

# ***Benchmarking orthopaedic physical therapy practices***

By Cary B. Edgar

## *Use benchmarking to grow your physical therapy practice*

To successfully manage and grow your ancillary physical therapy (PT), an orthopaedic group must track multiple measures, including provider productivity, charge capture, support staff utilization, and payments. Benchmarks can help you determine whether your PT practice is operating at an optimal level, what functions need to be improved, and how to approach improvement efforts.

Relevant PT-specific metrics with benchmarks include:

- Weighted procedures (WPs) per provider work hour
- WPs per visit
- Visits per 8-hour day
- Visits per patient
- Payments per WP
- Payments per visit
- Compensation cost per visit

WPs are procedures that are weighted in proportion to Medicare's work relative value units (wRVUs) to account for variations in skill, effort and payment rates. Each timed code (e.g., 97110, 97140) has a weight of one, initial evaluations have a weight of 3, modalities have a weight of 0.5 and hot/cold packs have a weight of .25. This weighting system allows for comparisons between different providers, including therapists and assistants, regardless of the types of PT procedures they are billing. We prefer expressing benchmarks in WPs rather than wRVUs because therapists are typically more comfortable measuring productivity in terms of very familiar timed procedures. However, this discussion will provide each benchmark in both WPs and wRVUs.

Here is what these benchmarks mean and how each can be used to assess and grow your PT practice.

### **Weighted procedures per provider work hour**

This benchmark is 4.8 WPs/provider work hour (or 2.06 wRVUs per provider work hour). This basically means that for every hour a therapist is available for patient care, he or she is billing an average of 4.8 timed procedures (about 70 minutes of timed charges) or 4 timed procedures and 1 modality. Billing more than the equivalent of 60 minutes of charges per work hour is possible because certain patients (other than Medicare patients) can be overlapped.

WPs/hour is the most relevant benchmark because most PT is billed on a per procedure basis and each visit regularly involves three or more procedures. Although many offices focus on visits per day, as explained below, the visit count can be misleading.

WPs per provider work hour provides a quick yet important indication of whether a PT provider is above or below an appropriate level of individual productivity, but you need to use the following metrics to determine the specific reason(s) why a provider may not be at an appropriate productivity level.

### **WPs per visit**

PT visits typically take between 45-60 minutes and result in charges for about 3.5 WPs (or 1.5 wRVUs). This benchmark of 3.5 WPs per visit typically translates into 3 timed procedures and one modality. If a PT provider is regularly charging less than about 3.5 WPs per visit, one or more of the following factors may be the reason:

- The therapist lacks the clinical skills or attention to the significance of each visit to effectively treat each patient for an appropriate length of time.
- The therapist has too many patients on his or her schedule or may be spending too much time on documentation or other non-billable activities.
- The therapist is not capturing all appropriate charges due to intentional or unintentional under coding (e.g., the patient receives 40 minutes of treatment, but is only billed for 30 minutes).
- The therapist is unnecessarily applying the relatively restrictive Medicare billing rules commonly known as the “one-on-one rule” and “total time rule” to non-Medicare patients.

### **Visits per 8-hour day**

We express visits in 8-hour days by first determining average visits per provider work hour and then multiplying average visits per hour by 8. This effectively converts every therapist to an 8-hour day for comparison purposes regardless of the actual hours worked each day.

Visits per day should not be the sole or primary measure of provider productivity. A therapist who is seeing a relatively high number of visits per day is often not generating correspondingly high revenue because charged procedures per visit are low.

For example, a therapist who is seeing 15 visits per day and averaging 2.5 WPs per visit is generating about the same total payments as one seeing an average of 10.7 visits per day and billing 3.5 WPs per visit. More importantly, a therapist who is able to spend more time with each patient will almost always have a higher level of patient satisfaction, better outcomes, less documentation time, and higher professional satisfaction.

The benchmark is 10.8 visits per 8-hour day (after cancellations and no-shows). A therapist who averages about 11 visits per day and charges 3.5 WPs per visit should be able to provide exemplary care, maintain high levels of patient and physician satisfaction, and help generate a significant profit.

A therapist may average less than 11 visits/8-hour day due to one or more of the following reasons:

- A relatively high cancellation/no show rate
- The inability to effectively overlap patients
- Excessive documentation time due to an inefficient paper or electronic medical record system

- Scheduling inefficiencies, such as failing to adjust scheduling for patients who tend to cancel

### **Visits per patient**

Our data shows that patients averaged 8 PT visits each. Although average visits per patient can vary significantly depending on patient diagnoses and socioeconomic factors, it can be very useful in comparing a group's multiple PT locations and may be an indicator of low patient satisfaction or other problems. An average number of visits per patient significantly lower than 8 may be due to any one or more of the following problems that should be addressed:

- A relatively high proportion of patients that “self-discharge” before reaching appropriate goals because they think they are not progressing
- Higher-than-average visit cancellation/no show rates
- Lack of adequate capacity causing patients to be discharged sooner than appropriate to schedule new patients

Over the past 10+ years, average visits/patient have steadily trended downwards due to a number of factors, including higher co-pays and deductibles, more emphasis on home exercise, and improvements in PT.

### **Payments per WP**

PT payments per WP vary widely depending on region. In general, commercial rates on both the East and West Coasts are relatively low, and PT clinics are fortunate to average Medicare allowable rates that average about \$26 per WP or \$60 per wRVU. The rates in the Midwest tend to be higher, averaging closer to 115 percent of Medicare allowable rates, or about \$30 per WP or \$70 per wRVU.

In addition to contract rates, payments per WP can differ based on the efficiency of administrative and billing processes, including obtaining and tracking insurance authorizations, co-pay collection, and denial follow-up.

### **Payments per visit**

Payments should average at least \$90 per visit. Many groups conclude that their contract rates are low based on their payments per visit. But low visit rates may be due to lower-than-average WPs per visit. For example, two groups average contract rates of \$26 per WP. The first group averages \$65 per visit because the therapists are averaging 2.5 WPs per visit. The second group averages \$91 a visit because the therapists are averaging 3.5 WPs per visit. The 40% difference between these per visit rates is solely attributable to average billed procedures per visit, not contract rates or collection problems.

### **Compensation cost per visit**

Compensation cost is by far the largest PT expense. We benchmark total base and bonus compensation per visit, rather than total cost per visit, because compensation is by far the largest variable expense and groups use widely different cost accounting practices for other PT expenses that often make comparisons misleading. Our data indicates a benchmark for total base and bonus compensation for PT

providers and support staff, including aides and receptionists, of \$11.50 per WP, \$26.74 per wRVU and \$40.25 per visit. The most common reason for exceeding this benchmark is lower than average provider productivity.

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