

Discover Your Ideal Practice

WHAT YOU WILL LEARN:

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PRACTICE BY DESIGN: GO SOLO OR JOIN A GROUP?

Today's behavioral healthcare marketplace has created new challenges for mental health professionals in every type of practice setting. In the past, therapists with offices in one or two locations could make an adequate living and enjoy the benefits of working independently. Today, however, it is difficult to thrive or even survive in independent practice, especially in areas where managed care has become a major force. There are new challenges for every type of practice, including medium and large groups.

There are a variety of models for you to consider when you prepare to set out on your own. Let's begin by looking at the most common types of private practices.

INDEPENDENT SOLO PRACTICE

In this type of practice, the therapist works on his or her own. This means that you:

- Rent and furnish your own office space
- Work mostly on your own
- Do your own marketing
- Decide on the fee structure
- Find your own clients
- Do your own treatment
- Find your own supervision
- Get on managed care panels and lists
- Pay the cost of association memberships, subscriptions, publications, and so forth
- Pay the cost of continuing education units
- Pay for your own health and life insurance
- Design your own forms, stationery, handouts, and so on
- Pay all of the expenses associated with the practice
- Process the insurance reimbursement paperwork

In the past, solo practitioners answered only to themselves (while following the legal and ethical guidelines of the profession). Today, with

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STATE LICENSING REQUIREMENTS

Most states and provinces require clinicians to be licensed in order to practice. This was not always the case, and many people are still practicing illegally by providing therapy services without a license. Other states have laws that regulate the terms of use of specific words (*psychotherapy*, *psychology*, etc.) rather than the practice of these disciplines. This means that a person without a degree, a license, or credentials of any type could legally practice psychotherapy as long as he or she does not call it *psychotherapy*.

We know of no third-party payor (insurance company, managed care organization, Medicare, etc.) who will pay for services provided by someone who is not licensed or registered in his or her state of practice. To learn whether your state has a licensure or registration act and what it may require, check with your state's department of professional regulation. Most of these departments have a website that you can easily find with a search engine such as Google (www.google.com) or Yahoo (www.yahoo.com).

WHERE DO PSYCHOLOGISTS WORK?

The American Psychological Association (APA) conducts an annual survey of its members to learn about salaries and sources of income. The work settings of the 9,116 respondents in 2001 were as follows:

- 65 percent were employed in independent practices
- 46 percent in individual private practices
- 19 percent in group private practices
- 14 percent in hospitals and clinics
- 3 percent in schools
- 2 percent in other settings

Source: Darnell Singleton, Antoinette Tate, and Garrett Randall, *Salaries in Psychology 2001: Report of the 2001 APA Salary Survey*. APA Research Office, January 2003.

the advent of managed care, solo practitioners may work alone but must fulfill the requirements of managed care organizations in order to obtain reimbursement for their services.

Many therapists look forward to the challenge of handling the many aspects of building a private practice. Others find the responsibility overwhelming, especially when they are just starting out. There are many ways to join forces with other therapists and enjoy the freedom of working on your own. Let's take a look at a few of the most common types.

GROUP PRACTICES WITHOUT WALLS (GPWWs): ONE-STOP CONTRACTING

Group practices without walls are the most common type of practice group today. Several or more practices, from solo providers to larger practices of 10 to 15 members, form a group. The individuals who work in most GPWWs maintain practice independence but offer a combined size that is appealing to contracting payors. Financial arrangements vary from group to group.

Some GPWW leaders decide to incorporate. They may consolidate support staff and standardize software, forms, and procedures. They operate with one tax identification number, standardize staff hiring and credentialing standards, and function as a large practice. Primary practice owners may hold controlling positions, issue stock, set up a profit-sharing plan, and so on. Individual practices within the group may become less distinct from one another.

There is joint liability in any GPWW. As a GPWW is formed, members should seek the guidance of both an attorney and an accountant. Each person involved needs to have a clear understanding of his or her duties and responsibilities.

Benefits to the Members. As a member of a GPWW, you may gain contracts and referrals that you would not obtain if you were not part of the network. You may also find that working with such a group provides more resources and a more professional atmosphere than working alone. There may be more opportunities to share resources, obtain supervision, and avoid isolation.

Benefits to Payors. Payors prefer to have a single contract with one unit that manages 30 or more providers covering a two- to five-county

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region. They also prefer to have one contract to negotiate, one phone number to dial, and one contact person to reach if there is a problem. At the time of publication, it costs \$100 to \$150 per provider to manage contracts and credential providers, so it is less costly for a payor to work with a GPWW than with an individual provider.

