5 Hidden Costs of In-House Therapy

Skilled Nursing providers must supply therapy services for their residents. For most providers, therapy is the most important source of revenue other than census. The choice between employing therapists and engaging a contractor often rests on costs of the program—however, the in-house programs often come with hidden costs, a few of which we’ve outlined below:

#1 Hidden Labor Costs
- **Rehab is the most important revenue center for a skilled nursing facility.** This revenue is imperative to skilled facilities that are chronically underpaid for their Medicaid residents. Having an open position in the therapy department significantly affected revenue.
- The American Physical Therapy Association published turnover rates for 2006 in various practice settings. The reported turnover rate in skilled nursing was 85% for Physical Therapists and 65% for Physical Therapy Assistants.
- One way facilities solve open positions is by utilizing Agency or Traveler costs at a 35% premium on labor. However, the costs of Agency and Traveler staff do not end there: there are additional, often unmeasured cost of inconsistency and reduced production due to ramp-up time for continually changing agency staff.
- The average recruitment cost for hiring for a full or part-time therapist is $5,000. The average cost for hiring an on-call therapist is $2,000. Often, an additional “sign on bonus” is required in these days of supply and demand, and if not addressed with appropriate earn-out agreements, those sign on bonuses can walk out the door with a better offer.

#2 The Hidden Cost of “Other Duties as Assigned”
In skilled nursing, thinner reimbursement means less administrative and support staff, resulting in more jobs to do with less support help. Therapists are generally “get it done” type people, tempting us greatly to assign important functions that are not necessarily patient care or revenue generating.

Common habits of in-house programs:
- Completing sections on the MDS
- Excessive meeting attendance when a single rehab spokesperson would suffice
- Wheelchair and rehab equipment maintenance
- Ordering equipment for discharge
- Clerical functions such as filing, faxing, and copying documents
- Supervising restorative programs or departments
- Supervising dining rooms as a department head

Commonly known as time bandits, these “other duties assigned” raise the cost of patient care by diluting therapists’ hands-on time with patients. As therapy departments take on more indirect duties, more staff may need to be hired to offset the time lost in administrative functions, or suffer the lost RUGs achievement/part B revenue. In summary, “other duties as assigned” raise the costs of therapy in a facility.
#3 Hidden Performance costs- training and management

- Regulatory implementation: rules change frequently- are there part B caps or not, are there exceptions or not, how do we implement, what are the new rules. Leaving therapists understanding of new rules and regulations to chance is risking denials or worse.
- Training costs: Therapists do not graduate from their professional programs with training in the regulations, restrictions, and reimbursement needed for a successful long term care practice. Is it a good idea to take any therapist and rest the program success on chance? Hospital therapists are accustomed to a 4 day length of stay to a lesser discharge placement- Outpatient therapists rely on home programs that patients conduct for themselves- What are the lost costs while we adapt them to this new setting? Who monitors their caseload and decision-making in the context of the new setting in order to adequately and accurately serve our residents?
- Oversight costs: what does lack of oversight of the program cost? Are the checks and balances in place to assure not only quality, regulatory compliance, but to ensure we are not over-delivering care in a capitated reimbursement scheme?
- Finally, the cost of performance issues. Often, with in-house staff, administration waits too long to make a change for fear of not being able to retrain or replace poor performing therapists.

#4 Hidden Costs of being under-resourced

- The cost of reinventing programs that are successfully modeled elsewhere
- Narrow scope of practice resulting in care that is not comprehensive and innovative.
- Lack of oversight resulting in missed minutes, RUG categories and missed revenue.
- Lack of a growth plan
- Lack of compliance training or monitoring, placing facility at risk for denials or audits.

#5 Hidden Utilization costs

Living in a capitated reimbursement scheme, many in house programs regularly deliver more care than is being paid for. A lack of tight systems that align utilization with the capitated levels results in giving away services. For example, a resident who comes in pre-approved for a level one HMO rate which covers up to 1 hour of therapy per day, therapy department delivers 1.5 hours or 2 hours per day but no negotiation is made with the HMO who is getting extra care for free. A typical in house therapy program would measure the productivity and find that it was good, so all must be well, right? A Productivity measure alone would not tell us what care was being provided for free, so it might be misleading.

In summary, there are two components to making a rehab program work at its best- the ability to staff, and the ability to manage for both cost containment and revenue enhancement. In house therapy programs benefit from strong management systems, oversight, and closely tracking utilization to the capitated world we live in today.