

People Enjoying Doing Service (PEDS) Physical Therapy

Outpatient Pediatric Physical Therapy Clinic serving Elizabethtown, NC

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Table of Contents

Executive Summary	2
<i>The Company</i>	
<i>The Purpose: Project Summary</i>	
<i>Description of Services Offered</i>	
<i>The Target Market</i>	
<i>Competition</i>	
<i>Finances and Funding</i>	
<i>Management and Staffing</i>	
<i>The Future and Long Term Goals</i>	
Description of Business	4
<i>The Business</i>	
<i>Our Vision</i>	
<i>Mission Statement</i>	
<i>Practice Culture and Values</i>	
<i>Keys to Success</i>	
<i>Operational Location and Process</i>	
<i>Organizational Structure: Company Ownership and Legal Structure</i>	
<i>Industry Analysis</i>	
<i>Exit Plan</i>	
Marketing	7
<i>Market Analysis</i>	
<i>SWOT Analysis</i>	
<i>Target Market</i>	
<i>Marketing Strategy</i>	
<i>Marketing Goals</i>	
Operations and Management	10
<i>Personnel Requirements and Job Description</i>	
<i>Information Management Needs</i>	
<i>Quality Outcomes Assessment Strategy</i>	
<i>Regulatory Requirements</i>	
<i>Insurance Needs</i>	
<i>Productivity Estimates</i>	
<i>Consultant Needs</i>	
Financial Management	12
<i>Personal Capital</i>	
<i>Budget</i>	
<i>Start-Up Costs</i>	
<i>Break Even Analysis</i>	
<i>Financial Outlook/Future</i>	
<i>Balance Sheets</i>	
<i>Pricing</i>	
<i>Payer Mix/Case Mix/Revenue Sources</i>	
References	21

Executive Summary

The Company

PEDS Physical Therapy, LLC is a pediatric physical therapy clinic established in 2018 by the two founders and owners, Shelby Miller PT, DPT, PCS and Karla Kyte PT, DPT, NCS. Shelby Miller specializes in pediatrics and Karla Kyte specializes in neurology. Shelby and Karla graduated from University of North Carolina's DPT program and have been co-managers at a pediatric outpatient practice in Charlotte, NC for ten years. Both have extensive experience working with pediatric populations and patients with a range of neurological conditions. Shelby and Karla have a passion for the underserved community, locally as well as abroad. For the past twelve years they have sponsored a pediatric physical therapy clinic in Kijabe, Kenya and have spent a combined eighty weeks serving as volunteer therapists and educators in this clinic. Both therapists have combined their passions for serving pediatric individuals and providing healthcare access to underserved communities in order to dream up this clinic. Their vast experience and expertise will aid them in creating a physical therapy clinic that aims to treat the patient, family, community and world.

The Purpose: Project Summary

PEDS stands for "*People Enjoying Doing Service*" and comes from the owners' desire to serve others. PEDS Physical Therapy provides skilled therapy to pediatric individuals, primarily with neurological conditions, in order to improve function, participation and quality of life. In the future, PEDS Physical Therapy intends to bridge the global healthcare gap by training clinicians and making care easily available for children in Kijabe, Kenya.

Description of Services Offered

PEDS Physical Therapy will provide individualized evaluations, diagnoses, and treatments for all pediatric patients including musculoskeletal injuries and motor development delays. However, they intend to specialize in neurological conditions. Our treatment of patients will include, but not be limited to, on-site personalized therapeutic exercise, therapeutic activity, home and activities of daily living training, manual therapy, gait training, balance training, dry needling, assistive device fittings and training, prosthetic fittings, patient and family education, and injury prevention.

The Target Market

The initial target market for PEDS Physical Therapy is the pediatric population in Elizabethtown, NC and the surrounding area. This clinic is intended for pediatric patients with neurological disorders, but all therapists are adequately trained to treat any pediatric patient regardless of their diagnosis. This includes any musculoskeletal injury or deformity, pre and post surgical patients, and delayed motor development patients. PEDS Physical Therapy is passionate about providing affordable and quality care to pediatric patients under the age of eighteen.

Competition

There are no other outpatient pediatric clinics in all of Bladen county. The closest outpatient pediatric physical therapy clinic is 24 miles outside of Elizabethtown. PEDS Physical Therapy will be in direct competition with only one surrounding outpatient physical therapy clinic associated with Bladen Healthcare, a hospital located in Elizabethtown. As the only hospital in the county, it is centered within the town and will be a good resource for PEDS Physical Therapy. This clinic includes group services, such as pool therapies, group exercise programs and

provides orthopedic physical therapy to a high volume of chronic pain patients. We will also be competing with alternate service practitioners including chiropractors and massage therapist located in Elizabethtown, NC.

Finances and Funding

The predicted start-up cost for PEDS Physical Therapy is \$164,669.64. This includes the total predicted capital expenses plus three months of operating expenses cost. PEDS Physical Therapy will be applying for a loan from BB&T Small Business Administration (SBA) Lending Group to cover this amount. The loan will be repaid over ten years at a 5% interest rate with loan payments of \$1746.58 per month. Shelby Miller and Karla Kyte are prepared to invest their personal funds to cover all miscellaneous costs, unforeseen expenses, and additional marketing costs. It is predicted that in the first month, this business will reach at least 20% of the productivity goals and will increase productivity by 10% each month, reaching 100% productivity in the ninth month after opening. It is projected that PEDS Physical Therapy will break even in month fifteen when they will surpass the break-even quantity of 7,585.70 units of service. In year two and each subsequent year, PEDS PT is expected to earn a net profit of \$55,402.12. This is the final net profit, since PEDS Physical Therapy is a LLC with taxes being paid personally through the owners. Please see the Financial Management Section for more information regarding Finances and Funding.

Management and Staffing

Shelby Miller and Karla Kyte will act as co-owners, managers, and working physical therapists in the practice. The supporting staff will include one receptionist, two additional physical therapists, and two physical therapy aides. The company is an LCC in which an agreement has been made deeming that both owners will have equal claims in the company. This agreement also outlines each owner's responsibility in the company.

Shelby Miller, PT, DPT, PCS:

- Administration Manager: oversee all non-clinical operations.
 - Manage financials and work alongside CPA contracting.
 - Oversee business operations.
 - Manage human resources.
 - Strategize and implement marketing.
 - Handle risk management, including risk management program development and execution.

