How to Open a Private Physical Therapy Practice

PERSONAL ROAD

Always wanting to go into Private Pract, I took positions in which I was always learning. Starting with Staff, to Senior, finally to administrator. At some point I was paralyzed to make a move due to financial uncertainty. This kept me in place working for a publicly traded company. Stress from unethical practices led to a stroke.

Which lead to the best decision ever made. I would like to share the information learned over the years.

Adam Geril, PT
Tim Richardson, PT

Speakers
Speakers (cont’d)

- Adam Woods, VP Commercial Banking First Avenue
  Bank

Adam Geril, PT Bio

- Education
  - University of Massachusetts – B.S. Exercise Science
  - Boston University – M.S. Physical Therapy
  - University of St. Augustine – Doctor of Physical Therapy

- Professional Experience
  - Health South – Area Administrator
  - Columbia/HCA – Assistant Administrator of Outpatient Operations
    - Director of Physical Rehabilitation
  - Strive Physical Therapy
    - Chief Operations Officer
    - Vice President of Clinical Operations
  - GERIL.THERAPY
    - CEO

Previous experience

- Regional Administrator over
  - Occupational Medicine Clinic – Outpatient rehab
clinics in three different counties.
- Ran a managed care arrangement, Company
  Care, for HCA in Marion County.
- Assistant Administrator over
  - outpatient operations
  - Chief Operating Officer
  - Chief Executive Officer
Why do you want to open a Private Practice?

- Many Physical Therapists who work for someone else think about starting their own practice.
  - Sounds great! Be your own boss! How difficult can it be?
  - Get a loan, hire people, rent a space, and get patients.
- Starting a business is a lot more complicated and difficult than you may think.
- You need to answer a few questions for your self first.

Vision 2020

- Financial
  - Will you earn more being an owner vs an employee? Depends on many variables.
- Independence
  - Wikipedia defines Independent business as a term of distinction generally referring to a privately owned company (as opposed to those companies owned publicly through a distribution of shares on the market). Independent businesses most commonly take the form of sole proprietorship.
- Autonomy
  - Autonomous Physical Therapist Practice VISION 2020
  - Physical therapists accept the responsibility to practice autonomously and collaboratively in all practice environments to provide best practice to the patient/client. Autonomous physical therapist practice is characterized by independent, self-determined, professional judgment and action.
  - This in my opinion includes financial as well as clinical decisions on the patient and the clinic's behalf.
Vision 2020

- APTA supports exclusive physical therapist ownership and operation of physical therapy services.
  http://www.apta.org/uploadedFiles/APTAorg/About_Us/Policies/HOD/Practice/PhysicalTherapistOwnership.pdf
- The purpose of the section (PPS) is to foster the growth, economic viability, and business success of physical therapist-owned physical therapy services provided for the benefit of the public, and to promote exclusive physical therapist ownership of physical therapy services.
  Private Practice Section-APTA Bylaws as amended November, 2002

Is There Opportunity for me to start a Business in this Economy?

- Forbes.com
  - Small businesses are the engines of job creation in the United States
- Entrepreneur Magazine
  - There are between 25-27 million small businesses in the United States that account for 60-80% of all jobs in the US.
  - There are resources available to start small business

Small Business Questions

- Small Business Assessment Tool (SBAT)
  - Would people who know you say you are well suited to being self-employed?
  - Do you consider yourself a leader and self-starter?
  - Would other people consider you a leader?
  - Do you have enough confidence in yourself and your abilities to sustain yourself in business when things get tough?
  - Do you like to make your own decisions?
  - Would others consider you a team player?
More Questions

- **Motivation**
  - Are you willing to invest a significant portion of your savings or net worth to get your business started?
  - Are you prepared, if needed, to lower your standard of living until your business is firmly established?
  - Are you willing and prepared to take on debt?
  - Are you willing to commit long hours to make your business work?

- **Support and feedback**
  - Do you have support for your business idea from family and friends?
  - Have you discussed your business idea or proposed business with a coach or counselor, such as a faculty advisor, Small Business Development Center counselor, or colleague who is already in business?

- The full SBAT which includes additional questions assessing understanding of finances, marketing methods, and more is available online at [www.sba.gov/assessmenttool/index.html](http://www.sba.gov/assessmenttool/index.html)

Resources

- **Free Online Training**  [http://www.sba.gov/training](http://www.sba.gov/training)
- **SCORE**  [http://www.score.org](http://www.score.org)
- **Small Business Development Centers**  [http://www.sba.gov/sbdc/sbdcnear.html](http://www.sba.gov/sbdc/sbdcnear.html)
The Road to Private Practice

When to go into Private Practice

- Recommendations from the APTA:
- 3 years out:
  - These recommendations are loose. The specific recommendations are to be mentored in a private practice setting given the complexities of ownership.
- Experience – This can be started at anytime with the right mentorship in place.

