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Opening a Private Practice in Occupational Therapy

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ABSTRACT

Have you ever dreamed of opening your own practice? Maybe you've pondered being in control of your own destiny. This article aims to provide helpful tips and strategies for opening a private practice, from creating a mission statement and doing business planning, to marketing to customers and monitoring key financial metrics.

LEARNING OBJECTIVES

After reading this article, you should be able to:

1. Outline the steps involved in establishing a business plan
2. Identify the principles of space planning and design for planning the structure of a clinic
3. Identify steps required to complete a solid marketing plan
4. Use metrics to establish a successful and sustainable occupational therapy practice

INTRODUCTION

In American Occupational Therapy Association (AOTA) President Amy Lamb's 2017 Presidential Address, she urged occupational therapy practitioners to meet society's needs, stating, "As we see the growing societal needs around us, we must identify paths for the future and actions to move forward" (Lamb, 2017, p. 7106140010p3). Look around your community. Are society's needs being met there? Opening an occupational therapy practice in various communities and settings increases the visibility and sustainability of the profession. As the population ages, maybe your community needs a program allowing residents to age in place. Maybe your community does not offer mental health services, creating an opportunity for occupational therapy practitioners to serve stakeholders with mental health concerns. Anderson and Nelson (2011) stated, "Occupational therapists have so many opportunities for entrepreneurship because of the fundamental nature of their service: making a match between complex people and complex environments (occupational forms) so that functions and positive adaptation are maximized" (p. 222).

Opening a private practice encourages the entrepreneur to explore the Person–Environment–Occupation Model (Law et al., 1996). Again, look around the community: Are the people within the environment meeting their occupational needs? Occupational therapy practitioners have the power to establish their own health care business. "Remember, our profession's future does not rest on what AOTA develops; rather, it depends on how each of us lives as a modern professional" (Hinojosa, 2012, p. e38). You can open your own practice, and the authors of this article want to assist you with this process. The primary purpose of this article is to provide readers a toolbox of ideas and resources for entering the private practice sector.

MISSION AND VISION STATEMENTS

Technically, the first step in the strategic planning process is establishing a mission statement (David, David, & David, 2014). The mission statement outlines the organization's core beliefs (Cady, Wheeler, Brodke, & DeWolf, 2011). In addition to establishing a mission statement, occupational therapy practitioners must consider the vision statement. What is the vision for the organization? Kantabutra and Avery (2010), through research, concluded that powerful vision statements include conciseness, clarity, future orientation, stability, challenge, abstractness, and desirability or ability to inspire. The mission and vision statements are vital in guiding the purpose of the practice, with the statements defining the "intent to exist, survive, grow, and how it relates with stakeholders around it and including the wider society" (Ekpe, Eneh, & Inyang, 2015, p. 135), which promotes positive emotions and encourages a vision for the future of the organization.

BUSINESS PLANNING

Before opening a private practice, the entrepreneur may consider the SWOT analysis process, in which they explore the related Strengths, Weaknesses, Opportunities, and Threats. "Perhaps the most clear-cut and readily recognized approach used in assessing the environment is a SWOT analysis" (Strickland, 2011, p. 105). This process promotes reflection on all

aspects of opening a practice in a certain location and/or setting, and it assists the entrepreneur in establishing a specific plan. In looking at strengths, one may consider the perfect location to open the practice. There may be an excellent rental option in the community. Another strength may be limited competition within the area being served. In considering weaknesses, it may be challenging to recruit practitioners in remote areas. An opportunity may be that the local school system does not have occupational therapy practitioners on staff, and the private practice may offer a contract for services. Finally, a threat may be limited resources and/or funding to open a practice.

Once the SWOT analysis is complete, one may consider establishing an evidence-based business plan. A well-designed business plan guides the development of the new practice. The business plan may include the nature of the service sector, market factors, predicted future trends, description of services, marketing plan, facility plan, budget, and a method for program evaluation (Giles, 2011). Be clear and concise when defining the services being offered by the new practice. Provide evidence and cite research as part of the evidence-based business plan. Banks and other lending institutions appreciate evidence supporting the services offered by the practice. For example, if the new practice plans to offer pre-employment functional assessments, provide research supporting the efficacy of this service. Search for evidence proving the service is effective and yields positive outcomes. A business plan offering research supporting the outlined services promotes a sustainable and practical business plan.

