

CHATTANOOGA®

Beyond Insurance:
Demystifying Cash-Pay
Services for Modern
Rehabilitation Clinics



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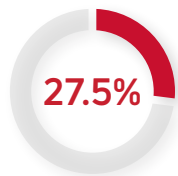
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WHY DO CLINICS WANT TO ADD CASH-PAY SERVICES?

Many physical therapy and physical rehabilitation practices are adding cash-pay services to survive today's challenging outpatient marketplace. Downward financial pressure in the forms of lower reimbursement, increased rent, higher wages, and higher supply costs have forced most practices to seek ways to generate additional revenue.

Five years ago, cash-based services were considered entrepreneurial by many clinic owners. Now, they have become a necessity. The WebPT 2023 State of Rehab Therapy pointed out that:




27.5% of clinics have added or increased service offerings as a primary growth strategy over the past two years.



43% of respondents stated that adding cash pay services would be their primary strategy to increase revenue over the next two years.

The modalities that perform well as cash revenue drivers help reduce pain quickly, shorten patient time in the clinic, and address symptoms that are keeping patients from their desired functional levels. High-power laser and radial pressure wave technologies are emerging as excellent choices to meet this market need. While they have different mechanisms of action, they both can treat difficult conditions and quickly impact symptoms that often require multiple visits to achieve relief.

In the era of direct access, more patients are going directly to physical therapy without requiring a referral in most cases.¹ While direct access opens clinics up to more patient volume, retaining these patients requires differentiation and clinical expertise as they demand efficient plans of care and are looking for notable changes in their conditions. When these expectations are unmet, patients may look for other healthcare options to help them meet their goals. Tools that can impact pain and function quickly can help satisfy this desirable patient population.



HERE ARE THE TOP REASONS CLINICS ARE ADDING CASH SERVICES

Avoiding Insurance Restrictions

The American Physical Therapy Association (APTA) states that out-of-network, or cash-based models, provide therapists with greater flexibility to assist patients in achieving their goals, free from the service restrictions often imposed by third-party payers.²

Financial Viability

Third-party payer models can be expensive for physical therapy clinics. Collecting payments from insurance companies involves varying levels of cost, whether the billing is done internally or by an external company. Cash transactions handled at the time and point of service help reduce this source of overhead.³

Diversification of Revenue

Instead of relying 100% on insurance-based revenue streams, clinics are stabilizing cash-flow by adding new sources of income with cash services.³

Price Control

Dependence on insurance can be risky due to the unpredictable, downward trends of reimbursement rates. Adding cash services allows clinics to offset these losses and stabilize per-visit revenue. Cash services should increase pricing model control, which should help improve profitability.³

Enhancing Patient Care and Experience

Cash-pay models often allow patients to receive the services they want. By removing (some of) third-party payers' restrictions on how visits are reimbursed, clinicians can focus on a preferred plan of care that includes services the patient is requesting. Additionally, utilizing advanced clinical equipment requires one-on-one engagement with the clinician. This engagement helps build therapeutic alliances, which can impact overall patient satisfaction.⁸



HERE ARE THE TOP REASONS CLINICS ARE ADDING CASH SERVICES **CONTINUED...**

Reducing Therapist Burnout

Therapists generate revenue primarily by seeing patients. Lower reimbursement rates require facilities to see more patients to achieve target revenue. This high patient volume may explain why 11.4% of therapists left their positions in 2022, and 38.5% of physical therapists report that they suffer from burnout (WebPt 2023). Additionally, data shows that complying with restrictive insurance regulations can result in therapist burnout.³

Cash-pay services can improve per-visit revenue and provide more autonomy over each visit. This increased visit control generally leads to more balanced productivity requirements and improved visit management, tools that can help stem the widespread industry burnout.

Service Diversification

Clinics can leverage cash-pay treatments as a marketing tool to differentiate themselves from other practices. Offering unique services that larger hospital/ corporate systems don't have can play an important role in competing for both direct access and in-network patients.



