



Risk & Compliance Analytics



PredictionHealth

smarter healthcare

2024

**Annual Rehab Therapy Compliance
Report**

Foreword

It is with great pride that I present the 2024 Annual Rehab Therapy Compliance Report, a comprehensive resource aimed at empowering outpatient therapy practices to navigate the complex landscape of regulatory compliance. This report is the result of an extraordinary collaboration between Risk & Compliance Analytics and PredictionHealth, whose innovative AI-powered insights have helped shine a light on critical compliance trends and opportunities within the rehab therapy industry.

The past year has presented both significant challenges and opportunities for our profession. The increasing scrutiny of regulatory bodies, rising operational costs, and the integration of AI into compliance processes. At the same time, these pressures underscore the importance of proactive compliance management, not only as a safeguard but as a strategic advantage. It's time to reshape the way high quality patient care is supported with defensible documentation, coding and billing.

Inside this report, you will find a wealth of data-driven insights, including:

- Workforce trends and challenges impacting therapist retention and hiring.
- Updates on industry enforcement actions and the implications for outpatient therapy practices.
- The evolving role of AI in improving compliance accuracy, reducing therapist burnout, and optimizing reimbursement through CPT code diversification.
- Practical guidance for establishing and maintaining effective compliance programs tailored to therapy practices.

Our collaboration with PredictionHealth has also yielded groundbreaking insights into the role of real-time AI scribing and analytics in improving documentation habits, compliance scores, and organizational efficiency. By integrating AI technology, we can transform compliance from a burdensome requirement into a seamless part of daily practice that drives better outcomes for therapists and patients alike.

Risk & Compliance Analytics remains steadfast in its mission to deliver affordable, comprehensive resources, tailored compliance tools and employee training. We are committed to helping outpatient therapy practices achieve excellence by mitigating risks, reducing liability exposure, and unlocking the potential of advanced tools like AI to create a thriving, compliant future.

I extend my deepest gratitude to the entire team at PredictionHealth and to the therapists, practice managers, and compliance professionals who have contributed their expertise to this report. Together, we can build a more resilient, innovative, and patient-centered rehab therapy industry.



Daniel Hirsch, PT, DPT, CHA, OHCC, COCAS
CEO, Risk & Compliance Analytics



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Physical Therapy Industry Data

- **2023 Median Salary:**
 - \$99,710 per year
 - Home Health (\$107,870)
 - Hospital (\$103,690)
 - Clinic (\$93,050)
 - \$47.94 per hour
- **Highest Salary Level Per State**
 - California
 - Nevada
 - Alaska
 - New Jersey
 - Texas
- **Highest Employment Level Per State**
 - California
 - Texas
 - Florida
 - New York
 - Pennsylvania
- **Number of Jobs:** 259,200
- **10 Year Projection:** 14% growth

Data Source: <https://www.usa.edu/>

Physical Therapy Performance Data

6 million dates of service between January – September 2024

Average Units per Visit: 3.97

Average Direct Units per Visit: 3.58

Average Minutes per Visit: 56

Average Direct Minutes per Visit: 49.1

Average Visits per Episode of Care: 10

Top 10 ICD-10 Codes: R42, M54.50, R26.89, M54.2, M25.521, M54.16, M25.551, M62.81, M25.511, Z47.89

Number of Visits per ICD-10 Code: R42 = 4, M54.50 = 8, R26.89 = 10, M54.2 = 8, M25.521 = 8, M54.16 = 9, M62.81 = 10, M54.12, M25.511 = 9, Z47.89 = 14

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CPT Code Utilization: 97530 (24%), 97112 (24%), 97110 (23.5%), 97140 (16.5%), 97014/G0283 (3%), 97535 (1.5%), 97010 (1.5%), 97161 (1%), 97162 (1%), 97116 (0.7%), 97113 (0.5%), 97150 (0.5%), 97016 (0.7%), 97164 (0.3%), 97035 (0.3%), (others <1%).

Documentation Signed > 48 hours of Visit: 18%

Daily Visits with *Majority of Documentation Copied: 29%

Low Back Pain Evaluation Note with Outcome Tool: 57%

Low Back Pain Progress Note with Outcome Tool: 38%

Data Source: Prediction Health

Workforce Status

According to the APTA summary, [“Report Reveals Continued Vacancy Challenges for Outpatient Clinics”](#), vacancy rates by therapy practices averaged 10%. Additionally, one in every three clinics reported having a physical therapist opening compared to one in every 11 clinics for the physical therapy assistant. Geographically, practices in the West and South regions of the country have largest vacancy rates compared to the Midwest and Northeast. 51.5% of the time, the primary reason listed for such vacancy rates was due to growth.