Karla Kyte, PT, DPT, NPC:

- Clinic Manager: oversee all clinical operations.
 - Manage clinic staff.
 - Conduct employee evaluations and end of year reviews.
 - Monitor patient care expectations and delivery.
 - Liaison between patients, clinicians, hospitals, insurance agencies.
 - Manage new equipment purchases and equipment maintenance.

The Future and Long Term Goals

In five years, PEDS Physical Therapy has the long term goal of using revenue to expand our international outreach clinic rather than expand our domestic practice. This will include investing profits into supporting the international travel of our clinicians for a two week volunteer clinician and educator experience in Kijabe, Kenya. In five years, we also hope to improve community involvement in order to be engaged in our surrounding local community. This would comprise of offering local therapy camps for children with specific disorders, such as utilizing as CIMT based camp for children with hemiplegia. In ten years, PEDS Physical Therapy has the long term goal of housing twelve

physical therapists on staff and at least two therapists abroad in global clinics at all times of the year. In order to house this increased staff, this will include expanding our domestic practice to a larger building with two gyms and eight private treatment rooms. Additionally, we will have two receptionists and four physical therapy aides.

Description of Business

The Business

PEDS Physical Therapy is a pediatric physical therapy clinic started and owned by two licensed physical therapists. This is a limited liability company in the start-up phase of development. PEDS Physical Therapy was created in order to fill the need of specialized pediatric therapy in Bladen County, NC and to provide exceptional care and service to patients and their families. The name of this business was cleared for use in both long and short form using the NC Secretary of State Business Registration search tool.

Our Vision

PEDS Physical Therapy strives to be a leading resource to help improve the quality of life for our patients and to bridge the healthcare gap for underserved communities locally, nationally, and internationally.

Mission Statement

PEDS Physical Therapy seeks to improve the mobility, health, and quality of life for children affected by neurological disorders, while also celebrating disability as diversity.

Practice Culture and Values

PEDS Physical Therapy believes that every employee will have the utmost respect and care for each individual that comes into our clinic. Our clinic will extend our services beyond just the patient and to the family and community that comes with each person. Our core values are listed in figure to the right.

Keys to Success

PEDS Physical Therapy will be successful with just one improvement to a patient's mobility, function or quality of life. Ultimately the key to success includes having two rotating full-time physical therapists stationed in a physical therapy clinic in Kijabe, Kenya year round.

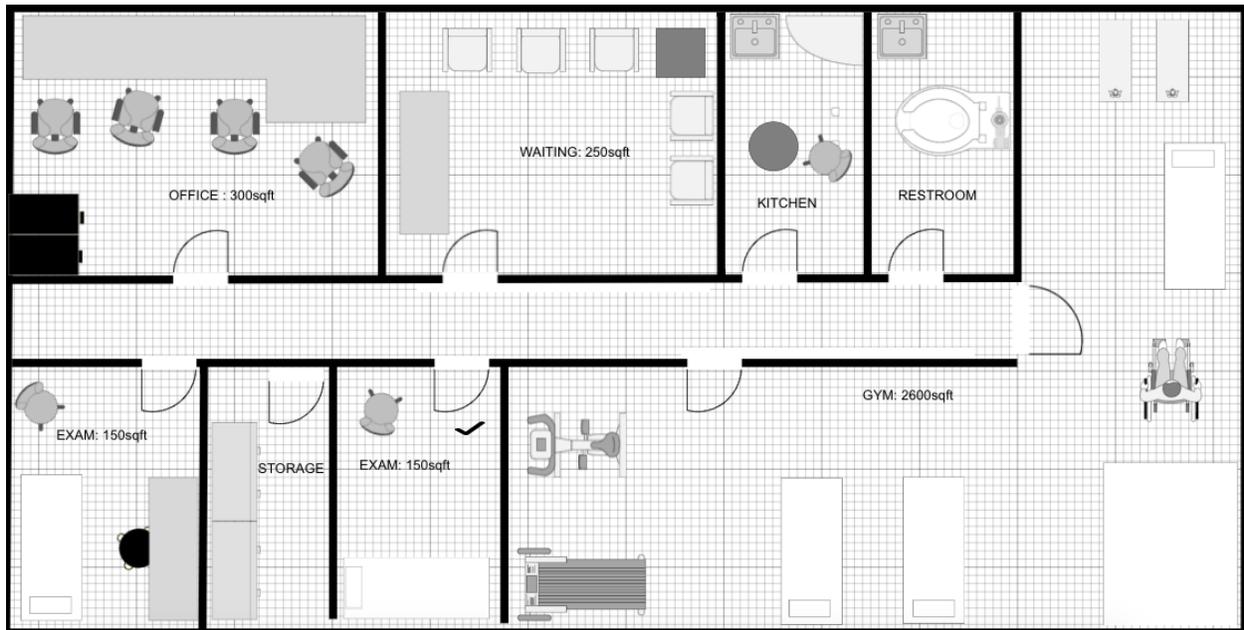


Operational Location and Facility

Clinic location: Elizabethtown, NC

Hours of operations: 7AM - 7PM Monday-Friday

Facility requirements: PEDS Physical Therapy requires a gym that is at least 2600 sq ft in order to fit four treatment tables as well as exercise equipment. It must include two private treatments rooms and a separate waiting room from our patients and their families. Also PEDS Physical Therapy requires a four desk office area and a room for a small kitchen and a storage room for extra supplies. We require enough space to hold up to four therapists, two therapy aides and up to eight patients at one time. In total we will be using a space that is at least 3500 sq ft in size. The floor plan is included in the figure below.



Organizational Structure: Company Ownership and Legal Structure

The owners of PEDS Physical Therapy are Karla Graves, PT, DPT, NCS and Shelby Miller, PT, DPT, PCS.

- Each owner will invest the same amount of personal funds and loans into the start-up.
- Each owner will have 50% ownership of PEDS Physical Therapy.
- A personal guarantee and operating agreement will be signed by both owners.
- Both owners will purchase a life insurance policy for the other as discussed in the exit plan.

PEDS Physical Therapy is a Limited Liability Corporation with two owners.

- Owners will have limited personal liability for debts and actions.
- The company will have the benefits of pass-through taxation including no double taxation.
- We will elect to file in state and federal as a LLC.
- An operating agreement will be made to define management, membership, operation and distribution of income.
- We will file formal articles of organization to North Carolina's Secretary of State.