Ownership Models

- Modeled after how medical and dental practices develop partnerships.
Ownership Model

How do you Start

- Questions to ask your self
  - Do you have the referral sources??
  - They can consist of
    - Physicians
    - Employers
    - Payors
    - Patients – word of mouth

Discuss confidentially with your most trusted physicians what your intent is and determine if they will be supportive.

- Questions to ask
  - What is your physicians demographic, ie from what area do they draw most of there patients from.
  - What is there intensity of use: How many patients do they typically refer to PT per year, month, week, day
  - Can that be corroborated with historical referrals to you or anyone in your professional circles.
**Physicians**

- Do they have any other professional relationships that you may lose referrals too.
  - Other PT's
  - Chiropractors
  - Massage therapists

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**Employers**

- Do you have relationships with
  - Risk Manager
  - Director of Human Resources
  - Company Nurse
- How many employees
- What is their experience mod (injury rate)
- Do you expect to have equipment and education to provide Occupational Rehabilitation.

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**Payor’s**

- Relationships:
  - Medical Directors
  - Nurse Case managers
  - Provider relations specialist
### Patients
- Will you be opening in a demographic where prior patients can find you?
- If not, will prior patients travel to find you.
- If you are, how will your prior patients find you?

### Answers to the Questions and what you do with it
- Physicians – Yes
- Employers – Yes
- Payors – Yes
- Patients – Yes

Looks like a no brainer, doesn’t it?
- This is just the background information you need in order to determine if you should look at it with more detail.

### Site Selection
- Location, Location, Location
  - Visibility – High Traffic Count
  - Ease of Entry and Egress
  - Adequate Parking
- Make sure you are in the Center or as close to the center as you can for your desired demographic.
  - Secure a 3 ring demographic study
- Get comparisons for similar sites and real estate
- Make sure that your lease meets all your business and financial needs
  - Consult with a seasoned Real Estate Agent
  - Consult with a Real Estate Attorney
Detail

- Proforma – Turning the background information that you received into a logical evidence based projection.
  - Step one – Data mine the demographic
    - Determine the epicenter of your demographic
    - From the information that you received from your physicians, employers, payors, and past patients determine the zip codes that you would be serving.
  - Step two – Determine the population in that demographic by age, income, insurance, etc.
    - Nielsen Site reports - http://www.claritas.com/eReports/
    - Solucient - http://www.solucient.com - Large institutions
    - Zip skinny - http://zipskinny.com - Free
    - ERSI - http://redlandsbaoapp1.esri.com - Free by segment
    - Demographics Now - Accessible through the Public Library – http://infotrac.galegroup.com/default

Market Segment Research

- Why do the research, when someone has already done it for you?
  - Cost – Between $1,000-$5,000
    - Often gives you more information than you need

Use Rates

- What percentage of the market population will utilize your service.
  - Utilize consulting companies such as PT benchmarks to determine use rates
  - Determine your own
    - Average size of your clinic
    - Number of visits seen per month, year
    - Know your competition in your demographic and include them in your numbers
Budget

- Population
- Use Rate
- Competition based on size
- A Forecast of New patients can be determined
  - Confirm this with the background data determined by interviews with physicians, payors, employers and patient loyalty.

Determine your own Use Rate

- The Power of your local library
  - http://library.marioncountyfl.org

How to determine Use Rate

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2011A Consumer Expenditures (Average Household Annual) Health Care Detail

