



Finding Balance:

Physical Therapy Industry Outlook 2026

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Introduction

Despite a slowdown in transaction activity since 2021, driven in part by elevated interest rates, the physical therapy industry continues to consolidate as operators grow their footprint through a mix of clinic openings and acquisitions. Investor interest in the space is driven by factors such as the prevalence of musculoskeletal conditions due to an aging population, technological advancements in care delivery, a fragmented and underutilized market, and the potential for ancillary service offerings. Recent data suggests that the 50 largest operators in the U.S. control approximately 29% of the market, highlighting the potential for future consolidation going forward.¹ Consolidation among publicly traded physical therapy operators and private equity-backed clinic management companies helps improve operational efficiency, as well as the standardization of and access to care.

In addition to our discussion of recent market activity and transaction multiples, this outlook highlights the trends impacting the outpatient physical therapy industry and provides insight into what is driving the increased interest from healthcare providers and investors. We also discuss how the workforce, recent rulings from the Centers for Medicare and Medicaid Services (CMS), operator marketing and partnership strategies, and ancillary cash-based offerings are affecting the financial and operational landscape of these businesses.

¹ "Strong Demand for \$53 Billion U.S. Physical Therapy Clinics Industry," MarketResearch.com, January 13, 2025.

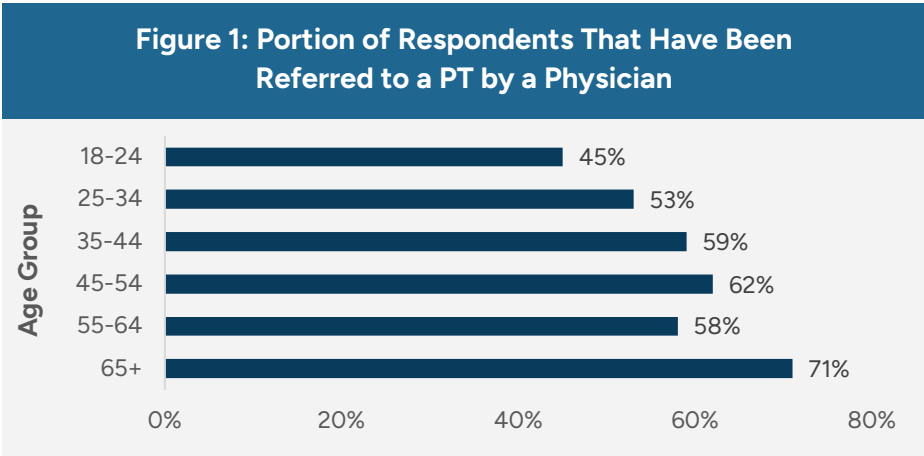


Outlook

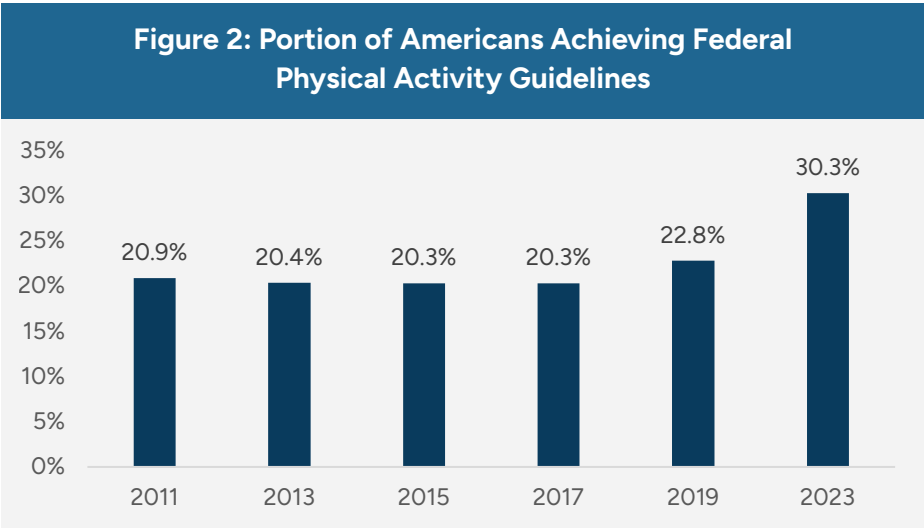
Physical therapy involves the provision of clinical services designed to promote mobility, reduce pain, restore function, and prevent disability for individuals who have suffered some type of acute physical trauma, or for individuals with diseases or disorders that limit mobility. Physical therapy is provided in a variety of settings, including outpatient clinics / offices, acute care hospitals, inpatient rehabilitation facilities, long-term care facilities, the workplace, and at home. Physical therapists are licensed medical professionals that have earned a Doctor of Physical Therapy degree from a Commission on Accreditation in Physical Therapy Education (CAPTE) affiliated program and have passed a state exam. Rehabilitative care can also be provided by physical therapy assistants (PTAs).

The continued aging of the Baby Boomer generation, government recognition of technological advancements in care delivery and progress monitoring, as well as the broad perception of physical therapy as an underutilized specialty, have driven transaction activity and investor interest over the last decade.

According to the Pew Research Center, there are approximately 62 million Americans aged 65 and older. This figure is expected to reach 84 million by 2054 (23% of the U.S. population).² As people age, they tend to lose flexibility, strength and balance, and as a result, are more likely to receive care from a physical therapist. **Figure 1** shows the age of respondents from a 2025 American Physical Therapy Association (APTA) Survey that have been referred to a physical therapist by a physician.³

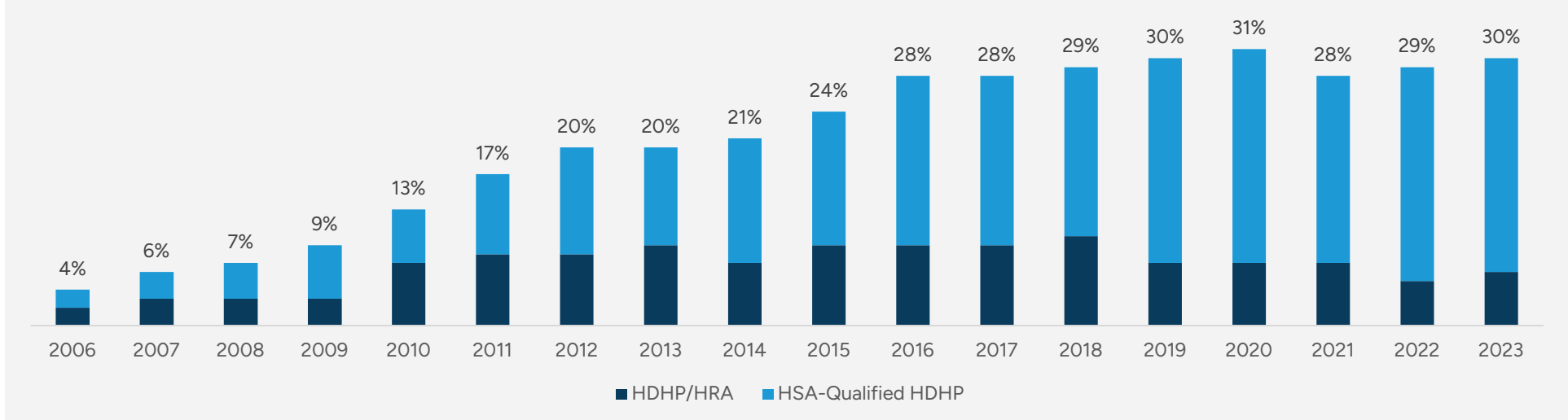


As Americans age and activity levels decline, they are more likely to develop obesity-related joint issues or chronic musculoskeletal pain. The U.S. has some of the highest obesity and musculoskeletal issue rates in the world. Relative to surgery or opioids, physical therapy serves as a safer, more cost-effective solution to these issues. Conversely, rising activity levels, particularly abrupt changes within the older population, increase the likelihood for sports-related or overuse injuries. More American adults, on average, are engaging in physical activity now than in previous decades, increasing the likelihood of injury and subsequent physical therapy. As displayed in **Figure 2**, data from the U.S. Centers for Disease Control and Prevention (CDC) indicates that the portion of American adults achieving physical activity guidelines has increased from 20.3% in 2017 to 30.3% in 2023.⁴ For example, a 2023 UBS article estimated an additional \$250 to \$300 million in annual medical spend in connection with injuries stemming from the rising popularity of pickleball.⁵ Physical therapists can treat issues associated with the sedentary population, as well as issues stemming from sports or overuse injuries, both of which are poised for growth over the next few years.



2 "U.S. Centenarian Population is Projected to Quadruple over the next 30 years," Pew Research Center, January 9, 2024.
 3 "APTA Consumer Perceptions," American Physical Therapy Association, September 2025.
 4 Behavioral Risk Factor Surveillance System Prevalence & Trends Tool, U.S. Centers for Disease Control and Prevention.
 5 "Health Care Providers – Is Pickleball Driving Higher Health Care Utilization?", UBS, June 26, 2023.

Figure 3: High-Deductible Health Plan Prevalence



However, several factors currently drive the underutilization of the outpatient physical therapy space. As displayed in **Figure 3**, high-deductible health plans (HDHP) have become increasingly prevalent since 2006.⁶ Although these plans generally offer lower monthly premiums, deductibles are much higher than a typical preferred provider organization or health maintenance organization plan. After an injury, or upon developing a musculoskeletal issue, HDHP policy holders may be more hesitant to utilize physical therapy if they have not yet met their deductible and are required to pay for the costs out of pocket.