[Watch Now]

Cash-Based ATs

Watch this on-demand webinar now to learn more about how Christina Meucci, MS, ATC, LAT, CES, IDNC, Owner of The Recovery Room, and Eric Archuleta, LAT, ATC, Owner of Athletic Training Center, have effectively integrated cash-based modalities to take control of their business success.

lightforcemedical.com/cash-based-ats/

THE VALUE OF EQUIPMENT-DRIVEN CASH-PAY SERVICES

Shockwave and laser therapy offers an affordable entry point for providing a cash-based program. Unlike popular cash concepts like group exercise classes, sports performance training, or massage services that require adding staff, splitting revenue with an ancillary provider, or possibly modifying the clinic footprint, equipment-based services are easy to implement and don't require any of those financial risks.

Additionally, equipment-based programs are immune to staff turnover, many equipment manufacturers offer turnkey marketing solutions, and equipment provides services supporting practice differentiation. These unique attributes make it easy to get these programs off the ground and generate revenue.

High-tech equipment attracts discerning patients who are looking for treatments they cannot perform at home or receive at other clinics. Often, they are looking for services that can quickly reduce pain or help manage a chronic condition that will enable them to return to a desired activity. This value proposition drives the cash discussion. Both high-power laser and shockwave technologies can potentially provide value to this type of patient.

The Reimbursement Considerations of Cash-Pay

While shockwave and therapeutic lasers both have specific Current Procedural Terminology (CPT) codes associated with these treatments, they are often not recognized or reimbursed by third-party payers. This opens the door to providing these treatments as a cash-pay service to many private pay patients.

Certain restrictions apply with different federal and workman's compensation contracts. Consulting with a billing professional in your state will help clarify compliance regarding this topic.

For practices that operate in a completely cash/ out-of-network model, there are no restrictions to adding laser or shockwave services to your superbill. National averages for these treatments range from \$40-75 per treatment, depending on your location.

Driving Cash Pay with Laser and Shockwave Therapy

Laser and shockwave therapy have long been preferred cash-pay treatments because they address pain for a variety of conditions. They become a cash offer for clinics since they are services typically not covered by insurance networks.





RETURN ON INVESTMENT

Cash-pay equipment-based services offer the potential for a high return on investment (ROI). Here are a few key reasons.

Sticker shock.

Some practices dismiss investing in capital equipment that isn't reimbursable by third parties. They are not considering that charging cash for the treatments the equipment provides outperforms any billable timed code for the same amount of time spent with a patient. These cash services will help quickly increase a clinic's average net revenue per visit.

Monthly return.

Many clinics finance the purchase of their device with low-interest capital equipment loans. In doing so, they can conserve valuable cash reserves and still generate revenue when earnings outperform their monthly payment.

The purchase price of the device will dictate break-even amounts.

Most programs will be cash-positive each month after < 20 patient visits. For clinics generating 750-1,000 monthly patient visits, this threshold (2-3%) is easy to meet.

Tax benefits.

Tax benefits with equipment depreciation can reduce tax liability by thousands of dollars in the year the equipment is purchased, even when financed (See Section 179 Benefits https://www.section179.org/section_179_deduction/). These tax benefits can significantly reduce the net equipment expenditure.

Profitability happens fast.

Once the equipment payback period is over, treatments become even more profitable.



[Watch Now]

See how Bob Bacci, PT from Bacci & Glinn Physical Therapy, has successfully integrated laser therapy as a cash-pay modality in his clinic. https://www.youtube.com/watch?v=oh0XbSZef_0&t

ROI CASE STUDY¹⁰

Kinetix Physical Therapy in Gainesville improved their payer mix by adding cash-pay services to drive clinic growth that resulted in expanding to open two additional clinics:



300% Revenue growth in 6 years



\$340,000 Cash-based revenue generated in 2022



Grew from \$946k to \$2.8 million in annual revenue



12% Average increase in reimbursement rates across all payers



Read the full case study at <https://getbreakthrough.com/customer-reviews/kinetix-pt-triples-physical-therapy-income/>

USING DIFFERENTIATORS TO DRIVE REFERRALS AND GROWTH

Analyze the competition and market wisely

Outpatient rehabilitation practices are under constant pressure from competitors. Physical therapists, chiropractors, massage therapists, athletic trainers, and personal trainers are all looking to serve patients with musculoskeletal pain. While approaches may differ, having a technological advantage can help further differentiate practices. When evaluating a new cash-pay service, consider the following as part of your pre-purchase due diligence.