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Care Insurance</td>
<td>$1,525.44</td>
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<tr>
<td>Health Care Services</td>
<td>$760.43</td>
</tr>
<tr>
<td>Health Care Supplies And Equipment</td>
<td>$873.61</td>
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<tr>
<td>Health Care: Insurance</td>
<td></td>
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<tr>
<td>Blue Cross / Blue Shield</td>
<td>$380.21</td>
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<tr>
<td>Commercial Health Insurance</td>
<td>$188.15</td>
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<td>Health Maintenance Plans</td>
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<tr>
<td>Medicare Payments</td>
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<td>Medicare Supplements</td>
<td>$163.48</td>
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<tr>
<td>Health Care: Other Services</td>
<td></td>
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<tr>
<td>Convalescent/Nursing Home Care</td>
<td>$9.26</td>
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<tr>
<td>Lab Tests and X-Rays</td>
<td>$34.10</td>
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<tr>
<td>Other Medical Services including Rentals</td>
<td>$14.82</td>
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<tr>
<td>Services by Non-Physician Professionals</td>
<td>$51.70</td>
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<tr>
<td>Health Care: Services</td>
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<tr>
<td>Dental Services</td>
<td>$287.60</td>
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<tr>
<td>Eyecare Services</td>
<td>$37.07</td>
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<tr>
<td>Hospital Services</td>
<td>$57.01</td>
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<tr>
<td>Hospital Services Other Than Room</td>
<td>$67.65</td>
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<tr>
<td>Other Medical Services</td>
<td>$109.88</td>
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<tr>
<td>Physician Services</td>
<td>$201.22</td>
</tr>
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</table>

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2011A Consumer Expenditures (Average Household Annual) Total

- Total Household Expenditure: $50,099.18
- Non-Retail Expenditure: $28,746.12
- Retail Expenditure: $21,353.06
Use Rate Equation

- **USE RATE FORMULA =** Total utilizers of PT / Total Health Care Expenditure
- This is in a specific and defined population

Available New Patients per Year

- Total Households Health Care Expenditure = $3,150.48
- Total available households utilizing Physical Therapy Services = $109.88
- Percentage of Use per Population = $109.88 / $3,150.48 = .035 or 3.5%
- Apply this to the total Population within the Target area Total Households = 28,149 x Use Rate = .035
- Total Available Households utilizing Physical Therapy = 985.2 per year.

Budget

- **Charge Master**
  - Gross Charges – The average gross charge per patient
    - Survey your community
    - Physical Therapy clinic owners
    - Data bases such as PT Benchmarks
  - Contractual – Based on the contracts that you will sign this will be the agreed upon discount you will be giving the payor based on your fee schedule.
- Net Income = Gross charge – contractual discount
- With this data you can develop the Revenue Budget
Revenue Budget

Proforma

<table>
<thead>
<tr>
<th>Patient/yr</th>
<th>19</th>
<th>18</th>
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<tbody>
<tr>
<td>Total visits</td>
<td>5,980</td>
<td>5,000</td>
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<tr>
<td>Ave # of visits</td>
<td>$140</td>
<td>$180</td>
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<tr>
<td>Br Rev</td>
<td>$524,200.00</td>
<td>$601,856.98</td>
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<tr>
<td>MED</td>
<td>$114,224</td>
<td>$283,855</td>
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<tr>
<td>Net</td>
<td>$357,876</td>
<td>$318,001</td>
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<tr>
<td>Ave Visit Rev</td>
<td>$985.22</td>
<td></td>
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<tr>
<td>Ave Pt/day</td>
<td>3,180</td>
<td></td>
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<tr>
<td>Ave Alos</td>
<td>10</td>
<td></td>
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<tr>
<td>Ave Pt/chg/vst</td>
<td>$140</td>
<td></td>
</tr>
<tr>
<td>Ave PT - OTchg/vst</td>
<td>144</td>
<td></td>
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<tr>
<td>Total</td>
<td>$227,052</td>
<td>$271,282</td>
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<tr>
<td>Per Visit Net</td>
<td>71.4%</td>
<td></td>
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</table>

Expense Budget

- Salary
- Fixed
  - Rent
  - Leases
  - Professional Services – Accountant, Legal
  - Professional Dues
- Variable
  - Office Supplies
  - Medical Supplies
  - Telephone
  - Electricity

Salary Expense Budget

<table>
<thead>
<tr>
<th>EXPENSES</th>
<th>Year One</th>
<th>Year Two</th>
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<tbody>
<tr>
<td>SALARY</td>
<td>$90,100</td>
<td>$94,605</td>
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<td>FICA</td>
<td>6,928.66</td>
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<td>SLTA</td>
<td>754</td>
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<tr>
<td>FUTA</td>
<td>224</td>
<td>757</td>
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<tr>
<td>BENEFIG</td>
<td>18,020</td>
<td>18,921</td>
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<tr>
<td>Total exp</td>
<td>$115,993</td>
<td>$124,074</td>
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<tr>
<td>Salary Assumption</td>
<td>$480,000</td>
<td>$12.1%</td>
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</table>