Industry Analysis

(statistics taken from APTA and DataUSA)

The physical therapy industry in the United States consist of clinicians in a wide variety of settings and specialties. Therapists make appearances in hospitals, skilled nursing facilities, nursing homes, schools, sport medicine clinics, rehabilitation centers and many different private practice settings. Along with the vast ability for therapists to work in many settings, there are a variety of specialties and patient populations with which therapist can work. These include the wide array of neurological and orthopedic dysfunctions that can occur across the entire lifespan of a patient. In the United States, the outpatient rehabilitation market is currently estimated to be a \$30 billion industry with an annual growth rate of five percent or higher. Many factors contribute to this growth including an increased population of aging individuals, increased levels of obesity, as well as a growing population of individuals participating in competitive athletic events, such as Spartan races, Crossfit training, and weekend warriors.

Another very important factor for the growth of the field of physical therapy is our profession's growing autonomy in the medical field. Direct access and the utilization of physical therapists by other medical professionals makes it easier for patients to directly seek out therapy services. Additionally, an increase in research showing the effectiveness of physical therapy in many instances make therapy more favorable options than other more expensive options, such as surgical or pharmaceutical treatments. However, there are still barriers, including coverage for physical therapy services by public and private insurances, that limits the ability for some to chose physical therapy over these other sometimes more expensive options.

Statistics:

- As of 2016 the most common industries employing physical therapist are outpatient care centers.
- The population of employed physical therapists grew 5.75% from 2015 to 2016.
- The projected 10 year growth of employment is 28% from 2014-2024.
- In 2014 physical therapy was listed as one of the top 10 jobs in high demand.

Exit Plan

Our exit plan is contingent on the circumstance that our company does not break-even within four years or fail to maintain a profit margin over 4% for four years after opening. Our exit plan is for an investor to purchase 100% of our business. With a buy out our company would prefer an investor that will keep the business as a practicing physical therapy clinic in the community. In this case, they will obtain our facility as well as all equipment associated with the clinic. We chose to purchase our building for the benefits of ownership as an investment and for the purposes of our exit strategy. Aligning with our goals to invest in our community, we wanted a commitment to the property. Additionally, we strategically chose to purchase the building so that we are able to sell the business as a complete package upon enacting our exit strategy.

Both owners will purchase a liability policy out of personal finances. In the case that either owner passes away, their family will be given the option to maintain their part of the company or the surviving owner may buyout the business if the family so chooses. In the case that both owners pass away, the business will dissolve and all capital will be used to pay off remaining debts. In the case that all debts have been covered, additional funds will be split equally between both owners beneficiaries.

Marketing

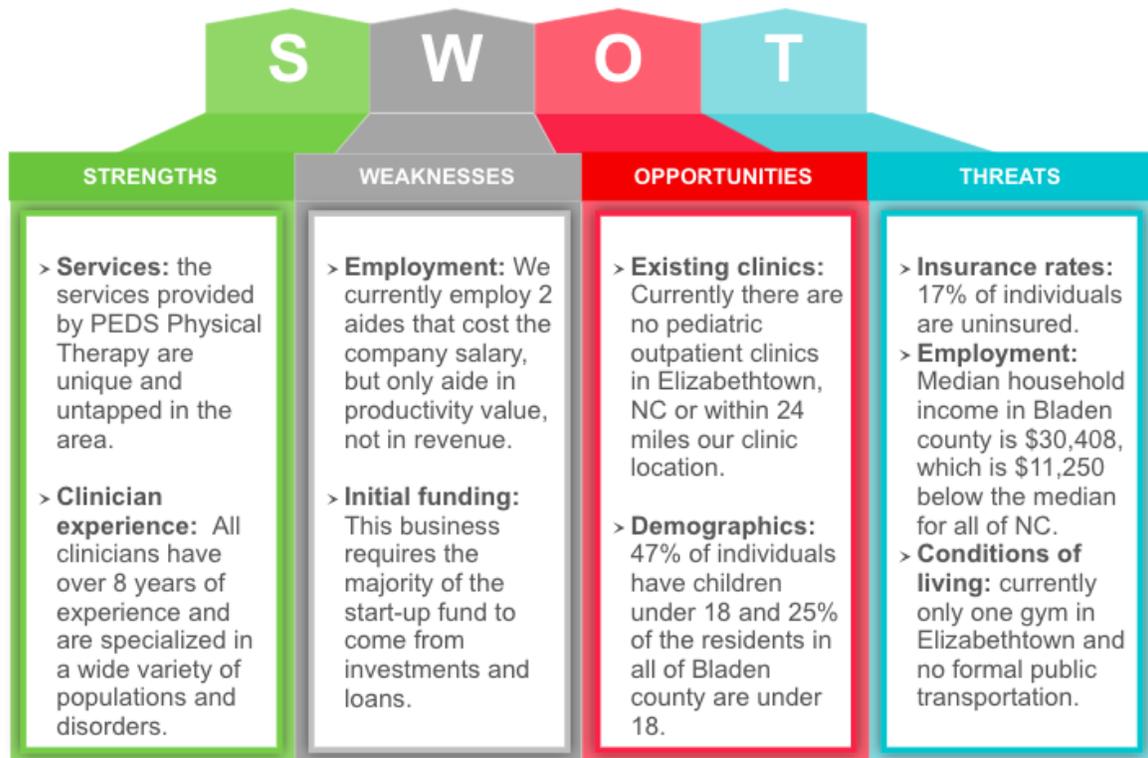
Market Analysis

(statistics from census.gov)

The population of Elizabethtown, NC is 3,597 with the median age of 46.1 and 47% consisting of families that have children under the age of eighteen. Elizabethtown lies within Bladen County and hosts the only hospital in the whole county. The county of Bladen has a population of 33,478 people, 25% of which are under the age of eighteen. In Bladen county 78.4 % of individuals graduated high school, while only 14.8% received a bachelors or higher degree. Currently, the median household income for all of Bladen county is \$30,408 and 26.4% of individuals are considered to be in poverty.

SWOT Analysis

A SWOT Analysis is included in the figure and descriptions below.