The [Society for Human Resource Management \(SHRM\) reports](#) that the average cost per new employee hire throughout the country and across industries is \$4,700. The cost per new employee when replacing a therapist is likely significantly higher when the loss of productivity, temporary per diem coverage, recruitment, hiring, training and onboarding costs are calculated. [Therapy organizations report](#) the real costs to replace a therapist to range between \$35,000-\$70,000 depending on the position, location and experience level of the individual therapist.

OIG Guidance

Not since 2018, has the US Department of Health and Human Services Officer of the Inspector General (OIG) released a report specifically listing physical therapy billing under Medicare. The OIG operates by “providing independent and objective oversight in the programs and operations of HHS.” The OIG carries out its mission to protect the integrity of HHS programs and the health and welfare of the people served by those programs through a nationwide network of audits, investigations, and evaluations, as well as outreach, compliance, and educational activities. Both the Centers for Medicare and Medicaid Services (CMS) and the APTA have identified the OIG’s flawed processes and misinterpretations in the following highly referenced document titled, [“Many Medicare](#)

[Claims for Outpatient Physical Therapy Services Did Not Comply With Medicare Requirements.”](#)

The [2024 OIG Work Plan](#) includes hundreds of items indirectly related to therapy such as nursing home and assisted living facilities, quality of care, falls reporting, etc. Consequently, the OIG has developed a series of recommendations for specific program guidance within different areas of the health care industry. The general compliance program guidance documents (GCPGs) are intended to improve the overall quality of resources to help prevent fraud, waste, and abuse within the health care system and are expected to be released in late 2024.

Previously, the OIG maintained the same guidance for more than 15 years, which included the traditional seven elements of an effective compliance program intended to represent the minimum necessary requirements that healthcare companies must have in place to address such compliance standards. The seven elements are as follows:

1. Written policies, procedures and standards of conduct
2. Designated compliance officer and oversight committee
3. Effective training and education
4. Effective Lines of Communication
5. Enforcement of standards with well publicized consequences
6. Conduct internal auditing and monitoring
7. Responding to detected offenses and developing corrective action plans

Industry Enforcement

Following the highest number of settlements and judgements in history, which exceeded [\\$2.68 billion in fiscal year 2023](#), the US Department of Health and Human Services Officer of the Inspector General (OIG) have released enforcement actions against multiple physical therapy organizations who violated specific laws.

Recent enforcement actions this year include an agreement by Peak Physical Therapy who agreed to pay [\\$1.8 million for allegedly violating the civil monetary penalties law \(CMPL\)](#) by submitting claims for services by unenrolled or uncredentialed providers and for services not provided as claimed. [Athletico Management, PT Network, and Dynamic Therapy Services](#) agreed to pay [\\$51,000 for allegedly violating the civil monetary penalties law by employing an excluded individual](#) (someone excluded from participation in federal health care programs). Companies are expected to check the excluded list each month (updates occur each month) for all employees within the organization.

Other enforcement actions include those for false claims. The owner of Oahu Physical Therapy pleaded guilty to executing a scheme through the submission of false claims. [The total restitution amount was just under \\$400,000.](#)

As part of settlements, corporate integrity agreements are negotiated, which cover a typical period of five years and require adherence to the seven elements of the previously listed compliance program. Corporate integrity agreements include breach and default provisions that allow for the enforcement of stipulated penalties for failure to comply with certain obligations contained in each agreement.

Physical Therapy Liability Exposure Summary

In a [5-year study by HPSO and CNA](#), claim reporting data for the physical therapy profession reported both positive and negative trends within the physical therapy industry. The percentage of claims due to *patient burns decreased*; however, still represents over 16% of all physical therapy liability claims. The category of patient-related fall claims consisted of almost 31% of all physical therapy liability claims, while claims connected to patient re-injuries accounted for just under 34% of all physical therapy claims.

Almost 60% of all allegations related to physical therapy are connected to professional conduct issues. The cost to defend therapists increased by 33% over the last 5 years and increased 68% over the last 10 years. The average cost to defend a physical therapist from a state licensing board complaint was \$6,420 and over \$134,000 to defend a malpractice lawsuit.

The litigation process consists of multiple steps starting with the incident:

1. The incident is where a patient believes that care was substandard or where injury occurred.
2. The patient files a complaint with allegations and the naming of defendant(s).
3. A court will issue the defendant a summons, which lists the patients' allegations.
4. The defendant will formally file a response to the patients' allegations.
5. The patients' and the defendants' attorneys gather information through depositions and a discovery process by gathering information and related evidence.
6. Attorneys will attempt to mediate a settlement to resolve the case before going to court.
7. If both sides are unable to reach a settlement in mediation, a trial involving a jury, which votes on a verdict may take place.
8. Following the verdict, an appeal may be requested, or a settlement is reached finally closing the incident.