NETWORK OR ANCHOR GROUPS

A network is typically owned by one individual. The network may cover more than one region and may offer more than one specialty. Similar to GPWWs, these practices appeal to payors due to ease of contracting and lower costs. Practices with such contracts are known as *anchor groups*. Anchor groups are similar to GPWWs in that they are made up of several independent providers or practices. The group forms a network to provide services under a general contract type (e.g., behavioral healthcare), but there are separate contracts for each provider, practice, or site. Network models tend to be located in more rural or less provider-saturated markets, whereas anchors tend to be located in more urban and suburban venues.

CAVEATS WHEN JOINING A GROUP PRACTICE

If you decide to join a group practice, use caution. In the American Association for Marriage and Family Therapy (AAMFT) newsletter *Practice Strategies* (March 1997 issue), the following guidelines were suggested:

- Ensure that fee payments are within ethical and legal guidelines. Stay away from fee splitting or any payment method that could be interpreted as paying for a referral.
- Check out the other therapists in the group. Your reputation will be affected by their reputations.
- Have separate interviews with each member of the group. Try to learn as much as you can about their relationships with one another.
- Ask to see the record-keeping system and evaluate the level of confidentiality that is maintained.
- Find out how often clients are billed and what percent become delinquent.

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- Find out where the group's referrals come from.
- Explore the group members' ethics. Ask them questions to learn how they handle various ethical situations.
- Find out about managed care contracts and ask whether you will be added.
- Find out whether you would be able to refuse referrals from a managed care firm with whom the group is affiliated.

INDEPENDENT PRACTICE ASSOCIATIONS (IPAs)

An independent practice association (IPA) is a megagroup that has evolved from one or more large provider groups. IPAs tend to be well financed and are often backed with venture capital or large financial contributions to cover start-up costs (see Chapter 2). IPAs are different from the other practice models in that they generally offer:

- Many professionals on staff
- Professionals experienced in several disciplines
- Multiple locations
- A single contract for payers
- Standardized services and procedures
- Comprehensive management information services

HYBRIDS AND MUTATIONS

There are a variety of species of practices today, and all are subject to the Darwinian forces of survival of the fittest in the marketplace. New types of practices are constantly emerging because the world is changing quickly. Some examples of these changes include:

- Changes in regulations (e.g., repeals of corporate practice-of-medicine laws)
- Changes in policy (e.g., the ability to take risk without an insurance license in direct contracting), with some states prohibiting provider groups from functioning as nonlicensed insurance entities and thus unable assume risk
- Changes in payment systems (e.g., capitation versus reduced fee for service versus case rate)

STORIES FROM THE REAL WORLD

From my experience as an organizational psychologist and as an intellectual property attorney working with psychologists and group practices, I've found that copyright, trademark, contract, and the Internet are often misunderstood. For example, here are some issues to consider:

- Who owns what when a group of psychologists join together to develop questionnaires and marketing pieces?
- Who owns the name of the group practice when it dissolves?
- Have you planned at the formation of a collective endeavor how it will terminate?
- Is there a written agreement among the members of a formal group practice, corporation, partnership, or even an informal office sharing?
- How do you choose a business name and marketing slogans that are within professional ethical guidelines and that don't infringe on others' rights?

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- Changes in practice (prescriptive authority for nonphysician providers, expanding hospital admitting privileges, etc.)
- Changes in tax codes (e.g., service corporations versus private corporations versus limited liability corporations)

These kinds of changes will make life more complex for anyone in a mental health practice, and they also create opportunities for innovation.

PRACTICE BY DESIGN: MAXIMIZING YOUR APPEAL TO A GROUP PRACTICE

Many clinicians who have recently finished professional training work within an established practice when they are getting started in the mental health profession. This can be an excellent opportunity to get valuable on-the-job training. However, the marketplace in most parts of the country has a greater supply of clinicians than open positions. If you live in an area where jobs for mental health professionals are scarce, you can do several things to make yourself as attractive a candidate as possible.