Strengths:

Our company consists of four therapists that have extensive experience working with pediatric patients. Our primary strength is the variety of specialties our therapists are trained in, including residency trained therapists in neurology, orthopedics, and pediatrics. Additionally, the vast continuing education our therapist took to become skilled in the vestibular system, dry needling, graston, lymphedema and the Mckenzie method is a major strength.

Weaknesses:

Our biggest weakness could be our newness to the market in this area. Bladen County hospital and their associated outpatient clinic provide the majority of care for this area and there are no private physical therapy clinics yet to make an appearance. It will be very important for us to market ourselves quickly and with true intentions to help their community for years to come. Additionally, we only have a staff of 4 therapists and so finding coverage during vacation could be a potential issue without nearby clinic to assist. Overall these weakness will play no role in our abilities to provide excellent care.

Opportunity:

Our company would be the only pediatric outpatient facility located within 24 miles of Elizabethtown, NC. PEDS Physical Therapy will be providing specialty services in an untapped area. Therefore, there is a larger population of people in this area that would benefit from these skilled services. This opportunity will not only be beneficial for the patients and families in this community, but will be an advocacy opportunity for the profession of physical therapy by introducing our presence in rural areas.

Threats:

The largest threat to our company lies in the financial demographics and insurance rates in Bladen County. The fact that a large proportion of individuals are uninsured along with the mean household income indicates that individuals may not be able to afford our services out of pocket. Also, this rural areas lacks public transportation and does not contain exercise facilities that the patients could use during their off days of therapy or after they are discharged. These threats may be reduced by implementing a pro-bono fund for individuals without means to pay for therapy and by providing options for individuals to use the gym on off days or after discharge through additional wellness services.

Target Market

Primary target: The primary target of PEDS Physical Therapy will be pediatric patients associated with Bladen County Hospital located in Elizabethtown, NC. Our goal is to provide physical therapy to all the pediatric patients associated with Bladen County Hospital and residing within Bladen County. Specifically we aim to be a clinic specializing in outpatient care for neurological conditions and have the expertise and skills to treat all patients sent to us in a more individualized manner than a general outpatient clinic. Along with providing service for patients associated with Bladen Hospital we also aim to work with all local pediatric physician offices to provide the best therapy for their patients.

Secondary target: The secondary target for PEDS Physical Therapy will be all of the public schools in Bladen County. Currently there are no in-school therapists stationed at any school in Bladen county. PEDS Physical Therapy has the skills and resources available to provide evaluations and treatments to children that are not being provided for in these schools. Along with these big communities associated with the public schools, we also believe that PEDS physical therapy could target smaller communities like local daycares and camps. Recruiting patients from these areas would be beneficial to both our clinic and these underserved populations.

Marketing Strategy

Networking:

- Physician: One large strength of PEDS Physical therapy is that they are the only pediatric outpatient clinic in Elizabethtown, NC and the surrounding area. Additionally, PEDS Physical Therapy offers a very unique set of skills and services to their community. Therefore, PEDS Physical therapy will create long lasting

relationships with the physicians in Elizabethtown and the surrounding county of Bladen. Prior to opening, the owners intend to reach out to all pediatric physician offices and neurological clinics within Bladen county, totaling 6 separate clinics. We will provide an informational lunch to educate the clinics of our company's mission and vision as well as present them with our credentials, experience and expertise.

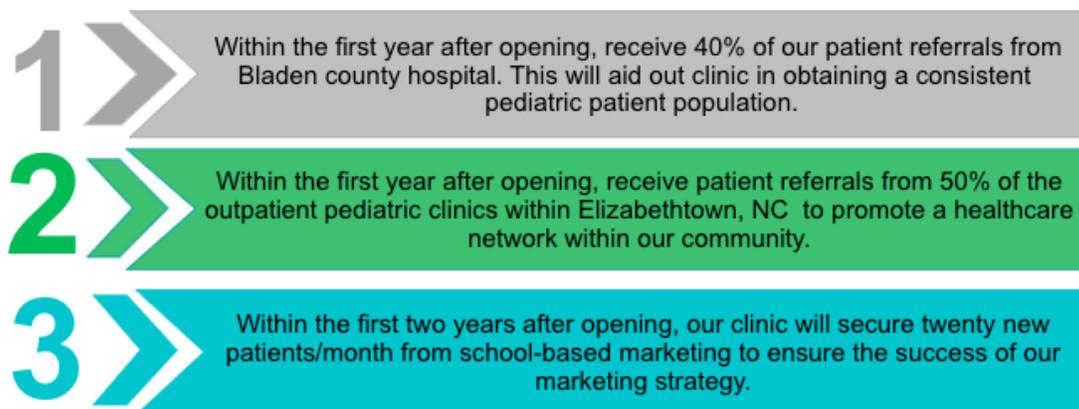
- Community: PEDS Physical Therapy plans to take on a big role in the community by participating in events like the White Lake Half Marathon, Bladen County Color 5K, and other health related events in the community to provide information regarding our clinic and to volunteer for the community.
- Schools: In order to reach a large pediatric population, PEDS Physical therapy plans to reach out to every elementary public and private school, totaling 6, in Bladen County to set up a table during their "parent's day" in order to educate parents about our role and location in Elizabethtown.

Patient Marketing:

- Social Media: Due to the rise in individuals using social media we will market using both Facebook and Instagram. Our Facebook will provide information regarding what we can do in our clinic, resources for our community, and updates on changes in our clinic. Our Instagram will allow individuals to get a look at our clinic, including what exercise equipment and services we provide. This will include clips of unique services such as graston, dry needling, and assistive device fittings. Both Facebook and Instagram will also be places for patients or families who are willing to post their experiences and stories from our clinic.
- Printed Marketing: In the month prior to our clinic's opening, flyers will be given to all the pediatric physician offices, Bladen County Hospital, local public school, and local daycares. These flyers will explain what our clinic can offer and provide detailed information about direct access and how physical therapy can be beneficial for many children. We plan to expand our distribution of flyers to all town in Bladen County in the first month of opening and to update our flyers every 3 months.
- Website: PEDS Physical Therapy has their own professional website "www.PEDSphysicaltherapy.com" that will be used to provide detailed information about our company's mission, values and what we specifically offer. Also this will be a resource for individuals to learn about the expertise of our staff, information about our clinic location, hours and how to set up appointments with us.

