2016 PT Benchmark

Charting a course,
is about knowing where to begin.

PT Benchmark 2016 Report

SoreJointsPT
Sample Data

June 2016

CONFIDENTIAL

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PT Benchmark 2016 Executive Summary

PT Benchmark 2015 was conducted during the first half of 2016, using data from fiscal year 2015. Sixty-one (61) different companies with 112 locations from across the country participated. A company had the option of submitting multiple locations in one data file. If a company submitted multiple locations in one data file the average was used for the calculations and comparisons so that all reporting could be based on location data. The total for the company was included where appropriate. Collectively the locations served over 89 thousand new patients, with over 949 thousand visits totaling over $92 million in payments.

The report is divided into four parts:

- Part 1 discusses the results of the whole group (n=112) with commentary on the findings.
- Part 2 shows a customized comparison of each location's performance to the whole group.
- Part 3 provides a comparison of each location to its PRIMARY peer group (over or under $1MM in collections) while also providing the averages for other peer groups to allow easy comparison across multiple groups.
- Part 4 shows a comparison of key stats over the most recent five studies using data from locations earning at least a ten percent (10%) profit in any given year.

The primary expense category is labor, accounting for an average value of 65% of services income. Net Operating Income (NOI), or profit, averaged 14% and varied from a loss of 34%, to a profit of 32% of services income.

Productivity averaged 1.171 visits per paid hour of licensed personnel, and 0.580 visits per hour for all staff. The services income generated per licensed FTE staff member averaged $229,348 while showing a significant variation in the productivity of practices. If your arrival rate is less than 88.9% you are performing below average. If the Days in AR (DAR) (Net AR balance ÷ Average Daily Charges) is greater than 37 you are worse than the average.

Part 4 examines trends in the industry by comparing key metrics from the five most recent years studied: FY2011, FY2012, FY2013, FY2014 and FY2015. The trends analysis examined 494 locations over the most recent five years which earned at least a ten percent (10%) Profit (Net Operating Income) in a given year.

Benchmarking studies provide objective data that can be used to compare your performance to that of similar companies. These reports help a practice owner or manager pinpoint any inefficiency in their practice and fine tune their practice to improve its financial and productivity performance.

PT Benchmark 2016
Part 1

Group Report
With Commentary

Accounts Receivable Metrics Measuring Speed of Collections

The amount of net AR (total AR less liens) compared to the average daily or monthly charges are an indication of how quickly the AR is being collected. This is a quick and easy method for determining if the size of your net AR is appropriate compared to your charges. It helps answer the question: *"Is my AR too big?"* This metric is the first to examine, and then look at the AR aging profile.

Days in AR (DAR): Net AR Balance to Average Daily Charges

The most common way to examine overall AR activity is to calculate the Days in AR, commonly known as DAR. The ALL average of 37 is in the typical range in the history of PT Benchmark and indicates that the average claim is settled in 37 days. The formula is: ***Net AR ÷ Average Charges per Day*** *($131,000÷($300,000÷90) = 39)*. Use at least a three-month average for the charges and days to help smooth out the variances. Most people use 30 days per month. In PT Benchmark we used 30 days per month (or 360 for the year). See **Table 1.15**.

Table 1.15. Days in AR (DAR) and ARC Ratio.

	ALL Avg	GRP A Avg	GRP B Avg	MULT Avg
DAR (Net AR ÷ Average Daily Charges)	37	33	39	39
ARC Ratio (Net AR ÷ Average Monthly Charges)	1.25	1.09	1.30	1.31

ARC Ratio: Net AR Balance to Average Monthly Charges

The formula is: ***Net AR ÷ Average Charges per Month*** *($136,000÷$100,000 = 1.36)*. Use a three month rolling average of charges to reduce the impact of change in any given month. For the purposes of this study we used the twelve-month average. **Table 1.15** shows the ARC Ratio; the ALL average was 1.25. The lower the ratio, the faster the charges are being collected.

At least one of these metrics should be monitored on a monthly basis and they could be used in developing an incentive program for personnel responsible for billing and collection functions.

Reducing the time to collect improves cash flow and typically tends to improve the total amount collected. As charges age they become more difficult to collect, particularly the portion owed by the patient. Practice owners can improve their collection efforts by obtaining the correct billing data upon entry into the system, submitting clean claims, performing timely follow-up and monitoring the aging patterns closely to reduce the amount of AR greater than 90 days. Collection decisions should be made early to provide the best opportunity to collect the funds.