Data Breach

[Change Healthcare experienced one of the largest data breaches in America's history](#). On February 21, 2024, attackers gained access to Change's data system through stolen credentials. As a third-party vendor in the healthcare industry, the company was using

outdated software for payment processing. Up to 6TB of patient data was exfiltrated and ransomware was deployed, which disrupted billing and payment operations across its entire infrastructure. The size and scope of the data breach is unique in how it impacted a substantial proportion of the population in the country. It's estimated that about a third of all Americans' protected health information and identifiable information such as medical record and social security numbers was affected. The disruption included patient health information, insurance claims and payments to hospitals, clinics, and pharmacies. The clearinghouse subsidiary of Change, UnitedHealth Group, handles 40% of all health claims and was significantly impacted by this cyber incident.

The root cause of this data breach was the lack of multi-factor authentication (MFA) on a remote server, which is described by the Cybersecurity & Infrastructure Security Agency (CISA) as a "simple way to protect your organization." MFA requires two or more steps to log into an account, such as entering a code sent to a phone or fingerprint to prove one's identity.

A ransom of \$22 million was paid on March 3, 2024. The financial impact of the breach is estimated to be over \$870 million. Healthcare as an industry has the highest cost per data breach in 2023, averaging \$10.93 million per data breach and for the second year in a row, over a third of all individuals in the country had their protected health information exposed or stolen.

Legal Summary

The Federal Trade Commission (FTC) passed a new rule banning most non-compete agreements, which were scheduled to go into effect September 4, 2024. On August 20, 2024, a federal district court in Texas issued an injunction preventing the FTC from enforcing this rule nationwide. The case of Ryan LLC v. FTC was ruled in favor of the plaintiffs stating that the FTC rule was unlawful. An appeal by the FTC is likely to occur at the Fifth Circuit.

What this means: If the rule had gone into effect on September 4th, it would have banned "for-profit businesses" from using employment related non-compete agreements; however, the ban on businesses from entering new non-compete agreements is futile after the Texas federal district issued its court ruling that permits continued use of non-compete agreements.

Commercial Payor Movement

UnitedHealthcare ("UHC") reinstated prior authorizations effective September 1, 2024 after an initial evaluation was completed. In practice, this means that the individual treatment plan (e.g., including the number of visits) requires prior authorization in order for services to be reimbursed. A "rebranded" request for continuation of therapy visits

(essentially just a variance of terminology for prior authorization) went into effect on October 1, 2024.

UHC Request for Continuation of Therapy Requirements

The request for continuation of therapy visits requires the submission of:

1. authorization of treatment,
2. the patients current and baseline status,
3. current functional activity status including deficits,
4. objective data and justification for continued skilled therapy services.

Treatment therapy may continue while patients wait for the return of authorization decision; however, significant financial risks exist due to the possibility of partial or limited approvals.

UHC Requirements for Documentation of Treatment Session Length

UHC also made a change to their “Habilitation Services Policy,” clarifying a previous requirement for listing the start and stop time in treatment visits. Rather than requiring a “time-in and time-out” record, the notes must include “accurate documentation of the length of treatment session” for each date of service.

American Medical Association CPT Updates

A code change application has been submitted to the AMA Editorial panel to revise the current codes. The proposal would include the addition of remote therapeutic monitoring (RTM) services with respiratory (98XX4), musculoskeletal (98XX5), and cognitive behavioral therapy (98XX6) for 2-15 calendar days. The current codes (98975, 98976, 98977) require a minimum of 16 days in order to capture billing of services. The current 98980 and 98981, which are timed codes in 20-minute increments, will now have a shorter companion with 98XX7 when services are provided in 10-minute increments.

U.S. Senate Permanent Subcommittee on Investigations (“PSI”)

Medicare Advantage plans are private plans that are an alternative option to the traditional Medicare coverage. Commercial insurance companies contract with Medicare to offer Medicare Advantage plans, which are required to provide the same minimum level of covered services. On October 17, 2024, a 54-page report titled, [“Refusal of Recovery: How Medicare Advantage Insurers Have Denied Patients Access to Post-Acute Care”](#), was released. This report provides information on how the three largest Medicare Advantage insurers (UnitedHealthcare, Humana, and CVS who acquired Aetna), who account for almost 60% of all enrollees for Medicare Advantage combined, have been systematically

denying patients access to post-acute care. Specially, this majority report describes how these insurers intentionally used prior authorization strategies to increase profits by targeting high-cost post-acute care facilities.