Patients often overlook physical therapy as a potential course of action in treating their musculoskeletal or sports-related issues. In its 2025 third quarter investor presentation, U.S. Physical Therapy (NYSE: USPH) referenced a study which found that of the 50% of American adults that develop a long-term musculoskeletal injury, only 10% use outpatient physical therapy services.⁷ Alternatives to mitigating pain levels include taking over-the-counter medication

or simply taking a break from activity. Additionally, a 2022 study performed by Stony Brook University found that patients who were prescribed physical therapy after surgery were more likely to attend physical therapy sessions relative to patients prescribed physical therapy as a primary treatment. Reasons for not attending within this study included time constraints, insurance issues, and transportation issues.⁸ Physical therapy businesses that can market their services as a proactive resource, as opposed to a post-operative resource, may benefit from additional conservative care-related visit volumes going forward.

Finally, upon receiving an initial treatment plan, many physical therapy patients do not complete all of the at-home exercises necessary to facilitate a full recovery. A 2025 study from The Ohio State University indicated that 76% of physical therapy patients do not complete all of their required sessions, “leading to stalled recoveries and potential surgical setbacks.”⁹ While the survey indicates that patients still show up for their in-clinic sessions, limited adherence to

6 “KFF Employer Health Benefits Survey, 2023,” Kaiser Family Foundation.

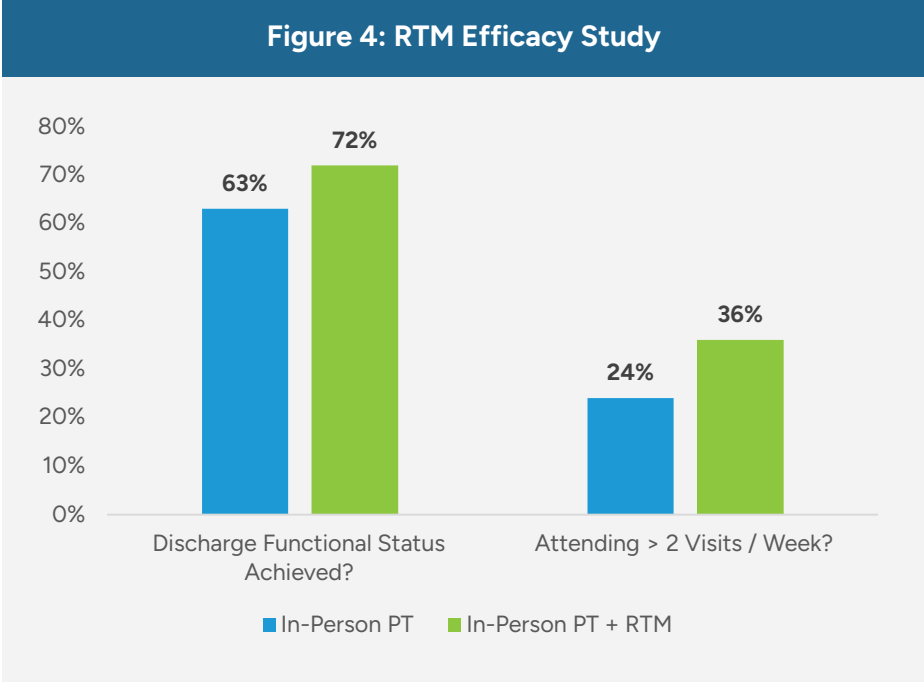
7 “Industry Trends in M&A and Total Addressable Market Study,” Bain & Company, WebPT, Market Research.

8 “Demographic and Diagnostic Factors in Physical Therapy Attendance,” Cureus, March 10, 2024.

9 “Survey: 3 in 4 skip Physical Therapy Homework, Stunting Progress,” The Ohio State University Wexner Medical Center, February 16, 2025.

treatment plans reduces the effectiveness of physical therapy. If a clinic is unable to demonstrate improvement, health plans may be more reluctant to continue paying for additional visits. However, new technological offerings have shown early signs of improvement with respect to patient engagement.

A 2025 study jointly conducted by Ivy Rehab and Limber Health performed patient outcome research amongst two groups. The first group was offered traditional, in-person physical therapy services. The second group was offered in-person physical therapy in addition to remote therapeutic monitoring (RTM) services. RTM acts as a remote platform where patients can electronically view guided exercise videos, answer questions with respect to pain levels and improvement, and virtually engage with their physical therapist. The study's key findings are outlined in **Figure 4**.¹⁰



When offered in conjunction with in-person physical therapy, an RTM platform drives patient accountability, closes the feedback timeline with physical therapists, and reduces communication barriers with a patient and their care team. In addition to RTM as a supplemental offering to in-person physical therapy, completely remote physical therapy providers are also generating investor interest. Hinge Health (NYSE: HNGE) completed its initial public offering in May 2025, highlighting the rising popularity of virtual rehabilitation services. Hinge Health, like typical patient service businesses, partners with major health plans, but also sells the platform directly to self-insured employers. Virtual care is less of a burden for a patient than physical visits, especially in rural areas. Certain studies surrounding virtual physical therapy have indicated that patients are equally satisfied with their experience relative to in-person therapy, and at a fraction of the cost.¹¹ Additionally, these software platforms typically offer features which consolidate data relative to patient progress, which can ease the administrative burden on physical therapists with respect to health plan communications. Based on the government's recent recognition of the efficacy of RTM services, we believe that large operators will continue to solidify their RTM offerings going forward.

10 "Retrospective Case-Control Study on the Effect of In-Person Physical Therapy with Remote Therapeutic Monitoring on Functional Outcomes and Plan of care Adherence amongst Individuals with Musculoskeletal Conditions," American Congress of Rehabilitation Medicine, 2025

11 "Patient Satisfaction for Telehealth Physical Therapy Services was Comparable to that of In-Person Services during the Covid-19 Pandemic," National Institute of Health, October 19, 2020.

Reimbursement

RTM-specific Current Procedural Terminology (CPT) codes were initially rolled out by CMS in 2022, but changes were recently made in the 2026 Medicare Physician Fee Schedules (MPFS) to expand this listing. These codes were created to cover a clinic's costs in connection with physical therapist time spent educating a patient on an RTM platform and monitoring their progress, as well as the costs in supplying and operating the technology itself. Prior to the 2026 MPFS, a physical therapist needed to provide at least 16 days of data transmission in order to bill for a data tracking code, as well as 20 minutes of actual patient engagement in order to bill for a remote monitoring code. However, CMS has recognized the efficacy of RTM services, and as such, introduced CPT codes 98985, 98984, and 98979 in 2026 so that physical therapists can bill for the initial engagement and monitoring of a patient (See **Figure 5**).

Although these codes were rolled out in 2022, clinics initially had difficulty avoiding claim denials and collecting for these services. From January to April of 2023, Medicare Administrative Contractors (MACs) were erroneously denying CPT codes 98980 and 98981, indicating that the services were “not billable to this fiscal intermediary.”¹² Once the CPT codes were rolled out, best practices for operationalizing RTM in order to maximize revenue for these services were still being created. Today, software providers such as Limber Health automate certain services in connection with the RTM process, such as patient enrollment and the tracking of engagement days and remote monitoring time. Limber Health currently maintains a partnership with Raintree Systems, a common EHR platform in the rehabilitation space. For clinics who utilize Raintree Systems, RTM data is integrated within a practice's EHR billing workflows, eliminating the need for manual data entry and coding.¹³ Chris Reading, CEO of US Physical Therapy

Figure 5: RTM Service Codes

CPT Code	Description	Billing Frequency per Patient	2023 Reimbursement	2024 Reimbursement	2025 Reimbursement	2026 Reimbursement
98975	Initial Setup & Patient Education of RTM	Once per Episode	\$25.91	\$27.69	\$19.73	\$21.71
98985	Data Tracking (Requires 2-15 days of engagement) - MSK	Once each 30 days	n/a	n/a	n/a	\$51.44
98977	Data Tracking (for 16+ days of engagement) - MSK	Once each 30 days	\$68.60	\$66.75	\$43.02	\$51.44
98984	Data Tracking (Requires 2-15 days of engagement) - Respiratory	Once each 30 days	n/a	n/a	n/a	\$51.44
98976	Data Tracking (for 16+ days of engagement) - Respiratory	Once each 30 days	\$68.60	\$66.75	\$43.02	\$52.11
98979	First 10-19 minutes of remote monitoring	Once per calendar month	n/a	n/a	n/a	\$26.39
98980	First 20+ minutes of remote monitoring	Once per calendar month	\$60.59	\$63.67	\$50.14	\$54.11
98981	Each additional 20 minutes of remote monitoring	Multiple times per calendar month	\$47.19	\$48.66	\$39.14	\$41.42

¹² “CMS Corrects RTM Code Denials made in Error,” APTA, April 14, 2023.

¹³ “Raintree Systems Selects Limber Health as Preferred Partner for RTM, HEP, and Outcomes,” Raintree Systems, September 17, 2024.

(USPH), spoke on improvements within their RTM billing workflows in their 2025 third quarter earnings call on November 6, 2025.¹⁴

"The other thing that I think will be meaningfully positive is that in 2024, we went and began to roll out remote therapeutic monitoring, which was a new code for us. And the rules around that code, I'm not going to go through all of it, but it required a lot of visits and a lot of monitoring, which we did with the partner, Limber... It took a little while. We had to integrate Limber's tool into our EMR system. That took some considerable time, [and] wasn't within our control, frankly. And by the end of the year, we hadn't gotten the traction with our partnerships that we had hoped. Now what CMS has appreciated, which is what we've appreciated, the patients who go through and have as part of their care remote therapeutic monitoring actually get better outcomes, they're more engaged with their home program and they're more adherent to their total program, which helps in their exiting function. And so CMS, again, with encouragement from groups like APTQI and others, [have] reduced significantly the number of visits that it takes in order to get to a billable code. We now have a fully integrated working model through an app, which integrates well with our EMR. And so beginning [in] 2026, this will be kind of a reinitiation of that opportunity for us, which we're just right now scanning the surface of. So for the first time in a while, we're going to see some blue sky in 2026 in terms of -- particularly in terms of Medicare reimbursement. We see additional opportunity around remote therapeutic monitoring."