One the mission statement, vision statement, and business plan are established, one can choose a specific location and space design for the new business.

SPACE PLANNING

In launching a space plan, one must consider the following concepts: square footage requirements, visibility to the community, curb appeal, accessibility, space allocation, equipment needs, furniture needs, parking, options for signage, and build-out requirements. If considerable construction must take place, an architect may guide and direct these procedures. Approach an architect with specific ideas and space requirements before the build-out process. Consider treatment space, office space, administrative space, waiting room needs, bathrooms, and storage areas. Will the clients easily find the location? Is there adequate parking? Is the environment safe for clients and employees? Will the practice offer other disciplines such as speech therapy and physical therapy? If so, what are the space needs for these professionals? As the practice grows, anticipate the need for additional space. It is better to have additional space to grow into versus outgrowing the space the first year in practice.

There are numerous decisions to consider when determining the location of a new occupational therapy practice. An important consideration for the new business owner is recruitment. Can the owner find practitioners to move to this community if there isn't a large pool of candidates? Concepts affecting recruitment include school systems in the area, grocery stores and other retail needs, and cultural options to attract people to the community. Again, consult with architects and building contractors during this phase of the business planning process.

MARKET ANALYSIS

Most business planning includes a demographic analysis of the area in which you will be working. The employment commission in the region can provide helpful information, including total population, projected population growth, mean income, commuters, unemployment rates, employers by size, largest employer, employment by industry, new hire locations, and age of workers. Analyzing this information aids in planning and implementing a new practice. Consider the competition within a certain radius of the proposed practice. Analyze the competition and the services provided. Determine whether there is a clear need for a new practice and determine the distinct value the new practice will bring to the community. The business plan includes the demographic analysis along with a competition analysis.

MARKETING

Before opening a private practice, consider the marketing plan, which may include developing a logo for branding, website design, brochure development, newspaper advertisements, television advertisements, and public service announcements promoting occupational therapy. The practitioner must promote the services they provide within the community where they will be working. For example, if one is opening an industrial rehabilitation program, consider the following stakeholders: occupational health nurses, safety directors, human resources directors, and plan managers. Potential clients and referrers must understand the distinct value of the occupational therapy services provided. This requires ongoing marketing of the proposed services for the new practice. Offer workshops in the community. Volunteer as a speaker for a civic organization.

Local Chambers of Commerce welcome speakers as a means of educating the community, and a potential topic is how the services the new practice will offer will address a community need. Where possible, present evidence associated with the services. For example, for a marketing luncheon with a physician group, prepare a PowerPoint presentation explaining the services being offered. Include evidence on how the services affect outcomes, health care costs, consumer satisfaction, and other items of importance to physicians. Most stakeholders appreciate seeing the evidence associated with the services being provided. As a health care provider and business owner you will be very busy, so make the marketing plan easy to implement.

Word of mouth is the best form of marketing, so after the practice is up and running, ensure that your clients are satisfied. A happy client will refer other clients, resulting in ongoing referrals to the practice.

Part of the marketing plan is promoting a new practice. The open house and/or ribbon cutting ceremony is a very exciting day for the new practice owner. Establish a plan for this day. Work with town officials for an official ribbon cutting ceremony. At least 30 days before the ribbon cutting ceremony, formally invite town officials, local business owners, local school district administrators, physicians, and Chamber of Commerce officials. Be sure to also invite friends, families, and community shareholders. Encourage participation in this event from various sources. Promote the grand opening in local newspapers. Consider asking whether the local newspaper would be willing to do a feature story on the new practice by pitching how the services offered will address issues of concern in the community (e.g., aging in place, falls prevention, mental health services). If the local radio station has a talk show, offer to come on as a guest to provide occupation-based tips for addressing common concerns (e.g., sensory ideas for children with autism, reintegration approaches for wounded warriors). Promote the grand opening on social media sites and the new website. During an open house, serve light refreshments and offer tours. The owner may consider providing a brief speech and welcoming the attendees. Promote community engagement in all aspects on this very exciting day. After the open house, continue to integrate items from the ongoing marketing plan. Maintain an ongoing connection with the community by establishing regular marketing luncheons with referral sources, speaking at local civic organizations, and serving on or volunteering for local boards and civic organizations. Although these may not seem to be core activities, they are vital for helping the business grow.

