



Will Your PT Practice Continue Paying You After You Retire?

If not, there are 8 principles you need to implement in your practice.

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The retirement plan for most PT practice owners consists of selling their business and riding off into the sunset with their pockets stuffed full of cash. They say to themselves, “After 30 years of building a successful practice, it’s going to be worth millions.” Unfortunately, this dream quickly turns into a nightmare for most practice owners when they discover the valuation formula used to determine a practice’s value (see page 9) yields a significantly lower amount than they expected.

Once the owner learns they are hundreds of thousands, even millions, of dollars short of the retirement income they had expected, reality sets in. Their only solution is to work many more years than originally planned, or lower the standard of retirement lifestyle they had envisioned for themselves. But what if there was a plan

where you could retire from your practice, give yourself a raise, and keep your paycheck for life? This type of plan exists for owners who are serious about building a practice that revolves around people, processes, and patient-focused services.

The Paycheck for Life Plan

The paycheck for life plan is actually simpler than most PTs imagine. Once you have laid down a solid business model and a strategic planning process that lives and breathes throughout your organization, it consists of building a practice around 1.) People 2.) Patient satisfaction, and 3.) Processes.

By embracing the **eight principles**, the Paycheck for Life Retirement Plan provides you with a pathway whereby you can steadily work yourself out of a job and into a steady, sustainable income stream that flows in perpetuity.

Your life and practice improve immediately when you have the right processes in place and the right people on your team who truly care about patient satisfaction and will execute the processes that virtually guarantee success. Once these three criteria have been established in your practice, the owner's job now becomes staying out of their way to allow the staff the freedom to do their job. Your responsibility then becomes: travel the world; donate your time to charitable organizations, fish, sail the ocean, read a book... (OK, that may be a bit of an over-simplification), but simply put, to enjoy the last chapter of your life the way you had always envisioned. And the best part is, your paycheck keeps showing up in your mailbox whether you show up at your practice or not.

If the 'Paycheck for Life Plan' is for you, then it's time to immediately get to work on your practice and implement the missing principles that have enslaved you to it for so long.

 **Principle One:** Alter Your PT Ego. The reason you opened your practice was because you were a great therapist. You simply could do what other PTs could not do. You could heal the improbable and cure the impossible. If you want job security as a PT, this a great attribute to possess. But as an owner, it's a self-imposed trap that will stymie your growth and limit your ability to build a practice that could operate without you. In order to exit your practice and earn a paycheck for life, you **MUST** keep your PT ego in check and get over the belief that your own PT capabilities are required to grow your business. Sure, you may choose to continue practicing as a clinician because it's where your true passion lies, but in choosing so, it is still your responsibility as an owner to assure the right people are in place to fulfill the vast needs of your business. Otherwise, each day you spend as a clinician in your practice puts you one more day further away from retirement and financial security.

 **Principle Two:** Utilize an Organizational Chart with Clearly Defined Job Descriptions and Responsibilities. When every team member understands exactly what their job functions are and the performance standards expected of them, they will strive to exceed your expectations if they are the right individuals. By clearly communicating verbally, in writing, and then posting the performance results of each person, it becomes very clear who is a valuable team member and who needs further training or removal from the team. A high performance practice is achieved when every single team member is achieving, or exceeding, the personal responsibilities they have been assigned to achieve.

 **Principle Three:** Develop a Powerful Financial Model. This tool and the system by which it is used are the primary ingredients to achieving high levels of success as a practice owner. Just as an arch does not exist without a keystone, nor does a practice thrive and flourish without a powerful financial model. Practice owners must fully understand their financials and must drive the results of those financials through a robust model. Accurate budgeting processes demand it. Instances of not knowing practice margins, not understanding

why profitability isn't what it ought to be, not knowing standards for specific expense categories in our vocation, and the like, run rampant throughout the physical therapy profession.

Practice owners must take great care and energy to assure their business stands far apart from others with this all too familiar problem.

➤ **Principle Four:** Create a Values and Culture Driven Practice. Values are the overriding philosophical principles that guide the attitudes and behaviors throughout your organization. Culture refers to the resulting behaviors and beliefs that become a way of life throughout your company: it is the sum total of ways of "living" throughout your organization and, most importantly, is transmitted and expected from person to person.

Often an owner will state, "My practice isn't the same when I'm not there." This common problem is avoided through a systematic approach that instills the values and acceptable culture into the behaviors and beliefs of the entire team. With this in place, as an owner you will be assured that the vision and mission you have for your practice will live and breathe throughout your company whether you are there or not. Once these values and cultures instinctively become a natural part of each team, the practice will operate as if you are there daily. Each team member will be operating with an internal compass of patient care, responsibilities, and performance standards with a commitment to sustain a thriving, prosperous practice.



➤ **Principle Five:** Develop a Systems and Process Driven Practice. The practice of physical therapy has become quite complex, and success as a practice owner demands (and depends on) a robust set of systems and processes that govern the what's, when's, where's, why's, and how's of your practice.