Salary Expense Budget

<table>
<thead>
<tr>
<th>Expense</th>
<th>Year One</th>
<th>Year Two</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director – PT</td>
<td>$80,000</td>
<td>$80,000</td>
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<tr>
<td>PTA</td>
<td>$30,000</td>
<td>$30,000</td>
</tr>
<tr>
<td>Total</td>
<td>$100,000</td>
<td>$100,000</td>
</tr>
</tbody>
</table>
### Fixed and Variable Expenses

<table>
<thead>
<tr>
<th>Item</th>
<th>Year 1</th>
<th>Year 2</th>
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</thead>
<tbody>
<tr>
<td>SUPP</td>
<td>$1,908</td>
<td>$2,213</td>
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<tr>
<td>Forms</td>
<td>$318</td>
<td>$369</td>
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<tr>
<td>OFF/SUP</td>
<td>$1,113</td>
<td>$1,291</td>
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<tr>
<td>REP/MAIN</td>
<td>$636</td>
<td>$738</td>
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<tr>
<td>Electricity</td>
<td>$3,180</td>
<td>$3,689</td>
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<tr>
<td>ST/LEASE</td>
<td>$12,000</td>
<td>$12,000</td>
</tr>
<tr>
<td>LT/LEASE</td>
<td>$38,750</td>
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<tr>
<td>MEALS/TR</td>
<td>$1,590</td>
<td>$1,844</td>
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<tr>
<td>Cont Ed</td>
<td>$4,500</td>
<td>$4,500</td>
</tr>
<tr>
<td>Legal/Accounting</td>
<td>$2,400</td>
<td>$2,520</td>
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<tr>
<td>PROF/DUES</td>
<td>$1,000</td>
<td>$1,000</td>
</tr>
<tr>
<td>TRANSCRIP TELE</td>
<td>$3,180</td>
<td>$3,689</td>
</tr>
<tr>
<td>Insurance</td>
<td>$2,000</td>
<td>$3,000</td>
</tr>
<tr>
<td>LAUNDRY/LIN</td>
<td>$2,400</td>
<td>$2,520</td>
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<tr>
<td>Cap Ex</td>
<td>$8,480</td>
<td>$8,480</td>
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<tr>
<td>Debt Service</td>
<td>$3,353</td>
<td>$2,933</td>
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<tr>
<td>Cleaning and Pest</td>
<td>$954</td>
<td>$1,107</td>
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<tr>
<td>Marketing</td>
<td>$4,770</td>
<td>$5,533</td>
</tr>
<tr>
<td>TOTAL OP EXP</td>
<td>$214,525</td>
<td>$228,188</td>
</tr>
</tbody>
</table>

Per visit cost:
- Year 1: $67.46
- Year 2: $61.86

EBITDA:
- Year 1: $12,527
- Year 2: $43,094

Taxes:
- Year 1: $3,758.09
- Year 2: $12,928.19

Profit:
- Year 1: $8,769
- Year 2: $30,166

Net Margin:
- Year 1: 6%
- Year 2: 16%

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### Inner Circle

- It is important to develop business relationships as well as clinical relationships
  - Office Manager
  - Banker
  - Realtor
  - Attorney
  - Accountant
  - Physical Therapy Colleagues

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### Office Manager

- This is your most trusted employee
  - Based on the job description for the office manager, this position may also be the most important and engine for office operations.
  - This position if not monitored by the owner may often be the most abused position.

- Manage by report. The owner should always
  - See the EOB’s, bank deposits, and statements
  - See the AR reports every month
  - Referral report every month
  - Profit loss statement every month
Banker

- This should be considered an ongoing relationship.
  - It is not necessarily the bank which the relationship is with but the banker.
  - He will be involved with your most important assets:
    - Your credit line. This will fund your strategic plan and serves as your safety net.
    - Your Deposits
    - Your Merchant account
  - If there is ever an issue or a problem with any of these items, your banker is the person you want on your side, looking out for your personal and business’s best interest.

Realtor

- Although this maybe an area most people would like to save money on, I highly recommend you involve and pay a realtor when it comes to finding and securing a lease space or building.
- A realtor can be instrumental in:
  - Choosing a space – tenant broker – specializes in representing tenants only, and is thus less likely to be involved in conflicts of interest.
  - Valuing that space in terms of market value
  - Negotiating a lease (in conjunction with a real estate attorney)
  - The type of lease – Triple net vs gross or full service lease
  - Securing a building for future growth.

