

# Eli's Rehab Report

# **Business Strategies: Here's How to Bring in Cash-Pay Patients**

It may be time to raise your prices, too.

While the insurance market dominates [] and also cripples [] the rehab industry, cash-pay options aren't as few and far between as you might think. Find out where you can tap a hidden revenue stream.

"The premise of a cash pay sector is to extend services to current clients, attract new clients, and build an income stream independent of insurance reimbursement," **Doug Sparks,** founder of **Doctors-PT,** based in Los Angeles, Houston, and Washington, D.C.

**Hidden opportunity:** The Affordable Care Act has caused many people to drop their insurance plans or forfeit care due to drastically increased premiums, deductibles, and copayments.

"These patients' real need for PT is not diminished by their ability to pay, yet they are being totally ignored," Sparks says. "They ARE your new core patient base if you're smart."

#### **Get Connected with These Patients**

Are you reaching out to these uninsured patients in your marketing efforts? Are you networking with physicians who want to refer these patients out? You may find a lot of them come out of the woodwork, even if they can only afford an abbreviated treatment plan. Some care is better than none.

**Novel idea:** Some patients may still have insurance and be willing to pay the deductible, but if they're going to be shelling out of pocket almost as much as a cash-pay treatment plan, perhaps it would benefit both of you to just go with the cash option.

Rehab management companies can also give you extra help, acting as traffic directors between the physician, patients, and therapists.

Sparks' company has such a program that helps link patients, who may otherwise forfeit rehab, to a therapy practice. "We explain to physicians that only 23.8 percent of patients with a prescription for PT ever start because no one ever calls them," he says. This can lead to poor outcomes, which is not in the physician's favor, considering the industry's pay for performance push.

"Our solution is to have our physician partners send every single patient through our 'clearinghouse,' who is our PT client/partner," Sparks says. His program yields a 68-70 percent conversion rate, compared to 23.8 percent.

"Of course the physician may direct the patient to any place they want, but your role as the 'clearinghouse' is to assure the physician that you will account for the fact the patient was contacted and that they started somewhere or why not," Sparks says. "Your top physician may have actually sent you 10 patients last week but you only saw two because you had no idea the others were sent. I see this every day."

### Is It Time for a Raise?



If you have cash pay options (or an entire cash-pay practice), the most critical piece is making sure you're charging the right rates. So many practices undervalue their services. You may have more wiggle room than you realize to increase your rates [] and you have full rein since insurance companies aren't dictating them.

Most practices fear that a price change will deter patients, but "we have not found this to be the case at all," says **Kevin Wilson,** CEO of **Sterling Management** in Glendale, CA, who consults with PT practices, among other businesses.

Wilson has found 3 common problems when consulting with practices:

- 1. The vast majority of practices currently charge too little for their services;
- 2. Practices do not raise prices to keep up with inflation, or know how to raise them, or know how to calculate how much to raise them; and
- 3. Practice owners are afraid of raising prices, because they think they will lose patients or scare off new ones.

"I suspect that practices who take insurance payments and charge privately may sometimes undercharge since they are used to taking the smaller percent of the normal charge that the insurance agrees to pay or have agreed to a fee schedule set by the third party payer," says **Nancy Swigert, MA, CCC-SLP, BCS-S,** director of speech-language pathology & respiratory care at **Baptist Health** in Lexington, KY.

Businesses stand to lose less than 0-2 percent of their customers following a price increase, according to Wilson.

"I'm not sure there is a perfect process to follow concerning raising prices but would suggest practices do so on a routine basis. For example, perhaps yearly the costs are analyzed and prices are adjusted at the start of each New Year," Swigert says. "This allows for smaller increment increases rather than doing it every two or three years and having current clients see

a big jump in the cost."

Is an unsteady economy a reason to wait? Not necessarily. You can put organizational checks and balances in place to gauge when a price increase is a good move.

**Key:** The less you think you can "afford" to raise prices, the more you probably should. "First, look at your profit," Wilson says. "Is it above 33 percent of gross collections? If not, I would raise your rates." Also good indicators are "if you can't afford new equipment, can't afford new hires, money is tight, the place is not getting the upgrades necessary in technical and the physical premises," he adds.

Secondly, do some research and find what your competitors within a hundred-mile radius are charging for cash-pay. "Ask yourself questions like, 'Why can't I charge those fees? What are they doing that I can't do?'" Wilson says.

**Remember:** You have more to factor into your rates than just the therapist's time with the patient, Swigert says. "For example, [there is] time of the office staff to set up the appointment, cost of any supplies, therapist's time after the session in follow-up or documentation, and percent of the overhead of having the practice open."

## A Note for Insurance-Only Folks

While your hands are pretty much tied when it comes to rates under insurance, you can do a few things to improve your revenue stream.

"You can improve your chances of being paid in a timely way by billing in a timely way and making sure all billing forms and any related paperwork (e.g. authorizations) are completed accurately," Swigert says.

**Try it:** "Electronic billing may also make the process more efficient," Swigert adds.



You might also explore adding cash-pay options or wellness services to your practice.

In addition, remember, you can always try negotiating your private payer contracts. Even if you gain only a small increase, that is better than nothing.

For more on contract negotiations, check out Eli's Rehab Report Vol. 20, no. 12/ Physical Medicine & Rehab Coding Alert, Vol. 14, No. 12, "Business Strategies: Talk Business With Your Payers [] and Strike Hidden Gold."