Despite the expanded code listing and lower billing thresholds outlined within the 2026 MPFS, CMS' 2027 proposed rule includes certain RTM changes which could be challenging to address if finalized. The proposed rule indicates that monitoring codes may only be billed to Medicare if the services are furnished by staff who are directly employed by the billing practitioner. Several RTM platforms, including

Limber, MovementRx, and HealthArc, offer an outsourced monitoring model, meaning that their own licensed physical therapists provide the monitoring services. Large physical therapy platforms will need to bring these services in-house should this ruling be finalized in 2027. Additionally, CMS proposed the reduction of practice expense relative value units (PE RVUs) in connection with RTM device setup and monitoring codes, which would reduce reimbursement in connection with these services. While CMS is currently soliciting public comments on all of these proposals, we expect physical therapy businesses will make certain operational changes, including restructuring vendor-staffed RTM arrangements, prior to a potential effective date of January 1, 2027.¹⁵

Beyond RTM-specific rulings, both the 2025 and 2026 MPFS final rulings included a number of positive administrative and financial changes for physical therapy clinics going forward.^{16,17} Effective January 1, 2018, the Bipartisan Budget Act of 2018 permanently repealed the payment caps on annual per-beneficiary spending for physical therapy services. Since then, as opposed to utilizing caps, CMS outlines annual "thresholds" for the maximum amount of annual Medicare spending per beneficiary, which are broken out by specialty. For all medical services rendered beyond this threshold, physical therapists must utilize a "KX" modifier and demonstrate the medical necessity of these services. The threshold for utilizing this modifier increased from \$2,110 in 2021 to \$2,480 in 2026, outlining CMS' willingness to spend more money per individual prior to scrutinizing physical therapy services.

As outlined in the 2025 MPFS, physical therapy clinics can now receive Medicare Part B payments for services rendered by PTAs under the general supervision requirement as opposed to the direct supervision requirement. Under this change, supervising physical therapists no longer need to be physically present at an outpatient facility but only available for consultation by telephone. This change is expected to decrease the administrative burden of supervising therapists and

¹⁴ Sourced from S&P Capital IQ.

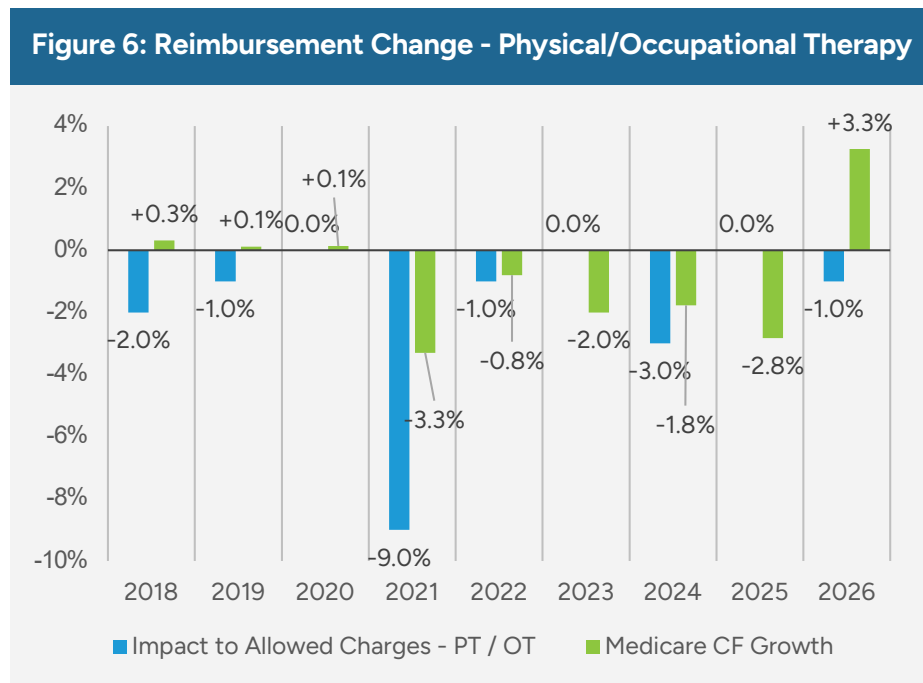
¹⁵ "Medicare and Medicaid Programs; CY 2027 Payment Policies Under the Physician Fee Schedule and Other Changes to Part B Payment and Coverage Policies; Medicare Shared Savings Program Requirements; and Medicare Prescription Drug Inflation Rebate Program," Federal Register, July 16, 2026.

¹⁶ "Medicare and Medicaid Programs; CY 2026 Payment Policies Under the Physician Fee Schedule and Other Changes to Part B Payment and Coverage Policies; Medicare Shared Savings Program Requirements; and Medicare Prescription Drug Inflation Rebate Program," Federal Register, November 5, 2025.

¹⁷ "Medicare and Medicaid Programs; CY 2025 Payment Policies Under the Physician Fee Schedule and Other Changes to Part B Payment and Coverage Policies; Medicare Shared Savings Program Requirements; Medicare Prescription Drug Inflation Rebate Program; and Medicare Overpayments," Federal Register, December 9, 2024.

increase the availability of physical therapy services, primarily in rural areas where care from a PTA is more likely.

In addition to the changes outlined herein, and as displayed by the green bar in **Figure 6**, the 2026 MPFS includes an increase to the Medicare conversion factor for the first time since 2020. The estimated impact to allowed charges for physical/occupational therapy services for each ruling year is depicted by the blue bar in **Figure 6**.



Despite the increase, CMS is changing their methodology in calculating work relative value units (wRVUs) for non-time-based procedures. Based on the 2026 proposed rule, a -2.5% “efficiency adjustment” was expected to be applied to various physical medicine and rehabilitation codes, which would have offset the conversion factor increase in 2026. However, based on advocacy from the Alliance for Physical Therapy Quality and Innovation, these codes have been removed from CMS’ Efficiency Adjustment List within the 2026 MPFS final

ruling.¹⁸ As such, physical therapy clinics that offer these services are more likely to see reimbursement growth in line with the 3.3% conversion factor increase.

We note that the 3.3% increase is applicable to non-qualifying alternative payment model (APM) participants, whereas the update for qualifying APM participants is 3.77% in 2026. The APM programs outline the transition from a fee-for-service model to a more value-based, accountable care model for physical therapists. Although separate from APM programs, and still paid on a per-code basis, Merit-Based Incentive Payment System (MIPS) participants are subject to reimbursement adjustments based on four factors, including care quality, improvement activities, promoting interoperability, and costs. Physical therapy clinics enrolled in this model may earn a positive payment adjustment based on their scoring, ideally alleviating some of the historical Medicare reimbursement pressures outlined in **Figure 6**. As of 2026, physical therapy businesses are eligible for MIPS if they exceed \$90,000 in Medicare Part B allowed charges, care for more than 200 Medicare patients, and provide more than 200 covered professional services to Medicare patients. If an eligible physical therapy business chooses not to report, they will receive a MIPS score of zero and be subject to a negative 9% payment adjustment through the program. CMS’ 2027 proposed rule includes a provision that would effectively sunset the traditional MIPS program by the 2029 performance period, pushing physical therapy businesses into either a formal APM pathway, or a more specific rehabilitative support MIPS value pathway. The shift from traditional MIPS reporting toward a specialty-aligned pathway or an actual APM reflects CMS’ broader migration from volume-based fee-for-service toward value-based care, tying reimbursement to specialty-relevant outcomes.

Given historical reimbursement pressures, the cost of collecting payment from third-party payors, the difficulties in negotiating rates with insurance companies, and the prospect of punitive adjustments under MIPS pathways, some physical therapists are choosing an out-of-network or cash-only model for their practices. Although it is uncommon as of this point, based on WebPT’s 2025 State of Rehab Therapy Report, approximately 11% to 17% of responding large practice owners have gone out of network with major health plans like United Healthcare, Cigna, Humana, or Anthem.¹⁹

¹⁸ “CMS Releases Medicare Physician Fee Schedule Final Rule for CY 2026,” Alliance for Physical Therapy Quality and Innovation, November 21, 2025.

¹⁹ “The State of Rehab Therapy in 2025,” WebPT.

Transaction Activity

As displayed in **Figure 7**, the rehabilitation space has been an active specialty for private equity-sponsored transactions, with approximately 340 announced transactions since 2020.²⁰ However, transaction volumes within the rehabilitation space have slowed since 2021, which is driven by a number of factors. Private equity-backed management companies often utilize debt financing to fund acquisitions of physical therapy and other rehabilitation businesses. However, elevated interest rates since 2021 mean that servicing this debt is more expensive. Furthermore, an additional element of lender caution arose from ATI's recent delisting. ATI took on significant debt to fund rapid expansion. However, clinician turnover and labor costs impacted financial performance. With this in mind, and over the last few years, these management companies have been more hesitant to purchase ownership in physical therapy platforms at the EBITDA multiples previously commanded prior to interest rate hikes. For large operators, and as evidenced in recent clinic count decreases (see **Figure 8**), strategies have shifted over the last few years from geographical growth to clinic optimization/portfolio rationalization.²¹ Historically speaking, stagnant reimbursement rates and labor shortages have shrunk the margins of low-volume clinics with Medicare or Medicaid-heavy payor mixes. Additionally, large chains have been more balance-sheet constrained with respect to acquisitions given elevated interest rates. We believe that large chains have been more selective in their acquisitions over the last few years, emphasizing a heavily commercial payor mix where target entities can immediately benefit from reimbursement improvements, as well as a strong supply of therapists in the market. Given the current fragmentation of the rehabilitation space, the potential decline in interest rates going forward, as well as the expectation of less M&A scrutiny under the Trump administration, we believe the rehabilitation sector is poised for increased transaction activity in 2026 and thereafter.²² However, given the recent rise in headline U.S. inflation, we believe that large chains will continue to be cautious in evaluating acquisition opportunities going forward until interest rates fall and inflation stabilizes.