BUDGETING AND FINANCIAL PLANNING

There are numerous considerations in establishing a sound fiscal start-up budgeting plan, which may include a land and/or real estate purchase, facility lease, equipment (clinical and office), business cards, stationery, brochures, marketing activities, community-based workshops, licenses or permits, legal fees, certified public accountant fees, billing fees, computer hardware and software expenses, continuing education, telephone bills, website design and monthly fees, office supplies, malpractice insurance, and working capital. After the start-up budget is established, the business owner must establish a monthly operating budget, which may include rent or mortgage, equipment lease, maintenance agreements, advertising, salaries, office supplies, postage, travel expenses, malpractice, legal or professional fees, telephone or Internet expenses, utilities, annual professional dues, monthly inventory expenditures, payroll, payroll taxes, taxes, and potential franchise fees. In establishing the start up and monthly financial plan, the owner must consider financial projections. Based on the services being offered, what is the anticipated income? Determine the anticipated revenue generated over the next 2 or 3 years. In review of anticipated revenue and anticipated expenses, one can determine the proposed profit. A new business owner may consider working with certified public accountants in establishing a start-up and monthly financial plan.

DEVELOPING HUMAN RESOURCES

After strategic planning and financial and marketing considerations for your private practice have been designed and evaluated, you will need to establish the human resources component of the business. Before hiring your first employee you must develop your employment contracts, a method for assessing and reviewing employee work, and human resources policies and procedures. Of these components of human resources, contracts can be the most complex and bewildering.

Many confusing legal terms set standards for governing the employer/employee relationship. The employment-at-will doctrine was established in the 19th century to reflect the mutuality of the relationship between employer and employee.

> The traditional employment-at-will rule was grounded in the notion that the employment relationship was based on reciprocal rights, and because an employee was free to end employment at any time for any condition merely by resigning, the employer was entitled to the same right in return. (Muhl, 2001, p. 6)

Three major exceptions to the employment-at-will doctrine to prevent wrongful terminations are: a public policy exception, an implied contract exception, and a covenant of good faith exception (Muhl, 2001). Only Alaska, California, Idaho, Nevada, Utah, and Wyoming recognize all three major exceptions, whereas Florida, Georgia, Louisiana, and Rhode Island do not recognize any of these exceptions. Often confused with the employment-at-will doctrine are the "right-to-work" laws. Unlike the employment-at-will doctrine, the right-to-work laws govern the employer/employee relationship during the tenure of employment, specifically in the context of labor unions. Established in the National Labor Relations Act of 1935, the "right-to-work" laws give employees the option to refrain from engaging in collective activity. Twenty-eight states are right-to-work states.

Confusion also often arises over the differences between an offer letter and an employment contract. Although an offer letter may look very similar to an employment contract, offer letters support the employment-at-will doctrine. An employment contract can negate the employment-at-will doctrine, expressly though language that defines a definite period of time for employment and/or that makes promises about future earnings (i.e., salary) or bonuses. An offer letter should include basic information about the position (e.g., job title, start date, employment status), job-specific information (e.g., compensation in terms of per-pay, hourly rate; benefits, including health insurance options; 401(k) eligibility; paid time off), an employment-at-will statement, and a closing (e.g., contact for questions and/or concerns; Montgomery College, 2015). Offer letters can include additional information, such as a description of work

duties and employment contingencies (e.g., employment is offered based on satisfactory criminal background check, passing a drug screening, successful completion of a physical).

