that can't be the mindset or the mentality in our model. One of our things that we talked about is having routine care with our patients. We're going to be around our patients a lot in this model. And if we're not continuously providing value or they don't like coming to us, they're going to stop really, really quickly. And so a lot of our chiropractic training, a lot of our doctor training focuses on how to build these relationships with patients, how do they communicate effectively, so that they understand the value and the benefits of ongoing chiropractic care.

That's really where our focus is. Of course, there's also some medical training on top of that. We'd like to make sure that our doctors are up to date on practices, but really that's more what school and continuing ed is for. Switching gears a little bit in compliance. We're going to talk a little bit about the professional corporation structure. So you heard Eric Simon up here earlier talking about some of the hurdles that franchisees have in this system versus concepts, and he mentioned the PC model. So I just want to briefly cover what that is, why it's here and how we comply with that in all of our states. The PC model stands for our professional corporation model. So there are states that limit the practice of medicine in varying degrees. And by that, I mean, some state set it up so that only licensed professionals can own the clinic or the practice. In other states, that's not an issue. You can be a nonlicensed individual and you can own a chiropractic clinic. So for example, California is a PC state where you have to be a licensed provider to own and operate a chiropractic clinic.

So what does it look like for our franchisees? How do we comply? How do we manage that? And really, what we do is we manage that through a system of contracts that really set up the responsibilities for each role in the – that participate in the clinic. And it's really broken down by three parties. You have your PC.

This is the doctor, this is the licensed individual who owns the practice and PC states. Next up, you have your franchisee. Your franchisee acts as a management organization. And so they can do all the on-site management of the clinic. This is making sure that the equipment is in the clinic. It's maybe hiring the wellness coordinators, training the front office staff. They can have – they can do payroll for the PC in some states.

So it just depends on what the state allows or does not allow. And then we have the third leg here is the chiropractors in the clinic who obviously practice and provide care to the patients. And really the PC

model, you have contracts between all the parties that lay out all the responsibilities and roles and clarifies it, and what this does is it ensures that licensed individuals are properly overseeing the clinical side, and franchisees or unlicensed individuals are participating in the clinic and the capacity that they can. And again, it varies by state.

And so it's really important that as we go into these states, our franchisees work with local health care attorneys to understand those little nuances in each state rule or regulation. Now I tend to spin this a little bit in franchisee training and discovery day because a lot of franchisees are not interested in this complication. They think there's a lot of extra paperwork for them. They don't want to do it. It's more legal work potentially. But for me, what this actually does is it sets a franchisee up with a chiropractic partner.

Now Amy spoke to the DC survey that we did earlier this year. What we found out is that DCs who worked under a doctor or who worked under a PC are much more likely to be satisfied with their job with The Joint than they are working with a non-doctor. And so there's built-in chiropractic partner in the PC model that kind of serves as the bridge between the business side and the clinical side. They know how to speak to the chiropractor, they can engage about chiropractic and they can help the franchisee or the management organization really understand the chiropractic side of the business. So even in non-PC states, I still encourage franchisees to find this chiropractic partner who they can work with in this capacity. This is just really formalizes the relationship.

The other thing is – this is really the first big brand in chiropractic, which is interesting, typically the chiropractic profession is defined by a lot of independent owners and practitioners, and a lot of doctors operate that in that model one way or another. And what's interesting is that when we bring on other chiropractors into our system, we really have to define what it is we do in our clinics because there has to be a level of consistency between all of our clinics.

One of the things that's in scope of practice for some chiropractors, and they actually do this, is they'll use crystals to work on the energy of patients. Now that's not anything we do at The Joint currently or maybe future, who knows, we'll see when it comes. But we don't do it now. And so we need to define what is our scope of practice at The Joint, and make sure that our doctors understand what it is we do and what we don't do. We enforce that through our standards enforcement protocol.

Now this is a protocol really for the total operations of the clinic in which we say, look, here's what we do, here's what we don't do. If you're not following the rules, here is the process for how we get you back on our team and within guidelines. This includes everything, including clinical services, products if we ever get to that point.

Like I said, this is definitely something that we can control. I think there's maybe a misperception that there's too much oversight on the clinical practice of chiropractic. But it's really very similar to what trauma centers do. If you look at trauma center levels, you have a levels 1 through 5. In trauma center levels of 1 offer way more services than a level 5 does. And so really what we're doing is just we're defining what it is we do within chiropractic, and our provider's responsibility is making sure that they provide the services safely to their patients.