Compared to other companies offering Medicare Advantage insurance plans, UnitedHealthcare and CVS denied prior authorization at a rate 3x higher than the overall rate of denial in 2022. Humana denied at a rate 16x higher than the overall rate of denial in 2022. Rates of denial also jumped significantly between 2020 and 2022 for UnitedHealthcare going from **10.9%** in 2020 to **16.3%** in 2021 to **22.7%** in 2022. In 2021, UnitedHealthcare had also approved the use of machine assisted prior authorization, which reduced the time needed to review a request by 6-10 minutes on average thereby improving efficiency in this routine process of denials. Humana had contracted with NaviHealth, a company which specializes in cost control management using strategic prior authorization control.

PT Compact Status

As of Q4 of 2024, the nine states that have not introduced legislation for the PT Compact are Florida, New Mexico, Hawaii, California, Nevada, Idaho, Wyoming, Minnesota, and Massachusetts. PT Compact legislation has been introduced in Illinois, Michigan and New York and legislation has been enacted in Kansas, Alaska Pennsylvania, Connecticut, Vermont and Maine.

Merger Market Update

- January – September 2024 (Publicly Released Data)
- 43 Transactions involving 222 clinics being Sold/Purchased

2025 Medicare Part B Fee Schedule (PFS) Summary

The U.S. Centers for Medicare and Medicaid Services (CMS) released their 2025 physician fee schedule with a CPT code conversion factor **reimbursement decrease of 2.8%**. The threshold for use of the KX modifier has been slightly increased to \$2,410 for physical and speech therapy combined and \$2,410 just for occupational therapy. The additional medical review threshold will not be changed for a few more years (through CY 2027) and remains at \$3,000. (See APTA takeaways [here](#)).

Supervision Standards

Physical therapists in outpatient settings will now have equal supervision standards that other practice settings were entitled to. General supervision for licensed physical therapy assistants for Part B outpatient services will now require PTs to be “immediately accessible”

rather than being physically in the office or patient's home with the PTA as previously required under direct supervision standards.

Initial Plan of Care Signature Requirement

The physician initial plan of care signature requirement now includes an exception. A physician's referral can replace the administrative burden of obtaining a signed plan of care within the first 30-days of the initial evaluation. This can be accomplished when a physical therapist receives a signed and dated referral, and then includes two pieces of documentation:

1. The signed and dated referral is located in the patient's medical record; and
2. Proof of submission by the physical therapist of the plan of care to the referring physician within 30 days of the initial evaluation.

This is how physical therapists can satisfy the "signed plan of care" CMS requirement. The referral must always include the date, signature of the referring provider, type of therapy and name of beneficiary. The method in which a signed plan of care is expected to be delivered has not changed. The recertification process has also not been amended.

Telehealth

Telehealth video technology now allows for "two-way" and "real-time" communication when video technology is not available. Modifier 93 should be applied when audio-only communication is used by providers. The quality payment program also did not change the performance amount of 75 points and data completeness threshold of 75% (through CY 2028). At the time of this report, Telehealth will no longer be a covered service to Medicare beneficiaries; however, if Congress takes action and allows therapists to continue in CY 2025 for this critical line of service, all three caregiver codes will be reimbursed (97550, 97551, 97552).

Physical Therapy Comprehensive Compliance Program

Every compliance program should be tailored to fit your unique practice. OIG guidance includes determining the appropriate level of resources based on the individual business. As a general rule, it's not recommended to compare one company to another when validating the quality of a compliance program. Similarly, an insurance contract with the same payor can vary significantly between two similar looking practices. The following core elements must be included in a compliance program:

1. Written policies, procedures and standards of conduct
 - a. Researching, drafting, and revising manuals, policies and procedures for a physical therapy practice is a necessary step in ensuring that foundational standards are applied across a company. Laws and professional standards

impact entities within healthcare organizations and can change often, so ensuring that these standards are relevant and specific to a workforce is critical. These detailed documents must be updated annually in order to accurately reflect local, state, federal and professional regulations and guidelines.

b. The code of conduct should be a clear view of the organization's mission and overall goals in combination with the value of ethics at its core.

