PTPN Insight

From PTPN, the rehabilitation and workforce productivity experts

"Referral for Profit" and Physical Therapy Services: What You Need to Know

Which physical therapist delivers the best overall value for patients, employers and insurers–one employed by a physician, or one who owns his or her own practice?

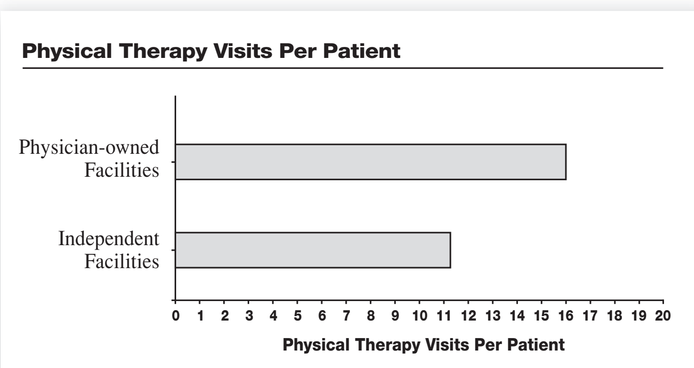
This question has been the subject of heated debate as more physicians are adding rehabilitation services to their practices to supplement their incomes. Although federal self-referral laws (Stark I) enacted in the1990s prohibited physicians from owning or investing in services to which they referred patients, recent changes (Stark II amendments) have given physicians more leeway. The result is a proliferation of physician-owned rehabilitation clinics in many states.

When physicians own physical therapy clinics and refer patients to those clinics, an inherent conflict of interest arises from the "referral for profit" issue. Referral for profit has wide-ranging effects for patients, payors and the healthcare community at large.

The consequences of referral for profit

Referral-for-profit services translate into higher healthcare costs for both consumers and payors because they generate more utilization and higher charges than do autonomous practitioners. Four of five cases reimbursed for physical therapy in clinics owned by physicians did not represent true physical therapy, resulting in $47 million being inappropriately paid in 1991, according to the Office of the Inspector General of the Department of Health and Human Services.[2] Other findings include the following:

- A study in the *Journal of the American Medical Association* revealed that visits per patient were **39% to 45% higher** in physician-owned clinics when compared with therapist-owned clinics; both gross and net revenue per patient were **30% to 40% higher** in facilities owned by referring physicians.[3]
- The Florida Health Care Containment Board found that physician-owned physical therapy facilities provide **62% more patient visits** per full-time physical therapist, when compared with non-physician-owned clinics. The patients referred have **43% more treatments** when compared with non-physician-owned clinics.[4]
- A William Mercer study of workers' compensation patients in California revealed that patients seen by physicians with ownership interest in physical therapy services received referrals for physical therapy 66% of the time; patients seen by physicians without ownership interest in physical therapy services were referred 32% of the time. The result: **$233 million in services per year for economic rather than clinical reasons.**[5]



A study by the Florida Health Care Cost Containment Board found that the mean number of physical therapy visits per patient was 43% higher in physical therapy facilities owned by physicians than in independent facilities.[1]

Compromised patient care

Patients generally trust their physicians to recommend appropriate treatment. However, when a physician refers a patient to physical therapy services he or she owns, there is a possibility that the physician's judgment is unduly influenced by financial incentives. Referral for profit may subject the patient to unnecessary treatment, extra expense and inconvenience.

The quality of patient care may also suffer in physician-owned clinics. Both licensed therapists and non-licensed

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PTPN is the nation's first and largest network of independent rehabilitation practitioners. For more insights, please visit ptpn.com and click on Payors Enter.

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workers in those settings spent less time with each patient, indicating that a lower level of care is provided, according to the Florida study, which also found that assistants are substituted for licensed therapists more often in physician-owned facilities.[6]

The value of the independent practitioner

Substantial evidence supports the belief that the independent practitioner delivers better quality of care, more cost-effectively, than therapy provided in clinics owned by physicians. That is why the PTPN physical therapy network includes only therapists who own and operate their own clinics.

As part of a select group of rehabilitation professionals, PTPN practitioners deliver value because they:

- **Have no conflicts of interest in ownership that may drive up utilization and reduce the quality of care.**
- **Are not incentivized to create additional income for physicians or increase physician revenues.**
- **Deliver 62% more functional improvement for each dollar spent than the national average, according to an independent outcomes management company.**

PTPN providers' professional ethics, clinical expertise and personal commitment add up to the best value and highest level of service for both patients and payors.

For more information, contact Stephen Moore at smoore@ptpn.com or 800-766-PTPN, or visit ptpn.com.

1 "Joint Ventures Among Health Care Providers in Florida," State of Florida Health Care Cost Containment Board, 1991
2 "Physical Therapy in Physicians' Offices," Office of Inspector General, Dept. of Health and Human Services, March 1994
3 Mitchell, J., Scott, E., "Physician Ownership of Physical Therapy Services: Effects on Charges, Utilization, Profits, and Service Characteristics," Journal of the American Medical Association, 1992
4 State of Florida Health Care Cost Containment Board
5 Johnson, G., Swedlow, A., "Medical Referral-for-Profit in California Workers' Compensation," unpublished addendum to the authors' 1992 article, based on course notes from their presentation of findings at a physical therapy symposium, January 1992
6 State of Florida Health Care Cost Containment Board

This information is provided by PTPN, the nation's first and largest outpatient rehabilitation network. All PTPN providers must be independent practitioners who own their own practices. PTPN's network includes more than 1,300 therapist offices throughout the United States.

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