Marketing Goals

PEDS Physical Therapy's market goals that are specific to growing our patient population and servicing our community by increasing our healthcare network and resources in Bladen County, NC are listed in the figure below.



Operations and Management

Personnel Requirements and Job Descriptions

PEDS Physical Therapy will be functioning with four therapists and two physical therapy aides in order to offer extended hours from 7AM - 7PM to best accommodate the school schedules of our pediatric patients. Aides will be hired in order to maximize therapist productivity by taking care of everyday activities such as daily cleaning, bringing in patients, and other simple administrative or personnel tasks that arise.

The job descriptions and employee benefits for key personnel are listed below. A section within an employee handbook will be created to further expound on the expected roles of each employee according to their title.

Physical Therapist (four):

A Physical Therapist at PEDS Physical Therapy is responsible for working forty hours per week and will be paid a salary of \$140,000 per year. The owners of the clinic will be paid a salary of \$170,000 per year and take on additional hours of work within their owner titles in addition to their roles as physical therapists. The PT will be expected to assess, diagnose, and treat patients using clinical reasoning and evidence-based practice. This will include, but is not limited to, seeing patients, writing documentation, coding for services, tracking outcome measures, communicating with healthcare providers, and appropriately discharging patients.

Employee benefits for physical therapists as full time employees will include health insurance, life insurance, disability insurance, professional liability insurance, general liability insurance, state and federal unemployment, workman's compensation, a pension plan (401K/IRA), professional dues and subscriptions, and continuing education.

Physical Therapy Aide (two):

A Physical Therapy Aide at PEDS Physical Therapy is responsible for working twenty hours per week and will be paid a salary of \$20,000 per year. PT Aides will be expected to aide the PT in treating patients and assist patients in therapeutic exercise.

Employee benefits for physical therapy aides as part time employees will include professional liability insurance, general liability insurance, workman's compensation, professional dues and subscriptions, and continuing education.

Administrative Assistant (one):

The Administrative Assistant at PEDS Physical Therapy is responsible for working forty hours per week and will be paid a salary of \$70,000 per year. They will be responsible for performing administrative office functions, including but not limited to greeting patients, answering phones, sending and responding to emails, scheduling appointments, sending appointment reminders, receiving payments, filing insurance claims, updating financial data, sending faxes, general computer tasks, and light cleaning tasks such as taking out the trash.

Employee benefits for the administrative assistant as a full time employee will include health insurance, life insurance, disability insurance, general liability insurance, state and federal unemployment, workman's compensation, and a pension plan (401K/IRA).

Information Management Needs

The information management needs of PEDS Physical Therapy will be fulfilled using two software programs. The Electronic Medical Records will be managed using EPIC software that will be purchased as a locally-installed software for a one time cost of \$1500. IT support to help combat any technical issues will be managed using our

contracted IT professional. All Therapists and Physical Therapist Aides will be literate in the software and complete any trainings necessary. Our financials will be managed using Quickbooks software that will be purchased as a perpetual license for a one time cost of \$299.95. This software will also be used to track payroll and employee vacation. Both owners and the administrative assistant will be literate in the software and complete any trainings necessary. The contracted CPA, Lawyer, and IT may also have access to areas of the program as pertaining to their responsibilities. The administrative assistant will collect payments at the front desk through Quickbooks and all billing processes will be tracked through EPIC and Quickbooks.

Quality Outcomes Assessment Strategy

PEDS Physical Therapy will utilize quality indicators to assess performance and progress towards business goals. The outcomes that need to be assessed based on the purpose of our business include patient outcome improvement following patient intervention, high productivity rates among employees, and high patient satisfaction. Patient Outcome Improvement will be measured by comparing pre and post scores for Pediatric Functional Measures including AIMS, BOT-2, PDMS-2, and PEDI. Productivity rates among employees will be measured by running data analysis and plotting trends of employee units of service billed per month to compare to productivity benchmarking of industry standards. Patient satisfaction will be measured using patient surveys including the CAHPS for MIPS Clinician/Group Survey, as is suggested by the CMS Quality Measures Inventory to Promotes Quality Improvement (https://cmit.cms.gov/CMIT_public/ListMeasures). We will also measure our professional success against a benchmark operating margin of 10%.

Regulatory Requirements

PEDS Physical Therapy will be held legally and ethically accountable according to regulatory requirement including insurance payer regulations, HIPAA and ADA federal regulations, APTA Practice Act, and Board of Examiner Rules. They will also follow employment, financial management, food and drug, environmental, and healthcare regulations including the ones listed below. Among these, the employment and healthcare regulations will be most relevant to the business. A section within an employee handbook will be created to further expound on the expectations of following regulatory requirements and clinic policies.

Employment Regulation

1. Fair Labor Standards Act (FLSA)
2. Consumer Credit Protection Act
3. Federal Employees Compensation Act (FECA)
4. Family Medical Leave Act (FMLA)
5. Americans with Disabilities Act

Financial Management

1. Sarbanes-Oxley Act

Food and Drug Regulation

1. Food Allergy Labeling and Consumer Protection Act

Environmental Regulations

1. The Emergency Planning and Community Right-to-Know Act

Healthcare

1. Health Insurance Portability and Accountability Act (HIPAA)
2. Bipartisan Budget Act of 2018
3. Federal False Claims Act
4. Anti-Kickback Statute
5. Stark Laws

Insurance Needs

PEDS Physical Therapy will have insurance needs that include employee professional liability insurance, general liability insurance, employee health insurance, employee life insurance, employee disability insurance, and renter's insurance. Professional liability insurance will be purchased for the physical therapist and physical therapy aides at a cost of 1% of the employee's salary. General liability insurance that includes property insurance, natural disasters, business interruption, and insurance for if someone gets hurt in your clinic will be purchased for \$741 per year. Employee insurance including health, life, and disability insurance will be purchased for all employees at a cost of 12% of the employee's salary. Workman's compensation insurance will be purchased for all employees at a cost of 4% of the employee's salary.

Productivity Estimates

The physical therapists of PEDS Physical Therapy will be expected to maintain a productivity rate of 80% while working eight hour days. This productivity rate accounts for paid time off, patient no shows, and patient cancellations. The extra time required to finish documentation should naturally fall into these accounted for time periods. This productivity rate is an average over time and considers that some days may be 100% productive and other days may be less than 80% productive for the therapists. This productivity rate will be accomplished by using the assistance of physical therapy aides throughout the workday.