Attorney

- An attorney’s value:
  - Human resources: development of an employment contract, partnership contract, incentive/bonus structure, Staffing contracts.
  - Real estate: Lease that protects your best interest as a lessee, or lessor. Eg – fair market value, violations/safe harbors for Starke and Medicare anti-kickback laws.
  - Collections – Work compensation, PIP, Claims for non-payment.
Accountant

- Monthly Profit and Loss Statements
- Balance Sheets
- Cash Flow Statements
- Keeps you engaged in the fiscal fitness of your practice.
- Quarterly and annual Tax return
- Business Structure – S Corp, C Corp, LLC, PA

What a Bank Looks For

- Adam Woods, VP Commercial Lending First Avenue Bank
  - Alachua, and Marion Counties

Infrastructure

- Billing
- Collections
- Communications
  - Phones, Fax, internet
- Policy and Procedures
- Compliance Program
- DOCUMENTATION
  - Supporting
    - Billing
    - Collections
    - Compliance
**Tim Richardson, PT**

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**Marketing Plan**

- **SWOT analysis**
  - Involve your inner circle
  - Staff
  - Consultants

- **Strengths**
  - Determine your practice strengths
  - Examples include:
    - Practice expertise: Orthopedics, Neuro, Balance and Falls, Sports, etc...
    - Current relationships – Physicians, employers, payors, community
    - Location – Strategically located to capture patients due to demographic convenience.

- **Weaknesses**
  - Certain programs found in your demographic that you may not offer
    - Women’s issues, geriatrics, wellness, etc.
    - Lack of participation in certain payer plans
SWOT Analysis

- **Opportunities**
  - Strategic alliances
  - Additional staff that brings with them new programming and new relationships
  - New clinical equipment
- **Threats**
  - Competition
  - Reimbursement challenges

Marketing Plan

- SWOT analysis is then reduced to a plan that includes
  - Ranked priorities
  - Facilitators
  - Time Frames
    - Every member of the staff has a copy and responsibility to contribute to it.
- This Plan is revisited every month during staff meeting
- Revised quarterly if necessary

SWOT Algorithm

- Facilitators
- Time Line
- Ranked Priorities
- Accountability
- Successful Execution of a Marketing Plan
“It’s not what you know”

- Networking
  - Opportunities to expand your sphere of influence
  - Alliances formed
  - Economically and Professionally sound way of marketing
  - Form a group with common goals
  - Become part of the leadership

- Result
  - Become a resource to the membership
  - Build your credibility based on knowledge and community respect.

Stay Plugged In

- Social Media
  - PT Manager.com List serves
  - LinkedIn
    - Physical Therapist in Private Practice Group
    - PhysioPodcast Group Members
    - Starting Your Practice
    - American Physical Therapy Association
    - Evidence Based Physical Therapy
    - Group Practice Physical Therapy
    - Starting a Private Practice for PTs

- Websites
  - Medscape Week in Review
  - First Coast Service Options
  - PTManager.com
  - APTA.org
  - FPTA.org

- Bloggers
  - Physical Therapy Diagnosis: [http://physicaltherapydiagnosis.blogspot.com](http://physicaltherapydiagnosis.blogspot.com)
  - PT Think Tank: [http://ptthinktank.com](http://ptthinktank.com)
  - PTManagerBlog.com: [http://ptmanagerblog.com](http://ptmanagerblog.com)

Critical Metrics

- Can vary from practice to practice
- Examples
  - Number of new Referrals per month
    - Top Ten contributors
  - Length of stay or visits/referral
  - Gross revenue/visit
  - Net revenue/visit
  - Expense/visit
  - Salary/month, Salary/visit
References

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- Kovacek, Peter, Improving Productivity without Sacrificing Quality, Kovacek Management Services, Inc. 1994, 1995, Revised every 18 months.
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Round Table Panel Questions Answers

Adam Geril
Tim Richardson
Adam Woods
No lan Galloway
Using Outcomes Questionnaires to get to Medicare Compliance

• Describe the scope of the problem of documentation
• Introduce functional status questionnaires
• Link functional status to billing codes
• Describe 4 ways to link these together
Current Documentation Standards for Outpatient CPT coding

Daily note required for Therapeutic Exercise (CPT 97110)...