Keeping close watch on these metrics (DAR or ARC Ratio) along with the aging profile of accounts receivable is critical to securing the maximum payment. It is a good idea to monitor this by financial class since different payers have variable rules, payment strategies and timetables. Financial class reporting allows you to closely monitor each payer and the performance of staff responsible for a given area.

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PT Benchmark 2016
Part 2

All Participants
Comparison Report

Part 2 - ALL Participants Peer Group Report

Demographics

Table 2.02. Physical size of facility in square feet.

	SoreJointsPT	ALL %tile	ALL Avg	RM Avg	RN Avg	RS Avg	RW Avg
Total Square feet	2,500	26%	3,615	4,721	3,402	3,548	2,951

If you reported on more than one location, the numbers in Tables 2.02, 2.03 & 2.06 represent the average of your locations

The "%tile rankings" in blue reflect that it's hard to make a value judgment on this is metric. In other words, is it good to be high or low in this metric? Therefore I changed the color and the icon. These icons simply indicate where you stand in relationship to the median. This concept is repeated for other metrics later in this report.

Icon Key Indicating Relationship to the Median
- = in the "highest" quartile
- = in the middle 50%
- = in the "lowest" quartile

Sources of Income

Table 2.03. Sources of income by dollar amount.

	SoreJointsPT	ALL %tile	ALL Avg	ALL n=	RM Avg	RN Avg	RS Avg	RW Avg
PT Services Income	**$740,000**	53%	**$798,310**	112	**$1,010,705**	**$700,986**	**$646,639**	**$860,578**
Other Services Income	$3,750	20%	$37,359	66	$47,119	$23,598	$48,604	$35,251
Misc. Income		0%	$6,884	61	$13,632	$5,161	$1,352	$5,586
Total Income	$749,750	52%	$824,074	112	$1,052,809	$721,033	$664,821	$885,453
Services Income	$743,750	52%	$820,325	112	$1,044,630	$717,592	$664,461	$881,729

Table 2.04. Sources of income by percent of total income.

	SoreJointsPT	ALL %tile	ALL Avg	RM Avg	RN Avg	RS Avg	RW Avg
PT Services Income	99.5%	49%	97.6%	97.0%	98.4%	96.8%	98.2%
Other Services Income	0.5%	17%	4.1%	4.1%	2.3%	8.7%	2.9%
Misc. Income		0%	0.7%	1.1%	0.7%	0.2%	0.6%
Total Income	100.8%	85%	100.4%	100.7%	100.5%	100.0%	100.4%
Services Income	100.0%	0%	100.0%	100.0%	100.0%	100.0%	100.0%

Cancel + No-Show Rate and Arrival Rate

Table 2.05. Cancel + No-show combined percentage.
Arrival rate is the reciprocal and puts it in a positive context.

	SoreJointsPT	ALL %tile	ALL Avg	ALL n=	RM Avg	RN Avg	RS Avg	RW Avg
PT Cancel + No-Show Rate	9.6%	21%	11.1%	79	10.7%	10.5%	14.8%	8.9%
PT Arrival Rate	90.4%	79%	88.9%	79	89.3%	89.5%	85.2%	91.1%

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Comments Regarding the Part 3 PRIMARY Peer Group Report

Welcome to the **Part 3 PRIMARY Peer Group Report** which provides for easy comparison across all peer groups. In this peer group report each location receives a percentile ranking compared to its PRIMARY peer group, along with seeing the average for that peer group. The PRIMARY peer group is defined as either:

- **GRP A** (Group A): <$1MM in Annual Services Income
- **GRP B** (Group B): >=$1MM in Annual Services Income for a company or location

We use these two peer groups as the primary groups since over the last 14 years' larger locations or companies have consistently earned greater profits than smaller locations or companies. We have learned that once a location or company exceeds $1MM in annual collections their profit tends to improve. We have also seen some smaller locations or companies earn similar or greater profits.

In addition to the primary peer group comparison, this peer group report provides the averages of the other peer groups for easy one page comparison to all groups, even those you are not part of.

