



New Law Changes Permissible Referrals for Physical Therapy

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On January 1, 2014, AB 1000 went into effect. It is a combination of two bills: (1) AB 1000 for direct consumer access to physical therapy, and (2) AB 1003, sponsored by the California Medical Association, to permit professional medical corporations to employ physical therapists.¹

Employment of Physical Therapists by Medical Corporations. A California professional corporation is a corporation organized under California law by individuals who are licensed to practice certain professions or trades.² Professional corporations may employ individuals from a different profession, but the majority of the owners and/or employees of the professional corporation must be from the primary profession.³ For example, a medical corporation may employ other health care professionals (such as nurses), but the medical corporation must be majority-owned by physicians.

Since 2010, the California Physical Therapy Board has taken the position that a physical therapist may not be legally employed by a professional medical corporation.⁴ According to the California Medical Association, “nearly 80 percent [of physical therapists in California] work in medical corporations, hospitals, home health care services and nursing facilities” and were at risk of losing their jobs.⁵

Before passage of the law, however, there was a concern that it would lead to abuse by allowing physicians to refer patients for physical therapy within their own practice rather than to an independent physical therapist. Therefore, the new law requires the referring practitioner to provide notice to the patient, orally and in writing, in at least 14-point type, and signed by the patient of the following:

1. That the patient may seek physical therapy treatment services from a physical therapy provider of his or her choice who may not necessarily be employed by the medical corporation; and

2. If the patient chooses to be treated by an employed physical therapist, any financial interest the referring practitioner has in the corporation.

The legislation added physical therapy corporations to the Moscone-Knox Professional Corporations Act, thereby permitting licensed physicians, surgeons, doctors of podiatric medicine, acupuncturists, naturopathic doctors, occupational therapists, speech-language therapists, audiologists, nurses, psychologists and physician assistants to be shareholders, officers, directors, or employees of a professional physical therapy corporation.

Direct Access to Physical Therapy. The law also authorizes a patient to directly access physical therapy services up to 45 days or 12 visits before requiring a physician to approve the plan of care for the patient. The physical therapy must be within the physical therapist’s scope of practice and is subject to the following conditions:

1. The physical therapist must refer the patient to a physician or surgeon if at any time, the patient has signs or symptoms of a condition that requires treatment beyond the scope of practice of a physical therapist or is not progressing toward documented treatment goals;
2. The physical therapist must provide oral and written notice to the patient as specified in the statute and must disclose any financial interest he or she may have in treating the patient; and
3. With the patient’s written authorization, the physical therapist is to notify the patient’s physician and surgeon, if any, that the physical therapist is treating the patient.

The law does not require a health plan or health insurance policy to provide coverage for directly accessed physical therapy services, and some health plans or insurers may not pay for physical therapy without a physician referral.



The health care industry is currently undergoing a radical change in the structure of provider organizations as a result of the Affordable Care Act. This recent change in California law may facilitate the formation of new and unusual corporate structures for professional providers.



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¹ AB 1000 (Wieckowski and Maienschein): Physical therapists: direct access to services, CALIFORNIA MEDICAL ASSOCIATION (2013), <http://www.cmanet.org/issues/detail?issue=ab-1000-wieckowski-physical-therapists-direct> (last visited Jan.14, 2014).

² Corporations Code § 13401(b).

³ Corporations Code § 13401.5.

⁴ California rules on PT employment, AMERICAN ACADEMY OF ORTHOPAEDIC SURGEONS (2011), <http://www.aaos.org/news/aaosnow/oct11/advocacy8.asp> (last visited Jan. 14, 2014).

⁵ AB 1003 (Maienschein): Employment of Physical Therapists, CALIFORNIA MEDICAL ASSOCIATION (2013), <http://www.cmanet.org/issues/detail?issue=ab-1003-maienschein-employment-of-physical> (last visited Dec 8, 2013).