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Case Studies of Worker Cooperatives in Health

PT360

Vermont Physical Therapy Cooperative

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Abstract: This case study examines the only physical therapy practice in the country to be structured as a worker cooperative. Founded in 2010 by 12 coworkers who left their previous employer to start their own practice together, PT360 has grown to become the largest independent physical therapy practice in the state of Vermont. It now has 36 employees.

This case study shows, first, that cooperative ownership can support business profitability and growth. Director Deborah Harris says: “We prove that worker cooperatives can make money.”

Second, it illustrates how a cooperative’s democratic governance structure gives worker owners the opportunity to organize for and vote through improvements to a parental leave policy to benefit working families.

Third, the case study suggests that its cooperative structure may help the physical therapy practice address challenges, such as patient retention and management issues, that are common across the physical therapy sector.

The physical therapy industry in the United States is worth \$40 billion and is expected to grow in the coming decade as the baby boomers age. By combining effective management with democratic governance and shared ownership, PT360 is pioneering an innovative organizational structure that benefits staff and patients alike. Its pioneering path may point the way for others in the field.

Topics: Sociology, Management, Organizational Behavior, cooperatives, physical therapy

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This is a working paper case study. Additional versions of this case study may appear in print.

We knew what we wanted. We knew what we envisioned. We knew that the 12 of us wanted to be equal owners. We all wanted to have a voice. We wanted to have equal votes. We all wanted to put in money. We just did not know what it was called.

–Deborah Harris, Executive Director and President of PT360

In 2009, the 12 coworkers were all working for a sole proprietorship owned by someone else, and they were growing increasingly frustrated. Deborah Harris had developed a new health and fitness program for youth clients, only to discover that the extra time she had invested in creating the program would be uncompensated. Others experienced rigid scheduling. “We found that there was not any flexibility,” even for parenting obligations. “It was suffocating” working for someone else. “After we had worked there for a year and a half, a bunch of us decided ‘this is not what we envisioned,’” recalls Harris.

The group of 12 included nine physical therapists, a manager, a billing staff person, and a scheduling staff person, ranging in age from 26 to 58 years. Many had worked together for more than a decade in various settings—in sole proprietors, large national corporations, hospital-based outpatient clinics, and physician-owned practices.

They wanted to create something new and different.

“We knew what we wanted. We knew what we envisioned... We just did not know what it was called,” recalls founding co-owner Deborah Harris, who stepped into the role of Executive Director in January 2022.

The group met with Vermont-based attorney Stephen Magowan to explore their options. He had experience working with employee stock ownership plans and had more limited experience with worker cooperatives. After hearing the group describe their vision, Magowan put a name to the structure they described but at the time had no language for: *worker cooperative*. A worker cooperative is a type of business where the employees directly own and control the firm on a democratic basis of “one person, one vote.” Magowan made the case to the group that a worker cooperative structure would best reflect their vision. Don Jamison, founder of the Vermont Employee Ownership Center, which also provided initial information and assisted the group with their bylaws, recalls founding group members being excited to learn about the worker cooperative structure because it so embodied their sense of “we’re all in this together.”

Participatory Planning

For several months the group met together once a week in their basements to carefully plan how their new worker cooperative would work. They had committees and subcommittees. They divided up tasks. Everybody contributed in some way to planning the business in order to launch. For example, Harris and founding Executive Director and President Mary Steiger were responsible for branding and the logo, so they met with branding specialists and then brought proposals back to the full ownership group for a vote. Other committees focused on developing the business plan, ordering equipment, interior design, and pool design. “We had a lot of trust in

each other and in the skills we all brought to the table,” Harris recalls. “We were like family when we first started.”

Start-up funding, the initial capital contribution, was a top priority. The co-founders each paid for their member shares and each personally guaranteed the initial bank loan. Additional seed funding was secured from three individuals, family members of cofounders, who became preferred shareholders. Those three individuals invested \$400,000 in initial funding, with the expectation that they would be repaid over time. (The co-op has already fully paid back two of the preferred shareholders who provided initial seed funding is expected to buy out the final shareholder in 2022—at which point it will be free of debt.)