The additional peer groups are:

- **MULT** (Multisite): Those locations that are part of companies with multiple sites. Throughout the history of PT Benchmark companies with multiple sites often outperform those with single sites.
- "X Group" Locations: Each year we identify those locations that have earned at least a 10% profit and term these the "X Group" (for the Roman numeral X = 10). We consider a 10% profit as the minimum for a long term sustainable practice. In this report we provide two "X Groups" for comparison:
    - **"X" FY15 Avg**: This is the peer group consisting of locations that earned at least a 10% profit during Fiscal Year 2015 (FY2015). These locations are part of this year's PT Benchmark study and therefore are included in Group A or Group B. The average is listed as "X" Avg to remind readers that the lowest profit among this group is 10% which is why the average is much higher than that of GRP A, GRP B or MULT.
    - **"X" 5 YR Avg**: This peer group consists of those locations that earned a 10% or greater profit in any of the fiscal years included in the last five PT Benchmark studies. Therefore, this includes FY2011 to FY2015. This group consists of 494 locations from 218 companies that participated in PT Benchmark over the most recent five studies including this year's study. Some of these companies have participated in more than one study. Not all metrics are included as this special data set only recorded key metrics.

In this Part 3 Peer Group Report the first yellow column indicates your result while the second yellow column indicates your percentile rank compared to your PRIMARY peer group – either GRP A or GRP B. The columns to the right show the average for each of the other peer groups described above.

Demographics

Table 3.02. Physical size of facility in square feet.

	SoreJointsPT	GRP A %tile	GRP A Avg	GRP B Avg	MULT Avg	"X" FY15 Avg	"X" 5 YR Avg
Total Square feet	2,500	58%	2,638	4,247	3,758	3,550	3,425

If you reported on more than one location, the numbers in Tables 3.02, 3.03 & 3.06 represent the average of your locations

The "%tile rankings" in blue reflect that it's hard to make a value judgment on this is metric. In other words, is it good to be high or low in this metric? Therefore I changed the color and the icon. These icons simply indicate where you stand in relationship to the median. This concept is repeated for other metrics later in this report.

Icon Key Indicating Relationship to the Median
- = in the "highest" quartile
- = in the middle 50%
- = in the "lowest" quartile

Sources of Income

Table 3.03. Sources of income by dollar amount.

	SoreJointsPT	GRP A %tile	GRP A Avg	GRP A n=	GRP B Avg	MULT Avg	"X" FY15 Avg
PT Services Income	**$740,000**	75%	**$565,106**	44	**$949,207**	**$805,557**	**$793,130**
Other Services Income	$3,750	37%	$22,648	19	$43,305	$32,321	$37,889
Misc. Income		0%	$3,447	23	$8,964	$8,000	$4,810
Total Income	$749,750	73%	$576,688	44	$984,148	$828,814	$814,873
Services Income	$743,750	73%	$574,886	44	$979,139	$824,866	$812,949

Table 3.04. Sources of income by percent of total income.

	SoreJointsPT	GRP A %tile	GRP A Avg	GRP B Avg	MULT Avg	"X" FY15 Avg
PT Services Income	99.5%	30%	98.6%	97.0%	97.7%	97.6%
Other Services Income	0.5%	28%	3.2%	4.4%	3.8%	4.7%
Misc. Income		0%	0.6%	0.8%	0.8%	0.5%
Total Income	100.8%	88%	100.3%	100.4%	100.4%	100.2%
Services Income	100.0%	0%	100.0%	100.0%	100.0%	100.0%

Cancel + No-Show Rate and Arrival Rate

Table 3.05. Cancel + No-show combined percentage.
Arrival rate is the reciprocal and puts it in a positive context.

	SoreJointsPT	GRP A %tile	GRP A Avg	GRP A n=	GRP B Avg	MULT Avg	"X" FY15 Avg	"X" 5 YR Avg
PT Cancel + No-Show Rate	9.6%	26%	10.3%	30	11.4%	11.8%	11.8%	10.5%
PT Arrival Rate	90.4%	74%	89.7%	30	88.6%	88.2%	88.2%	89.5%

Part 4 – Trends Report

PT Benchmark 2016 continued a long history of our Annual study on the business aspects of physical therapy practices. **Part 4 – Trends Report** compares key metrics of locations earning at least a 10% profit during any of the five most recent reports.

