

## Benchmarking PT Programs

### Use benchmarking to measure and improve productivity

Cary B. Edgar

Benchmarking is a process that enables businesses, including medical practices, to measure their products and services against their peers. Benchmarks can help an orthopaedic practice determine whether its physical therapy (PT) program is operating at an optimal level, what functions need to be improved, and how to approach improvement efforts.

This article provides benchmark data collected from January 2013 through June 2014 based on more than 520,000 visits to PT clinics owned and operated by orthopaedic groups. The benchmarks are averages for the following PT-specific metrics:

- Weighted procedures (WPs) per provider work hour
- WPs per visit
- Visits per 8-hour day
- Visits per patient
- Initial evaluation show rate
- Follow-up visit show rate
- Payments per WP
- Payments per visit
- Compensation cost per visit

WPs are procedures that are weighted in proportion to work relative value units (wRVUs) to account for variations in skill, effort, and payment rates. Each timed Current Procedural Terminology® (CPT®) code (eg, 97110, 97140) has a weight of 1; initial evaluations have a weight of 3; modalities have a weight of 0.5; and hot/cold packs have a weight of 0.25. This weighting system enables comparisons among providers regardless of the types of PT procedures being billed.



*Benchmarking physical therapy programs can help a practice determine the profitability of the services, as well as identify areas that need improvement.  
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### **WPs per provider work hour**

This benchmark is 4.8 WPs/provider work hour (or 2.06 wRVUs per provider work hour). This 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 four timed procedures and one modality. Billing more than the equivalent of 60 minutes of charges per work hour is possible because certain patients can be overlapped.

Benchmarking PT by WPs per hour is the most relevant standard because most PT is billed on a per procedure basis and each visit regularly involves three or more procedures. Although many offices consider visits per day as the most important indicator of provider productivity, the visit count can be misleading, as explained below.

WPs per provider work hour provides a quick yet important indication of a PT provider's productivity, but other benchmarks are necessary to determine the specific reason(s) for any discrepancies.

### **WPs per visit**

PT visits typically take 45 to 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 three 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 scheduled or is spending too much time on documentation or other nonbillable activities.

- The therapist is not capturing all appropriate charges due to intentional or unintentional undercoding (eg, the patient receives 40 minutes of treatment, but is billed for two 15-minute units).
- The therapist is unnecessarily applying the Medicare billing rules such as the “one-on-one rule” and “8-minute roll-up rule” to non-Medicare patients.

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

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

For example, a therapist who has 15 visits per day and averages 2.5 WPs per visit generates about the same amount of charges as one who sees an average of 10.7 visits per day and bills 3.5 WPs per visit. More importantly, a therapist who can 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.

The following factors may contribute to an average of fewer than 11 visits per 8-hour day:

- a relatively high cancellation/no-show rate
- an 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**

Data indicate an average of 8 PT visits per patient. Although this 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. A lower average number of visits per patient may be due to one or more of the following problems and should be addressed:

- a relatively high proportion of patients who “self-discharge” before reaching appropriate goals because they think they are not progressing
- higher-than-average visit cancellation/no-show rates
- insufficient capacity to address needs of new and ongoing patients

Over the past decade, average visits per patient have steadily trended down for several

reasons, including higher copayments and deductibles, more emphasis on home exercise, and improvements in PT.

### **Initial evaluation show rate**

The initial evaluation show rate is the percentage of patients referred for therapy who show for their initial evaluation. This rate is tracked and reported separately from the follow-up visit show rate and should be 95 percent or higher. Lower initial evaluation show rates may result if new patients are scheduled for therapy more than 2 or 3 days after the physician's order. For each initial evaluation no show, the practice also loses all follow-up visits for that patient.

### **Follow-up visit show rate**

This rate is the percentage of patients who show for their follow-up visits. The benchmark follow-up show rate is 88 percent. The follow-up show rate can differ significantly among PT providers, so it is important to track this rate by provider. The following factors may contribute to a low follow-up show rate:

- The therapist is not successful at communicating the importance of therapy and each visit to the patient.
- Patients do not feel that they are receiving sufficient "value" because they are seen for a relatively short period or are simply directed toward gym equipment to perform largely unsupervised exercises.
- The scheduling process is relatively inflexible or otherwise deficient and does not adequately accommodate patients' needs.

### **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 of about \$26 per WP or \$60 per wRVU. Rates in the Midwest tend to average closer to 115 percent of Medicare allowable rates—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 such as obtaining and tracking insurance authorizations, collecting copayments, and following up with denials.

### **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 average 2.5 WPs per visit. The second group averages \$91 per visit because the therapists average 3.5 WPs per visit. The 40 percent 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. Total base and bonus compensation per visit, rather than total cost per visit, is benchmarked because groups use widely different cost accounting practices for other PT expenses that often make comparisons misleading. Data indicate 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.

*Cary B. Edgar is a founder and principal of PT Management Support Systems LLC, a company that helps orthopaedic groups and other healthcare organizations develop and manage their physical, occupational, and hand therapy programs. He can be reached at [cedgar@pt-management.com](mailto:cedgar@pt-management.com)*

*Editor's note: This is an update to an article that appeared in July 2011 AAOS Now.*

### **Reference:**

1. Medicare Physical Therapy: Self-Referring Providers Generally Referred More Beneficiaries but Fewer Services per Beneficiary, GAO-14-270. Published: Apr 30, 2014. Publicly Released: Jun 2, 2014.

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6300 North River Road Rosemont, Illinois 60018-4262 Phone 847.823.7186 Fax 847.823.8125

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