The Joint Corp. Investor Day

Unedited Transcript

June 3, 2019

Key takeaways. Recruiting and retaining DCs is critical. In achieving Joint's growth goals. 1,000 clinics, 1,700 clinics requires a lot of doctors. Right now we have about 1,200 in our system working under The Joint Chiropractic model. What is 1,700 look like? We know that we need to add doctors staff as clinic volumes grow. So not only are we opening new clinics, but we're growing our existing clinics. So what is staffing look like for that? And that's really where our partnerships with the schools and other professional associations comes into play.

We also have to have an effective compliance programs that protects the patients, doctors and investors, while adding to our reputation as the leader. It's interesting being really the first big brand in chiropractic. A lot of people tend to look at you differently because you're doing something that hasn't been done before. And so us to be buttoned down on compliance is really very important for us. And it's a key to our success in building that culture of quality and trust that I'm going to talk about later in a second here about.

Any questions? Do you have the microphone?

Q&A

<Q>: So do you find that there is a pretty robust acceptance among the chiropractic community for The Joint's concept? Or do you find there's a lot of resistance out there in terms of corporatization and what you're doing?

<A – Steve Knauf>: Yes. That's a great question. So I started in 2011 under the CEO, John Leonesio, CEO. And so I watched a lot of this progression and maturity of The Joint Chiropractic over the last few years. And it certainly started out that we were competition. We're undercutting the profession. We're something new, different, we're the McDonald's, we're the Walmart of chiropractic. And that's just completely not the case. We heard some presentations on the usage of chiropractic. There is so much available out there that we don't have to be fighting over the 16%. Our model is looking to grow it. We can get outside of that 16%.

So our reputation has been improving. It started really with our partnership with Sherman, and we are able to give a pretty generous donation to them. We've been invited to several college campuses. And so at this point, it's just about having those conversations face-to-face. This isn't about undercutting the profession. This is about providing a different level of access to care that just doesn't exist out there right now. And just having that conversation is starting to turn the tide for us. So it's certainly getting better.

<A – Amy Karroum>: I would just add to that, too. I think, initially, when the model came out, there was this belief that this won't work, right? Patients aren't going to do that. They're not going to go to a strip mall to see their doctor. And I think the patients have spoken, and they don't have a choice now, but to believe that it will work and it is increasing the availability of chiropractic. And so I think time has kind of forced them to be more accepting of the model.

<Q>: Is corporate actively recruiting docs? And then sort of helping them figure out where in the chain they can work? Or are you not at that level as far as helping the actual franchisee hire?

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<A – Amy Karroum>: Yes. Actually, I have recruiting – I have individuals on my team that were recruited on the corporate clinic side and on the franchise clinic side. So both. Yes, we are doing both.

<Q>: Thanks. I just had a question on malpractice. In light of your high compliance standards, just wondering if you can give us a sense of what the incidents of malpractice cases are in industry? And then how Joint compares to that?

<A – Steve Knauf>: That's a good question.

<A – Amy Karroum>: I know that when we looked at – I don't recall exactly the incident rate in the industry, but I know ours is much less, and a lot of that has to do with the simple model. So because we're not doing all these other things, we're not treating injury victims, we're not treating people who have these – or are doing wellness chiropractic. Our incident rate is much less. I can't give you the exact number and I don't want to filter out a wrong statistic. But I can tell you, much better than the average. And that's reflected in our malpractice rates within the carriers.

<A – Steve Knauf>: And if you look at chiropractic as a whole versus other providers, one of the ways that you measure safety of a profession is by the premiums they pay for malpractice insurance. So you look at the neurosurgeons whose annual premiums could be through the roof because through the roof because there's a lot of risk with their profession. And if you look at chiropractors, the malpractice premium for chiropractors is typically below \$3,000 a year. It's such a safe profession to operate within. And to Amy's point, to expand a little bit. You look at what are some of the common incidences, chiropractic is really a hands-on profession. And so a lot of the complaints tend to be dealing with doctors inappropriately touching patients, which we have actually eliminated through the use of our open bay – not eliminated, but reduced quite a bit. There is just not as much risk being in an open room with other patients and other providers, whereas behind closed doors or closed rooms, you are more likely to have those kind of claims.

<<Amy Karroum, Vice President, Human Resources>>

Anything else? Okay, thank you.