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You can maximize your appeal to almost any group practice if you have broad experience in the following four general areas:

1. Doing therapy with a variety of client populations is a plus:
 - Individual
 - Group
 - Family
 - Couples
 - All age groups
 - Inpatients
 - Outpatients
 - Residential cases
 - Diverse client demographics
 - Diverse client diagnoses
2. Having a specialty relevant to the practice that you hope to join can be very helpful:
 - A medical or health specialty
 - Children and adolescents
 - Families
 - Neuropsychological
 - Rehabilitation
 - Substance abuse
 - Eating disorders
 - Dual diagnosis
3. Being a member of a variety of organizations or networks demonstrates that you are committed to your profession and interested in current issues and developments. Active participation is even more impressive, such as serving on committees, volunteering, submitting articles, and so forth:
 - Membership in graduate student organizations
 - Membership in professional organizations (APA, AAMFT, NASW, etc.) at the national, state, and local level
4. You will be more marketable if you have a license to practice counseling, social work, or psychology. Even if you are seeking internship hours toward your psychology license, having a master's level license makes you more attractive as a potential employee of a group practice, clinic, or counseling center.

TIPS FOR SUCCESSFUL INTERVIEWING

If you decide to join a group as an intern or after you are licensed, you will need to interview for the job. As with any job interview, you will increase your chances for success if you follow these two guidelines:

1. *Be humble.* When you are interviewing for a position in a group practice, it is important to convey that you have skills and knowledge, but be careful to avoid bragging or sounding like a show-off.

2. *Do your homework.* Learning about your potential employer helps you assess whether there's a good fit between your professional needs and wants and those of the potential employer. Doing some research will also provide you with information that you can discuss in the interview to demonstrate that you have taken the time to learn about the practice or counseling center. You will be able to address the needs and priorities of the practice and offer your ideas for working with the group.

WHAT EMPLOYERS LOOK FOR

The following 15 areas are critical to the success of a mental health practice. Therefore, it is important that you demonstrate your competence in these areas (Salameh 1990):

1. *Availability.* You should be available to see clients at times that meet *their* needs, not yours. For example, if you are going to treat children, you'll need to be available during evenings and weekends, and not just during daytime hours.
2. *Balance.* You should be able to demonstrate your ability to manage both life and work demands without undue stress.
3. *Clearheadedness.* Absentminded professors may be charming, but this is not a positive quality for clinicians. Maintaining focus at all times is a must.
4. *Commitment and dedication.* Clinical practice is not a hobby for dilettantes or the underinvested. Professionalism is the rule.
5. *Diplomacy.* Many work situations require you to be able to consider alternative perspectives. Be flexible and willing to compromise.
6. *Ethics.* This is the sine qua non (essential element) of any clinical practice. Be ready to demonstrate your understanding of ethics if you are asked a hypothetical question ("What would you do if . . . ?") during an interview.
7. *Flexibility.* As with diplomacy, you should be agile and adaptable to changing needs.
8. *Goal directedness.* Distinguish yourself by describing what you plan to do in your career as a behavioral health professional and explain how joining this practice will help you achieve your goals.

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9. *Innovation.* Describe the ideas you would bring that could be of genuine help to the organization or practice.
10. *Persistence.* Finishing graduate school is a good demonstration of persistence, but also be prepared to discuss how your persistence is relevant to your joining this group.
11. *Punctuality.* This quality is critically important in clinical practice. Demonstrate your punctuality during the interviewing process and always thereafter.
12. *Self-reliance.* Discuss how you are able to think on your feet and solve problems, even in ambiguous situations.
13. *Self-respect.* Demonstrate your professionalism by noting how well you manage yourself and your life's challenges.
14. *Simplicity.* Show how you keep your work and your relationships simple and straightforward and avoid creating disorder.
15. *Surefootedness.* Potential employers seek a stable and reliable professional to join their team.

Besides looking for these traits, a potential employer will be evaluating you and considering the following five questions (Howard and Howard 1990):

1. Would this person relate to our practitioners and fit in well with the group?
2. Are this candidate's goals compatible with the goals of our group?
3. Does this candidate bring expertise that will bring value to our practice?
4. Do the types of clients this candidate may attract fit within the current or desired client mix?
5. Would I trust this candidate's ability to manage a crisis or cover my clients for me if needed?