2. Designated compliance officer and oversight committee

a. Regardless of whether an organization assigns the role of compliance officer to an appropriate employee (may not be the CEO or a finance leadership position) or an independent expert, the OIG has established guidance on this position within any healthcare organization. This position requires extensive understanding of the regulatory and industry-specific standards that apply to an organization. The level of expertise possessed should also be reflective of the areas of risk and exposure that an organization may have. A compliance officer must also continuously manage the compliance program to ensure it remains effective. An annual comprehensive compliance workplan must also be established in order to demonstrate active risk mitigation strategies for preventing foreseeable organizational liability.

b. An established committee that provides oversight of the compliance program is considered best practice for multiple reasons. The implementation and effectiveness of the compliance program should be reviewed on a routine basis for accountability purposes. A committee should also assist and support the compliance officer with assessing the compliance program, conducting risk assessments, etc.

3. Effective training and education

a. Annual compliance training is everywhere, but education designed specifically for therapy practices with industry updates is rare. The gold-standard in effective training is known as role-based training that outlines exactly what an individual is required to know in order to perform their job in a professional and competent manner.

b. Custom tailored training should be administered and completed by every employee on an annual basis. The tracking and monitoring of this training as well as ensuring the quality and scope of the organization's training content is the responsibility of the compliance officer.

4. Effective Lines of Communication

a. As mentioned earlier, certain positions within an organization should specifically not be designated as the compliance officer. Communicating compliance related concerns is primarily focused on access and effectiveness. Allowing employees different methods of communicating compliance concerns within the organization is an important component of

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maintaining effective lines of messaging. Methods include, but are not limited to the following:

- i. Anonymous reporting line
- ii. An internal portal or intranet link
- iii. A dedicated compliance email address

5. Enforcement of standards with well publicized consequences

- a. People make mistakes, but the identification and subsequent enforcement of errors and deficiencies are components that an organization can control. Publicized standards and consequences should be “well-known” throughout an organization. This can be accomplished through effective annual employee training and education.
- b. Fear of retaliation or similar responses should be addressed throughout an organization. Regardless of one’s position within an organization, consistent investigations and procedures for enforcement must be established.

6. Internal auditing and monitoring

- a. Consistent quality is key for producing an effective internal auditing and monitoring program. The compliance program is responsible for directing and performing this function within an organization’s operational objectives. Types of annual internal audits include, but are not limited to:
 - i. Documentation, billing and coding
 - ii. IT Risk Assessment
 - iii. Business Associate Agreement
 - iv. Facility Safety
 - v. Exclusions Check
 - vi. Revenue Cycle Management
 - vii. Marketing Physician Referral
 - viii. Employee Credentialing Verification
 - ix. State-Specific Human Resource Regulations

7. Responding to incidents and developing corrective action plans

- a. Following the detection of violations, a process must be initiated in a responsible, timely, and replicable manner. The purpose for responding to incidents and developing corrective action plans is to demonstrate the procedure used throughout the investigation, communication, education and outcome for each incident.
- b. Corrective action plans should be unbiased and reasonable for each incident.
- c. When required by law, repayments, self-disclosures and notifications must be completed within the allowed time frame.

Employee Compliance Training

As per the OIG, covered entities such as physical therapy practices should implement, monitor and record completion of annual compliance training for each employee, regardless of the role in the organization. Best practice is to assign specifically designed physical therapy compliance training to all new employees during their onboarding process as well as to assign compliance training on an annual basis to all employees.

At a minimum, training topics should include:

- Compliance Program Overview
- Annual Therapy Updates
- Medicare
- Fraud, Waste, Abuse
- Laws, Statutes and Regulations
- Civil Monetary Penalties
- HIPAA
- Information Technology and Security
- Conflicts of Interest & Discrimination
- Ethics and Internal Company Resources

Operating Cost Considerations

According to ZipRecruiter, in 2024, the average salary for a healthcare compliance officer is \$98,989 per year. The cost increases to \$149,186 for a corporate healthcare compliance officer according to Salary.com.

The average cost for professional liability insurance for physical therapists is \$150-\$400 per year according to Insureon. The fee for this required safeguard to practice as a licensed physical therapist can vary widely depending on the location, coverage limits, claims history, deductible amount, and other variables. The average physical therapy clinic can expect to pay \$1,740 per year for additional cyber coverage which is often excluded from general and professional liability policies. Variables such as business size and location, volume of data, average claims history, etc. will all impact premium rates. The average business umbrella policy provides an additional layer of liability insurance coverage at a lower rate than business and professional rates and can be beneficial as a risk mitigation strategy.

Annual compliance training is separate and distinct from continuing education credits which are often considered employment benefits. Staff training requires the allocation of time and resources for every physical therapy organization. Considerations when selecting annual compliance training should include the time requirement per employee, platform in which

the training will take place, the quality and specificity of the education and finally the positive employee feedback following the completion of the training.