Employment contracts were traditionally reserved for management and high-level employees; however, as the complexity of health care continues to evolve and access to exceptional professionals has become more competitive, many practices are using employment contracts to obtain predictable commitments from their new employees. For a contract to be considered valid, there must be an exchange of consideration for entering the agreement. This is usually satisfied through the job offer (Knapp, Crystal, & Prince, 2012). In addition to the job offer, employment contracts may also include various clauses; the most common for employment contracts in private practice settings include restrictive covenants (e.g., non-compete clauses) and confidentiality agreements. However, garden leave provisions and non-solicitation provisions are becoming more common (Harris, 2012). Employment contracts can also include an employment-at-will clause, in which the employer states that the employment-at-will doctrine is not affected by the existence of the contract, and that the common laws that govern termination and resignation in this doctrine continue to apply to this employer/employee relationship.

Restrictive covenants are used by employers to "protect trade secrets, confidential information, customer goodwill, and the training and investments of their talent pool" (Harris, 2012). Non-compete clauses, a type of restrictive covenant, set guidelines for employment practices after termination or resignation from the employer.

> Although generally enforceable in most jurisdictions, non-competes are disfavored by the courts for imposing restraints on trade and thwarting employee mobility. The more the covenant is seen as preventing the departing employees from earning a livelihood within their field of expertise, the less likely it is to be enforced. (Harris, 2012)

When creating a non-compete clause that is enforceable, you must consider the following elements: "the covenant protects a legitimate interest of the employer; the covenant imposes no undue hardship upon the employee; and the covenant is not injurious to the public interest" (Kierkut, 2012, p. 29). Additionally, the employer must consider elements such as scope and duration; the non-compete clause should not span a geographical area that would be burdensome or extend for a prolonged period of time (Knapp et al., 2012). These components of the non-compete clause can vary from location to location, and even from practice to practice.

Confidentiality agreements encompass protected health information of your clients as well as information specific to your practice; they are enforced during employment and often expand beyond termination and/or resignation. Although "trade secrets" are protected by a version of the Uniform Trade Secrets Act, a confidentiality agreement can provide additional protections for information that is unique and valuable to your practice of business but does not necessarily meet the standard of a "trade secret" (Harris, 2012). As a practice owner, you may want to include items such as client contact information, practice policies, programs created and developed in your practice, and practice-specific documentation.

Offer letters and employment contracts provide initial information regarding the responsibilities of the new employee; therefore, a private practice owner must also develop a method for assessing the work performance of each employee on a regular basis, most often accomplished through an annual review or performance evaluation of employee work. Performance evaluations vary from practice to practice, but a well-developed evaluation can assist employers in jointly establishing measurable and clear expectations of the employee (Montgomery College, 2015). These evaluations also facilitate the opportunity to recognize good performance, discuss career development needs, and provide an accurate legal record of your employee's work performance (Montgomery College, 2015). Performance evaluations provide a structure in which to determine and justify raises, bonuses, and promotions (Cappelli & Tavis, 2016).

Generally, a performance evaluation includes evaluation of job performance by the employer as well as self-reflection from the employee. In the Practical Model of an Employee Performance Evaluation, performance is assessed through four main categories: individual performance, competencies (including job-related skills, attitude, and work behavior), experience in the position, and overall working experience (Fekete & Rozenberg, 2014). Each employer can create the criteria assessed within each of the named evaluation categories; this individualization of the categories creates an efficient measurement of employee performance specific to your practice. Additionally, the employer must create evaluation criteria, which can be done through traditional Likert scales, defining "1" as significantly under expectations or performance is unacceptable, to "5" as far beyond expectations or extraordinary performance (Fekete & Rozenberg, 2014). Performance evaluations should always include goals for the employee; these goals can reflect performance outcomes, professional growth and development, and/or special projects or special assignments (Montgomery College, 2015). Finally, a performance review policy must be created that outlines the process of the evaluation, identifies the responsibilities of the employer and employee, and indicates the time frame for completion.

