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# Why hospital outpatient physical therapy makes good business sense

Often overlooked by health systems, outpatient physical therapy programs can provide hospitals with significant revenue and patients with high-quality care.

## AT A GLANCE

Outpatient physical therapy can provide value to patients and hospitals. Potential benefits include:

- > Delivery of a profitable service
- > Decreased need for opioids
- > Effect on value-based purchasing
- > Improved physician/provider integration
- > Alternative for patients in the changing home health landscape

Although many hospitals and hospital systems view outpatient physical therapy as ancillary and not worthy of some substantive allocation of resources, making it a priority makes good business sense considering the payment landscape for such services and the value the service provides above and beyond the financial realm.

Beginning January of 2020, the Centers for Medicare & Medicaid Services will provide payment to home health agencies based on patient characteristics versus the volume of therapy visits.<sup>a</sup> Home health agencies are soaking in this information and developing strategies to serve a mix of patients that leans more toward medical needs versus therapy.

The need for therapy for these patients, however, does not magically go away because the regulations changed. The current post-acute physical therapy services that are not considered inpatient are home health and outpatient.

This evolution of the home health regulations leaves a gap for those patients who do not meet the admission criteria of the other levels of care. It is here that hospitals have a unique opportunity to look at the delivery of their

a. Centers for Medicare & Medicaid Services, "CMS finalizes calendar year 2019 and 2020 payment and policy changes for Home Health Agencies and Home Infusion Therapy Suppliers," Oct. 31, 2018.

## Population Health Management/Patient Safety

As some payers migrate toward rewarding providers who are successful at population health management, the role of outpatient therapists should be elevated.

Consider that one in four Americans age 65 and older fall each year, resulting in 800,000 hospitalizations and more than 27,000 deaths per year.<sup>a</sup>

The Medicare annual wellness visit has a provision for the provider to check gait and balance issues with patients. If the patient fails to meet the threshold of the test, having a process in place that automatically triggers the provider to consider an outpatient physical therapy evaluation for gait and balance is just one example in which outpatient physical therapy can play a significant role in patient safety and help increase hospital revenue.

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a. National Council on Aging, "Fall Prevention Facts."

outpatient therapy services in a way that can meet the needs of some of these patients.

### Benefits of providing quality outpatient physical therapy

When a hospital owns and provides outpatient physical therapy, leadership can ensure that patients get one-on-one time with their therapist. The chances for continuity of care also go up when the hospital-based outpatient therapists have ready access to the medical record. If a patient received therapy as an inpatient, the outpatient therapist can review the record, talk with the inpatient therapist and discuss any other psychosocial issues with the discharge planner. Another potential benefit is the efficient review and signature of the plan of care by the hospital physicians; that is, the physicians will likely be able to access and sign the required documents electronically.

Financial leaders should meet with their therapy leadership and confirm they provide such care and communicate to their employed physicians that the hospital-owned outpatient physical therapy service is available and how it benefits both the patient and the hospital.

Discharge planners also should be informed of the availability of the service and about the patient-health benefits so they can be sure to

highlight the service and health benefits to patients; some discharge planners might not be aware of the size and scope of services. The pace and dynamics of discharge planning along with the increasing use of hospitalists has resulted, for many hospitals, a significant decline in referrals to outpatient.

### The case for the profitability of outpatient physical therapy

Hospital outpatient physical therapy should be profitable. Medicare continues to pay on a fee schedule, and many commercial health plans also pay on a fee schedule or a percent-of-charge basis. While Medicaid is a challenge in many states because of the low payment models, a well-run hospital-owned therapy service should not only create a positive margin but also be profitable.

One area that affects profitability is the increasing financial demands on patients. Hospitals should design a practical point-of-service patient financial alternative in the outpatient physical therapy department. Outpatient therapy is a recurring service and thus the impact of co-pays, in particular, can create an actual or perceived hardship for patients. Consider this scenario:

Mrs. Smith is two weeks post-op, and her surgeon has ordered outpatient physical therapy. At the

conclusion of the physical therapy evaluation, the therapist recommends a plan of care including three sessions per week for four weeks. However, Mrs. Smith knows that she has a copay of \$50 per visit and is concerned about the financial hardship of spending \$150 per week for four weeks. When she relays this concern, her therapist spends some time going over activities she should and should not do at home, along with instructions about when to follow up with her physician.

If, however, she is too embarrassed to discuss her financial situation with the physical therapist, she might agree to the sessions he recommends and simply never schedule them, which could leave her at risk.

While most hospitals have designed alternatives for one-time, higher priced services (surgery, advanced imaging, etc.) the recurring, incremental services such as outpatient therapy often get overlooked. These alternatives should include a frank, up-front conversation with patients about their ability to fulfill their financial responsibility.

### The health benefits of early physical therapy referral

Outpatient physical therapy can bolster the clinical outcomes of patients seen by the hospital's physicians. Many patients with functional decline and/or pain issues are more likely to show improvement with treatment from physical therapy and less dependency on opioids. Increased improvements in patient health, mobility and pain level also equate to better satisfaction scores, which can benefit the hospital's reputation and its bottom line.

For example, a recent study determined that when low back pain patients were referred immediately to outpatient physical therapy (compared to getting referred to a specialist or getting therapy at a later date), there was an 89% lower chance of the patient requiring an opioid prescription.

This practice of early referral to outpatient therapy also effects value-based purchasing. The same study showed that advanced imaging studies for these patients who were referred immediately to outpatient physical therapy were reduced by 28% and that emergency room visits were reduced by 15%.

### Why physician integration is all important

The electronic health record (EHR) can assist physicians in making referrals to outpatient therapy by triggering the providers during an office visit to consider outpatient therapy as part of the treatment regime. Many patients with sprains and strains come to their primary care physicians' offices looking for pain relief and advice. Although many of these patients do not require referral to an orthopedic surgeon, they could benefit from physical therapy. Therapy management should ensure the physicians understand outpatient therapy's scope of service and design processes to match their patients' functional needs with the therapy services.

With the appropriate focus and allocation of resources, outpatient physical therapy can be instrumental in meeting and exceeding the expectations of the patients, community, employees, physicians and hospital leadership. There is a definitive revenue opportunity for the hospital and improved outcomes for patients. But beyond the obvious, the implications for outpatient therapy may include helping patients avoid opioids, improving relationships with physicians and affecting value-based purchasing. It is time to stop considering outpatient therapy as a cost center and begin considering the multiple layers of value the service provides. ■

### About the author



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