

## How to Establish Your Fees

By Kevin McNamee

When you are in business, a key point to remember is that you have to make enough money to not only cover your practice expenses (such as rent; employee salaries; and malpractice insurance), but also enough to pay for your living expenses (such as your home mortgage; food; utilities; retirement; savings; etc.). If you are not making enough to meet these financial demands, both at home and in the office, you cannot stay in business. What good are your healing skills if you are unable to keep your doors open to see patients? The truth is you must be an excellent healer and a good businessperson in our society.

Another key point remember is that you are in the free world, with an open market system. This means you may charge whatever you want for your services if the market allows (i.e., if your patients are willing to pay for it). If you are able to be paid a million dollars for treatment, congratulations and enjoy, because this fee is probably too high and you will soon be out of business. Conversely, if your fees are too low, the market might not find value in your services, and patients might not come to see you. Patients will pay for services based on the perceived value.

There are six areas to evaluate when establishing your fees in the marketplace.

1. **Guess.** Guessing what to charge has three outcomes, two of which are bad. The first outcome is that your fees are **too high** for what the market is willing to pay, and thus patients cannot afford you. The second outcome is that your fees are **too low**, and you are not making enough to survive. The third is very unlikely, but you could be right on target.
2. **Workers' Compensation Fee Schedule.** Those states that cover Oriental medicine through workers' compensation have established a fee structure for your services. Usually, the fee schedule is determined by each state based on an average for that service. The problem with this method is that the average may be too high or too low, depending on the location of your practice in that state.

3. **Your Cost Per Patient.** Compute your practice expenses for the month, such as salaries, leases and supplies. Add to that figure your salary to pay your home mortgage; insurance; food; utilities; retirement; fun; etc. Divide this total by the average number of patients you treat per month. This will give you your cost per patient. This is not necessarily what you should charge, but it does give you a minimum. Any fee below the cost per patient means you are losing money on each treatment and will be out of business quickly. This is an absolute bottom line for your fee structure. If you just opened your practice, or are seeing fewer than 30 patients per week (130 patient visits per month, which is 30 visits/week x 4.33 weeks/month), then use 30 visits per week to do your calculations to set a reasonable goal for making the practice support itself (and you).
4. **What Your Colleagues in the Area Charge.** You can obtain this information by attending the state professional association meeting in your local area. Ask those in attendance what they charge for specific services. Most are very happy to help. Another way to do this is to draw a five mile radius on a map and call the office of those colleagues within the circle. Ask each one what they charge for a specific service. If you call during a non-patient time and are very clear as to the purpose of the call, more often than not, the doctor will be happy to help.
5. **What the Insurance Companies Will Pay.** The claims forms you and your patients submit to the insurance companies are tracked by both your office zip code and the fee charged for each service. By compiling data from all practitioners in your zip code, the insurance company is able to compute the average cost for a specific service like acupuncture. Unfortunately, this is often confidential information and is not released, even to insurance company employees. When an explanation of benefits is sent to your office, it usually lists what the insurance company is willing to pay for a service, not necessarily the average in your area. However, it gives you another number to use for computing your fee schedule.
6. **What the Market Will Bear.** Using all of the above information, establish your fees keeping in mind that ultimately, your fees are based on what the market will pay. This is what the market perceives as the value of your service. If the market (meaning your patients) feels the service was worth \$75 and pays for it, then it is worth \$75 in the marketplace. If the patients do not want to pay for this, then the service may be priced too high or too low.

Using the six methods above, establish your fees and periodically re-evaluate them based on what the patients share with you in both actions and words.

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