In addition to a performance evaluation policy, there are many documents that a private practice must include within the human resources department. Policies generally reflect institutional rules that are governed by laws or regulations. Procedures are developed to manage the internal functioning of the practice. Many groups, such as the Joint Commission, a nonprofit accreditation agency for health care organizations and programs, adhere to best-practice policies and can serve as a resource when creating your own. The most commonly

required policies, procedures, and documents include: a written confidentiality policy; signed confidentiality statements from all employees; letter of Medicare certification (if applicable); articles of incorporation or documents delineating status as a sole proprietorship or a partnership; an organizational chart; policy delineating who is in charge in the absence of an administrator; records of staff meetings; records of all in-services and training; records of all disaster and fire drills; disaster plan; copy of malpractice insurance coverage; copy of liability insurance coverage; copy of workers' compensation insurance coverage; policy on reporting of incidents; client care policy; staffing schedule detailing hours of operation and staffing; policy on clinical records content; policy on clinical records retention and preservation; occupancy permit; infection control policy; housekeeping policy; linen policy; blood-borne pathogen policy; policy to handle medical emergencies; policy for cleaning, sterilizing, and maintaining equipment; and policy on equipment maintenance and inspections. Policies and procedures should be made available to each employee upon hire, as well as maintained in a familiar and accessible space at all times. In addition to creating these policies and procedures, you must establish a method in which each policy and procedure is regularly assessed and updated as necessary; annual maintenance of policies and procedures is a best practice.

KEY METRICS

Now that you have your practice open and running, you will need to continue to monitor your business progress by tracking and analyzing a few key metrics. Accessing your profit-and-loss (P&L) statement and using the data to compute simple metrics will sustain your practice long term. Such things as cost per visit, labor cost per visit, profit per visit, and arrival rate are only a few of the metrics you may choose to monitor on a regular basis. Creating your own "dashboard"—a workbook tracking your current and prior year data (Felder, 2016)—allows you to monitor and compare your metrics at regular intervals.

P&L STATEMENT

Understanding the basic elements of a P&L statement are essential to maintaining a healthy practice. First off, work with your accountant to determine whether an accrual or cash basis for your accounting is best for your practice. Defining this simple methodology will help determine which metrics you use to monitor on a monthly basis. In an accrual-based accounting system, the revenue and expenses are accounted for when they occur—usually booked on a monthly basis. Accrual-based accounting leads to more stability for budgeting and generally a more stable cash flow. Some practices book on the accrual basis but pay the dividend on a cash basis. In other words, the revenue is accounted for when it occurs but the owner does not collect their dividend until the cash is in hand. Cash-based accounting is the most common method for small private practices. It is similar to how you balance your checkbook on a monthly basis; you account for your revenue when you collect your payment.

The P&L statement also helps you to look at your expenses, both variable and fixed. In a therapy practice, we break that down even further to define labor cost. Variable expenses are those expenses that often change, and may vary each month based on things such as time of year and volume. Typically, variable expenses include things such as clinical supplies, office supplies, continuing education, travel, dues and subscriptions, and advertising (Felder, 2016). The industry standard for variable cost as a percentage of net revenue is 10% to 14% (Katz, 2012a). Fixed expenses are those that remain relatively steady from month to month. Typically, fixed expenses include rent, utilities, maintenance, legal fees, billing fees, information technology, and professional liability (Felder 2016). Industry standard fixed cost as a percentage of net revenue is 12% to 17% (Katz, 2012a). Labor expense includes all staff wages, benefit packages, and payroll taxes for all employees who work to make your practice function (Felder 2016). This could be your professional staff as well as your billing person, receptionist, or assistants, and accounts for the biggest portion of your expenses—the industry standard is 55% to 58% (Katz, 2012b).

Gross income is described as your billing and fees. This can be for services you provide to your clients as well as any supplies or materials they purchase, any interest income, or any income from other sources. Net income is defined as the amount of payment you actually receive. Profit is your net income minus all expenses and is defined before the owner takes any dividend. The industry standard for profit varies greatly by practice and region; however, a good goal would be 10% to 12% (Katz, 2012b).