QUESTIONS TO ASK POTENTIAL EMPLOYERS

When you are interviewing for a spot in a practice, keep in mind that the interviewing process is reciprocal. You are being interviewed and you are also interviewing the employer. Be ready to ask questions with a

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clinical and theoretical focus, and prepare a list of nonclinical questions as well. Here are 24 examples of important things you will want to find out about:

1. What percentage of fees will you earn?
2. Is the employer willing to provide an initial minimal advance on a predetermined amount of the initial collections distributed over a predetermined period of time (e.g., X dollars of collections distributed like a salary to you over the first six months) to provide a steady source of income for you during the early months of employment?
3. Will the employer guarantee that you can complete the hours required to obtain your license?
4. Is there a pay differential for being licensed? If so, how much?
5. Does the employer expect you to work weekends, holidays, and evening hours? If so, how will you be compensated?
6. How is on-call or emergency coverage handled?
7. How many hours are considered full-time each week—40, 35, 37.5? Of these hours, how many are expected to be in direct client care and contact versus paperwork, marketing, and administrative tasks?
8. Will you be allowed time off to prepare for your licensure examination? If so, is it paid vacation time, personal time without pay, or some other arrangement?
9. To what degree are you responsible for handling billing problems?
10. Is the employer willing to renegotiate your agreement if it is not working out well for you?
11. What expenses does the employer cover (travel, office, testing equipment, etc.)?
12. Does the employer provide professional liability coverage? If so, what are the coverage limits? Who is the carrier? Is it occurrence or claims made?
13. Is life insurance provided? If so, at what level of coverage? Who is the carrier?
14. What about retirement benefits?
15. Will you be allowed to do additional work (teaching, part-time work at another practice, etc.)?

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16. Does the practice do any marketing and soliciting of new clients for you, or is that solely your responsibility?
17. What provisions are there for continuing education (e.g., paid time off, paid registration fees, expenses)?
18. How are clients transitioned if you leave the organization or practice?
19. Are there prohibitions or restrictions concerning “client stealing” in your employment agreement or contract?
20. Are you considered a consultant or an independent contractor? (See the section on taxes in Chapter 6.)
21. Will the employer help you gain membership within PPOs and MCO panels? If so, are you paneled only as long as you are employed with this organization, or will you be independently credentialed? (It is better to be independently credentialed. If the panel identifies you with your personal Social Security number or tax ID, then it is independent. If it identifies only your employer, then it is not. When you leave the employer, it is likely that you will no longer be a provider on those panels.)
22. How many clinicians have remained with the employer in the past five years?
23. How are supervisor-supervisee conflicts reconciled?
24. What are the employer’s policies concerning charting and chart ownership? For example, in the event of a future lawsuit, could you access the patient’s chart even if you no longer work as part of this practice?

PRACTICE BY DESIGN: YOUR EMPLOYMENT STATUS AND THE IRS

It is important to properly identify your employment status with the Internal Revenue Service. In some cases, it is difficult to determine whether you are an employee, a consultant, or an independent contractor. While this may seem like a semantic distinction, it is very important. It impacts whether you, a payor, or the employer is responsible for payment of federal and state income and employment taxes.

If you have any question about your tax status when filing your taxes, consult with the Internal Revenue Service, your tax professional, or an attorney.

PRACTICE BY DESIGN: TYPES OF BUSINESS ENTITIES

The type of business entity you choose to be is a key factor in structuring your practice. Issues of tax and liability are key. First gain appropriate legal and tax consultation before making your decision to determine the best option for your circumstances.

The information in Table 1.1, compiled by the legal offices of Weiner & Eglit, Ltd., in Highland Park, Illinois (847-266-2040), is provided to help inform you about the possibilities and options available. *Please note that the law in your state may be different.*

HOW TO DECIDE WHAT TYPE OF PRACTICE IS BEST FOR YOU

When you consider the type of practice that suits you best, think about the advantages and disadvantages of being on your own. Mental health professionals who have been in solo private practice report the following pros and cons.

Advantages of Being On Your Own

- *Scheduling.* Freedom to set your own hours and time off.
- *Decision making.* Freedom to set your own policies, fees, and work environment; make your own decisions.
- *Flexibility and creativity.* The ability to choose which counseling methods to use with each client.
- *Financial freedom.* Potentially unlimited rewards.
- *Personal fulfillment.* Increased self-esteem from being on your own.

Disadvantages of Being On Your Own

- *Financial risks.* Start-up costs are high and success is difficult to attain.
- *Isolation.* Working on your own as a therapist can be lonely.
- *Multiple roles.* You must assume every role in your business, especially in the beginning.
- *Family impact.* Significant others may struggle with the demands of your business.