Make a list of both your direct and indirect competitors (homeopaths, acupuncturists, etc.), then do some basic research on publicly available information including:⁴



Their websites.

Check out what services they are offering, their value proposition, their pricing model, and which insurance plans they accept.



Their social media channels.

Browse their posts to see what they're doing well and where they are missing. This can help give you ideas for how you want to take a different approach.



Their Google search results.

Conduct searches of terms such as "physical therapists near me" or search for their clinic name. Ads are marked as "sponsored". If your competitors show up, take note of what they're promoting in their ads.

The purpose of this research is not to imitate your competitors; it's to learn what they are doing and carve out your own differentiated value proposition.

A physical therapist in a grey long-sleeved shirt and dark shorts is assisting a patient lying on a white mat. The patient is wearing a light blue t-shirt and dark shorts. The therapist is holding a blue resistance band around the patient's foot and leg, pulling it upwards. The background shows a bright, modern interior with large windows, indoor plants, and a small table with various items.

CREATE A NICHE

Specialize in a specific condition.

Specialization will attract targeted patient populations looking for “the best practice” to help with their condition. For example, how often do you take your car to a general mechanic when your car needs a new tire? You probably call a tire specialist who can get you in and out on the same day. The same principle applies here.

Remember, clinics don’t have to be everything to everyone.

It’s usually better to find a niche and lean in. Patients suffering from hard-to-treat conditions have often tried other treatments that didn’t work and are looking for a novel approach.

Patients are often willing to pay cash for results.

Laser therapy and shockwave align well with this concept. They are the type of tools a general mechanic likely won’t have in their clinic.

Stay focused.

Regardless of the profession, having a practice niche will allow a clinic to focus its valuable marketing dollars on people in specific demographics via platforms that will efficiently reach its target market(s).



Commit to a marketing plan that will attract desirable patients.

More is not always better; very few clinics can afford to waste time and money on trial and error with their marketing budgets. If you don’t know how to use social media to attract patients effectively, consult with companies specializing in this area, such as Breakthrough Marketing, <https://info.getbreakthrough.com/breakthrough-enovis-partnership-a>.

[Research Review]

The Effect of High-intensity Versus Low-level Laser Therapy in the Management of Plantar Fasciitis: a Randomized Clinical Trial

Banu Ordahan, Ali Yavuz Karahan, Ercan Kaydok

The study showed that after three weeks of treatment, the HILT group improved significantly more than the LLLT group. VAS scores decreased by 33.4% for the LLLT group compared to the HILT group scores, which decreased by 69%.⁵



Learn More

https://20276866.fs1.hubspotusercontent-na1.net/hubfs/20276866/REC_SCI/REC_SCI_Pdfs/MKT00-13335%20Rev%20A%20-%20Ordahan%20Plantar%20Fasciitis%20Article%20Summary.pdf

Provide new services.

Add new services or treatments to generate buzz for your clinic.⁶

Remove friction from the experience.

Make it easier to book appointments at your clinic. New software platforms make it simple for patients to schedule visits online. Provide flexible appointment options with telehealth, or try leveling up your communication technology to send proactive appointment reminders via text and email. Sometimes differentiation is as simple as better communication.

Prove it.

Use before and after videos and photos, client testimonials, and Google reviews to support your differentiators. For example, if your focus is helping patients suffering from plantar fasciitis, make sure your social media, website, and reviews reflect that.

Network with referring physicians and practices with a synergistic mission to increase referrals from local clinics for your cash-pay services.



CASH-PAY PRICING MODELS

Remember the golden rule of cash-pay pricing models: price for profitability. Your fee schedules will be determined by the service you are offering and what you believe your local market will support. Here are two pricing models to help you get started. Both can be adapted for high and low-income demographics.

