

Physical Therapy, Other Professions, and Profit

By Franklin Rooks Jr, PT, MBA, Esq

Introduction

More and more private practices are realizing that they need to operate more efficiently. Practice owners are paying more attention to their payer mix, the average charge per patient visit, and the average units billed per visit. And, along the way, they have heard some grumblings about productivity requirements. Physical therapists (PTs) have also opposed the practice taking on a “corporate” nature through the utilization of operational statistics and business analysis. PTs may not realize how good they have it until they examine other occupations. Below are observations from two other occupations.

Physical Therapists and Lawyers

A recent law school graduate interviewed with a small law firm that had approximately 30 lawyers on staff. The applicant was 25 years old and had gone straight to law school after completing his undergraduate degree in English. Over the course of the interview, salary and benefits were discussed. The starting salary was \$70,000. It was a respectable number, and typical for an entry-level position at a small firm. However, there was a caveat to the \$70,000 salary. It came in the form of “billable hours.” Lawyers dread that term—“billable hours.” It is the annual billing requirement that the lawyer must satisfy. For this entry-level position, the requirement was 2,200 billable hours per year. To put matters in perspective, a person working 40 hours a week, for 52 weeks without a vacation, would rack up 2,080 hours.

A person can achieve 2,200 billable hours by working 42.3 hours a week without a vacation. In the abstract, 2 additional hours per week does not appear to be a difficult obstacle to overcome. But there is an incredibly important distinction to be made. Physical therapists, like many other full-time employees in the United States, achieve their 40 hours based on the number of hours they are physically present *at work*. In stark contrast, the lawyer’s required hours hinge on the word “billable.” “Billable hours” means “revenue-generating hours.” Another distinction is that many employees receive vacation time, which offsets their requirement for actual annual hours worked. If a person has a 2-week vacation (80 hours paid time off), then the actual amount of time required is 2,000 hours.

The lawyer’s billable hours requirement is not satisfied by the lawyer’s physical presence in the office. For anyone who has

ever received a lawyer’s invoice, it should come as no surprise that the lawyer bills the client for *everything* done on the client’s behalf. The individual lawyer cannot afford to give away a phone call or an e-mail. Otherwise, the lawyer would likely be in the office 3,000 hours or more to achieve the 2,200-hour requirement. As we all know, no one is productive every single second during the workday. Just imagine if PTs had a billable unit requirement!

Physical therapy practices, like law firms, have overhead. Overhead is the cost to operate the business, and it exists whether or not the employees are producing any revenue. Law firms do not generate any revenue unless their lawyers are generating billable hours to their clients. Similarly, physical therapy practices do not produce any revenue unless their PTs are treating patients. Unlike lawyers, PTs do not have to make up the time they spend when no patient care is rendered.

Physical Therapists and Waitstaff

The restaurant industry employs waitstaff to serve its customers. The interests of the waitstaff and the restaurant are very closely aligned. One of the waitstaff’s goals is to maximize the amount of money that each customer spends. From the minute the customer is seated, the sales pitches begin, with a barrage of offers. “*Would you like a beverage from our bar?*” “*May I offer you an appetizer?*” “*Would you like a salad with your entrée?*” “*And for your entrée?*” “*Let me tell you about our homemade deserts.*” “*How about an after-dinner drink? Coffee?*” The concept is known as “suggestive selling.” Some research indicates that there is a 23% increase in the customer’s bill when the server suggests additional items to accompany the main entrée.¹ A substantial portion of the waitstaff’s compensation is in tips. Tips are not guaranteed, and sometimes the server’s best efforts are in vain.

The restaurant industry recognizes that suggestive selling is a great tool for maximizing revenue. This technique serves two functions. First, it increases the average amount that each customer spends in the restaurant. Second, the waitstaff’s compensation is directly tied to the amount that each customer spends. Importantly, there is an immediate connection to the employee, resulting in personal benefit. As tips are typically paid as a percentage of the overall bill, the higher the bill, the greater the waitstaff’s personal benefit. Many people are moti-

Practice owners are well advised to align their employees' interests with those of the business. Employees in other industries accept the profit motive of their employers, and understand how it impacts their personal interests. Practice owners should educate their employees about the intersection of patient care and profitability.

vated by the phenomenon known as "What's in it for me?" Suggestive selling is constantly reinforced by the direct benefit the waitstaff receives.

Physical therapy, as a business, cannot take advantage of suggestive selling opportunities. There is a distinction between "wants" and "needs." The restaurant plays on the customer's wants. With physical therapy, the service encounter is based on needs. The PT, bound by the confines of medical necessity, cannot say, "Would you like ultrasound to go along with your stretches?" (unless, of course, ultrasound is clinically and medically indicated). Unlike waitstaff, PTs are not compensated in proportion to the charge or reimbursement of a patient's treatment. But there are some important parallels between the two industries.