Figure 7: Announced Transactions From Irving Levin Associates (Rehabilitation Sector)

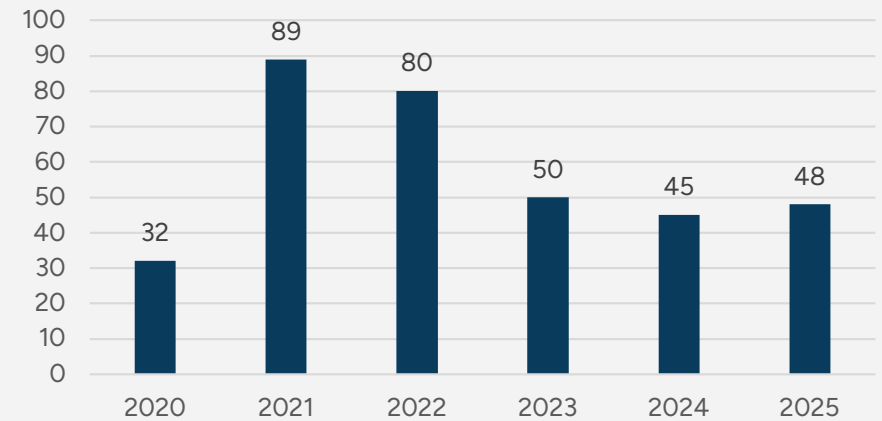
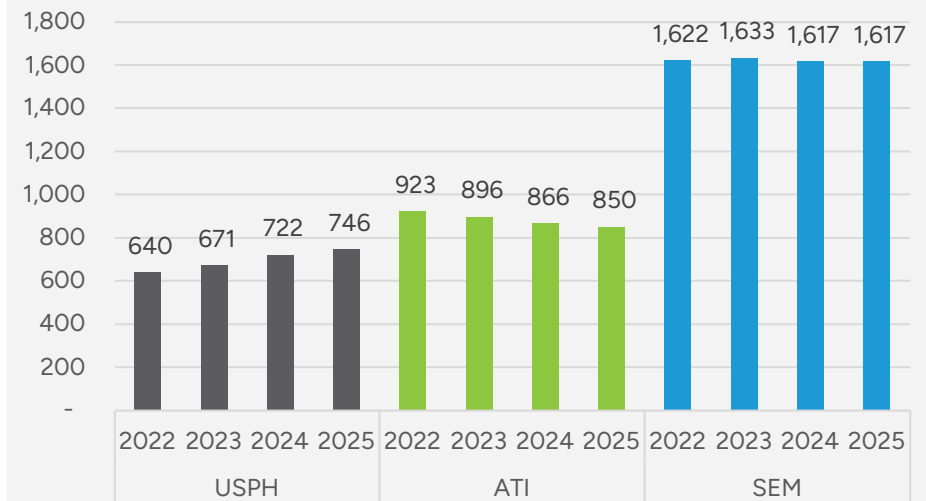


Figure 8: Clinic Count



²⁰ LevinPro, levinassociates.com. We note that the data presented has been sourced from a single transaction database and is not meant to represent total rehabilitation transaction volume but serve as a proxy for transaction activity. Many rehabilitation transactions are private and may not be publicly disclosed. Furthermore, we note that the rehabilitation sector includes physical therapy businesses in both the inpatient and outpatient setting, as well as occupational therapy and rehabilitation software businesses.

²¹ Stout notes that **Figure 8** may exclude managed clinics.

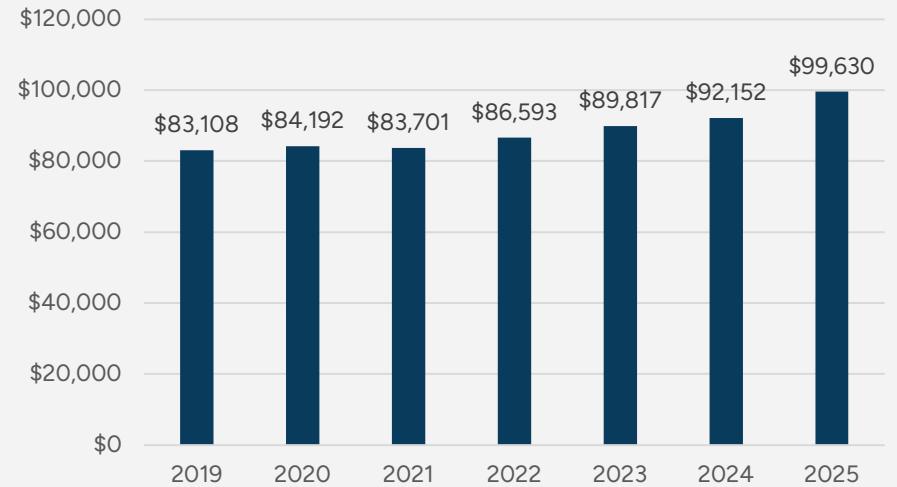
²² "Statement on Revocation of Biden-Harris Executive Order on Competition," U.S. Department of Justice Office of Public Affairs, August 13, 2025.

Workforce Landscape

The physical therapy workforce, like several other healthcare specialties, is characterized by a shortage of professionals. The American Physical Therapy Association (APTA) cites student debt levels, the administrative workload, and stagnant salary levels as some of the primary causes of the shortage.

Average student debt levels for recent Doctor of Physical Therapy (DPT) recipients sit at \$142,000 in 2024.²³ This figure has increased significantly in recent years due to increasing education costs. After receiving a bachelor's degree, physical therapy programs often take three years to complete. Furthermore, entry-level salaries are generally higher if a recent graduate pursues an additional board-certified physical therapy specialty, which requires additional schooling. Nearly 93% of physical therapy graduates enter the workforce with student debt.²⁴ **Figure 9** displays the growth in median compensation levels for physical therapists as reported by MGMA DataDive. Salaries have increased at a compound annual growth rate of 3.07% since 2019. Given the limited prospects for compensation growth, in addition to typical debt burdens, the rehab industry in 2021 observed a turnover rate of approximately 9% relative to the overall healthcare average of 4%.²⁵

Figure 9: Median Compensation, Physical Therapists (MGMA)



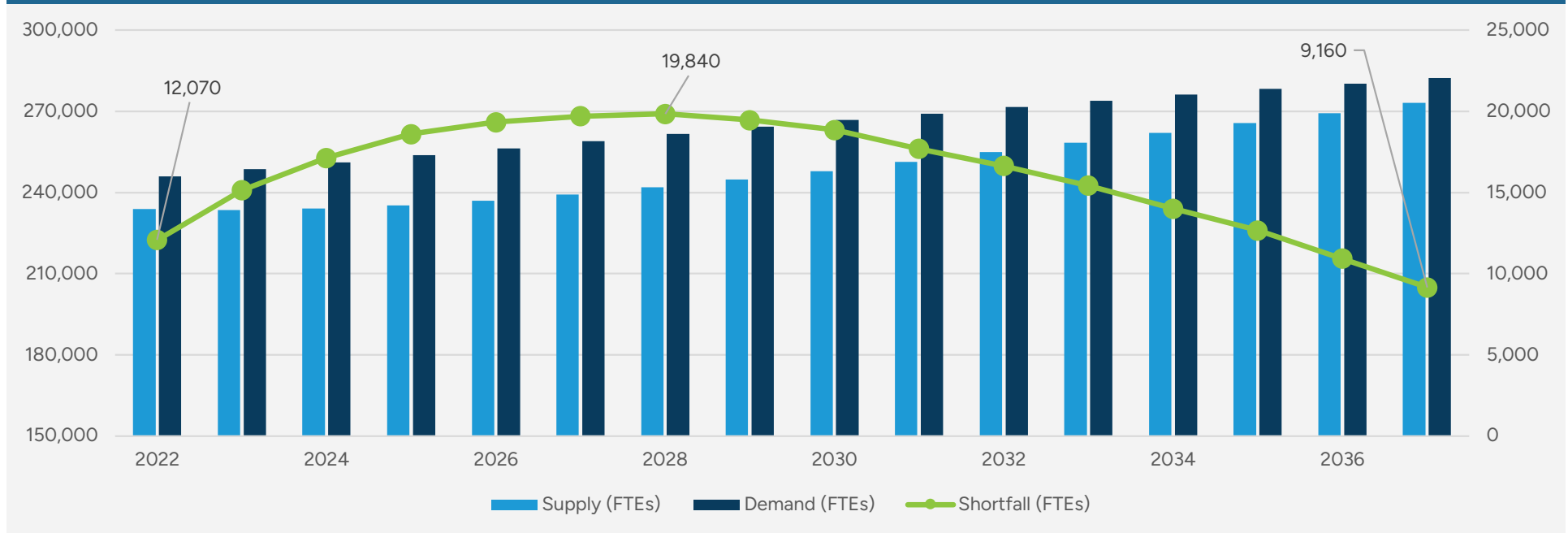
²³ "Student Loan Debt Among Physical Therapists in the US," Highway Benefits, November 26, 2024.

²⁴ "Impact of Student Debt on the Physical Therapy Profession," American Physical Therapy Association, June 2020.

²⁵ "Founder Letter: Why Rehab Therapy is at risk of losing its Workforce," WebPT, August 3, 2022.



Figure 10: PT Workforce Projections (APTA)



In 2022, APTA concluded that there was a deficit of approximately 12,000 full-time equivalent (FTE) physical therapists in the U.S. and projected a deficit of approximately 9,000 FTE physical therapists by 2037. Despite the current shortage, as displayed in **Figure 10**, APTA's 2022 projections suggest that the shortage (green bar in **Figure 10**) will worsen before it eventually improves.²⁶

Three key variables within this simulation drive the workforce projections within **Figure 10**, which include DPT recipients (workforce entrants), retirees (workforce exits), and the rate at which demand for services increases. Within this model, workforce entrants are projected to remain flat at approximately 12,200 graduates throughout the projected period. Additionally, demand for FTE physical therapists is projected to increase approximately 1.0% annually through 2030. However, the current age distribution of physical therapists leans

heavily toward the Baby Boomer generation. Approximately 33% of the existing workforce is above the age of 50, which equates to approximately 82,000 physical therapists.²⁷ Despite an increase in DPT recipients and enrollments since 2019, we believe the shortfall will be exacerbated through the end of the decade as the Baby Boomer generation continues to leave the workforce.