Consultant Needs

The consultant needs of PEDS Physical Therapy include a CPA, lawyer, IT, maintenance, and cleaning service. A CPA will be hired for \$100 per hour and is anticipated to work eight hours a month. The CPA will help to manage taxes and semi-annual financial planning as an adjunct to Quickbooks resources. A lawyer will be hired for \$150 per hour and is anticipated to work two hours a month. Originally, the lawyer will be used to help legally establish the business, including filing Articles of Organization with the state. An IT professional will be hired for \$60 per hour and is anticipated to work 0.5 hours a month. The IT professional will help with any software and computer concerns or issues. A maintenance service will be hired for \$5100 per year and utilized on an as needed basis. This will cover general and unexpected building maintenance as well as landscaping. A cleaning service will be hired for \$50 per hour and will be contracted to work two hours per week. In addition to general cleaning responsibilities, the cleaning service will do laundry, provide clean towels, sheets, and other linens, as well as provide cleaning supplies including soap and toilet paper.

Financial Management

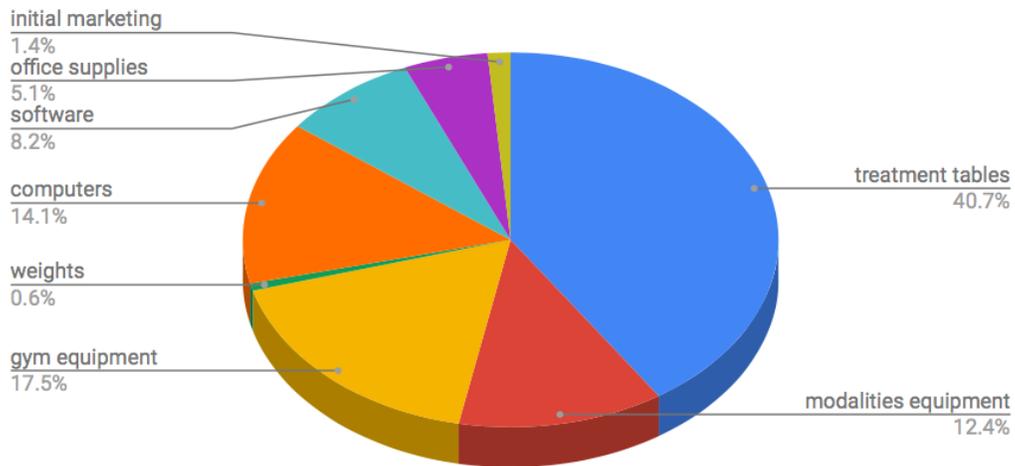
Personal Capital

Shelby Miller and Karla Kyte are prepared to invest from each of their personal funds to cover all miscellaneous costs, unforeseen expenses, and additional marketing costs.

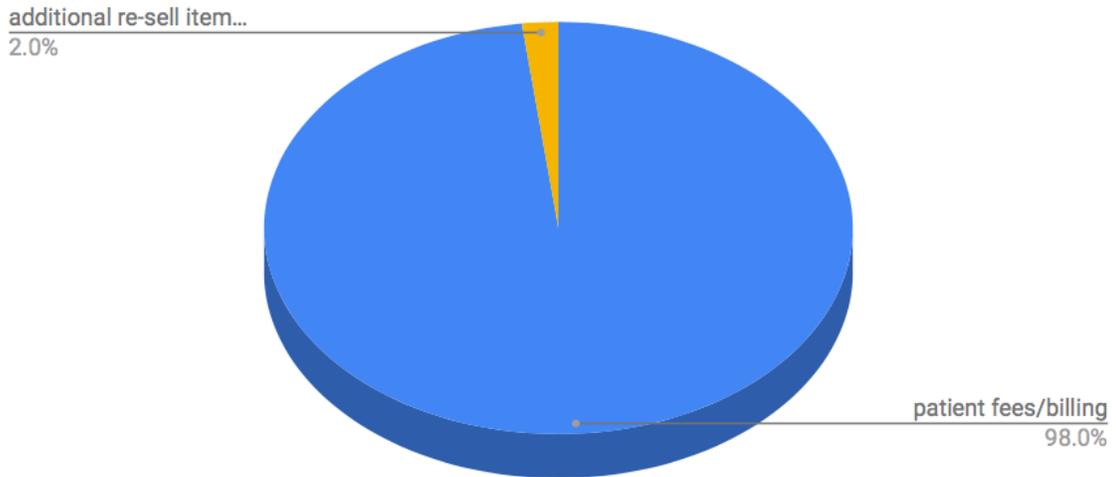
Budget

Please see the Financial Addendum for a full budget breakdown by line item. Included below are figures demonstrating Capital Budget Expenses, Operational Budget Expenses, and Operational Budget Revenue breakdowns.