"Quadriceps strengthening into last 20 degrees of extension with mild manual resistance and proprioceptive cueing, 30 reps to fatigue, continues to decrease current extension lag and improve quality and duration of gait"
Belinda Holmes, Kerkering-Barberio, CPA, audit
September 25th, 2010 Medicare Compliance Seminar
Palmetto, Florida

“I don’t know how you guys (physical therapists) have any time to treat patients and make any money!”
Current Documentation Standards for Outpatient CPT coding

Current Documentation Standards for Outpatient CPT coding
Current Documentation Standards for Outpatient CPT coding

220.3 – C

"Documentation Requirements for Therapy Services. Results of one of the following four measurement instruments are recommended, but not required:

1) National Outcomes Measurement System (NOMS) by the American Speech-Language Hearing Association
2) Patient Inquiry by Focus On Therapeutic Outcomes, Inc. (FOTO)
3) Activity Measure – Post Acute Care (AM-PAC)
4) OPTIMAL by Cedaron through the American Physical Therapy Association

If results of one of the four instruments above is not recorded, the record shall contain instead the following information ..."

Current Documentation Standards for Outpatient CPT coding

1) Skilled Physical Therapy Services
2) Medical Necessity or Medically Necessary Services
3) Progress?
Current Documentation Standards for Outpatient CPT coding

Standard Functional Status Measures
1) Baseline
2) Periodic
3) Outcome

Current Documentation Standards for Outpatient CPT coding

- Disorders of the Arm, Shoulder, Hand (DASH)
- Oswestry Disability Index (ODI)
- Activities Balance and Confidence Index (ABC)
- Lower Extremity Functional Scale (LEFS)
- Patient Specific Functional Scale (PSFS)
- Numeric Pain Rating Scale (NPRS)
- Global Rating of Change (GROC)
- Fear Avoidance Beliefs Questionnaire (FABQ)
- OPTIMAL Scale
- Focus On Therapeutic Outcomes (FOTO)

Current Documentation Standards for Outpatient CPT coding

Use of Standardized Outcome Measures in Physical Therapist Practice: Perceptions and Applications
Jette et al, 2009

Only 48% of physical therapists used standardized measures of outcome, but...

> 90% believed they enhanced communication with patients
> 90% believed they helped direct the Plan of Care
Various Therapy Metrics

- Green – standardized self-report questionnaires
- Red – Performance measures
- Blue – Clinical Decision Rules

Case Scenario:
How to get from data to compliance

Mary is a 65 year old retired schoolteacher with a gradual onset of activity-limiting lower back pain. She has HTN 140/90, AODM (HbA1c 5.5%), cataracts, TKR right (2011), obesity (BMI 31) and takes Xanax for depression. She is not physically active.

Diagnosis: Lower Back Pain

Chief Complaint: "My back hurts with lifting and transferring my Mom and I’m afraid to kneel on my right knee because I’ve had a Total Knee Replacement.”

OPTIMAL score for kneeling 5/5 (unable)
OPTIMAL score for lifting 4/5 (much difficulty)

When prompted, she answers the following: "I should NOT do activities which make my pain worse."

Activity and Participation Limitation: "I’m caring for my mother and may have to admit her to a Skilled Nursing Facility because I can’t physically help her anymore.”

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Case Scenario: How to get from data to compliance

Use of Quality Indicators in Physical Therapist Practice
Jette and Jewell, 2012

2,544 physical therapists surveyed...

- Determine medication use 73%
- Measured cardiovascular response to exercise 40%
- Completed a standardized falls risk assessment 35%
- Completed a standardized functional status measure 33%
- Asked about tobacco use and advised to quit 21%
- Measured and followed up with referral for BP 11%
- Measured standardized 10' gait velocity 5.5%
- Measure Body Mass Index (BMI) 3.6%

...physical therapists may not see themselves as primary care providers. Patient management strategies associated with those services may be perceived as burdensome.

Case Scenario: How to get from data to compliance

Pertinent physical exam findings:

1) Stiffness in both hips (internal rotation ROM, usually measured prone with bubble inclinometer).

2) Pendulous abdomen with low force producing capacity (usually measured supine or sitting with a pressure biofeedback device).

3) SIRF, kyphotic thoracic spine (usually measured using modified Schober’s test of trunk forward bending and sidebending).