In addition to expected retirements, approximately 2.3% of respondents to the 2025 APTA Physical Therapy Profile Survey indicated that they plan on leaving the industry within the next two years to work in another profession. Large operators, eager to retain clinicians, have begun offering student repayment and continuing education programs to eligible physical therapists and PTAs to mitigate the turnover rates. Confluent Health, a national operator of physical and occupational therapy entities, launched the Confluent Health Scholars Program

²⁶ "Current and Projected Future Supply and Demand for Physical Therapists from 2022 to 2037: A New Approach using Microsimulation," Physical Therapy & Rehabilitation Journal, March 3, 2025.

²⁷ "A Physical Therapy Profile: Demographics of the Profession, 2025," American Physical Therapy Association, December 2025.

in June of 2025. Confluent Health-employed physical therapists who receive a degree from an Evidence in Motion University Partner location can earn up to \$129,000 in student loan repayment.²⁸ Programs such as this one represent a clear path for continued career development and additional specialty degrees without the financial stress of student debt.

“Overwhelming student debt shouldn’t be a deterrent in choosing a meaningful career...By helping our employees eliminate student debt, we are opening doors to aspiring PTs and building the healthcare workforce that is so desperately needed.”

– Kristi Henderson, CEO, Confluent Health

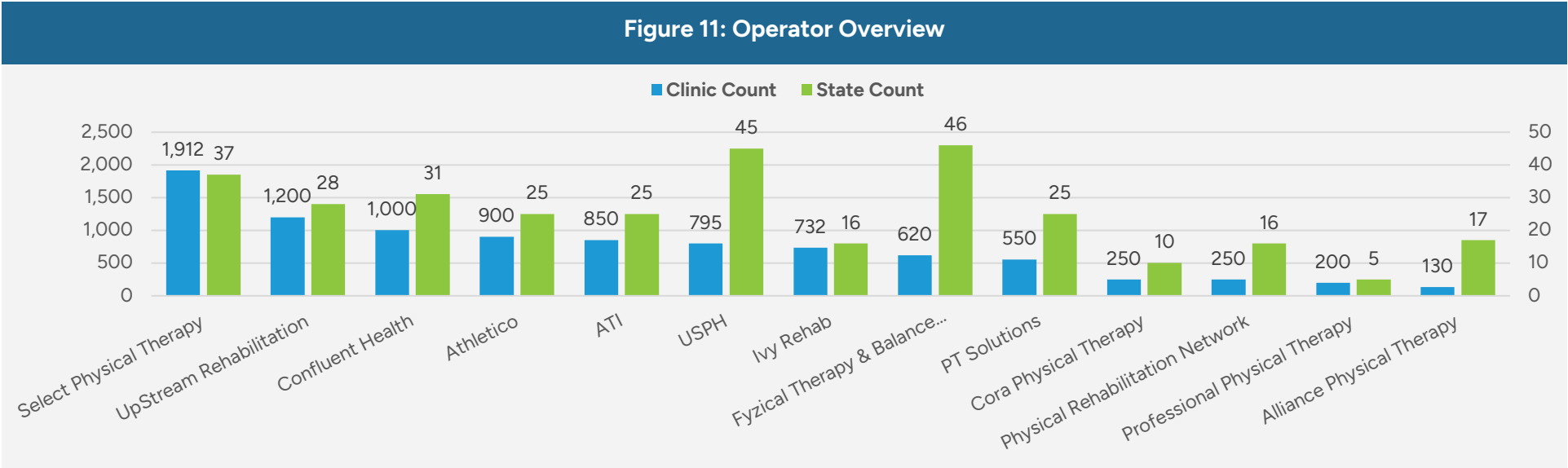
With that said, many young clinicians are taking advantage of travel physical therapy roles. The Physical Therapy Compact is an interstate agreement between member states that offers multi-state licensing for physical therapists. Travel physical therapists must pay a fee for each state that they wish to practice

in; however, in turn, they can avoid the effort and costs associated with state licensure exams. Given that travel physical therapy roles are often offered to address some short-term supply shortfall, compensation can be 15-20% higher than compensation for average permanent positions.²⁹

Competitive Landscape

While the market remains highly fragmented, with one source estimating that the six largest operators control less than 10% of the industry, private equity sponsored platform companies and publicly traded rehabilitation companies continue to consolidate the market.³⁰ An overview of the operational and geographic footprint amongst some of the largest operators is displayed in **Figure 11**.³¹

Growth amongst large operators, publicly traded companies in particular, has been relatively stagnant since 2022. ATI sold more clinics than it opened in 2023 and 2024, as did Select Medical’s outpatient rehabilitation service line



28 “Confluent Health Launches Groundbreaking Scholars Program,” Confluent Health, June 26, 2025.
29 “Greeting from PTs and PTAs who Travel,” American Physical Therapy Association, August 1, 2019.
30 “Strong Demand for \$53 Billion U.S. Physical Therapy Clinics Industry,” MarketResearch.com, January 13, 2025.
31 Clinic and/or state counts may or may not include managed clinics and may not be indicative of the most recently available figures.

in 2024. In addition to clinic volumes, public operators have shown limited improvement in other metrics with regard to inorganic growth. On a per-visit basis, reimbursement rates and daily-visits-per-clinic metrics have remained relatively stagnant since 2022. However, from the perspective of a stand-alone clinic, there are several benefits to partnership with the large physical therapy operators outlined in **Figure 11**. Clinics are able to leverage the non-clinical, administrative expertise of these operators. Stand-alone clinics can benefit from the commercial payor contracts held by these larger companies, which may have more leverage to negotiate higher reimbursement rates. Finally, what was previously a mom-and-pop operation may see an additional referral stream from physicians who know and trust a national brand. With that said, there are several unique aspects to each of these partnerships.

Transaction Structure

Large outpatient physical therapy clinic operators employ several different strategies to expand their operational footprint. Strategies include acquisitions, which can range from non-controlling interests to a full business acquisition, as well as management contracts, where large operators are compensated via a fee for providing some of the non-clinical services previously referenced. Additionally, it is common for operators to grow via “acqui-novo” or “de novo” expansion, which involves new business via a partnership with a local therapist, and leveraging an existing location and/or patient base. For example, based on our review of U.S. Physical Therapy, Inc. (USPH) press releases, it typically utilizes mostly cash to purchase an equity interest in a clinic ranging from 60-80%. While these transaction structures vary, a minority interest is typically left for the former owner so that there is an additional financial incentive to continue improving the business. However, USPH purchases control of these businesses so that it can dictate branding and utilize its payor contracts and systems that can deliver additional revenue and cost savings at scale.

Hospital Partnerships

Joint ventures between hospitals and outpatient physical therapy platforms have become increasingly prevalent over the last decade. The joint venture benefits from the brand name recognition of an established health system, which patients often associate with quality care. Physical therapy platforms bring outpatient operational experience to the entity which a hospital may lack. This operational know-how may include billing, management, coding, and data tracking efforts, therapist recruitment and retention practices, and site selection and buildout standards. The joint venture improves care coordination by connecting the two partners on shared systems, including common electronic medical records software. This way, patients experience one connected episode of care, which can improve data tracking and collection timelines, particularly with respect to value-based or bundled-payment contracts. The affiliation means that health systems can enter into an outpatient service line without incurring the time and costs to build it from scratch. Finally, if the joint venture outlines a controlling interest for a regional or national health system, the entire joint venture may benefit from the commercial hospital outpatient department (HOPD) rates negotiated by the hospital partner, which would otherwise be unavailable to the stand-alone outpatient physical therapy chain. Stout regularly performs black box reimbursement analyses to determine the revenue impact that would stem from billing the same services under a new entity’s payor contracts (i.e., HOPD rates relative to outpatient rates).

Select Medical (SEM) serves as the majority owner and managing partner of several health system rehabilitation joint ventures in the U.S. Executed initially in 2009, operations under a joint venture with SSM Health include 79 outpatient physical therapy centers. This network brands itself as SSM Health Physical Therapy, benefiting from the brand name recognition of the St. Louis Health System.³² A similar relationship exists between SEM and RUSH University Health System in Chicago, where 63 outpatient rehabilitation centers were rebranded as Rush Physical Therapy.³³ Within these relationships, Select Medical operates the clinics but benefits from the name recognition of large regional health systems.

In August of 2018, Ivy Rehab Network launched an affiliation agreement with

³² Sourced from press releases from the Select Medical (i.e., SEM) website.

³³ Ibid.



the Hospital for Special Surgery, the #1 orthopedic hospital in the country as reported by *U.S. News & World Report*.³⁴ Ivy Rehab still functions as the sole owner and operator of these 28 clinics, with the hospital providing in-depth clinical training to the directors of each clinic. These clinics are co-branded as Ivy Rehab HSS Physical Therapy Center of Excellence. In this agreement, Ivy Rehab still owns, operates, and bills for services but benefits from the name, training, and education provided by HSS.