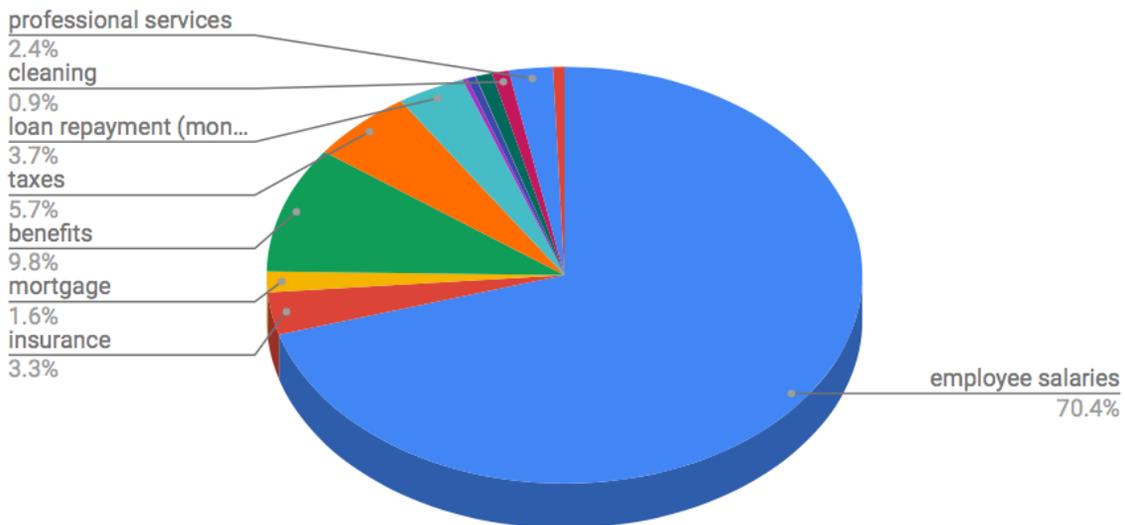
Capital Budget Expenses



Operational Budget Revenue



Operational Budget Expenses

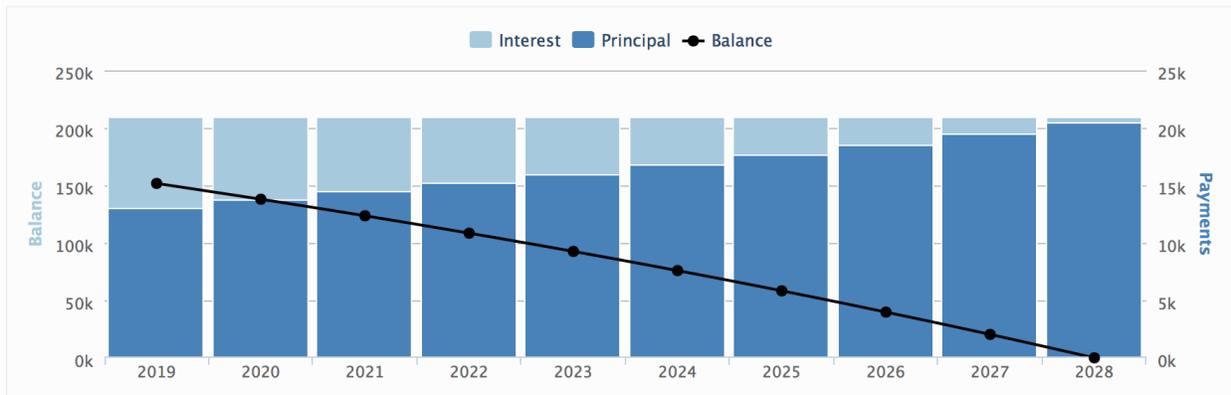
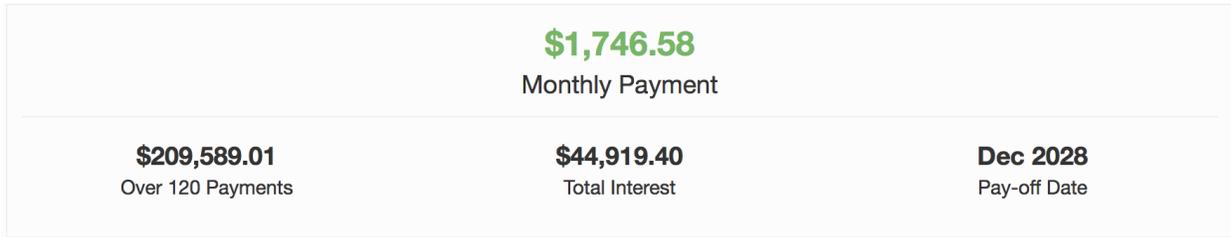


Start-up Costs

The start-up costs for PEDS Physical Therapy were calculated using the capital budget expenses total plus the first three months of operational expenses. PEDS Physical Therapy will be applying for a loan in the amount of \$164,669.64 from BB&T Small Business Administration (SBA) Lending Group. The loan will be taken over a ten year period with a 5% interest rate. According to the calculated amortization schedule for this loan over ten years with 5% interest, PEDS Physical Therapy will repay a total of \$209,589.04. The Loan Amortization Calculator used was: <https://www.calculatestuff.com/financial/loan-amortization-calculator>. Please see the figures below for a breakdown of loan calculations and a graph of the amortization schedule.

LOAN CALCULATIONS	
Loan: Capital Expense + first 3 months of Operating Expense =	\$164,669.64
Interest: 5% =	\$44,919.40
Total to be repaid: Loan + Interest =	\$209,589.04
Repayment per year over 10 years = Total / 10 =	\$20,958.90
Repayment per month = Repayment per year / 12 =	\$1,746.58

Amortization Schedule



Break Even Analysis

The Break Even Analysis has been done using the following equation:

$$\text{Break-even quantity (UOS)} = \frac{\text{fixed costs}}{\text{price} - \text{variable cost per UOS}}$$

One unit of service was determined to be a forty-five minute treatment session and the break even analysis time period was determined to be one year. The estimated billed units of service per day was determined by assuming eight hour work days with six minutes per hour, forty five minute sessions as one unit of service, and four therapists billing for these sessions. This number was multiplied by five days a week and four weeks per month to determine units of service per month. Then, this number was multiplied by twelve months to determine the estimated billed units of service per year at 100% productivity. In order to account for paid time off, cancellations, and no shows, the estimated units of service was decreased to 80% productivity. Fixed costs and variable costs were taken from the Operational Budget Expenses section of the budget. Price per unit of service was determined using the Medicaid fee schedule and estimated commonly billed CPT codes. Please see the Pricing section of this document for more information on this process.

The ramp-up analysis was performed assuming an initial operating percent of 20% in month one followed by a 10% increase in operating percent in each subsequent month. This means that PEDS Physical Therapy will reach an operating percent of 100% in month nine.

According to this method of break even analysis, PEDS Physical Therapy will break even in month fifteen at which time they will surpass the break-even quantity of 7585.70 units of service. Please see the figures below for a breakdown of break even calculations, ramp up analysis, and a graph depicting the ramp-up over twenty four months.