ONGOING MONITORING—YOUR DASHBOARD

Knowing your numbers and using key metrics to drive your practice allows you to adjust as needed to current trends. Have your own therapy dashboard and determine which metrics you will monitor, which metrics you will share with your staff, and which metrics you will use to make informed decisions about your practice. Everything from billing to cost to productivity should find a place on your dashboard. Using the information from your P&L statement along with some simple numbers from your daily practice will allow you to create your own system.

Client encounters are simply counting the number of clients treated, typically on a daily, weekly, or monthly basis. Your cost and profit per visit are calculated by dividing the total monthly expenses from the P&L by the total number of visits per month. Tracking the cost and profit per visit helps the practice owner determine how to allocate resources, how to evaluate areas for expansion, and how much to bid for payment-based contracts. For example, if your cost per visit is $75 and an insurance contractor wants to contract with you for $60 per visit, you may decide that you are unable to provide that service, as you will be providing it at less than your cost. By knowing and tracking

your cost per visit, you will have solid numbers that can be used to negotiate for your services. Breaking your cost per visit down further to determine your labor cost per visit will show you how much you are spending on labor for each visit. This can be computed by taking the labor cost from your P&L and dividing it by the visit number.

Labor cost per visit is typically the highest portion of your total cost and should be monitored closely. You may want to use this metric when comparing overall productivity per salary. Profit per visit helps you understand where you are making your money and provides some guidance for expansion or adjustments, salary increases, staffing levels, and expectation recommendations. Profit per visit is simply taking net revenue divided by visit number. If your profit per visit is a negative number, then expense reduction is necessary. Analyzing your labor cost per visit is the most common place to start when you have a negative profit metric.

Looking at cost per unit or profit per unit is another metric to consider. Units are simply the number of CPT® codes provided during each visit. Most insurance carriers view four timed units and one untimed unit as reasonable and customary; however, the number of units billed per visit may vary greatly depending on your type of practice and the needs of each client. Units per visit can be used to address productivity. Most of the units used in occupational therapy for treatment purposes are based on 15-minute increments and are considered timed codes. Setting expectations based on billed units per day is a simple way to measure productivity. You may break this down further to determine your cost per unit provided and billed, compared with profit per unit provided and billed.

New clients are the lifeline for any practice. Determining potential sources for new clients helps determine where and how you allocate the cost of attaining new clients. Tracking new client trends will help you make decisions about moving forward. If it's a positive trend, keep going; if it's a negative trend, change may be necessary. For example, if you're spending a notable amount of money marketing to a particular niche but not seeing any increase in referrals in this area, does it make sense to continue in this direction? Would your money be better spent marketing to a different niche, or one with a positive trend? The number of visits per new client is also important to address and varies greatly depending on your practice.

Benchmarking indicates an average of 8 to 10 visits per new client and is another good metric to address (Edgar, 2017). The industry standard for outpatient visits per evaluation is 11 (Katz, 2012b). The bottom line is that you will get paid by the visit, so tracking and monitoring are key for determining underuse as well as overuse of services. This key metric should be based on consistency. We can't assist with helping the client get better if we do not treat them. Some of the new electronic medical record programs and outcome indicators now have guidance for number of visits for clients with similar conditions (e.g., FOTO [www.fotoinc.com]). If your outcome studies indicate your clients are only 50% better and your visits are four fewer than the outcome predictor, one would think you have room to see the client for a few more visits to achieve the predicted improvement. This is a great metric to provide to your practitioners; point out possible underuse, as in this example, and see how they measure up in visits versus outcomes. Knowing your outcomes per episode of care is an excellent metric to consider.