On March 31, 2023, through its Vista Physical Therapy affiliated brand, Physical Rehabilitation Network (PRN) established a joint venture with Medical City Healthcare, a division of HCA Healthcare. As of the execution date, 24 outpatient rehabilitation clinics across North Texas operate under the joint venture utilizing the Vista Physical Therapy brand. PRN supplied its already existing physical therapists, equipment, and locations, and will likely benefit from HCA's negotiating power as one of the largest health systems in both the nation and the DFW area.³⁵

Finally, on February 2, 2026, USPH announced a 10-year strategic alliance between its subsidiary, Metro Physical & Aquatic Physical Therapy, and NYU Langone Health. Under the arrangement, Metro's 60 outpatient physical therapy clinics will become the exclusive provider of outpatient physical therapy within NYU Langone's clinical services network. Chris Reading, the CEO of USPH, implied that reimbursement for these services would be dictated by "a hospital outpatient rate, not a traditional outpatient rate," which is "meaningfully better" than reimbursement levels typically observed by USPH.³⁶

Marketing

Upon affiliating with or acquiring new businesses, large operators employ several strategies for marketing their newly affiliated practices. A "unified branding" strategy involves changing the signage, website, and previous name of an acquired clinic to reflect that of the larger entity. Some potential benefits of this strategy include shared marketing spend, a single website, and one SEO footprint. Additionally, referral sources may be more comfortable sending patients to one national brand they trust. A grouping of separate local names may be more difficult to view as one business. However, removing the name from a local practice runs the risk of losing the local reputation that was purchased in the transaction.

A "local branding" strategy means that a local clinic retains its name and signage after a transaction. This way, the clinical goodwill that is purchased remains intact. However, in this case, referral sources may view the entity as a stand-alone local shop as opposed to one strong platform. Factors to consider upon employing a marketing strategy include the value of a local clinic's tradename as well as the potential for lost patients in the event of a rebrand.

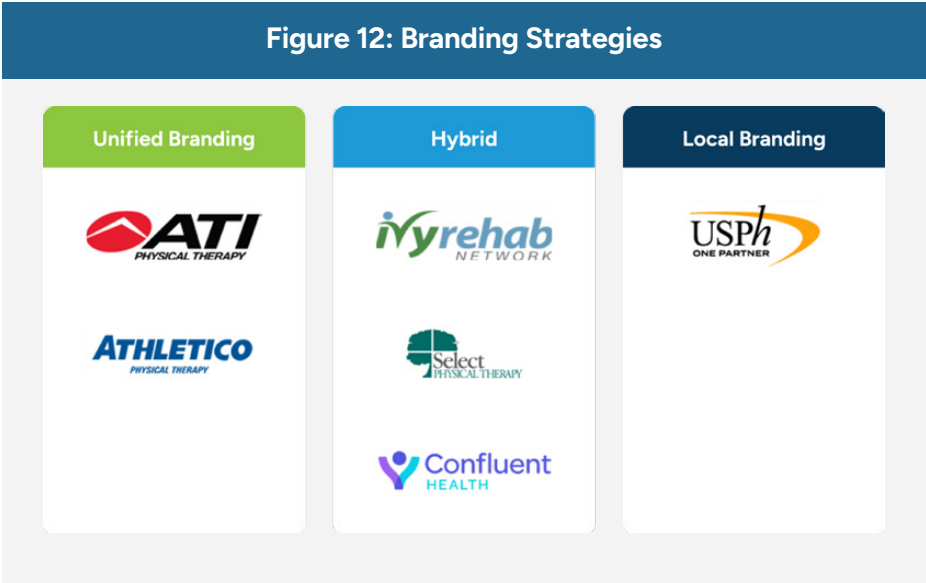
On one end of the spectrum, Athletico and ATI utilize a "unified branding" strategy; all clinics are included on one website and branded as the national operator (i.e., Athletico Grand Blanc). Confluent Health and Select Medical's outpatient physical therapy division each have 60 and 26 different physical therapy brands, respectively. These brands often serve as the vehicle for new clinic acquisitions or openings. Websites are generally uniform across all Select Medical-affiliated brands, and as such, a patient can browse the locations of all 1,912 Select outpatient locations on each brand's website. Confluent Health employs a slightly different strategy; each partner brand has its own website, which seems akin to a local operation, despite a description of their partnership with Confluent Health. Ivy Rehab allows its partner brands to maintain their clinic names after a transaction; however, each brand's overview and location listing is housed within the broader Ivy Rehab website. On the other end of the spectrum, USPH employs a "local branding" strategy. Websites of USPH clinics include no

³⁴ "HSS and Ivy Rehab to Create Physical Therapy Centers of Excellence Nationwide," Hospital for Special Surgery, August 15, 2018.

³⁵ "PRN and HCA's Medical City Healthcare Launch new Joint Venture," PRN, March 31, 2023.

³⁶ Sourced from USPH's 2025 Fourth Quarter Earnings Transcript, S&P Capital IQ.

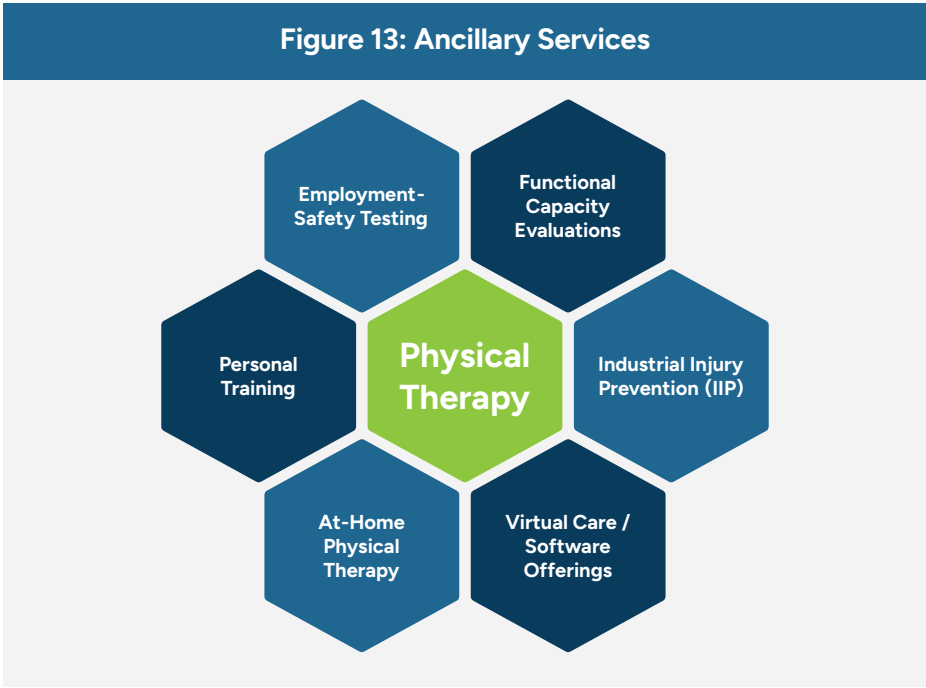
discussion of their affiliation with a large operator and appear to be a stand-alone clinic. **Figure 12** outlines an overview of the marketing strategies employed by some of the large operators outlined in **Figure 11**.



Ancillary Services

In addition to outpatient clinic visits, it is common for large entities to utilize their therapists in other capacities, as outlined in **Figure 13**. With respect to employment safety testing, functional capacity evaluations, and workplace injury prevention, therapists can use their musculoskeletal health expertise for preventative, as opposed to reactive, care. These services, which generally apply to a factory or plant setting, include the following tasks:

- Identification of risky movements
- Education on injury avoidance
- Employee-specific assessments on physical abilities relative to job requirements (before and after a potential injury)



Industrial Injury Prevention

Engaging a workplace safety testing business can mitigate the risk of workplace injury and subsequent workers' compensation costs. Recent data from NCCI Holdings Inc. outlines a decrease in average workers' compensation plan premiums from 2023 to 2024, which speaks to broader workplace safety improvements. However, medical and indemnity claim severity metrics, which capture average medical costs and lost wages in connection with a workplace injury, each increased approximately 6% from 2023 to 2024.³⁷

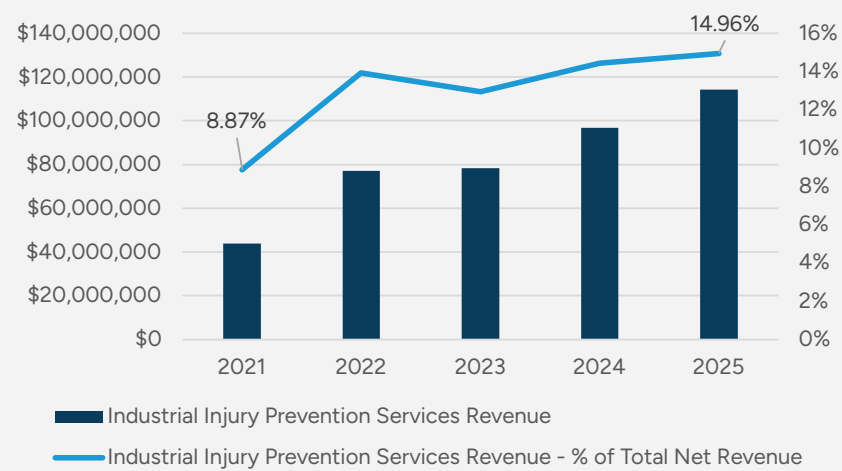
Given the increasing costs of workplace injuries on a per-claim basis, manual labor businesses are expected to continue placing a large emphasis on employment safety testing in order to avoid insurance premium increases going forward. As displayed in **Figure 14**, revenue associated with USPh's industrial injury prevention service line grew from approximately \$44 million in 2021 to \$114 million in 2025

37 NCCI Holdings Inc., 2025 State of the Line Report.

(+160%). This service line also can serve as a referral source for USPH's physical therapy business; involvement in preventative services makes USPH a likely candidate for subsequent physical therapy in the event of a possible injury. Additionally, industrial injury prevention (IIP) is simpler to operate than physical therapy for several reasons. IIP revenue is paid for directly by employers as opposed to health plans. As such, an industrial injury prevention service line does not require the same level of contract negotiation and revenue cycle management effort that is associated with a traditional physical therapy business. These services are performed on a client's worksite, meaning it is less capital intensive and quicker to break into relative to the ramp-up period commonly associated with opening a new clinic. USPH CEO Chris Reading discussed its future plans with respect to IIP acquisitions in its Q3 2025 earnings call:

"We're going to continue to do PT acquisitions, but we are focused on IIP because of the return dynamics. I mean, the growth prospects in that side of the business are just better. And so that's where we're really focusing. Our acquisition attention is on that side of the business with better revenue growth, better profit growth there... and we need that segment to get larger. So that's what we're really looking at."

