To Outsource or Not to Outsource Your Physical Therapy Service Line Management?

Jennifer A. O'Brien, MSOD

You currently offer a physical therapy (PT) service line but feel like it could be doing better, or you are thinking of adding PT services and are not sure where to begin. Either way, the thought of your patients and bottom line benefiting from PT services within your practice but without you having to manage another service line is appealing. Although related to orthopedic surgery and an obvious ancillary service, PT is a different type of practice that requires active management of the professionals, revenue cycle, operations, regulatory requirements, and changing coding and reimbursement protocols. There are more and more companies nationwide that claim a mastery of the PT management niche and would be more than happy to shoulder your burden and share in your profits. Whether you already have PT services in your practice or are looking to add them, proceed with care and caution as you consider partnering with a PT management company.

Drawing on my involvement with both successful PT management–orthopedic practice partnerships and the arduous, expensive demise of one, this article offers my recommendations for determining if a PT management partnership is best for your practice. Many of the contracts last for several years and include clauses that are extremely binding even after the contract conclusion. As with any decision to outsource, the decision to outsource PT services deserves a comprehensive request for proposal (RFP) to multiple candidate companies, a thorough vetting and decision process that includes all partners or an executive committee/board, and legal review of the contract by an experienced health care attorney representing the practice.

Request for Proposal

Begin the RFP with a reference to your website and a brief description of the practice and current PT services. For example, state that you don't have PT and are looking to start it, or, if your practice offers PT, include a description of the number of locations, square footage allocation, and number of full-time equivalent (FTE) physical therapists, occupational therapists, physical therapy assistants, and support staff of the existing program. Also mention whether the billing is done within the practice or is outsourced.

Next, you want to learn about the company. Ask about its number of years in PT management and the history of the company. Ask them to provide the previous business names and an overview of the history of ownership. You want to know this because the national PT management community is relatively small and includes frequent acquisitions and mergers. Just as important as the company's history is any future plans it has to acquire or be acquired. This is all part of knowing who you may be partnering with.

You will want to know how many other practices the company provides PT/occupational therapy (OT) management services for, in what states those practices are located, and a breakdown of specialties. The number of physician providers the company represents along with the answers to the other questions will give you an idea of its size, experience, location, alignment, and focus. Some of these companies manage PT in family practices. You will want to know how many orthopedic practices the company partners with. If your practice has subspecialties, ask about its experience with subspecialty orthopedics.

Ask for the company's website so that you can get an idea of the company and its mission, vision, and values. Even though you will likely be interacting with regional representatives, you will be signing the contract with the company leadership, so be sure to learn—either from the company's website or its response to the RFP—about the individuals leading the organization and any parent company. Ask for a list of officers, board of directors, managers, and perhaps an organization chart with titles and names. Because you are looking to *partner* with the company, it might be good to ask for managerial turnover rates in the last few years. PT is a professional health care service, so take note of the number of licensed therapists the company has in leadership positions. If you were partnering with a medical organization, you would certainly want

Ms. O'Brien is Practice Management Consultant and Educator, KarenZupko & Associates, Chicago, Illinois.

Address correspondence to: Jennifer A. O'Brien, MSOD, KarenZupko & Associates, 625 North Michigan Avenue, Suite 2225, Chicago, IL 60611 (tel, 312-642-5616; fax, 312-642-5571; e-mail, jobrien@karenzupko.com).

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physicians in leadership positions, and this is no different. Determine if the company is publicly traded or privately held. You may also consider requesting the company's last few annual reports to learn more.

Exclusivity

Some PT management companies have their own facilities and are partnering with practices in the same market despite the seemingly inherent conflict. As part of your RFP, ask the company to include the names of practices, their specialties, and site locations where it already has a presence as well as a list of its own (independent of a physician practice) locations in the state or region. Future plans are important here too; if the company does not currently have a presence in the region, what commitment will it make to exclusivity or noncompete?

Human Resources

In many cases, the PT management company actually employs the entire staff for the service line. If you already have PT in your practice, this means the employees will transition from your employment to another company. After the contract is signed, some of the employees will get paychecks and benefits from your practice and be subject to your practice's policies, while others will not. Having 2 different employers in the same practice can have an impact on employee morale and satisfaction. Find out during the proposal process if the company's typical model is based on the company's or the practice's employment of the professional and support staff.

Obtain the following information from the management company if it is to be the employer:

1. Titles and compensation ranges for each position
2. Description of all bonuses and incentive structures
3. Paid time off (PTO) policies and accrual rates
4. Paid holidays
5. Details of employee benefits, such as employee out-of-pocket premiums for individual and family health care coverage, availability of vision and dental coverage, and investment and match for retirement or 401(k) plans.
6. Human resources (HR) support. Describe how employees get needed support from human resources, such as questions about benefits, FMLA (Family Medical Leave Act), HR policies, and other issues.
7. Results of any employee satisfaction surveys completed in the last 2 years
8. Nonrecruitment. In what ways will the professional staff's careers be affected by this partnership? Will the professional staff have to sign employment agreements? If so, please provide a sample. Will there be covenants not to compete for the professional staff?
9. Provide a schematic on how you typically cover professional staff vacation and family leave.
10. Does your organization provide accredited continuing education for professional staff or do you send staff to state and national meetings and courses to maintain their CEU (continuing education units) requirement?
11. Do you provide annual regulatory training, such as HIPAA (Health Insurance Portability and Accountability Act) training, for all staff or is the practice responsible for that?
12. Professional liability coverage for the therapists.

Initially, the company may say they are open to doing it either way and you may proceed with the process without answers to these questions. If at any point, you explore a situation in which the employer is not the practice, you must get answers to these questions before agreeing to anything. Number 8 above is extremely important. Many PT management companies will include a nonrecruitment clause in their contracts so that neither party can recruit therapists from the engagement. Depending on how the clause is written, you may not be able to legally hire therapists who were with you for years before the management agreement at the conclusion of the contract. Individual therapists can find themselves very limited in where they can work in the community depending on a covenant not to compete. And while covenants not to compete and nonrecruitment clauses may be generalized as "indefensible," it is expensive, time-consuming, and exhausting to get one rendered as such after the fact.

> Compare the company's productivity standards to what your therapists are currently doing. Of the many enhancements a therapy management company can bring, an increase in productivity is essential.

Operations

Operational compatibility is essential to a smooth transition or start-up. As part of your RFP, let the candidate companies know which electronic medical record (EMR) and electronic practice management (EPM) systems you use and ask about their experience level with those. Ask if it is expected that PT will operate on the practice's EMR and EPM systems or if the company will be having PT operate on separate systems. If the company will be implementing different systems, find out which one and then do an accounting of the costs for interface, training, and other compatibility elements.

Inquire as to each candidate company's standard operations policies and procedures as well as the operational and productivity standards the company maintains. For example, ask for a range of how many patients a physical therapist should be able to see (including documentation) in an 8-hour day? If you already have a PT service line, compare the company's productivity standards to what your therapists are currently doing. Of the many enhancements a therapy management company can bring, an increase in productivity is essential. Request a description of productivity incentive programs for the professional staff so that you can determine if you are comfortable with them. By the same token, ask if the company has a comprehensive compliance program including procedures and policies.

Any outsourcing agreements will be subject to operational and contractual compliance elements such as HIPAA, business associates agreement, and all other applicable regulations through state, federal, and payor entities. Ask each candidate company about its compliance program.

Revenue Cycle

Some therapy management companies will leave the billing and collections to the practice, while others have their own operations. As part of the RFP, ask the company which way it is done in its standard model. If the company manages the revenue cycle, ask which key revenue cycle performance indicators it monitors, how it calculates them, and with what frequency it tracks and reports them. Ask how the company has approached a revenue cycle performance improvement effort and what successes it has had. And definitely ask about the emphasis, training, and performance standards on point-of-service (POS) collections. In PT, successful, service-oriented POS collections are essential to cash flow and patient satisfaction. Typically, there is a copayment for each visit, and patients come 3 times or more per week. When patients pay the copayment before each visit, it feels manageable to them. If they get a bill for 6 copayments 2 weeks into PT, they often get angry and do not see the value of the therapy.

Seek specifics on the elements of the company's performance improvement. A number of companies will default to providing incentive bonuses for POS collections and other revenue cycle improvements. Incentive bonuses for collections can compromise the coding and billing integrity of the practice and are guaranteed to cause discontent among support staff. Everyone who works hard should be recognized, not just the staff in a position to collect money. On top of this, if the PT reception staff are getting paid POS collections bonuses and the practice reception staff are not, a managerial dichotomy ensues.

Accounting and Financial Reporting

In your RFP, ask about the accounting and financial model that each candidate company most often uses. Inquire as to which—the practice or the management company—is responsible for monthly, quarterly, and annual accounting and financial reporting and what typical monthly reconcilement process the company recommends. Include the following requests in your RFP:

1. Please provide samples of the monthly financials produced or preferred.
2. Describe your annual expense and revenue budgeting and approval processes.
3. Please address how you recommend handling the purchase of new equipment and supplies as well as the handling of existing equipment and supplies.
4. Will you rent our current space? Will you look to move the PT department into an alternate space in the future? If so, where?

General

Make some general inquiries that will help you get to know each organization and determine which one may be the best fit for a long, committed relationship with your practice. Find out how often the organization will have corporate representatives in the practice and at physician board meetings. Inquire as to the types of referral reports they generate and share with the practice. Request the names and contact information of 3 to 5 orthopedic surgery practice managers or physician leaders whom you can contact as references for the company.

If you have an existing PT service line, ask the company how it proposes to enhance the services, quality, and bottom line. What value will the company's management services add to an existing program?

Get to know the organization by asking how many of its partnering practices have terminated their agreements with the management company and if it has any current or past litigation with partner practices. These are detailed, binding contracts with the potential for a lot of money. When the relationships or even the local markets change, suits are filed.

As part of the RFP, inquire as to the standard proposed model for income distribution between the practice and the management company.

Conclusion

If your RFP covers all of the inquiries discussed in this article, it will be necessarily comprehensive. Send it to several companies with a clear indication of the response deadline and the contact person for the response and for any questions they may have. The contact person is typically the practice manager or executive administrator. Individual physicians in your group may have relationships with local representatives of a PT management company, and it can put them in an awkward position during the proposal submission and evaluation process.

Some companies may not respond to an RFP this comprehensive, which provides an unequivocal answer that they are not qualified to be your practice's partner. Compare the responses you receive and set up presentations or conference calls for those companies whose proposals warrant it.

Hire your own health care attorney to review any and all contracts before signing. The HR support, exclusivity, income distribution models, compliance, and duration of these contracts must be approved by an experienced attorney that advocates for the practice alone.