We cannot produce good outcomes if the client does not show up for therapy. A cancel is defined as a scheduled appointment that was cancelled the same day (Felder, 2016). A no-show is a missed appointment. Consistency in determining your methodology for monitoring your client arrival rate is crucial to accurate metrics. A good goal is to look for an arrival rate of 90% (Felder 2016). Look for trends, both positive and negative. If you have an arrival rate of 90% that drops to 60%, explore all options as to why this changed. Look at the front desk and the practitioner. Is there construction occurring making it difficult for your client to get to your clinic? Is it a different time of year—you have 90% in summer but only 60% in winter? Look at what expenses you need to adjust because of the decrease in arrival rate—for example, do you need to reduce staffing levels? What is your cost per visit at 90% arrival rate versus your cost at a 60% arrival rate? Look at trends—why does one practitioner consistently achieve a 90% arrival rate and another a 75% arrival rate? Study your arrival rate over several months. You may even consider over-scheduling if you are consistently seeing a decreased arrival rate. Remember, everyone thinks they are busy, so knowing your arrival rate per therapist helps you to determine appropriate staffing levels.

Collecting on the services you provide is as important to maintaining a private practice as the therapy you provide. Your days accounts receivable (DAR) is a beneficial metric to monitor on a monthly, if not weekly, basis, as it has a direct effect on the cash flow. Your DAR compares your net receivables to the average daily charge over a 3-month period, showing the average number of days it takes for payment to be received. A goal of 35 to 40 days is reasonable for your DAR (Felder, 2016). Sources vary, but your DAR should not exceed 50 days. Accounts receivable (AR) are often categorized to define their ageing status. Current AR includes all current billings—more than 30 days, more than 90 days, and more than 120 days. Accounts more than 120 days should make up less than 8% of total dollars in AR, and those more than 90 days should make up less than 15%. You should be collecting at least 35% of your AR each month (Katz, 2012b). Following these guidelines and monitoring DAR on your dashboard will help you set expectations and goals for your staff. If your DAR is increasing, consider how quickly from date of service are you getting your billing submitted to the carrier. If you're billing daily, a DAR of 35 to 40 days is more realistic than if you bill only once a month. What is the turnaround on medical record requests? Are you collecting co-pays

at the time of visit? How much of your AR is insurance versus client payment? All these affect your DAR.

Setting expectations for all employees makes for a strong, committed workforce. This includes setting expectations for the practitioners, assistants, office staff, and managers, as well as the owners. Make sure your team understands the expectations and what is needed to meet their goals. What are the downsides if they do not meet their goals? The front office is often the first opportunity to make an impression on your clients and serves as the frontline marketing person. The office staff should have expectations on arrival rate, charge lag, copayment collection, and DAR, as well as customer service satisfaction.

With declining reimbursement and increased salary demands, productivity expectations are becoming necessary in most therapy practices for all clinicians. Productivity is quickly becoming a measureable metric and, recently, a factor in determining wages, as more and more practices are moving to a model in which you are paid based on what you produce. Setting expectations and providing regular feedback to your clinicians should resolve any productivity issues. Cost and profit per visit will help you determine the necessary expectations to maintain a healthy practice.

There are multiple ways but no set standards for measuring productivity. As a general rule, with outpatient services, 75% to 85% of hours paid should be billable. Productivity within pediatric services is often less, secondary to illness, transportation, and family issues, and it could range between 60% and 70%. For acute care, 60% to 70% of billable time is the target; for skilled nursing facilities, it's 80% to 90% (Dobrzykowski, 2015). Setting goals per day for billable units is an easy method for clinicians to meet their expectations, as they simply count the number of units they provide each day. One may look at weighted procedures, as this method accounts for differences between evaluations and untimed codes by assigning a higher value to evaluations and splinting, and a lesser value to modalities (Edgar, 2017). This works for a comparison between providers and client type regardless of the procedure code mix, but still allows for a simple method for the provider to monitor and track daily. Although somewhat harder to track and calculate, using relative value units (RVU) is another method to level the playing field for comparisons. The RVU is a value assigned to each CPT code based on the work value. Thus, time-based CPT codes, such as therapeutic activities and neuromuscular reeducation, have higher RVU values than untimed CPT codes, such as electrical stimulation or hot/cold applications. Likewise, evaluations and custom splinting have higher values.