Figure 14: USPH Revenue Mix



Personal Training

Given the reimbursement pressures faced by many physical therapy businesses, large operators are expanding their cash-based offerings, such as personal/athletic training. Personal training is often offered as a continuation of physical therapy once a patient is medically cleared to return to sport. Individual patients may pay for these services out of pocket, or schools/universities pay for access to personal/athletic trainers over the course of a season. In addition to physical therapy services, large operators such as Athletico, Fyzical Therapy & Balance Centers, and PT Solutions offer athletic training services. Physical therapy services are generally covered by health insurance if they are deemed a medical necessity. Once an injury is stabilized, or a patient has reached an improvement plateau with physical therapy, additional cash-based personal training represents a path for patients to continue their recovery, and in some cases, maintain continuity with their previous physical therapist.

At-Home Setting

Given the physical limitations of injuries requiring physical therapy, large operators are expanding their offerings outside of the traditional brick-and-mortar setting. Non-clinical settings include telehealth as well as the at-home setting. Although some large operators have begun to expand their at-home service offerings, Luna Health, which operates in 28 states, is the largest pure-play provider of in-home outpatient physical therapy. After an analysis of a patient's condition, Luna Health determines which physical therapist in the area is best suited to assist and will send them to a patient's home for a 45- to 55-minute physical therapy session. Luna cites patient no-shows, cancellations, and lack of engagement as the primary drivers of outpatient physical therapy underutilization, issues that can be avoided when the services are furnished within a patient's home. Furthermore, a 2022 study that surveyed patients with pelvic floor disorders found that 100% of patients prefer at-home care over facility-based care and 97% of patients prefer at-home care over virtual-only care.³⁸

On April 30, 2025, USPH announced its entrance into the at-home setting with the acquisition of an 80% ownership interest in an outpatient home care practice.

³⁸ "Study Confirms Pelvic Floor Patient Prefer "In-Person" to "Virtual-Only" Care," Luna Health, May 19, 2022.

Other large operators such as Athletico and Ivy Rehab also offer outpatient physical therapy in the at-home setting. We anticipate the broader adoption of care within the at-home setting going forward in order to avoid the limitations and patient engagement issues typically associated with the clinical setting.

Technology

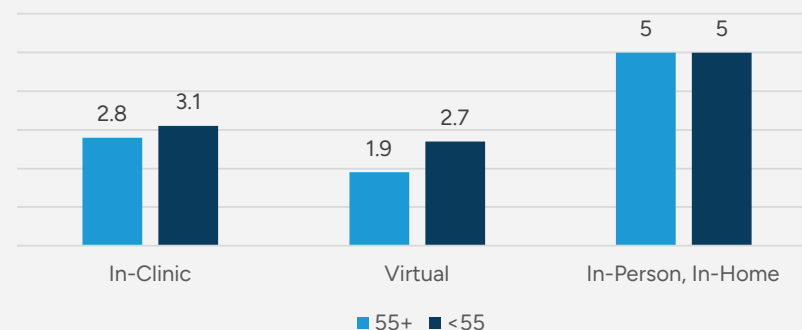
The physical therapy software market was valued at \$1.39 billion in 2024 and is projected to grow approximately 10.6% annually to a value of roughly \$3.82 billion by 2034.³⁹ Clinic management software providers, such as Medbridge, Limber Health, and Physitrack, offer patient-facing services such as home exercise programs, which provide patients with an overview of their applicable exercises. Limber Health and Medbridge offer robust RTM technologies that assist in patient enrollment and data tracking in order to facilitate proper RTM billing. More advanced offerings include AI-powered motion tracking technology. These services are furnished in a telehealth setting and help guide patients on best practices when performing their exercises. Within their mobile app, clinic management software typically includes a feature where patients and physical therapists can input notes with respect to pain levels and improvement. After a certain number of visits, health plans often seek data from clinics that the therapy is working to determine whether continued visits are medically necessary. As such, any software that centralizes data with respect to patient progress can ease the administrative burden on physical therapists. This software is sold to clinics as opposed to directly to patients.

In addition to clinic management software, there have been developments with respect to virtual physical therapy platforms. Hinge Health was established in 2014 and represents the first completely virtual, one-stop shop for physical therapy services. Hinge Health offers a personalized program, a dedicated therapist, motion capture and wearable sensor/pain management technology to its member patients. Hinge Health and comparable virtual platforms such as Sword Health represent a threat to traditional physical therapy operators. In its Q1 2026 earnings call, Hinge Health CEO Daniel Perez indicated that the company's app has automated "95% of clinician hours associated with traditional

PT," which guided the business to an 85% gross margin in a rehabilitation space that is traditionally labor and real estate intensive. Hinge primarily sells the platform to self-insured employers, who would rather incur predictable fees in connection with a musculoskeletal platform that could potentially prevent an expensive surgery. Hinge Health currently holds contracts with over 2,800 self-insured employers and over 60 traditional health plans. However, Hinge Health may struggle to capture the post-operative volumes typically associated with traditional physical therapy. The platform is built for chronic, stable musculoskeletal conditions and cannot deliver manual, in-person treatment that may be needed to facilitate a post-acute recovery. 1,000 patients were asked in a 2023 Luna Health survey to describe their willingness to use virtual, in-home, or in-clinic physical therapy on a scale of one to five (five being the most willing). The results are depicted in **Figure 15**.

As displayed in **Figure 15**, and across both age groups, patients are the least willing to get their physical therapy from a completely virtual setting. However, Hinge Health CEO Daniel Perez also indicated that physical therapy services are currently underutilized in America. We believe that physical therapy businesses across all settings will be competing to bring in additional conservative-care patients over the next few years.

Figure 15: Luna Health Study - PT Setting Preferences



39 "Physical Therapy Software Market Size, Share and Trends 2025 to 2034," Precedence Research, January 10, 2025.

Major Transactions

There have been several large physical therapy transactions in recent years, and chief amongst them was the announcement that a number of private investment firms completed a merger to take ATI Physical Therapy private. ATI cited the time and costs associated with quarterly reporting as one of the key factors behind the decision and believes it is poised to operate with more agility going forward. ATI struggled with clinician turnover, rapid growth coupled with expensive debt, and a lack of operational standardization. ATI recorded a net loss in each of 2023 and 2024, with its total volume of clinics decreasing over the same period.⁴⁰

On March 2, 2026, Select Medical announced that it had entered into a definitive agreement to be purchased by a consortium of investors, including two internal executives, at an enterprise valuation of \$3.9 billion. Select Medical reported adjusted EBITDA levels of approximately \$493.2 million for the year ended December 31, 2025, which equates to a market value of invested capital (MVIC) / EBITDA multiple of approximately 7.9x. Consideration for this deal represents an 18% premium over Select Medical's unaffected share price as of November 24, 2025. While this does provide insight into transaction multiples for a large, public rehabilitation operator, Stout notes that Select Medical is not exclusively involved in outpatient therapy and that the business was purchased by related-party board members.⁴¹

Physical Rehabilitation Network announced in March 2025 that it purchased a controlling interest in Spine & Sport Physical Therapy, a physical therapy chain with 51 clinics located throughout Northern & Southern California. The deal was valued at an MVIC / EBITDA multiple of approximately 13.0x.⁴²

U.S. Physical Therapy (NYSE: USPH) purchased a 50% ownership interest in MSO Metro, LLC in October of 2024. MSO Metro provides various non-clinical functions to 50 physical therapy clinics, the majority of which are in New York. The purchase price for MSO Metro represented approximately a 12.8x MVIC / EBITDA multiple.⁴³



On February 1, 2023, Confluent Health announced its newest partnership with Motion PT Group, which is composed of 59 rehabilitation clinics across Connecticut, Massachusetts, Maryland, and New York. As reported by Axios, Confluent bought MOTION for approximately \$200–\$250 million and that it was marketed on approximately \$18 million of EBITDA. This implies an MVIC / EBITDA multiple ranging from 11.1x to 13.9x.⁴⁴

Operators continue to expand via “acqui-novo” or “de novo” strategies, which generally involve a partnership with an already existing stand-alone clinic or physician. As stand-alone clinics continue to be consolidated under the umbrella of larger operators, we believe that the big players will shift their focus to acquisitions of existing physical therapy chains going forward.

⁴⁰ “ATI Physical Therapy Transitions from Public to Private Ownership,” ATI Physical Therapy, August 1, 2025.

⁴¹ “Select Medical Holdings Corporation to be Acquired by Consortium led by Robert A. Ortenzio, Martin F. Jackson and WCAS,” Select Medical, March 2, 2026. Stout notes that this deal is expected to close in mid 2026.

⁴² “PRN Finalizes Acquisition of Spine & Sport Physical Therapy,” PRN, March 3, 2025. Transaction detail was sourced from Cain Brothers Industry Insights, Healthcare Market Report, January 23, 2025.

⁴³ “U.S. Physical Therapy Announces Acquisition of 50-Clinic Physical Therapy Management Services Organization,” USPH, October 7, 2024. Financial terms were sourced from Livingstone: <https://livingstonepartners.com/transaction/metro-physical-aquatic-therapy-has-partnered-with-us-physical-therapy/>

⁴⁴ “Motion PT Group Partners with Confluent Health,” Motion PT Group, February 1, 2023. Transaction Detail was sourced from Axios.