Once all the pieces were in place, the 12 coworkers, now co-owners of the new cooperative, left their previous employer. They staggered their departures from the sole proprietorship that had employed them all, but still, it was a collective “mass exodus,” says Harris.

First and Only Physical Therapy Worker Cooperative

PT360 began treating patients in 2010. It was the first, and remains the only, employee-owned physical therapy cooperative in the United States. For its first 11 years, Mary Steiger, PT, served as Executive Director until retiring at the end of 2021. On January 1, 2022, founding co-owner Deborah Harris, PT, CLT, stepped into the role.

There exists a stereotype of a worker co-op. According to the stereotype, co-ops are small informal “fringe” businesses. That’s not PT360. PT360 is a complex, efficiently run, and profitable organization operating at scale—and looking to expand further. It bills out a large volume of sales and consistently turns a profit. PT360 is the largest privately owned PT clinic in Vermont, as measured by volume and number of practitioners.¹ Its success proves that “*worker cooperatives can make money*,” declares Harris.

The company started in 2010 with a single clinic and then rapidly grew. Today it operates four bustling facilities across Chittenden County, Vermont, the state’s most populous county. The 8,500 square-foot facility in Williston is the largest site. Both Williston and the clinic in Shelburne have heated salt-water aquatic therapy pools where patients exercise.

Today 36 people work at PT360, 33 in a full-time capacity.² Eighteen of the 33 full-time staff are members, or co-owners, of the cooperative.³ It is a predominantly white and predominantly

¹ Not including hospitals.

² At PT360, 32 hours per week is considered “full time.” To be an owner, one must work at least 32 hours per week.

³ After two years, employees have the option of becoming an owner. Most of the 15 employees who are currently not owners remain employees simply because they have not completed the two-year eligibility period. Only two employees who have been employed for the requisite two years have opted not to be owners. Both are members of the administrative staff. According to Deborah Harris, for one administrator, it was personal; her sister was the founding president. The other administrator is caring for an ailing parent and does not have time to devote to ownership responsibilities.

female-identified workforce; 30 employees identify as female and six identify as male. Approximately 34 are white and two employees are Asian or Pacific Islander. Eleven employees serve as administrators and are not physical therapists. Three of those administrators are owners.⁴

As its name suggests, PT360 aims to give “360-degree” physical therapy services, by providing a wide variety of different therapy and rehabilitation services for orthopedic, neurological, cardiovascular, pre-and post-surgery, as well as chronic pain patients and cancer survivors. In addition to aquatic therapy, other treatments offered include manual therapy, exercise, and training.

Profit Sharing

In conventional businesses, owners earn profits based on the percentage of company equity they own. In worker cooperatives, by contrast, profits are shared instead based on "patronage." At PT360, patronage is measured by time worked. That is, the number of hours a member works forms the basis for determining the share of the cooperative’s net margins, or surplus, they will receive. In cooperatives, profit shares are known as “patronage dividends.”

In the last five years, PT360 has dispersed patronage dividends four times—every year the company was profitable. The sole exception was the first year of the pandemic, 2020. The 2021 profit share was disbursed in the spring of 2022.

The amount received is always the same for every member who works the same hours, regardless of pay level. Therefore, a senior physical therapist at 40 hours accumulates the same profit share as a receptionist working 40 hours. This makes patronage dividends a more egalitarian approach to profit sharing; for profit allocation, everyone’s contribution of time to the business is valued equally.⁵

Members receive 60% of their patronage dividend in the form of a check. The remaining 40% goes into their capital account, which includes accumulated profit shares plus their initial pay-in.⁶ When a member retires or leaves, they are normally paid out immediately if the departure occurs during the year. If the departure takes place at the end of the year, they may wait until the patronage is determined and pay the full amount in February.⁷

⁴ Two of the 11 administrators have opted not to become an owner despite being eligible. The other six do not yet qualify for ownership; two have not worked long enough and four do not work enough hours.

