



Managing a Successful Transition to New Models

By Marge Epperson

Executive Summary

This author's company specializes in acquisitions, turnarounds, and new development opportunities. Through that experience, the author provides examples of transition, growth, and development opportunities available to today's private practice owners who are willing to take the next big steps.

Many private practice physical therapists view the current state of health care in a negative light. Others are looking for growth opportunities or exit strategies. I see a strong future for private practice physical therapy if you are willing to transition to new models for health care delivery, and if you have the right partner.

Our challenge is to figure out the best way to deliver physical therapy services going forward. Whether you are watching your bottom line shrink, looking to buy another practice, looking for help to plan for the future, or ready to start succession planning, finding the appropriate qualified resources will be vital to your success.

Here are some private practitioners' stories that show how a qualified partner can help you successfully manage your professional transition.

New Facility

An Idaho-based physical therapist (PT) opened a new facility. He had worked for a local hospital for more than 5 years and was well respected in the medical community. Together with a corporate partner, he developed a new center that was profitable within the first year of operation. He brought a strong referral base and reputation for quality care, and the corporate partner provided the following:

- A guarantee for the capital necessary to develop and operate
- Business office recruitment and human resources
- Medicare and insurance contracting
- Electronic medical record and billing software systems
- Financial reporting
- Physician best practices and key indicators
- Risk management, Health Insurance Portability and Accountability Act privacy and security

Since the start of operations in 2009, the facility has produced a 170% return on investment, and the PT is exploring growth options.

Buying into an Existing Practice

A Missouri-based private practice was looking for a partner to purchase a percentage of the existing center. After the transaction, the new partner provided business office expertise and training for the clinical staff. A business plan was developed and marketing strategies were implemented. Within 6 months marked improvements had occurred, including the following:

- Increased reimbursement and overall net revenue per visit
- An increase of 150% in distributions to the partnership
- Creation of a profit-sharing program for the entire staff
- Exploration of a second location

This facility has now expanded into other service lines, and is experiencing continued growth and profitability.

Expansion

A multifacility private practice partnered with a corporate partner. The partnership has added 3 new locations and

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now has annual visit volume of more than 57,000 patients. The corporate partner was instrumental in facilitating growth and expansion strategies resulting in the following:

- ▶ Growing the partnership to 11 facilities and 47 therapists
- ▶ Increasing overall profitability by 40%
- ▶ Recruiting a high-volume therapist, which resulted in immediate profitability for one of the new facilities
- ▶ Guaranteeing the capital necessary to initiate the growth strategies

The partnership is now exploring options for continued expansion.

Succession Planning

The original owner of an Oklahoma-based practice wanted to transition out of the state and needed to sell his facility. A corporate partner and PT in the community together purchased the facility. The PT brought an outstanding reputation, and the corporate partner provided the expertise necessary to initiate a buy/sell transaction.

The corporate partner guaranteed the capital necessary for securing a line of credit and funds for the purchase of new equipment. Through this guidance, the original owner was able

to sell his practice at a fair market price and a new PT was able to continue providing a much-needed service for the community. The new partnership has exceeded projections in the first year of operation and produced impressive results, including the following:

- ▶ Increasing patient volume by more than 30%
- ▶ Contracting with a local home health agency to provide PT staffing
- ▶ Securing a contract with a critical access hospital
- ▶ Making a distribution to the new owners within 9 months

Within its first year, the facility hired 2 additional PTs and initiated a profit-sharing program.

During this volatile time in health care, reimbursements, and the influx of an aging population in need of physical therapy, it might be wise to consider a partner who can help your practice grow, expand, build out your facility to accommodate current growth, or to help you transition your practice to a new PT. ■

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