Valuation

As with all transactions, a wide range of valuation multiples are paid for physical therapy clinics. The valuation multiple depends on several factors, including the size/volume of clinics being purchased, their payor mix, location, capacity for growth, and therapist recruitment / retention history. **Figure 16** outlines EBITDA multiples for physical therapy clinic transactions that have occurred since 2021 from DealStats.⁴⁵ Although target business descriptions are limited, Stout notes that average revenue for these targets is approximately \$540,000. This is consistent with our experience that single clinic operations generally command EBITDA multiples ranging from 2.5x to 5.0x.

Figure 16: Single Clinic MVIC / EBITDA Multiples

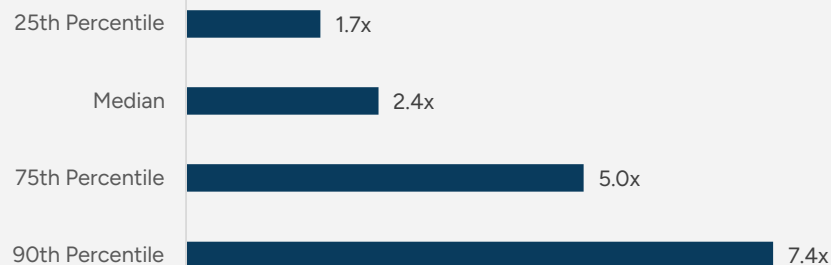


Figure 17: Multi-Clinic MVIC / EBITDA Multiples



Figure 17 outlines EBITDA multiples for physical therapy clinic transactions since 2013 involving purchases of multi-clinic operators with revenue ranging from \$10 million to \$700 million. The risk profile of these targets is far different than the one-clinic practice in that these entities have negotiated better rates with commercial health plans, can achieve administrative and managerial cost savings at scale, and are not subject to the loss of a referral stream for one local clinic. This data is consistent with our observations that larger platform acquisition multiples typically range from the low to mid teens.

Two major publicly traded companies can be referenced (USPH, SEM) when valuing an outpatient physical therapy business. It is important to consider that SEM also operates in the inpatient rehabilitation space, so it may not be perfectly comparable to a subject entity being valued. It is important for a valuator to consider the specific facts and circumstances surrounding the entity being valued, as well as the scale benefits leveraged by the public companies, and make adjustments to the multiples before applying them to a subject entity's EBITDA. **Figure 18** outlines the historical trading multiples of USPH and SEM. Medicare reimbursement, inflation, and a tight labor market have impacted trading multiples for both entities since their respective highs.

Hinge Health, which went public in May 2025, may also be referenced when valuing an outpatient physical therapy business. However, Hinge primarily provides virtual musculoskeletal care through employers and health plans rather than operating outpatient clinics. Its revenue is generally based on member subscriptions and engagement rather than reimbursement for individual patient visits. These differences in care delivery and payment structure make Hinge a less direct comparable to a traditional outpatient physical therapy business. Enterprise value / last twelve months (LTM) revenue and enterprise value / next twelve months EBITDA multiples for Hinge Health are outlined in **Figure 19**.

⁴⁵ Database does not contain every transaction.

Figure 18: TEV/EBITDA Multiples (S&P Capital IQ)

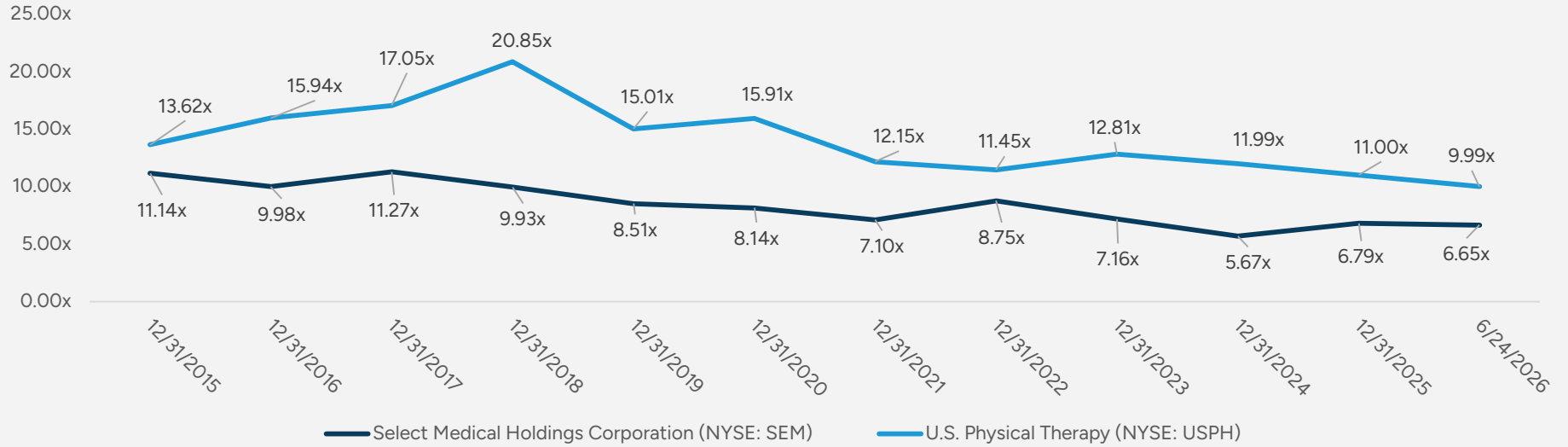
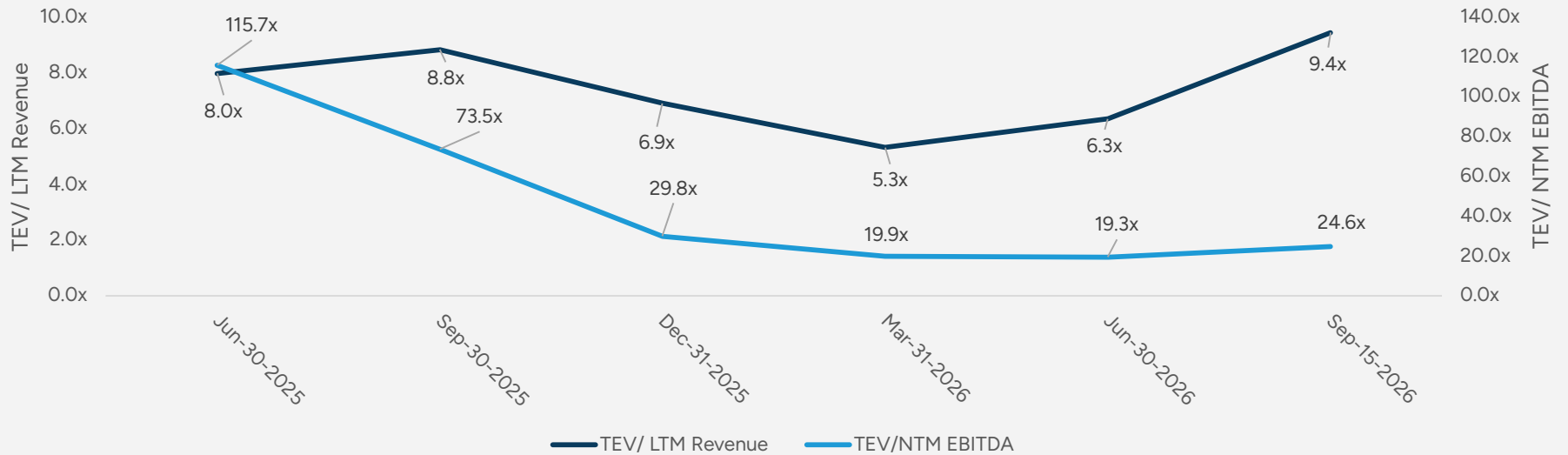


Figure 19: Hinge Health Trading Multiples (S&P Capital IQ)



Conclusion

Merger and acquisition activity is expected to continue, as the physical therapy industry remains highly fragmented. In addition to the positive CMS rulings, demographic trends indicate sustained growth in patients who will seek physical therapy services. With pressures to lower patient costs, insurers are also looking for high-quality, low-cost outpatient providers that may help prevent short-term disabilities from becoming chronic conditions or speed recovery from surgery and musculoskeletal injuries. Additionally, technological advancements in care delivery are driving investor interest in the space due to the expected impact on patient access, particularly in rural areas. Stout's Healthcare Valuation and Advisory Team carefully watches new developments within the physical therapy industry and has the skills and experience required to render a valuation opinion for physical therapy practices in this ever-changing regulatory environment. Furthermore, Stout has developed a web-based Physical Therapy Calculator that is able to analyze clinic-specific financial and operational data, as well as additional state-specific and market data, to offer guidance on valuation multiples with respect to transactions of both controlling and non-controlling interests.



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Stout provides a continuum of valuation, transactional, and advisory services to healthcare organizations in order to help them achieve their objectives. As healthcare companies and care providers look to understand the effects of relevant and evolving regulation and the implications of market-driven shifts such as digital health, value-based care, and personalized medicine, we combine deep experience with adept workflows to help organizations navigate the competitive landscape.

Supporting our clients with their most complex issues, our healthcare professionals offer a complete range of investment banking, transaction, accounting and reporting, valuation, and dispute-related services.

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- Payment Integrity
- Risk Assessment

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- Hospital-Based Services Optimization
- Value-Based Care Plan Design, Oversight, & Implementation
- Strategic Advisory

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- Ability to Pay Determinations
- Criminal Healthcare Fraud
- Civil Disputes & Investigations
- Damages Opinions
- Expert Witness
- False Claims & Anti-Kickback Cases
- Intellectual Property Claims & Disputes
- Liability Determinations
- Pricing Disputes
- Representations & Warranties Opinions

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- Debt/Equity Raise
- Distressed/Special Structures
- Due Diligence (Financial, Operational, Tax, & IT)
- ESOP Valuation and Advisory
- Exit Readiness
- Fairness/Solvency Opinions
- Finance Planning & Integration
- Financial Reporting
- Incentive Stock Plans
- IPO Support
- Purchase Price Adjustments
- Purchase Price Allocation
- Quality of Earnings
- Quality of Revenue
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