⁵ Because the amount of one’s profit share is based on the number of hours worked, owners who worked, for example, 32 hours per week over the year receive a smaller proportional amount to those who work 40 hours per week. Members who worked 32 hours per week in 2019, for example, would have received 80% of the profit share sum.

⁶ In the worker cooperative, each member-owner has an individual capital account to keep track of their portion of the firm’s net worth and the member's equity in the corporation. If the organization needs to utilize a portion of the internal capital accounts for working capital, they may transition funds to the operating account.)

⁷ Legally they have up to two years to pay out the capital account but have not needed that time.

Physical therapist and co-owner Amy Sheridan, who has worked at PT360 for six years and has a child, says this about what getting patronage dividends means to her and her family: “For us personally, it is a good cushion. It also allows me to work fewer clinic hours because I make up for it with the patronage.”

The profit shares come on top of a good wage. Physical therapists at the cooperative earn \$33 to \$48 per hour, which equates to \$68,640 to \$99,840 per year before patronage. Pay level varies by years of experience. The wages are market rate in the area and the higher end is comparable to the overall mean and median wages of physical therapists nationally, according to the Bureau of Labor Statistics.⁸

The starting pay for the lowest-paid nonprofessional job is \$17 to \$18 per hour. A typical administrative staff person or front desk employee earns around \$18 per hour, which is higher than the average in Vermont, but much lower than physical therapist pay levels.⁹

In addition, all employees receive health insurance, retirement benefits, and life insurance.¹⁰ They also get both short-term and long-term disability insurance.¹¹ This year, the company added a parental leave benefit for fathers or married partners, so that employees who are new parents, regardless of gender, will receive two weeks of paid time off.

Patient Care

PT360 is rare in that its clinicians spend an entire hour with their patients. Harris estimates that these days, “at least 70%, if not 90%, of physical therapy practices give a half-hour to 45-minute treatment sessions.”

⁸ Nationwide the median physical therapist earns \$43.75 per hour or \$91,010, according to the BLS. See: <https://www.bls.gov/oes/current/oes291123.htm#nat>.

Employment estimate and mean wage estimates for Physical Therapists in 2020: Employment: 220,870; mean hourly wage: \$44.08; mean annual wage: \$91,680.

⁹ See Bureau of Labor Statistics 2020: https://www.bls.gov/oes/current/oes_vt.htm#43-0000.

¹⁰ The company pays most of the health insurance premium. Employees pay roughly \$40 per pay period toward their premium and PT360 pays the rest. An HSA and HRA are also offered. The HSA provides \$1,000, which PT360 puts in employee accounts. The HRA provides up to \$3,000.

New employees receive two weeks of paid vacation with three personal days. At five years employees get three weeks. At 10 years employees have four weeks off. They provide a SIMPLE IRA retirement benefit with a 3% match, into a 401(k) account.

¹¹ If someone had to stop working for a medical reason they would be paid 60% of their wages immediately, the day they leave work, according to Deborah Harris.

Insurance companies typically reimburse for shorter session times.¹² Most patients, about 95%, have insurance coverage. In effect, therefore, PT360 practitioners spend more time with many patients than they are fully reimbursed for from insurance.¹³

“But for us, it’s about the quality of our patient care and we have so many patients that come back,” explains Harris.

As physical therapist and cooperative member Amy Sheridan observed: “I think with the changing healthcare market, slim margins, costs rising, and reimbursement worsening, many companies are looking for ways to increase revenue and cut costs. One way others do this is to alter patient care, whether by adding in aides to help or decreasing patient care time. Here, because we have so many clinician owners, we have really fought hard to maintain the best patient care while finding other ways to generate revenue. This is not the easiest route, but I think it reflects our commitment as a co-op to maintain the best patient care, which is our goal.”