A restaurant and a physical therapy practice are businesses whose bottom line depends, in part, on the reimbursement captured by the business. "Capture" is an appropriate term, because both the PT and the waitstaff may leave revenue "on the table." The waitstaff can capture revenue through suggestive selling techniques. The PT can capture revenue by billing for all services that are medically necessary.

In a sense, both businesses are hospitality services. Inasmuch as physical therapy is a health care industry, a practice's success largely depends on achieving satisfied customers (patients). A patient who receives hands-on stretching and therapeutic exercise is likely to experience some discomfort afterwards. Concluding the treatment with ice and electrical stimulation would achieve several objectives. First, it may ease post-session pain and discomfort and would be likely to be substantiated by medical necessity. Second, it may achieve a hospitality objective by providing comfort to the patient, increasing patient satisfaction, and contributing to the overall patient experience. And last, as long as the ice and electrical stimulation were medically necessary, the practice could capture revenue.

The Profit Motive

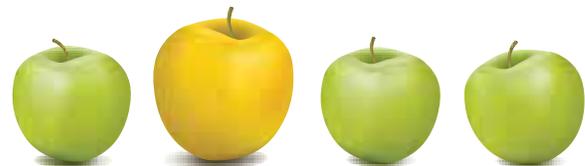
As altruistic as physical therapy may seem, at the end of the day, it is a business. Practice owners do not run their business to minimize profits and just get by, or to just make "ok" profits. Private practice owners, as businesspersons, want to maximize profit. Sometimes, PTs employed by private practices lose sight

of the entrepreneurial side of physical therapy and the profit motive. Waitstaff generally recognize that the restaurant's motive is profit. PTs are not always cognizant of that reality. PTs, unlike the waitstaff, generally do not view profitability in terms of their personal benefit.

Practice employees must realize that profit maximization is necessary. They need to recognize that patient care and profit can coexist. Profit maximization is not a one-sided equation that benefits only the practice owner. With respect to capturing and maximizing revenue, the *question* "What's in it for the physical therapist?" may arise. The answer is, "A lot." The practice is able to offer better salary and better benefits by remaining profitable and competitive in the marketplace. The practice

MANAGEMENT, continued on page 56

Sponsor a student member!



**Make a difference for a lifetime!
Make a difference for your profession!**

Put your money where your heart is and
sponsor a student member.
Student membership is \$50.00 per year.

Bonus! The student rate for the
PPS Annual Conference is as low as \$355
depending on how early they register.

*This advertisement sponsored by the
PPS Membership Development Committee, making membership count!*

is able to offer job security by increasing its likelihood of survival in this marketplace, fraught with insurance reimbursement risks. Increased profit allows the practice to offset rising costs, which threaten the ability to pay better salaries. Increased profit funds the practice's growth and ability to continue to provide opportunities.

Practice owners are well advised to align their employees' interests with those of the business.

Conclusion

Practice owners are well advised to align their employees' interests with those of the business. Employees in other industries accept the profit motive of their employers, and understand how it impacts their personal interests. Practice owners should educate their employees about the intersection of patient care and profitability. When PTs embrace the importance of profit,

there will be a lot less of "I didn't charge that sweet elderly lady for the therapeutic exercise because I felt bad for her because she is on a fixed income," and "They have such a high deductible, I felt bad charging them for everything." Patient care and profit motives can coexist. In fact, they must coexist for the practice's survival. ■

Franklin J. Rooks Jr, PT, MBA, Esq, was a founding partner of PRO Physical Therapy, based in Delaware, which was sold in 2006. Frank is currently a practicing attorney in Philadelphia, PA. He is licensed to practice law in both New Jersey and Pennsylvania. This article is not legal advice. This article is intended to provide only general business information. This article does not create any attorney-client relationship between you and the author. Frank can be reached at fjrooks@gmail.com.

Reference

¹ Nation's Restaurant News, *Counter Service*. 2011; 45(3), WLNR 3313064.

Advertise smarter, not harder— Reach key decision makers through *Impact*.

- *Impact* is the only publication aimed exclusively at physical therapists in private practice.
- 88% of *Impact* readers are practice owners who make the purchasing decisions for their practices.
- *Impact* mails to over 4,000 PTs who own or work in a private practice setting.
- PPS members rated *Impact* as the most *valuable member benefit*, second only to legislative advocacy.

Advertise today and see for yourself how *Impact* brings the PT market into razor-sharp focus.

For advertising rates, call Malisa Minetree at 317-815-4688 or e-mail impactads@indy.rr.com