Without them, it is a long and scary ride along a winding road with no guard rails on the side of a mountain blindfolded...oh, yeah, during a winter storm in a rear wheel drive car with bald tires. Now that's a scary ride! But you get the point.

Performance tracking metrics, training and mentoring systems, robust compliance programming, professionally designed PR, sales and marketing, and organizational alignment through performance and goal driven compensation programs are just a few of the absolute necessities that smooth out that mountain ride and turn it into a more tranquil stroll through the country side.

➤ **Principle Six:** Build a Management Team. A physical therapy practice has four key management responsibilities, 1.) General Manager 2.) Clinical Director 3.) Sales & Marketing Director 4.) Administrative Manager. Depending on the annual revenue of your practice you may have multiple people serve in more than one role so your management team may be less than four people. Or your management team may consist of more than four people if you are a really large practice with multiple locations.

However, you must understand that these are the four core areas of your practice regardless of your size. When one person is personally responsible for that specific area and is held accountable to performance in that area,

stars will be born. When you build a superstar management team you will soon be free to exit your practice and the paycheck keeps arriving in the mailbox.

➤ **Principle Seven:** Customer Satisfaction. The joy and satisfaction of our clients/patients both through perceived experience as well as actual clinical results is of paramount importance to any private practice owner. To leave these results to chance should be a risk no business owner is willing to take. At best, this can be boiled down to ignorance and, at worst, an outright betrayal of the trust and confidence our patients and clients place with us. What do our clients demand most from a physical therapy practice? What drives their decision making? How happy are they with each aspect of our operation?

How well are we performing in their eyes? How loyal are our patients to our practice? These patient-focused concerns are key drivers to any successful private practice.

➤ **Principle Eight:** Harness Technology to Pave the Way to a Bright New Future. Today more than ever before, technology is the key to opening the door to a bright new future for private practice owners. It allows private practice owners to harness new efficiencies that cut costs through best practices; an absolute imperative with reimbursement pressures as they are. And it makes possible the innovation of new products and services that allow us to serve our patients and clients in ways that were previously unimaginable.

An Enterprise Level Practice Management/EMR System is a core technology and should be the brain center of your practice, managing work flow from initial point of client contact to discharge, revenue cycles, key sales and marketing functions, key administrative functions, core metric systems, compliance, customer satisfaction, and more.

How you ultimately choose to exit your practice is a highly personal and individualized decision and one of the biggest decisions you may make in your lifetime; one that must not be made out of fear and insecurity. Fear or no fear, like it or not, the proceeds from the sale of small practices do not and will not fulfill the long term financial needs of most owners.

College educations, weddings, 30+ years of retirement, and living an exciting, joyful life that fulfills your hopes, dreams, and desires require financial means that are challenging to achieve the way private practices have traditionally been run. This example illustrates the challenge:

Practice Revenue: \$700,000
Practice Income: \$105,000
Pre-tax Sale Price: \$315,000 ($\$105,000 \times 3$ multiple)
After-tax Sales Price: \$242,550

If you are anything like I was, you are disturbed by this little exercise, but it is helpful because it motivates and drives you to seek out a better way.

And indeed there is! By embracing the eight principles above, the “Paycheck for Life Retirement Plan” provides you with a pathway whereby you can steadily work yourself out of a job and into a steady, sustainable income stream that flows in perpetuity. You are now the owner of a sophisticated growing business that is focused on patient care, is systems and processes driven, thrives on its values and culture, utilizes advanced technologies, and is backed by a powerful financial model that drives profitability.

On this plan, the same \$700,000 practice now generates \$140,000 of income and you are not in the business. Now the reality is that once business owners get out of the way of operations, often their organizations take off and reach unimaginable heights. That \$700,000 practice may turn into \$1,000,000, \$2,000,000, or even levels

far beyond that. The point is, with the Eight Principles in place, you now get to choose your destination. You now have an opportunity to travel and experience the world. (As I am writing this article I am on an airplane traveling with my family to our annual ski trip. This year to Whistler.) Now, let's fast forward a bit; you have lived a good life, retire at 65, and live another 30 joyous years. At a minimum, you'll end up with \$4.2 million dollars ($\$140,000 \times 30 \text{ years} = \4.2 million). And, you and your family now have a revenue generating machine and a valuable asset to sell.

Either way you slice it, operating a practice that is NOT dependent on the owner is just plain smart. Whether you choose a "Paycheck for Life Plan," or ultimately sell your practice, it's your choice—you have the financial freedom to decide.

Fifteen years ago, I ran an egocentric practice with limited to no value in the marketplace. I ran the same numbers above and learned that selling my practice would never be a legitimate option unless I changed. And so I embarked on the journey that has made all the difference. I worked to apply the eight principles above and transformed my practice from the egocentric model it was to a systems and process driven practice backed by a solid management team. Today, my practice is worth millions! I did it and you can too!

- Mike Graves, MS, PT