Practitioners' knowledge and understanding of the expectations and how their performance will be measured is much more important than the method itself. Continual communication with each staff member and monitoring their expectations help each employee reach their goals.

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Using key metrics to support your practice is an easy, commonsense approach for every practice owner. Each owner will need to determine which metrics are key for their practice and create their own dashboard.

CONCLUSION

Opening and implementing a private practice can be a rewarding move for occupational therapy practitioners striving to provide a service to a community. Lamb (2016) stated, "Occupational therapy professionals can be powerful influencers of change" (p. 7006130010p5). Occupational therapy professionals have an increased opportunity to expand their scope of practice in varied community settings (Hyett, Kenny, & Swift, 2017). Opening a private practice allows practitioners to be influencers of change, offering services in an effort to meet society's needs. Although it takes a great deal of strategic and ongoing planning to maintain a successful occupational therapy practice, it is well worth the process. Occupational therapy practitioners are natural-born leaders, and those with an entrepreneurial spirit can help foster the practice of occupational therapy within many diverse settings and communities.

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Final Exam

Article Code CEA0418

Opening a Private Practice in Occupational Therapy

April 2018

To receive CE credit, exam must be completed by April 30, 2020

Learning Level: Intermediate

Target Audience: Occupational Therapists and Occupational Therapy Assistants

Content Focus: Professional Issues

1. **One of the first steps in establishing a business plan is to reflect on all aspects of opening a practice in a particular location or setting. What is a tool that can assist this process?**
   - A. SACO (Select, Assess, Concerns, Opportunities) Analysis
   - B. STAR (Strengths, Threats, Actions, Rewards) Analysis
   - C. SWOT (Strengths, Weaknesses, Opportunities, Threats) Analysis
   - D. STAC (Seek, Target, Action, Consequences) Analysis

2. **When creating a business plan, one should include evidence supporting the services that will be offered by the business. Which one of the following entities is particularly concerned with the evidence supporting the services to be offered?**
   - A. Future clients
   - B. Silent partners
   - C. Tax accountants
   - D. Banks and other lenders

3. **Space design is critical for sustaining a new practice. One may consider consulting with which one of the following during this process?**
   - A. Interior designer
   - B. Architect
   - C. Small Business Association
   - D. Interior decorator

4. **In determining the start-up budget, the new practice owner must consider all of the following *except*?**
   - A. Hours of operation
   - B. Website design
   - C. Capital equipment costs
   - D. Logo/marketing plan

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5. Accrual-based accounting typically:

- A. Leads to more stability for budgeting and cash flow
- B. Allows a budget for ongoing incidentals
- C. Is similar to balancing your checkbook
- D. Does not account for expenses

6. What percent of your accounts receivable should you collect each month?

- A. 0%
- B. 5%
- C. 35%
- D. 70%

7. What expense should account for highest percentage of your expenses?

- A. Rent
- B. Labor
- C. Supplies
- D. Variable expenses

8. To determine your cost per visit, you would:

- A. Subtract the hourly wages from the billable charges
- B. Divide total expenses from the profit and loss statement by the number of visits
- C. Divide charges for the day by the number of visits
- D. Divide visits per day by the hourly wages

9. When planning a new practice, the main thing to consider is:

- A. Whether society's needs being are met
- B. Whether you will produce the revenue needed to cover costs
- C. Your target audience
- D. The hours of operation

10. In completing the market analysis, one should consider:

- A. Projected population growth
- B. The number of injuries and accidents that occur per year in the area
- C. The presence of anchor industries within the area
- D. The number of large employers in the area

11. The marketing plan may include the following:

- A. Hours of operation
- B. The number of therapists needed
- C. Logo/branding
- D. The type of car to drive

12. When addressing policies and procedures, which of the following is considered best practice?

- A. Broad, non-specific language use
- B. A method of annual maintenance
- C. Maintaining policy and procedures information in a locked, confidential cabinet
- D. Legal consultation

Now that you have selected your answers, you are only one step away from earning your CE credit.

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