Compliance Industry Costs: Training, Audits and Quality

- Employee Compliance Training: \$12-\$275 per employee (annual)
- Documentation Audits: \$125-\$800 per therapist (annual)
- Documentation, Coding, Billing Webinar: \$7-\$500 per therapist (one-time)
- Information Technology Penetration Testing: \$3,000-\$7,000 (annual)
- Information Technology Risk Assessment: \$600-\$15,000 (annual)
- Business Associate Agreement Audit: \$300 (annual)
- Anonymous Reporting Line: \$120-\$850 (annual)
- Exclusions Check: \$0 (<https://exclusions.oig.hhs.gov/>)
- Cyber Business Insurance: \$1,700 (annual)
- Business Umbrella Policy: \$300-\$900 (annual)
- Professional Liability Insurance: \$150-\$400 per therapist (annual)

Artificial Intelligence's (AI) Role in Compliance

AI adoption is exploding across healthcare specialties as the use cases expand, more data is gathered on its impact, safety, and accuracy, and the models are continually refined. Of the many use cases specific to physical therapy, AI has emerged as an obvious and accessible solution to improving and managing compliance.

Traditionally, rehab therapy practices have monitored documentation compliance using peer reviews and chart audits, which carry several inherent risks:

- manual in nature, time-consuming
- monitoring relies on a very small sample size of charts, often only 0.5% of total chart volume
- less objective, with significant variation per reviewer
- limited transparency and scale of results
- even minimal behavior change as a result of manual chart audit results are dependent on time-consuming manual interventions that may not reflect that real documentation risks
- risk of audit bias

PredictionHealth is a comprehensive AI platform for rehab therapists, offering AI-powered analytics and AI documentation assistance. PredictionHealth contributed the following section on AI to this report, including data from their platform and expert insights on compliance, coding, and therapist documentation habits and behaviors.

Artificial Intelligence's (AI) Impact on Providers

AI analytics have proven effective in automating the chart audit process at scale. It can process every word of every note in every patient chart, delivering scalable data reflective of the organization's entire chart volume across all providers while removing the risk of audit bias.

AI scribing, which leverages ambient listening and intelligent dictation, is also growing in rapid adoption across provider specialties, including physical therapy. While AI scribing is most often marketed for its speed and accuracy in turning provider-patient conversations into clinical documentation, the real-time nature of the tools improves compliance, too. Technology developers, like PredictionHealth, who build their AI scribing solution on a specialty-specific compliance model, automate components of documentation critical to compliance, remove that burden, and increase accuracy and consistency.

Similarly, real-time AI scribing enables organizations to better diversify CPT coding and include accurate justification. AI scribing tools can analyze CPT codes against the chart context and CMS guidelines to validate the selected code or suggest a more appropriate code before sign-off. This shortens the time to improvement, decreases compliance risk, and can improve reimbursement.

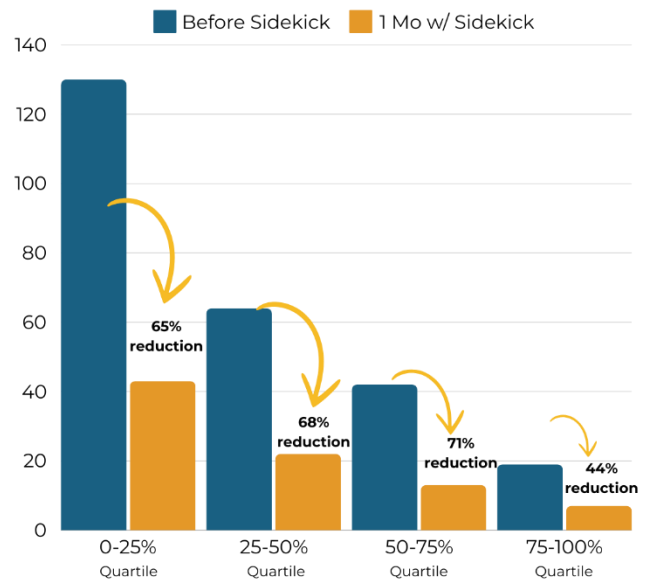
Return on Investment

AI solutions like analytics and scribing focus on solving three major challenges in rehab therapy: therapist burnout, compliance/audit failure risk, and CPT code diversification. As opposed to traditional approaches, AI solutions can assist therapists during every visit, delivering significant results in a fraction of the time and with much less effort.