#1 Package Pricing




For patients receiving laser or shockwave therapy, typically, more than one session is needed for optimal results. Selling treatments in a package can increase patient compliance with the recommended plan of care.

Packages with different numbers of visits can be presented to the patient with their specific condition in mind. Clinics report selling packages ranging from 3 to 20 visits, the higher number for more chronic conditions. There are normally price incentives for higher volume packages.

Many clinics use the 3, 6, 10 model to address the spectrum of minor to more chronic conditions, 6 being the most common package. If patients desire additional visits, they can purchase a new package. Six-visit packages are popular because they allow 2-3 treatments over a 2-3 week period, which is usually sufficient to positively impact patient symptoms.

Shockwave packages are usually smaller as research for treating most tendinopathies supports three visits.¹¹ Depending on the patient and what is being treated, 1-2 additional treatments may be needed. Therefore, a singular package of 3-4 visits for shockwave is not uncommon.

Pricing idea starters

-  **3-Treatment Package:** \$60 per visit (\$180)
-  **6-Treatment Package:** \$50 per visit (\$300)
-  **10-Treatment Package:** \$40 per visit (\$400)

Logical discounting at the different treatment levels helps patients understand the value of pre-paying for additional visits. Values for each package price can be adjusted up or down to reflect local markets.

CASH-PAY PRICING MODELS



#2 Add-On Pricing

Add-on pricing can be an attractive option for clinics in low-income areas or if your staff is uncomfortable with cash discussions. This is because there is a smaller financial commitment from the patient for adding the service for a single treatment session. It also allows for regular justification of the treatment based on the presentation of the patient that day. This helps create a joint decision for the plan of care between the patient and the clinician.

For clinics that have multiple cash-pay modalities, offering them in daily bundles is another way to allow a la carte choices to the patient. One clinic that uses this method reports that 80% of their patients choose to add cash-pay services to their visits. This clinic uses a three tiered add-on pricing model:

Tier 1: \$20 per visit for a shockwave add-on treatment

Tier 2: \$40 per visit for a shockwave + laser therapy add-on treatment

Tier 3: \$80 per visit for shockwave + laser therapy + traction add-on treatment

This pricing method takes the pressure off the therapist and creates a low-pressure, patient-driven decision-making process. The therapist simply presents the treatment options that will best address the patient's presentation on that day and then presents the transparent menu of add-on fees. The patient ultimately decides how to proceed.

The add-on nature of the pricing allows the patient to make decisions on a visit-by-visit basis, putting them in the driver's seat of their care.

THE ROI OF CASH-PAY SERVICES

Equipment-driven cash-pay services can have an impressive ROI when properly implemented. Depending on the level of staff adoption and the size of the clinic, revenue can range from hundreds to thousands of dollars of profit each month. The cost of the device and the revenue generated will dictate the timeframe needed to pay off the device.

Below is an example of an ROI model from three sample practices: a small practice, a medium practice, and a large practice. The model assumes 60 visits per therapist per week with an average package of 6 visits priced at \$300 per visit.

	# of Therapists	Visits/ Month	New Evals/ Month	10% of New Patients		30% of New Patients		50% of New Patients	
				Month	Annual	Month	Annual	Month	Annual
Small Practice	2	480	30	3 \$900	36 \$10,800	9 \$2,700	108 \$32,400	15 \$4,500	180 \$54,000
Medium Practice	4	960	60	6 \$1,800	72 \$21,600	18 \$5,400	216 \$64,800	30 \$9,000	360 \$108,000
Large Practice	8	1,920	120	12 \$3,600	144 \$43,200	36 \$10,800	432 \$129,600	60 \$18,000	720 \$216,000

MORE RESOURCES



Laser-Sharp Profits, 3 Ways to Increase Cash-Based Revenue

Watch Now: <https://vimeo.com/868449418?share=copy>



10-Minute Video Guide to Adding Cash Pay Service

Watch Now: <https://vimeo.com/865001502/3f9de1bdea?share=copy>



OPERATIONAL STRUCTURE

It is imperative to get staff buy-in when starting a successful cash program. Managers should be aware of the challenges of changing the behaviors and treatment patterns of their staff. It is highly recommended to add some basic implementation rules for the new service once the program begins to improve staff buy-in.