How do they remain profitable if they are giving more care than they are being reimbursed for?

“It’s getting harder and harder,” says Harris. “I’ll be totally honest.”

Cash-based offerings are generating supplemental revenue streams. Pool passes, massage therapy, dry needling, and various group classes are all offered to patients on a cash basis. These services generate revenue that partly offsets low reimbursement rates.¹⁴

Culture

“We wanted it to feel different,” explains Deborah Harris. “We want people to immediately feel the difference in the vibe when they come in.” The staff greets patients by name; “Hey Sue, how’s it going?” It’s like Cheers,” says Harris about the welcoming spirit of their clinics. The website says, “we work hard and play harder.”

The warm culture may, Harris believes, tie back in part to the worker cooperative structure because staff people genuinely want to be there and feel invested. The worker members have the freedom to set the tone, which allows for a friendly environment for patients. “The patients look forward to some of the goofy things we do,” she says. For example, at the clinic in Williston, they hold a “polyester power hour,” turning up disco music on Fridays at noon.

¹² Harris reports that reimbursement rates vary by insurance company, but increasingly, more insurance companies will either pay for only up to 45 minutes of service or a dollar amount equivalent to three units of care.

¹³ A 40-hour-per-week therapist would see about 36 patients per week, one hour per session (most PTs are at least 90% productive).

¹⁴ Patients get a pool pass and may use the gym for a \$5 charge. These offerings for patients extend the benefits they receive beyond their PT sessions. The extension can be particularly helpful for patients with insurance requiring a high co-pay.

Governance

A defining feature of a worker cooperative is that its major decisions are made democratically by the people who do the work, either directly or through some system of representation. At PT360, co-op members elect a board of directors that holds ultimate responsibility. Elections of the board take place annually and each member has one vote. The board currently has five worker members. All five worker members on the board serve as officers.¹⁵ In addition, the board includes four non-voting advisory members who are not owners. The advisory board members provide valuable guidance and expertise; they include an attorney, an accountant, and an entrepreneur.

In addition to quarterly board meetings, regular “Owner Meetings” take place every four to six weeks. Any owner-member can add an item to the agenda, which is shared ahead of time. The director facilitates these meetings. The 18 members discuss and then vote on each agenda item. Decisions are made based on the majority rule.

In Owner Meetings, every member’s perspective can be aired and every voice can be heard.

How do the Owner Meetings go in practice? “There are strong personalities, and the meetings can get heated, depending on the topic,” says Harris. In a group of all different ages and circumstances, different people want different things. Some want more time off. Others want fully funded maternity leave. Others want the maximum patronage.

To physical therapist and co-owner Amy Sheridan, this is what makes working in a worker cooperative different from the clinics and hospitals where she worked as a physical therapist previously.

I think the difference with a cooperative really comes down to the vision-making role we have. It comes down to the bigger policy decisions. We discuss strategic planning, we discuss big picture questions about how we want to move forward as a company. We look at the next five years and decide we want to buy another clinic, open new clinic locations. That kind of big decision-making is made altogether, with one vote per person. We all can present policy. We have committees to explore policy. We all vote on policy.

By comparison, in a hospital where she had previously worked: “Everything came top-down. You didn’t have any input. If they say, ‘you’re working later,’ you work later.” She also experienced working in a private practice where physical therapists “did have input into how we would like the clinic to be run, but the two owners of the company made the final decision. We could say, ‘Hey we think this should happen. But we had no real decision-making ability.’” In a

¹⁵ The slate of officers is registered with Vermont’s Secretary of State.

cooperative, “especially as a professional, it feels better to be part of the decision making, and to know that I can sway or be swayed by other people’s opinions.”

The “one person-one vote” quality of making decisions “levels the playing field” when it comes to policy decisions. “It really doesn’t matter what your title is, because everyone has one share and one vote,” explains Harris.