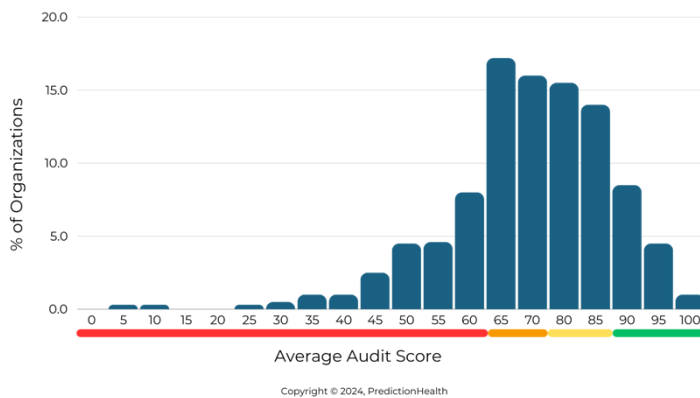
Burnout

While we don't have enough data yet to measure a definitive reduction in turnover across the industry, we can track changes in the behaviors and patterns correlated with burnout. Documentation behavior may indicate therapists at risk of burnout. Tracking metrics like time of day for therapist chart sign-off or average time to chart sign-off can be a strong indicator of therapists struggling to keep up with documentation demands. When a practice can both reduce the time-to-sign-off and minimize charting that takes place outside clinic hours, it's believed to improve retention and reduce therapist turnover while improving compliance scores.

PredictionHealth's data for users of their real-time AI scribing solution, Sidekick, show an average decrease in time-to-sign-off by 62% within 1 month of using the solution. Further, a limited survey of users on PredictionHealth's platform indicated that 68% of therapists said having access to a real-time AI scribing solution would be the tie-breaker between two equal job offers.



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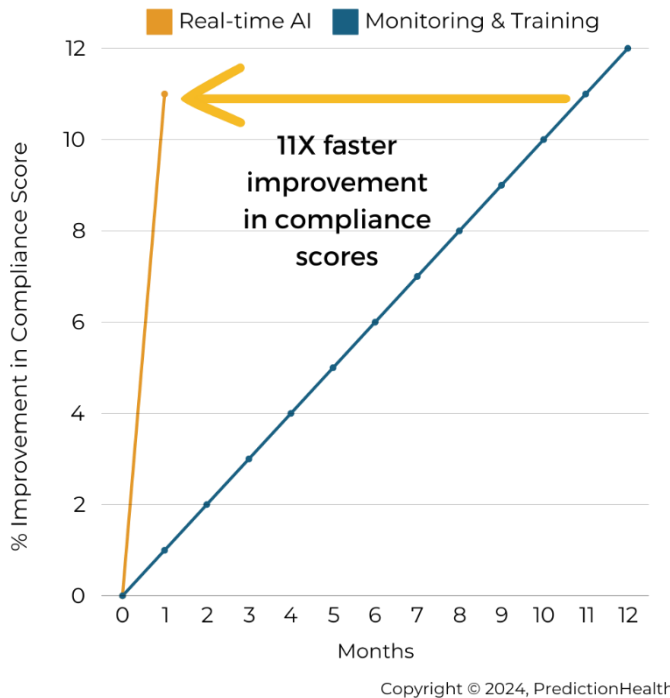
Compliance

Aggregate compliance scores and audit failure risk across the PredictionHealth user base indicate that 40% of organizations have compliance scores at or below 70%, putting them at risk for denials, insurance takebacks, and legal consequences.

Factors impacting compliance can include inadequate education and training, complex documentation

requirements, inconsistent feedback, and even clinician burnout. PredictionHealth’s analysis shows that many of the same indicators of potential burnout, like long sign-off times and charting outside clinic hours, can negatively impact compliance. Data shows that compliance scores worsen the longer it takes a therapist to sign off on a patient chart and that the best compliance scores are achieved when charts are completed between 8 am and 3 pm.

Other documentation habits, such as over- or under-documentation, copying forward previous



notes, and failing to vary CPT codes, can all contribute to low compliance scores and higher audit failure risk.

For organizations with scores below 70%, leveraging AI analytics to monitor compliance, pinpoint the highest areas of risk, and tailor education has improved compliance scores by 11-37% within 12 months of tracking and effort.

When organizations added real-time AI scribing built on PT/OT-specific compliance standards, they achieved the same improvement in compliance scores but did so eleven times faster than monitoring behavior and compliance scores alone.