4) Fear of movement, as noted. FABQ physical activity = 14
Case Scenario: How to get from data to compliance

Pertinent physical exam findings:
1) Stiffness in both hips - 97140
2) Pendulous abdomen with low force producing capacity – 97110, 97112
3) Stiff, kyphotic thoracic spine - 97140
4) Fear of movement, as noted - 97530
Case Scenario: How to get from data to compliance

**Paper-based:**
1) Narrative notes (slide 3 & 4)
2) Task-oriented Flow Sheets (slide 29)

**Electronic Medical Records (EMR):**
3) Structured Data fields (slide 30 & 31)
4) Natural Language Processing (slide 32 & 33)

**Task-oriented Flow Sheet**

<table>
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<th>Activity</th>
<th>Data</th>
<th>Notes</th>
<th>Manual</th>
<th>Neuromuscular</th>
<th>Functional</th>
<th>Modalities/Traction</th>
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</tbody>
</table>

**Case Scenario:** How to get from data to compliance

**Narrative notes:**
- 1) Talk to your therapist
- 2) Ask about your pain
- 3) Discuss your goals

**Task-oriented Flow Sheets:**
- 1) Review progress
- 2) Set goals

**Electronic Medical Records (EMR):**
- 3) Structured Data fields
- 4) Natural Language Processing

**Notes:**
- Paper-based notes
- Electronic Medical Records (EMR)

**Activities:**
- 1) Sit to stand
- 2) Stand to sit
- 3) Walk with support
- 4) Squat without support

**Notes:**
- Paper-based notes
- Electronic Medical Records (EMR)

**Data:**
- 1) Sit to stand
- 2) Stand to sit
- 3) Walk with support
- 4) Squat without support

**Notes:**
- Paper-based notes
- Electronic Medical Records (EMR)
Case Scenario:
How to get from data to compliance

Visit #1: “97140 soft tissue mobilization to improve hip/knee ROM to facilitate 97530 squatting/kneeling. She was unable to squat/kneel. Mary exhibits elevated Fear Avoidance behaviors in performing these activities.”

Visit #2: “97112 (x2) pressure biofeedback to improve abdominal force-generating capacity to facilitate lifting/transfer her husband.”

Visit #3: “97530 (x2) challenging/educating Mary’s fearful attitudes about kneeling/squatting. 97110 performing simple non-painful knee/hip flexion tasks that she has previously avoided.”

Case Scenario:
How to get from data to compliance

Meaningful Clinical Documents

Meaningful Clinical Documents are a blend between free form text and fully structured documentation that
- represent the thought process and
- capture the clinical facts

Natural Language Processing
Case Scenario: How to get from data to compliance

Video documentation?
Storage
Retrieval
Privacy & Security

*As required by the Middle Class Tax Relief Jobs Creation Act of 2012, CMS proposes to implement a claims-based data collection process to gather data about patient function for patients receiving outpatient physical, occupational, and speech therapy services. Therapists would be required to report new codes and modifiers on the claim form that reflect a patient's functional limitations and goals at initial evaluation, periodically throughout care and at discharge.

This data is for informational purposes and is not proposed to be linked to reimbursement.

This reporting system is proposed to be implemented on January 1, 2013. Claims will be processed during the first 6 months until July 1, 2013 regardless of the inclusion of the functional limitation codes.

Beginning July 1, 2013 all claims must include functional limitation codes to be paid by Medicare.*

Case Scenario: How to get from data to compliance

- Describe 4 ways to link functional status to billing codes
- Important because functional status is an important, if overlooked, aspect of the patient experience in healthcare.
- Narrative, especially handwritten, is inadequate and embarrassing in the 21st century to reflect physical therapists' skill and abilities.
Thank You!

How to Open and Manage a Private Practice Physical Therapy Clinic

Adam Geril, PT, DPT
Adam Wood
Tim Richardson, PT
September 14, 2012
Daytona, Florida
Let’s Talk About Money
Florida Physical Therapy Association
Fall Conference

Adam Woods, VP Commercial Lending Officer
First Avenue National Bank

Adam Woods, Bio

Education
- Auburn university
- Florida School of Banking, University of Florida
- Graduate School of Banking, Louisiana State University

Professional Experience
- First Avenue National Bank VP Commercial Lending Officer
- Alarion Bank VP Commercial Loan Department Manager
- BBVA Compass Bank Small Business Banking Officer
Why do you want to open a Private Practice

Be your own boss!!!!!!
Freedom.......... 
Less stress...........
Make more money...........

IF YOU OPEN IT WILL THEY COME?