TABLE 1.1 Types of Business Entities

Factor	General Partnership	LLP Partnership	Limited Partnership	Limited Liability Company	Sole Proprietorship	C Corporation	S Corporation
Limited liability	Partners equally liable	Yes—all partners	Only the limited partners	Yes	No limit	Yes	Yes
Management	All partners	All partners	By general partner	Members and/or managers	Self	Board of directors	Board of directors
Membership	No maximum Minimum of two	No maximum Minimum of two	No maximum Minimum of two (one general and one limited)	No maximum Minimum of two	One	No maximum	Maximum 35 (no corp, trust, pension plan, or non-resident alien stockholders)
Transfer of interest	Restricted—authorized by partnership agreement	Restricted—authorized by partnership agreement	Restricted—authorized by partnership agreement	Restricted—authorized by partnership agreement	Only upon liquidation	No restriction (usually)	No restriction

Different classes of ownership	Permitted	Permitted	Permitted	Permitted	No	Permitted	Only one class of stock permitted
Federal tax	Zero at partnership level	Zero at partnership level	Zero at partnership level	Zero at LLC level	Schedule C tax form	Corporate tax at 34% shareholder tax	Zero corporate-level tax (usually)
State tax	Zero at partnership level	Zero at partnership level	Zero at partnership level	Zero at LLC level	State 1040	4.8% corporate tax	Zero corporate-level tax
Personal property replacement tax	1.5%	1.5%	1.5%	1.5%	0	2.5%	1.5%
Annual franchise tax	No	No	No	No	No	Minimum \$25, maximum \$1 million	Minimum \$25, maximum \$1 million
Filing fee	None	\$100 per partnership to a maximum of \$5,000 partnership	\$75 \$15 renewal	\$500 to organize \$300 annual renewal	None	\$75 to organize \$15 renewal	\$75 to organize \$15 renewal

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- *Unpredictable income.* As your client load fluctuates, so will your income.
- *Liability.* Many solo practitioners find operating on their own sometimes feels a bit like walking a tightrope without a safety net.
- *Lack of direction.* Without a boss to tell you what to do, you may feel lost.

WHAT IT TAKES TO WORK INDEPENDENTLY

If you are thinking about working independently, you will be more successful if you learn to think and act like an entrepreneur. The following list of attitudes, skills, and behaviors is typical of people who are successful self-employed businesspeople. Read through the list and circle Y (yes) or N (no) for each item. When you are finished, answer the questions that follow.

- Y N 1. You are able to tolerate uncertainty.
- Y N 2. You have excellent verbal and written communication skills.
- Y N 3. You are able to endure fluctuations in your income.
- Y N 4. You have good planning skills.
- Y N 5. You have confidence in your ability to succeed.
- Y N 6. You function well in social situations.
- Y N 7. You make friends easily.
- Y N 8. You can effectively organize your time without structure.
- Y N 9. You are a self-starter.
- Y N 10. You cope well with new situations.
- Y N 11. You prefer to be active.
- Y N 12. You can handle constant stress.
- Y N 13. You are comfortable promoting yourself.
- Y N 14. You are a persistent person.
- Y N 15. You like to be in charge.
- Y N 16. You make decisions based on available data and the systematic analysis of a situation.

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- Y N 17. You can ask for what you want.
- Y N 18. You push for commitments from others.
- Y N 19. You follow through on projects.
- Y N 20. You have a high energy level.
- Y N 21. You know how to motivate others.
- Y N 22. You can set a schedule and follow it.
- Y N 23. You know when to say no.
- Y N 24. You don't allow disappointment and rejection to stop you from carrying out your plans.
- Y N 25. You arrive promptly for appointments.
- Y N 26. You make decisions easily.
- Y N 27. You take responsibility for both successes and failures.
- Y N 28. You are willing to give in order to receive.
- Y N 29. Others would say that you are somewhat bossy.
- Y N 30. You manage your time well.

Adapted with permission from Steve Bass, *Successful Private Practice*. Pasadena, CA: PCG Seminars, 1985.

Ask yourself the following three questions to assess how comfortable you may be as a self-employed businessperson.

1. What are your most significant strengths that will enable you to thrive on your own?
2. Aside from the items on the list, what additional characteristics do you possess that will help you succeed in solo private practice?
3. What areas do you think need development in order for you to succeed and be comfortable in solo private practice?

The answers to these questions will help you determine what type of practice setting is best for you: independent private practice, being part of a group, or as an employee of a counseling center, clinic, or large practice. None of these is better than the others; the important thing is for you to recognize which type of work setting best fits your personality and style.