Worker Owners Initiate a Policy Change

Amy Sheridan and other worker owners recently initiated and voted through a significant policy reversal. “We passed a parental leave policy that I had really pushed,” Sheridan says.

Earlier, the company had given six weeks of paid time off as maternity leave. In that arrangement, 60% of the leave was covered by short-term disability and the company contributed additional pay on top of disability. In 2018, the owners voted to change the maternity leave benefit, taking away the company contribution. As a result, women received just 60% of pay for six weeks after having a child.

Amy Sheridan was employed at PT360, but not yet an owner, at the time of the 2018 vote. She recalls:

People didn’t like it. We had members who were affected by the change—at least four females experienced a reduced benefit and a male employee whose wife had a child also did not get any benefit. I already had a child so wasn’t personally affected, but I thought, ‘I wouldn’t have come to this company had I known the decision to reduce parental leave would be made.’ And I was concerned: We have a lot of new parents here, and we were going to lose them. We had lost a few. How does that look financially? How does that look from a human and an HR perspective?

How did the policy reversal come about?

Amy Sheridan and other concerned worker owners “formed a group to look at it and came up with ideas. We presented the ideas to the big group [at the Owners’ Meeting]. We all discussed it. We voted unanimously in January 2022 to change the policy.”

We brought the issue back around. We said that not only do women need to have better parental leave, but our male counterparts need to too. That’s important. We came up with something equal across gender.

Today, as a result of the change, employees who qualify for the disability receive 60% of their pay for six weeks, then PT360 pays an additional two weeks of full pay after the six weeks are completed. All PT360 full-time employees and owners, administrative and clinical, who give

birth are eligible to receive this benefit. Fathers or parents who do not give birth and therefore do not qualify for disability get two weeks of paid leave.

This worker-owner-initiated policy correction reflected changing member demographics. In 2018 there had been more owners over 50 years of age, and owners with older children. Some were nearing retirement age. Many of that older cohort of owners have since retired or left the company. They have been replaced with worker-owners who are 40 years of age or younger and who have young families. The younger members are growing more vocal and are demonstrating their capacity to organize and initiate change.

This example highlights something important: In a worker cooperative, the democratic structure gives worker-owners the ability to organize around the needs of current members. At PT360, Owner Meetings provide space for democratic deliberation over such matters as personnel policies and benefits that in many more traditional companies are decided wholly by a member of the management team, often without substantive input from workers. The cooperative structure attunes the business to the vocalized needs of current members and provides mechanisms for worker-owner-initiated change.

Deborah Harris recalls: The change in parental leave policy came in direct response “to the concerns voiced by current owners—they identified a gap where we were falling short and loudly vocalized a need for change.”

Sheridan, thinking about the process, shares: “My vision, the specific proposal, kind of got blown away in the Owners’ Meeting because other people had better ideas. I thought, ‘Oh, wow, that’s a better way!’ I think collaborative thinking is great. My thoughts are only my own. But we have almost 20 owners. You can come up with some cool things as a larger group.”

Supervision and Hierarchy

While all member owners have equal votes at the Owner Meetings and in selecting board members, in day-to-day operations a clear authority structure exists. There must be oversight, checks, and a final decision-maker in a physical therapy practice such as theirs, says Harris. “We do have supervisory relationships and accountability. We have to.”

The role of the director is to oversee the whole company, its finances, its large capital expenses, and to supervise the clinic managers. Clinic managers at each site, meanwhile, deal with daily functions. In other words, the director and site managers direct and coordinate other people, even their fellow co-owners.¹⁶

Amy Sheridan, as a nonsupervisory worker, does not see big differences in her experience of supervision and management at PT360 compared to other outpatient clinical settings.

¹⁶ The Executive Director is evaluated by the site managers and the board of directors.

As far as supervision, we still have a director of the clinic who manages, to make sure that the clinic is running properly. We still have a President. That ensures the smooth running of the cooperative. Your vacation time still needs to be approved. The hierarchy is still present.

