



## 2025 SHAREHOLDER LETTER

April 11, 2025

### ***Dear U.S. Physical Therapy Shareholder,***

2024 was another successful year of growth amid a difficult operating environment. As always, it is important that I recognize our incredible clinicians around the country, who delivered life-improving results through more than 5.3 million patient interactions in 2024. It is clear that our patients and referral sources appreciate the care provided, as evidenced by our record patient volume measured on a per-clinic basis and extraordinarily high net promoter score of 94 across our more than 730 partner-centric locations in 44 states.

Over the past four years, our industry has been under tremendous pressure with respect to reimbursement from Federal payors. This is especially true of Medicare, which represents approximately one-third of our payor mix. Physical therapy was not the intended target of these reductions, but we were, in fact, caught up in them as “collateral damage”. The physician fee schedule “budget neutrality” provisions were enacted several years ago to target the highest earning physician specialists (which we are clearly not) to pay for needed primary care increases. Unfortunately, the organizations that make recommendations on how to apportion reductions don’t always get it right, and physical therapy was inadvertently caught in the middle.

### **Arguably, and I know that I am biased, physical therapy intervention is one of the best values in healthcare today.**

The Alliance for Physical Therapy Quality and Innovation (APTQI), which advocates on the part of our profession, commissioned an independent study several years ago involving patients with low back pain. This study involved Medicare beneficiaries and differentiated those who obtained physical therapy early on versus a path involving other interventions including injections, pharmaceuticals, and even bedrest to solve the issue. What we learned is that a completed treatment regimen for low back pain that is physical therapy-centric results in significantly less cost for resolution of that issue. **Even more importantly, those who completed a course of physical therapy incurred less total healthcare spend over the next year as compared to patients who addressed their issue in a different manner.**

***Why do we think that is?*** Through a carefully designed course of physical therapy, the underlying issues that resulted in a particular pain or functional problem are addressed. Not only does a patient’s pain abate, but underlying function improves. In short, they move better and more easily, they are able to do more without fatigue or pain, and they are stronger and more resilient. And what happens when these functional markers improve? They move more. They garden and walk and engage more with friends and family. Their health outlook improves. And, with activity as well as social engagement, other important markers are believed to improve as well, resulting in higher quality of life.

In my opinion, and in the opinion of a great many of our nation's lawmakers, we should not continue to be the target of reimbursement cuts when our care prevents many more costly interventions, is quick and efficient, and saves the system in downstream medical costs, among other significant attributes.

## Despite these reductions, which included an approximate 2% reduction in Medicare reimbursement for 2024:

- We successfully drove demand for our PT services to an all-time high;
- We established **monthly records for visits per clinic per day** in 9 of the 12 months in 2024;
- We set **quarterly records for visits per clinic per day** in Q2, Q3 and Q4 of 2024
- We **increased total revenue 11%**, despite the Medicare reductions we absorbed
- We **increased our net rate to \$104.71** in 2024 from \$102.80 in 2023, due in large part to successful commercial contract renegotiations, coupled with an increase in volume of our higher paying worker's compensation business.
- We **opened 29 physical therapy** locations and completed acquisitions **adding another 74 locations**, which included entering three new states: New York, Colorado, and Utah.
- We completed an **acquisition in our injury prevention business** which has generated phenomenal growth and service delivery
- Revenues from our IIP business increased approximately 24% for the year and our **profit from IIP operations improved 22%** compared to 2023.

**And we were able to do all of this while keeping our balance sheet strong.**

## We have more work to do in 2025 and beyond

We have more work to do in 2025 and beyond, particularly in cost rationalization, which has been difficult in light of record demand and a very competitive hiring environment. Our team is focused on rolling out new technology that will enable our partnerships to better control staffing-related costs in 2025. And, we have a few new things that we are working on as well from a care delivery standpoint that we are not quite ready to discuss yet, but that we believe will be beneficial to our continued growth in the future.

In closing, let me say that we understand that repetitive and persistent Federal reimbursement cuts have created challenges that have impacted our business. **However, we are a resilient group with a great deal of tenacity and a fervent belief in our Company and in physical therapy in general.** We know that our services touch the lives of so many, allowing them to regain lost function, to move free of pain again, to pursue the things they dream about doing, and to provide for themselves and their families. We have work to do as well and, rest assured, we are approaching every day with an intensity of focus to achieve the things that are important to the lives of our patients, our staff and our shareholders alike.

Thank you for your faith and support, and may God continue to bless all of us to make a positive difference whenever and wherever possible.

*Sincerely,*



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