Over the last five years 494 of 785 (63%) locations earned a ten percent (10%) or greater profit (termed the "**X Group**" for the Roman numeral X = 10) in any given fiscal year to be included in this analysis. This standard was chosen to reflect a minimum profit level that would allow for continued growth and financial viability of the practice.

This analysis used data from:

- 65 of 112 (58%) locations from PT Benchmark 2016 (FY2015)
- 79 of 116 (68%) locations from PT Benchmark 2015 (FY2014)
- 85 of 153 (56%) locations from PT Benchmark 2014 (FY2013)
- 114 of 194 (59%) locations from PT Benchmark 2013 (FY2012)
- 151 of 210 (72%) locations from PT Benchmark 2012 (FY2011)

FY2011 showed the highest percentage of locations earning a 10% or greater profit in the most recent five-year history of PT Benchmark.

The purpose of this analysis is to review key metrics from the five most recent studies to examine trends in the industry. The study size and limited number of repeat participants indicates that any findings may be subject to chance and the different sample populations rather than actual differences between each year. Throughout this report the year will refer to the **fiscal year** studied: FY2011, FY2012, FY2013, FY2014 or FY2015. The "**5 Year Avg"** column refers to analysis performed on the national data set of 494 locations representing over 4.0 million visits with over $414 million in payments across the five years.

Location Volume & Profitability

As volume increases economies of scale develop and contribute to higher margins. In all five years Group B locations or companies that generate >=$1MM in annual income have had a significantly higher profit margin than those locations or companies that generate less than $1MM in annual services income (Group A). In this group that generated a profit level of 10% or more both groups are represented, Group A comprising 24%, Group B comprising 76% of the locations. See **Table 4.01**.

Table 4.01. Average Services Income and Net Ordinary Income.

	FY2011	FY2012	FY2013	FY2014	FY2015	5 Year Avg
Services Income	$785,007	$834,152	$811,124	$1,004,264	$812,949	$839,582
Profit (NOI)	18.1%	20.3%	20.0%	24.4%	19.8%	20.3%

Visits per New Case (Patient)

The number of visits per new case (patient) is commonly used as a limiting factor by payers to control costs and limit benefits. A lower or a higher number of visits is not directly indicative of the quality of care or of the severity of the dysfunction being treated. The average number of visits per new case has shown an increase over the last two years compared to the prior three years. See **Chart 4.09** and **Table 4.10** for details.

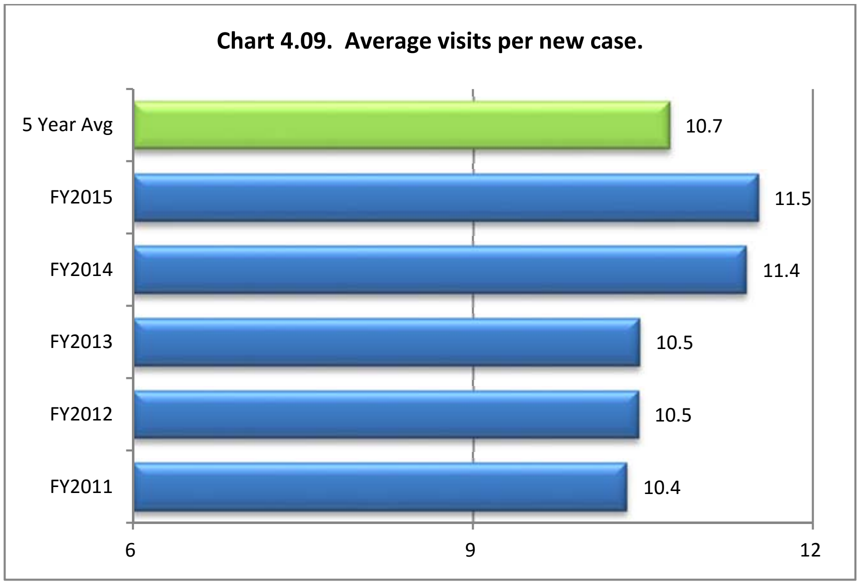

Table 4.10. Average number of visits per new case (patient) and year to year change.

	FY2011	FY2012	FY2013	FY2014	FY2015	5 Year Avg
Visits per new patient	10.4	10.5	10.5	11.4	11.5	10.7
Change from previous FY	-4.2%	1.0%	0.1%	9.0%	0.9%	na
As % of 5 Year	97%	98%	98%	107%	107%	na

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