Be your own boss!!!!!! MANAGE THE EMPLOYEES, PATIENTS, AND PERSONALITIES
Freedom.........FIND BALANCE OF WORK AND FUN
Less stress........FIND THE MONEY TO START AND KEEP THE BUSINESS GOING.
Make more money.........ONLY IF THEY COME

Questions For Consideration

Do I have the referral base to bring in steady stream of patients?
How many patients do I need on a daily basis to replace my salary with my current employer with my new expenses?
How much staff do I need to properly take care of my patients?
What relationships are going to be critical to my long term success.
Loan types

- Conventional Bank Loans
- Small Business Administration Loans

Conventional Bank Loans

- Quick approval
- Less paperwork
- Flexible structure
- Relationship driven

Conventional Bank Loans Documentation

- Business Plan
- Personal Financial Statement (PFS)
- 2-3 years personal tax returns
- 2-3 years business tax returns (if applicable)
- 2 year projections with assumptions
Small Business Administration Loans

✓ Approval is somewhat more time consuming
✓ More paperwork needed
✓ Structured loan products
✓ Government guarantee for the bank
✓ Lower rates, slightly higher fees

Personal Financial Statement

ASSETS SOLELY OWNED (List only those assets to which you have sole legal title)

LIABILITIES AND NET WORTH (List all liabilities, joint or otherwise)

CONTINGENT LIABILITIES

GENERAL INFORMATION

SOURCES OF INCOME

MONTHLY EXPENDITURES

Small Business Administration (SBA) Loans Documentation

✓ Business Plan
✓ Personal Financial Statement (PFS)
✓ 2-3 years personal tax returns
✓ 2-3 years business tax returns (if applicable)
✓ 2 year projections with assumptions
Personal Financial Statement

Key Ratios

- Debt Service Coverage (DSCR)
- Net Worth
- Credit Score
- Loan to value (LTV)
- Loan to Cost (LTC)
Debt Service Coverage Ratio

This is cash flow!!!

- Calculation is done as follow:
  - Total income/total debt service = DSCR
- Real Estate Secured loan minimum DSCR 1.25x
- Equipment Secured loan minimum DSCR 1.40x
- Unsecured loan or line of credit minimum DSCR 1.50x

Cash Flow

- What is your banker talking about?
- This is your total income including distributions from any business interest you may have.
- How is this calculated?
  - Adjusted Gross income (from personal tax return)
  - All distributions (from Schedule K-1’s)
  - All depreciation
  - Interest Expense
  - Schedule E income
  - = Total Cash Flow

Net Worth

- In most cases should be Positive
- There is no real minimum
- Calculated as follows
  - Total Assets – Total Liabilities = Net Worth
Credit Score

- This is one of the most important numbers in your life
- Good Credit Score is 700+
- This tells your banker your past performance in repayment of debts!!!!!!!!!!!!

Loan to Value (LTV)

- Calculated by: \( (\text{total loan amount/appraised value}) \times 100\% \).
- Most Banks look at 80% LTV max on real estate purchases.
- Most Banks look at 90% LTV max on equipment financing.

Loan to Cost (LTC)

- Calculated by: \( (\text{total loan amount/purchase price}) \times 100\% \).
- Most Banks look at 80% LTC max on real estate purchases.
- Most Banks look at 90% LTC max on equipment financing.
LTV vs LTC

- Banks look at the lesser of the 2 ratios. (within the 1st year)
- Banks want you to have a vested interest. (Skin in the game)
- Banks will look at true equity injection!!!

Key Relationships

- It is important to develop business relationships as well as clinical relationships
  - Banker
  - Realtor
  - Attorney
  - Accountant

Key Relationships

- How do I determine the right individual for me to form that relationship with?
  1. Interview at least 3 individuals in each category.
  2. Make sure they are knowledgeable in their field.
  3. Ask for references.
  4. Ask your contacts who they use and what they like or dislike about each.
**Banker**

- This is quite possibly your most important relationship!
- Helps with proper debt structure.
- Provides value beyond loans and checking account.
- Generally has contacts in almost any type of industry.
- Can open opportunities and make introductions.

**Attorney**

- An attorney’s value:
  - Human resources: development of an employment contract, partnership contract, incentive/bonus structure, staffing contracts.
  - Real estate: Lease that protects your best interest as a lessee, or lessor. Eg: fair market value, violations/safe harbors for Stark and Medicare anti-kickback laws.
  - Collections: Work compensation, PIP, Claims for non-payment.

**Accountant**

- Monthly Profit and Loss Statements
- Balance Sheets
- Cash Flow Statements
- Keeps you engaged in the fiscal fitness of your practice.
- Quarterly and annual Tax return
- Business Structure – S Corp, C Corp, LLC, PA
Realtor

- Can provide valuable insight to site selection.
- Can usually negotiate a better lease or purchase than you.
- Knows the real estate market.
- Should offer alternative sites that will give comparable traffic.

Resources

- Free Online Training: [http://www.sba.gov/training](http://www.sba.gov/training)
- SCORE: [http://www.score.org](http://www.score.org)