Even if I, say, have an open hour, a paperwork block for an hour, I still need to ask my supervisor, ‘Can I do that work at home because the kids are home from school today?’ We still have to have that communication with higher ups.

Still, compared to some more traditional corporate settings, Harris thinks the quality of hierarchy can operate and feel different in a worker cooperative.

“We care about each other, that’s the first thing,” says Harris. “The way I supervise and correct other people, I do it in conversations. It is nonjudgmental.” I might say, “‘This is a learning experience but this can’t happen again,’ or ‘This does not feel like it’s a good decision.’” We use that kind of respectful communication.” In her communications she aims to be clear and respectful, and sometimes tinges her comments with humor.

The shared ownership structure helps. “When people know that they and their other owners are all in the same boat, people just trust more.”

Today, just three of the original co-founders remain on staff. The founding group of owners has been replenished with new members. New members may join after working for two years; they are voted in with the approval of the current owners. New members must put up a certain amount of funds for their member share, an amount the cooperative prefers not to disclose publicly. New members can finance a portion of the sum.

Since their founding longtime director retired on Dec. 31, 2021, PT360 has completed an important transition into its next phase of leadership and continued operation.

With the worker cooperative, physical therapists and office staff put in place an ownership structure that enables more voice and freedom at work, and a share in profits—a model that is otherwise unheard of in the physical therapy sector nationwide.

Amy Sheridan believes the worker cooperative structure “gives individuals a sense of control over their work environment, as well as the financial benefit that comes with ownership—without carrying the amount of risk that would come with being a single proprietor owner.”

Conclusion

Might PT360 have pioneered a prototype that could be replicated or expand? The company is in fact looking to acquire additional clinics in the future, bringing those enterprises into their cooperative structure.

There are currently 233,350 physical therapists registered in the United States, with one-third working in private outpatient offices.¹⁷ The physical therapy industry is worth \$40 billion. Job growth in the sector is expected to reach 21% from 2020 to 2030. The industry is increasingly important as the baby boomer generation ages, since the use of physical therapy can lower overall patient treatment costs dramatically.

Patient retention, and practice and staff management, rank among the most common challenges that PT practices face nationwide.¹⁸ PT360, through its cooperative structure, appears to be addressing both challenges—as evidenced by its self-reported patient retention and its unique governance and management practices. Given the number of physical therapists in search of new business models and the importance of strengthening the job quality of practitioners and administrative staff in the industry, PT360’s pioneering path may offer lessons for others in the field.

Don Jamison, founder of the Vermont Employee Ownership Center, believes that the company’s sheer success and growth have already helped to give the cooperative model greater credibility in the eyes of other business owners.

“More and more business owners in Vermont and beyond are expressing interest in worker cooperatives,” he says. The fact that the Vermont Center can point to PT360, along with other successful cooperatives, has already begun to increase this model’s appeal.

¹⁷ See the American Academy of Physical Therapy (AAPT) website: <https://www.aaptnet.org/facts-about-the-industry.html#>.

¹⁸ “7 Biggest Issues Facing Physical Therapists in 2020.” MWTherapy. 2020; “The PT Patient Experience Report: A study of physical therapy patient expectations, preferences, and the drivers of satisfaction in 2022.” WebPT & Clinicient. 2022.

Summary Table: PT360

Employees	36
Members	18
Year Founded	2010
Governance	Board elected by members
	-Five officers, all worker-members
	-Nonvoting outside advisory members
	Owner Meetings
	-Facilitated by director/CEO
	-Any owner-member can add an agenda item
	-Discussion followed by vote; majority rules
Profit Sharing	5 of the past 6 years
	-Members receive 60%. The remaining 40% goes to their capital account.
Membership	Considered after two years of employment
	Pay member share
Compensation	Market pay, health benefits, retirement benefits, life insurance, short and long-term disability insurance, parental leave
Seed Funding	Family investors & loan co-signed by the 12 founding members in 2010