Physical therapy practices are facing increasing business complexity. Payors and patients are pushing for reduced payments while expenses continue to rise. During the 1980s and 1990s, it was easy to open and maintain a profitable practice. Increasing regulation and payor demands have made a once-simple business complex.

In today’s environment, business skills are at least as important as clinical skills, and possibly even more so. Practices need to plan better, monitor more, and adapt faster to earn a profit. Many practices continue to do well, but many are struggling. Having the right information and knowing how to use it can make a significant difference in the practice.

Business benchmarking provides owners with evidence-based guidelines to support their key business decisions. It is all well and good to monitor company performance over time, but it can be quite eye-opening to compare the performance of your company to that of other similar companies. New patients and visits are the lifeblood of any practice, but it is just as critical to focus on coding, charging, and collecting appropriately to keep the business viable.

Knowing how your company compares to its peers regarding income and expenses can assist you in planning, monitoring, and adapting. Cutting expenses only helps so much. Growing income and improving productivity are the keys to sustainable growth.

The following examples using data from PT Benchmark 2008 provide insight into how practice owners and managers can use objective business data to improve the business aspects of their practice.

Facility expense is an important fixed expense. Table 1 indicates that company Thought It Was Busy PT either has a facility that is too big and too expensive, or has insufficient revenue per case and per visit. The expense side is above the median, while the

NEXT LEVEL, continued on page 22
Electronic Medical Records, Scheduling System & Billing Services

✓ Professional and Customizable Electronic Medical Records
✓ User Friendly Appointment Scheduling with advanced features
✓ Home Exercise Program and Treatment Protocols
✓ Built in Fax, Email and Scanning capabilities
✓ Designed BY Therapists, FOR Therapists!

Web-Based version also available.
Get started for as little as $59 per month!!

We provide billing services at a reduced rate and interface to most billing systems including hospital systems using HL7!

“This system was built with efficiency in mind. Creating a daily treatment note takes as little as 45 seconds.”

“I switched to QuickEMR from another documentation system. I am already documenting in half the time, and the system paid for itself the first month.”

“...Above all, your willingness to listen to our requests and adapt the program to suit our practice’s needs has made the transition to QuickEMR smooth and we appreciate that you are constantly striving to make your system even better.”

“...We researched MANY Physical Therapy documentation programs before deciding to purchase QuickEMR. QuickEMR has been the perfect choice for our Physical Therapy practice.”

Dan Vogelbach, PT, ATC/L  President
Sports Specialty & Rehab Center

Efren Barrientos, RPT  President, Local Quality Care

Dan LaPlaca, M.Ed., ATC, PT  President, PRO Physical Therapy, Inc.

Michael Schwahn  CEO / Administrative Director, LIFE Rehab Services, Inc.

Call Today for an online demonstration (888) 495-4080
Visit us at www.QuickEMR.com
income side is below the median. These objective data could guide the owners in taking appropriate actions to change these factors and improve profitability.

Any business needs to generate a reasonable profit to remain sustainable. Table 2 provides an example of where company Is It Worth It PT should focus its energy. Labor and fixed costs are above the median, while variable expense and profit are below the median. Management should focus on reducing labor cost, improving productivity, and reducing fixed expenses.

Productivity is the key income driver for any practice. Table 3 indicates that company Giving It Away PT should probably perform a treatment charge review, as it appears the therapists are undercharging, or it may have a poor payor mix. For example, Medicare pays $118 per hour (based on reimbursement of therapeutic exercise CPT Code 97110 x 4 for company location), and the company revenue per hour is $89 with 1.1 visits per hour.

Getting paid in a timely manner is an ever-increasing struggle for practices. Company Great Staff PT averages $180K per month in charges. Net accounts receivable (liens removed) total is $320K, or 178 percent (53rd percentile) of the average monthly charges. These figures indicate that the accounts receivable staff is doing a good job. The owner’s task is to monitor this area monthly to make sure that they continue to do well. Consistent cash flow is vital to a small business.

Practice owners should have a plan, a budget, and a consistent monitoring system, and then use the business evidence to guide their decisions. Knowing how you compare to similar businesses can strengthen your resolve and help you communicate with your staff.

To learn more about PT Benchmark 2009, our seventh annual study, which is being conducted during the spring of 2009, please visit www.HCSconsulting.com.

Charles R. Felder, PT, SCS, ATC, MBA, principal of HCS Consulting, Inc., can be contacted at CFelder@HCSconsulting.com.

Reference: