

# **Surviving the Salary Bubble: *Rethinking the Employee Compensation Model***

**APTA PPS Annual Conference  
October 21, 2016  
Las Vegas, NV**



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- Speaker(s) should disclose any relationship that could reasonably be viewed as creating a conflict of interest, or the appearance of a conflict of interest, that might bias the content of the presentation:
- Darren Rodia and Cyndi Hill have no relevant financial relationships in existence



# Introduction

- **Dr. Darren Rodia, PT, MS, DPT**
  - President, Owner, Founder, Kinetic Physical Therapy
- **Dr. Cyndi Hill, PT, DPT**
  - Director of Operations, Kinetic Physical Therapy
- **Kinetic Physical Therapy**
  - 5 Points of Service, Southeastern Pennsylvania
  - 2015 PPS Jane L. Snyder Private Practice of the Year



# The Problem

## ***Salary Bubble***

- PTs are getting paid salaries based on fee schedules that no longer exist
- Both sides of the equation are problematic: There is a decline in reimbursement and PT salaries are on the rise



## Decline in Reimbursement

- Nationally, according to the Consumer Price Index and CMS Reimbursement for Outpatient Rehab, the \$1 of reimbursement received in 2009 is, as of 2014, only 91 cents
- Multiple Procedure Payment Reduction (MPPR), a decrease in the rate of the Practice Expense RVU:
  - Medicare: 25% in 2011, 50% in 2015
  - AETNA: 20% in 2011
  - UnitedHealthcare: 20% in 2011
  - Humana: 50% in 2014



## Decline in Reimbursement

### Affordable Care Act

- Highmark Blue Shield: 4.5% reduction in payment due to \$500 million loss in 2015
- In a 2016 article, WebPT reported a 20-40% reduction in reimbursement
- Anthem Blue Cross (second largest insurer in the US, largest insurer in the BCBS Network)
  - In 2010, they modified their payment system in CA, which resulted in up to a 50% decrease in reimbursement (California PT Association, Orange County Register)



# Decline in Reimbursement

## Cigna

- In 2015, imparted a 40% reduction in PT payments (IPTCA: Independent Physical Therapists Association of California)



# Decline in Reimbursement

## Medicare

Year	Medicare Conversion Factor (CF)	RVU for 97110	1 Unit (15 min)	4 Units (1 visit) actual	Adjusted for Inflation (2012 CPI)	% Decline
1992	\$31.00	.73	\$22.63	\$90.52	\$148.95	N/A
2002	\$36.19	.76	\$27.50	\$110.02	\$141.00	5.2%
2012	\$34.03	.87	\$29.61	\$112.50	\$112.50	32.0%



## Decline in Reimbursement

- The bottom line is, adjusted for simple inflation, in 1992 we received \$148.45/visit, in 2012 we received \$112.50/visit.

-Evidence In Motion 2012



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## Decline in Reimbursement

- Southeastern Pennsylvania
  - In 2007, the average was \$105/visit
  - In 2016, average is \$85/visit (20% reduction)
    - Independence Blue Cross: has cut payments on therapeutic modalities
    - Highmark Blue Shield: large cuts due to the Affordable Care Act
    - AETNA: adoption of MPPR and 4-code max system
    - UnitedHealthcare: transition from fee-for-service system to per diem system
    - Cigna: transition from fee-for-service system to per diem system
    - Medicare: adoption of MPPR and sequestration
    - Humana: adoption of MPPR

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# PT Salaries on the Rise

## Physical Therapist Salaries in the United States

(U.S. News and World Report 2016)



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# PT Salaries on the Rise

- Increased demand for physical therapists
  - The problem is that demand does not equal revenue
- There is a culture of reward for past performance
- Merit increase not accompanied by increase in revenue per service
  - Payors do not care how long you have been a PT or acquired clinical skill set
- Rising cost of education often has PTs entitled to a certain salary

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# The Solution

## Employee Compensation Model

- Base Principles:
  - No reward for past performance
  - No raises
  - Salary based on productivity
  - Foundation of shared risk



## Employee Compensation Model

### Metrics to build salary structure

- Total cost of a PT/clinician to the organization should be no more than 35% of revenue generated
- Total labor costs should be no more than 50% of total revenue



# Employee Compensation Model

## ***Base Compensation Plan***

- All staff will receive a base salary of \$50,000/year
- Must see an average of 65 patients/week, each month, to receive the minimum tier of bonus compensation
- Monthly bonus paid in the first payroll of the month for prior month's average visits



## Base Compensation Plan

Monthly Average: Visits per week	Eligible Monthly Bonus	Yearly Average
65	\$850/month	\$60,500 (12 mo average)
66	\$1020	\$62,240
67	\$1190	\$64,280
68	\$1360	\$66,320
69	\$1530	\$68,360
70	\$1700	\$70,400 (12 mo average)
71	\$1785	\$71,420
72	\$1870	\$72,440
73	\$1955	\$73,460
74	\$2040	\$74,480
75	\$2125	\$75,500 (12 mo average)
76	\$2210	\$76,520
77	\$2295	\$77,540
78	\$2380	\$78,560
79	\$2465	\$79,580
80	\$2550	\$80,600 (12 mo average)





# Employee Compensation Model

## Senior Compensation Plan

- PT has been with KPT for (3) years OR graduated from school for (5) years\*
- Achieve change score as predicted by WebPT Outcomes/FOTO, each quarter\*
- Patient Satisfaction Score, as predicted by WebPT Outcomes/FOTO, each quarter\*
- Patient Arrival Rate 92% average\*
- Will receive a base salary of \$50,000/year
- Must see an average of 65 patients/week, each month, to receive minimum tier of bonus compensation
- Monthly bonus paid in first payroll of month for prior month's average visits

\* Changes from Base Compensation



## Senior Compensation Plan

Monthly Average: Visits per week	Eligible Monthly Bonus	Yearly Average
65	\$1700	\$70,400 (12 mo average)
66	\$1785	\$71,420
67	\$1870	\$72,440
68	\$1955	\$73,460
69	\$2040	\$74,480
70	\$2125	\$75,500 (12 mo average)
71	\$2210	\$76,520
72	\$2295	\$77,540
73	\$2380	\$78,560
74	\$2465	\$79,580
75	\$2550	\$80,600 (12 mo average)
76	\$2635	\$81,620
77	\$2720	\$82,640
78	\$2805	\$83,660
79	\$2890	\$84,680
80	\$2975	\$85,700 (12 mo average)



## Roll-out Process

- 3 month plan
  - Large group staff education on economics of healthcare and current healthcare environment
  - Small group meetings (2-3 PTs) held by President and Director of Operations, where basics of the new plan were discussed
  - Clinic Directors held staff meetings at individual locations to have candid discussion and encourage staff questions/concerns



## Results

- January 2016 to present
- 11% increase in visits since inception
  - Past 2 years, 5% increase in visits
- 300% increase in profit
- Payroll reduced from 67% of total revenue to 49%
- Total cost of a PT/clinician to the organization went from 45% → 31% of revenue generated



# QUESTIONS??



Thank You!!