CPT Coding

When selecting the appropriate CPT codes for a patient visit, functional CPT codes are often under-used even though they more accurately reflect the skilled care provided and can yield higher reimbursement. In fact, across a patient population, best practice indicates that 60% of units should be tied to a functional CPT code. However, a review of CPT code use across organizations in the PredictionHealth database indicates that 50% of organizations use functional CPT codes less than half the time. While a number of factors can contribute to a therapist's decision to use one code over another, top reasons include:

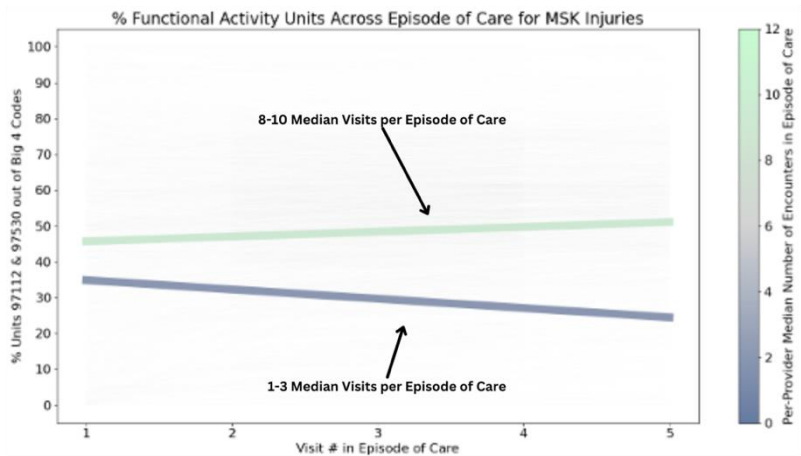
- Lack of coding knowledge
- Lack of confidence in understanding of CPT codes
- Fear of triggering an audit
- Fear of other legal consequences
- General habits and behaviors

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When organizations have access to analytics that reflect the entirety of their patient populations and charts, they can identify opportunities (units that are coded with a lesser CPT code than what is indicated by the care provided) and risks (units that are coded with a higher CPT code than what is indicated by the care provided.) A review of organizations from PredictionHealth's platform indicate that while risk is localized to 10% of therapists in the platform, units with opportunity equal 3.5 times the units with risk. In other words, with education and alignment to the AI's coding recommendations, organizations can appropriately code higher and improve reimbursement while also lowering risk.

Monitoring CPT code diversity as compared to the AI recommendations in PredictionHealth platform and educating therapists improved the use of functional CPT codes by 20%-30% to reach the target of 60% of units. When organizations leverage real-time AI scribing in addition to retrospective analytics and education, they can achieve a 20% improvement in the use of functional CPT codes eight times faster than analytics and training alone.

Optimizing the use of functional CPT codes does more than improve billing as they reflect higher value activities. The chart below demonstrates how higher value activities over the course of an episode of care (in this case for musculoskeletal injuries) increases patient retention during the episode. When fewer functional activities are used, patients tend to fall off faster and often don't finish their episode of care, perhaps feeling like PT didn't work for them.



Due Diligence Options

As rehab therapy practices engage in merger and acquisition transactions, owners and investors need visibility into compliance performance across all charts and multiple years. Compliance risk persists for multiple years, meaning an organization could find itself the subject of an audit years after compliance issues have been resolved. Audits and insurance takebacks are not only stressful, but they can also negatively impact an organization's valuation and derail a transaction quickly. Identifying issues early is critical for investors or acquisition organizations.

AI analytics solutions help rehab therapy practices refine their documentation and CPT coding practices by analyzing, monitoring, and reporting on behaviors and metrics across all patients, charts, ICD-10 codes, locations, and providers. This gives practice leaders an unprecedented level of visibility into practice operations so they can focus improvement efforts and resources directly on the most significant risks and opportunities. Owners looking to potentially sell their practices should

optimize their organizations now to maximize their outcomes, as demonstrating the value of their clinical care and reducing the risk for compliance audits are both tailwinds for a future sale.

Leveraging AI To Promote Patient-Centered Care

While compliance and regulatory changes can be daunting, healthcare standards and best practices are established to protect patients and drive optimal outcomes—something rehab therapists are deeply committed to. AI solutions can help therapists reclaim daily hours that can be used to provide patient care while powering a better patient experience.

Documentation time decreases treatment time during the visit, and because evaluation codes are untimed, no additional revenue can result from documentation time. Shifting documentation time to treatment time both improves the value of what the patient receives and increases revenue, as more treatment can be done within the same time. Additionally, the additional time focused on the patient instead of typing/documentation also boosts the perceived value of the care received, as undivided attention is far more valuable.

AI scribing solutions address behaviors and aid in decision-making in real-time, making it easy for providers to document quickly, accurately, and compliantly. Physical therapists using PredictionHealth's AI scribing solution, Sidekick, report better ability to provide focused attention to their patients knowing their documentation will be automated from the AI's ambient listening function.

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