- ✓ During the first month of a new device in the clinic, staff should be encouraged to treat each other as much as possible to get comfortable with how to apply the device and what it feels like to experience a treatment.
- ✓ Make sure that all therapists attend the training and treat 2-3 of their own patients on that day to help them become comfortable with applying and discussing the treatment.
- ✓ When scheduling patients, a trial of the modality should be scheduled on a specified visit for each patient. Usually, the second or third treatment session is recommended to allow the evaluation to be completed, goals to be set, and to allow the patient to compare how they feel after a session that used the technology vs a session that did not. This will allow the patient to compare and decide if the treatment was beneficial.
- ✓ The feedback from the patient will drive the decision on whether they will include the cash modality in their treatment plan or not. This helps defend against the therapist being the gatekeeper against the cash modality, which can significantly impact clinic adoption if they hold biases against the technology.
- ✓ Scheduling the trial or introduction of the technology with all appropriate patients, instead of relying on individual therapists to execute a trial, will improve global adoption in the clinic. It will also force the staff to get comfortable explaining how the modality works and how it can help various conditions.

This structured format is ultimately going to provide a framework for the integration of the cash program. The first few weeks are the most critical as the clinic adjusts to the new program. Someone once said, "The only people that like change are wet babies!". This was never more true than when adding a new service to a clinic.

It is important to note that cash programs are not for all patients. There will be many patients who choose to stick with covered services. That is completely fine! Therapists need to understand this as well. Successful programs usually have 25-30% of their patients participate in their cash modality program(s). This is usually enough patient volume for it to be highly profitable.

Once clinicians get comfortable with their new treatment rhythm and witness the impact that adding laser or shockwave technology can have on their patients, the integration process will become an organic part of the facility.

INTERACTIVE SERVICE PRICING WORKSHEET

Use the interactive worksheet below to establish your fee structure to achieve your target revenue and profitability numbers.

Step 1: Determine how many cash-pay patients you can generate

How many new evaluations do you see per month? _____

X

What percentage of those evaluations do you think you can sell cash-pay treatment to? _____

=

_____ New cash pay patients per month

_____ New cash pay patients per year

Step 2: Establish target package pricing

If you plan to use package pricing, fill out this section. If you plan to use an add-on pricing model, please skip to step 3.

How many treatments will you offer on average in a treatment package (6 is recommended) _____

How much will you charge for a treatment package? _____

=

_____ Treatment package revenue per month

_____ Treatment package revenue per year

Step 3: Establish target add-on pricing

If you plan to use an add-on pricing model, fill out this section. If you plan to use a package pricing model, skip this step.

How many visits does your clinic see each month? _____

How much will you charge a Tier 1 Package add-on (\$40 on average)? _____

X

Assuming a 30% adoption of tier one for cash add-on services. 30%

=

_____ Tier 1 Package revenue per month

_____ Tier 1 Package revenue per year

Use this information to tweak your pricing to achieve your desired profit margin on your equipment purchases. You can also use this information to determine your payback period on your equipment purchase. Most clinics target a 12-month payback period on capital equipment.⁷

START GENERATING CASH REVENUE

The family of Chattanooga® and LightForce® products can help your practice add a new stream of cash revenue.

LightForce Therapy Lasers



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Therapy Laser | 40W



LightForce XPI
Therapy Laser | 25W



LightForce FXI
Therapy Laser | 15W



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Intelect® RPW2



Intelect Focus
Shockwave



Intelect Mobile 2
RPW



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2022

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MEDICAL DEVICES
1,000+

2022 REVENUE
\$1.6B

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PREVENTION



PERFORMANCE
• Athletic Braces
• Muscle Stimulation



PREVENTION
• Off-loading Braces
• Back Braces
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REPAIR



SURGICAL
• Shoulder
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RECOVERY



RECOVERY
• Post-op Braces
• Walker Boots
• Cold Therapy



REHAB
• Electrotherapy
• Laser Therapy
• Heat / Cold Therapy
• Traction Devices

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