BREAK EVEN CALCULATIONS	
Break-even quantity (UOS) = Fixed Costs / (Price per UOS - Variable Cost per UOS)	
UOS = 45 minute session	
Break-even analysis period = 1 year	
UOS per year accounting for paid time off, cancellations, and no shows =	8192.00
UOS per month accounting for paid time off, cancellations, and no shows =	682.67
Fixed Costs per year =	538022.00
Price per UOS =	74.61
Variable Cost per UOS =	3.68
Break-even quantity (UOS) =	7585.70

RAMP-UP ANALYSIS				
Month	Percent Operating	UOS per Month	UOS per Year	
1	20%	136.53		
2	30%	204.80	341.33	
3	40%	273.07	614.40	
4	50%	341.33	955.73	
5	60%	409.60	1365.33	
6	70%	477.87	1843.20	
7	80%	546.13	2389.33	
8	90%	614.40	3003.73	
9	100%	682.67	3686.40	
10	100%	682.67	4369.07	
11	100%	682.67	5051.73	
12	100%	682.67	5734.40	
13	100%	682.67	6417.07	
14	100%	682.67	7099.73	
15	100%	682.67	7782.40	BREAK EVEN IN MONTH 15

Category	PER YEAR COST
Operational Budget: Expenses	
<u>FIXED COSTS</u>	
employee salaries	\$400,000.00
insurance	\$18,641.00
mortgage	\$9,144.00
benefits	\$55,622.00
taxes	\$32,176.04
loan repayment (monthly x12)	\$20,958.96
computer	\$1,480.00
	TOTAL FIXED COSTS
	\$538,022.00
Category	PER YEAR COST
<u>VARIABLE COSTS</u>	
office/clinic/cleaning supplies	\$2,670.12
ongoing marketing	\$120.00
maintenance	\$5,100.00
cleaning	\$5,200.00
professional services	\$13,560.00
utilities (power, water, internet, phones, gas)	\$3,530.88
	TOTAL VARIABLE COSTS
	\$30,181.00
	TOTAL OPERATING EXPENSE
	\$568,203.00
	First three months of operating budget
	\$142,050.75

Category	PER YEAR COST
<u>Operational Budget: Revenue</u>	
patient fees/billing	\$611,205.12
additional re-sell items/product revenue	\$12,400.00
TOTAL OPERATING REVENUE	
	\$623,605.12
Year 1 total operating revenue	
	\$12,400.00

Please refer to the Financial Addendum, page 1 for more extensive Balance Sheets including line items, cost determination, and reference sources. Financial Addendum, page 2 includes a simple version of the Balance Sheets while still including line items.

Pricing

Common CPT codes that are expected to be used for the services provided by PEDS Physical Therapy are noted in the figure below. A more extensive description of CPT codes that will be used can be found in the Medicaid Fee Schedule resource provided.

CPT CODE	DESCRIPTION OF SERVICE	FEE
97110	THERAPEUTIC PROCEDURE, ONE OR MORE AREAS, EACH 15 MINUTES; THERAPEUTIC	\$22.90
97112	THERAPEUTIC PROCEDURE, ONE OR MORE AREAS, EACH 15 MINUTES; NEUROMUSCULAR	\$23.55
97116	THERAPEUTIC PROCEDURE, ONE OR MORE AREAS, EACH 15 MINUTES; GAIT TRAINING	\$20.05
97140	MANUAL THERAPY TECHNIQUES	\$21.25
97161	EVALUATION OF PHYSICAL THERAPY, TYPICALLY 20 MINUTES	\$66.11
97162	EVALUATION OF PHYSICAL THERAPY, TYPICALLY 30 MINUTES	\$66.11
67163	PT EVAL HIGH COMPLEX 45 MIN	\$66.11
97164	PT RE-EVAL EST PLAN CARE	\$44.80
97530	THERAPEUTIC ACTIVITIES, DIRECT (ONE ON ONE) PATIENT CONTACT BY TH	\$24.10
97535	SELF-CARE/HOME MANAGEMENT TRAINING (EG, ACTIVITIES OF DAILY LIVING (ADL) AND	\$24.13
97542	WHEELCHAIR MANAGEMENT/PROPULSION TRAINING, EACH 15 MINUTES	\$22.15
97750	PHYSICAL PERFORMANCE TEST OR MEASUREMENT (EG, MUSCULOSKELETAL,	\$23.46

Collection Rates

The average patient fee for one unit of service, as defined as a 45 minute treatment session, is \$74.61 as determined using the process outlined below. This reimbursement estimation was determined using common CPT codes from the Medicaid publicly published fee schedule. An average price per patient visit was calculated using a formula of expecting a session mix of 20% evaluations and 80% treatment sessions. We expect the most common billed CPT codes for evaluations to be Ther Eval (97161, 97162, or 97163) plus Ther Ex (97110). The fee schedule prices for these two CPT codes were added to generate an average evaluation price. We expect the most billed CPT codes for treatment sessions to be, Ther Ex (97110), Neuromuscular (97112), Home management training/ADLs (97535), and Ther Act (97530). The fee schedule prices for these CPT codes was averaged to find an expected average fee for common CPT codes. This total was multiplied by three to generate an average treatment session price. PEDS Physical Therapy will not accept cash patients and therefore strictly follow the fee schedule pricing models of contracted payers. Please see the figure below for a breakdown of unit of service price calculations.

UOS PRICE CALCULATIONS		
Evaluations (20%): Ther Eval (97161, 97162, or 97163) + Ther Ex (97110)	$66.11 + 22.90 =$	\$89.01
Average fee for common CPT codes billed: (Ther Ex (97110) + Neuromuscular (97112) + Home management training/ADLs (97535) + Ther Act (97530)) / 4 =	$(22.90 + 23.55 + 24.13 + 24.10) / 4 =$	\$23.67
Treatments (80%): Average fee for common CPT codes billed * 3 =	$23.67 * 3 =$	\$71.01
Average billed UOS: Total Eval cost * .2 + Total Treat cost * .8 =	$(89.01*.2) + (71.01*.8) =$	\$74.61

Annual Revenue Projections

PEDS Physical Therapy projects a net annual revenue of \$623,605.12. Accounting for ramp-up, the first year of revenue is projected to be \$440, 243.58. Please see the Financial Addendum for a full annual revenue projection breakdown by line item within the Operational Budget: Revenue section.

Payer Mix/Case Mix/Revenue Sources

The payer mix of PEDS Physical Therapy will consist of 70% Medicaid and 30% private payers. The private payer mix will be 20% Blue Cross Blue Shield, and 10% United Healthcare. The case mix of PEDS physical therapy will be children between the ages of 0-18 years old. The patient population will be made up primarily of neurological and developmental disorders. Revenue will primarily be generated through patient fees. Additional revenue will be generated through product revenue of additional re-sell items including orthotics, lumbar rolls, educational booklets, theraband, putty, and rollers. However, these items will only be sold as a convenience to the patients and not as a primary focus of revenue.

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