

# Business Benchmarking to Improve Your Practice

By Charles R. Felder, PT, SCS, ATC, MBA

**Editor's Note:** 2008 marks the sixth anniversary of the *PT Benchmark studies on the business aspects of physical therapy practice*. **HCS Consulting** will be producing the **PT Benchmark 2008 report**. PPS has an agreement with HCS Consulting and encourages you to participate in the study to receive a customized report showing your practice's performance in relation to your peers. PPS members receive a discount for participation. For more information, call 949-280-3449 or contact the PPS office.

Benchmarking takes many forms. We are all familiar with performance benchmarks for baseball players and other athletes. We are familiar with clinical benchmarks for treating patients. But do we know the key benchmarks for drivers of business success for PT practices? In the current environment of increasing costs, diminishing reimbursement, and difficulty finding staff, it is critical that owners of PT practices know how they are performing and which areas to monitor closely.

Most large companies have systems in place to monitor their productivity and profitability within their network, but they do not share this information. However, many PT practices are "mom and pop" operations lacking the resources or training to track the key drivers. And even if they do track them, they don't know whether their results are good or bad, since they have nothing to compare them to.

During my 30-year career in physical therapy I've watched the industry change dramatically, and the last few years have shown a marked increase in third-party-payor efforts to reduce reimbursement and limit care for financial reasons. The conflicting issues of reducing reimbursement and increasing costs demand that practice owners pay close attention to productivity, income, and expenses or they may suffer the financial and emotional pain of watching their business wither.

During my MBA training I was amazed at the amount of benchmarking data available for most industries, including physicians and dentists, and saddened by the lack of data for physical therapy. As a practice owner for over 20 years, I frequently spoke with colleagues about their financial performance, but, as you can imagine, it's difficult to share this sensitive data.

This situation spurred me to find a safe, secure, and confidential way for PT practices to share key productivity and financial data, and PT Benchmark was born. As far as I've been able to determine, this is the only publicly available information on the business aspects of PT practice. I like to call it evidence-based business practice.

*PT Benchmark 2007* was the fifth annual study on the business aspects of PT practices. This study on fiscal year 2006 business aspects of PT practices involved 95 locations from across the country. The study results are broken into two peer groups, but for the purposes of this article I'll speak about the overall results for both groups and provide round numbers. The actual report is much more specific.

As in all service businesses, the highest expense is for labor. The median for labor costs, including all wages, employer taxes, incentives, and a standardized wage for the owner's labor, was 58 percent of income. However, there was a wide range, from a low of 27 percent to a high of 85 percent.

Variable costs (those that tend to vary with volume or are relatively easy to change, like continuing education costs, supplies, etc.) and fixed costs (those that are mandatory or more difficult to change, like rent, utilities, professional fees, etc.) had a combined median of 29 percent of income. The results ranged from 10 percent to 70 percent.

Any business must consistently make a profit to remain in business and provide a reasonable return for the risk its owners take. The median profit in this study was 11 percent of income, but once again there was wide range, from a loss of 23 percent to a profit of 38 percent. If PT practices do not make a reasonable return, they may not be able to continue to provide a service to their community and jobs for their employees.

Another key driver is staff productivity. Traditionally our industry has used number of visits as the key productivity measure. Last year's study showed a median of just over one visit per hour of paid time per license. When you use time available for clinical care (excluding paid time off and meeting time) the median was 1.16 visits per hour, with a range of 0.6 to 2.3.

## *Letter to the Editor*

Dear Editor,

I just read the fibromyalgia Q and A feature in your magazine and was extremely disappointed. Most PTs I have met are in agreement that fibromyalgia is a disorder associated primarily with depression. Unfortunately, the group information disseminated by PTs and now *Impact* magazine seems to ignore the research and facts about this garbage-can diagnosis.

Instead, the Q and A feature feeds into the "mystery" of the disorder with this recommended press release. Please do us all a favor and remove this from your list of prepackaged press releases. It does us more harm than good and provides another hurdle to negotiate when educating people "diagnosed" with this supposed disorder.

Sean Hayes

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I believe a better productivity tool is collections per hour. The median collected per licensed clinical hour was \$101, with a range of \$57 to \$191.

Practice owners can use this information to better manage their costs and make intelligent decisions regarding the insurance contracts they accept. Third-party payers are aggressively pushing lower reimbursements, and owners need to make informed decisions before accepting these contracts or they risk the viability of their practice.

To learn more about *PT Benchmark 2008*, our sixth annual study, being conducted during the spring of 2008, please visit [www.HCSconsulting.com](http://www.HCSconsulting.com). ■

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This article was based on *PT Benchmark 2007* by Charles Felder, HCS Consulting, published in 2007.