

Article 36

Private Practice: Business Considerations

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Many counselors decide to go into private practice ill prepared to take care of the management aspects of a business. Some skills and marketing tools are unique to medical/helping professions, yet how to be a counselor and a businessperson at the same time is not in the required counselor curriculum. With little understanding of the pitfalls of private practice and business management principles, many new practitioners give up and move to a clinical setting, or leave the profession of counseling entirely.

Additionally, some counselors do not think of private practice as a business and fail to consider the nature of being self-employed. Private practice first seems attractive because counselors think about freedom to control their schedule, more money and complete autonomy (Richards, 1990). Location, daily business management, and sustaining an adequate client load are overlooked. For example, they may expect to do business out of their homes and may be unaware of zoning regulations, taxes, business licenses, insurance and other costs of doing business (Richards, 1990).

Because some counselors fail to learn about business practices or seek help from a qualified banker, attorney, and accountant, many counselors who enter private practice return to the agency setting or combine contract work with the practice to establish a steady income. Some find themselves under investigation for fraud or malpractice as a result of lack of the knowledge or experience in dealing with taxes, insurance and Medicare, as well as ethical practice principles (Bernstein & Hartsell, 2004). Counselors need a realistic view of the various aspects of doing business in the healthcare profession and that begins with an understanding of basic business principles and an examination of self (Jones, 1996; Richards, 1990).

The purpose of this paper is to explore the pitfalls of private practice and discover fundamental considerations for launching a successful business in counseling. A study of the current literature disclosed areas of concern for counselors planning to enter private practice and revealed tips concerning starting this type of service business. This paper will discuss the results of the literature review in order to provide information to counselors and people working with them as they strive to achieve success.

Business Management for Healthcare Professions

Private practice is considered a small business that is regulated by local and state agencies. Zoning codes govern where one may practice, the type of building in which one may practice, signs or advertisement that can be utilized, and other areas of the business practice. For example, glass used in windows and doors must meet code regulations and the size and type of signs in front of the businesses may be regulated. Handicap accessible buildings and facilities are required. A business license must be obtained and other licenses may be necessary. Even vending machines require a license.

Since the business should be located near clients it will serve, the decision on location is important. The target population must be considered. For example, if the target population must rely on public transportation, the public transit route will be important. Careful consideration before starting business can help avoid this type of pitfall.

Billing for services can be difficult for counselors. Businesses must pay for the ability to process debit and credit cards. Much of the billing through insurance or Medicare/Medicaid is accomplished through online billing agencies. The process involves someone from the practice inputting data into forms on a computer. The information goes to a billing agency. After approving the bill the agency sends it to the insurance provider and keeps records of all payments. The service is fee-based but provides some advantages, such as one lump sum check rather than many individual checks from an insurance source. The cost of billing through an online billing agent may be offset by savings in personnel costs or, in situations where counselors do their own billing, more time to see clients (Drug Week, 2008; Drug Week, 2009; Pro, 2010).

Other professionals are important when starting a business. An accountant helps set up a business structure to maximize tax relief and income security. Bank accounts for business are different from personal accounts and have different fee structures, thus, a banker knowledgeable about business banking is important to assist in establishing the best account for the business. Finally, an attorney is important to help establish the business and plan. The type of structure, often a Limited Liability Company, is the first consideration. Members of the Limited Liability Company, mailing address, when the business will start and end, how money will be collected and distributed, method of accounting, and registering the business are some of the items the attorney will address (Grainger Legal Services, personal communication, 2010).

Professional Qualification

Specialization presents many options for focusing the practice on an area of interest to the counselor. Generally, entrepreneurs who start a service or product business in which they are interested have better than average knowledge and some experience in that area. Counselors could strengthen the chances of success by selecting a specialty area of practice. Knowledge of self, preferred client population, skills and competence in the area of specialization, practice philosophy, and knowledge of business management are important in this decision (Richards, 1990). Thus, strengths in a particular area of counseling, such as career, addictions, marriage and family, should guide the counselor in exploring the need for those services in the counselor's geographical area.

After looking at personal interest, knowledge, and experience the counselor must examine ethical and legal qualifications. Do they have the credentials, degree, certifications, or license? Are they eligible to obtain a license in the desired area (Gladding, 2001; Neukrug, 2003)? A visit to the state licensing board web site will give beginning counselors information about credentials required for a state license to practice. All states have licensing boards. In addition, counselors who specialize in particular populations or areas of counseling may need or want to obtain certification in that area (Neukrug, 2003).

Personal Investment

After examining one's personal qualifications and the legal and ethical requirements to practice counseling in a particular location, the next step is a careful examination of personal risk tolerance and ability to invest in the business. Being a small business owner involves risks and investments in emotion, time, and money (Richards, 1990).

Emotional Investment

During the master's program in counseling, students are given extensive information on client rights and their responsibility to clients. These are generally accepted on a deep emotional level because counselors have a desire to help people. Because counseling is an interpersonal process, some counselors cannot draw the line between work and personal life. If a counselor plans to open a private practice in the home, the emotional consequences may be detrimental to the wellbeing of the counselor and his or her family.

The training and natural tendency of counselors to put the needs of the client before business make it difficult for them to see that they are being responsible, not selfish, when they take care of business. Often counselors will become empathetic with the financial stresses of clients and fail to charge a fair market fee or collect on delinquent fees. Experienced practitioners encourage counselors to take care of themselves and their business so they will be able to take care of their clients (Baer, 2005).

Time Investment

Counselors may not have the freedom to work the hours they expected before opening their practices, or to work with clients of their choosing. When starting a practice, counselors may have to take clients they would prefer not to take and deal with professionals with whom they would prefer not to associate. While flexible scheduling is an advantage of private practice, the counselor is not always in control of the schedule. Clients don't show up to appointments, referring doctors and therapists expect prompt attention to their clients, clients have crises, and clients may have inflexible schedules that the counselor must accommodate.

The amount of paperwork is one of the most common reasons people want to leave an agency or institution setting, but often more paperwork is involved in private practice. The private practitioner is responsible for compliance with state and federal regulations such as Health Insurance Portability Assurance Act (HIPAA; P.L. 104-191; U.S. Office of Health and Human Services, 2006), Medicare, licensure laws, and duty to

warn that require documentation and multiple forms. Filing for insurance reimbursement and dealing with Health Maintenance Organizations (HMO) and Preferred Provider Organizations (PPO) also takes a lot of time. New counselors sometime decide to stop accepting insurance when they realize how little insurance and Medicare pay for the amount of work involved. Beck (1994) called for therapists to unite to bring the cost of doing business with insurance companies down.

Money Investment

Before entering practice the counselor should seek help in determining the client base necessary to generate the income needed to make the business profitable. An accountant, banker, and attorney who are knowledgeable about business in health care can help the practitioner establish and manage the business (Richards, 1990).

Medicare has changed the landscape of reimbursement for therapy, creating a need for the counselor to understand the processes for reimbursement and limitations on the amount Medicare and insurance will pay (Bernstein & Hartsell, 2004; Cohen, 2003; Haber, Rodino, & Lipner, 2001). The American Counseling Association Code of Ethics states that counselors must not abandon clients who cannot pay but refer them to someone else who can help them for the amount they can pay. Additionally, adjusting fees can lead to claims of criminal and civil fraud for an altruistic counselor (Bernstein & Hartsell, 2004). Therefore, knowledge of laws pertaining to fees and the pricing structure of other therapists in the area is needed (American Counseling Association, 2005). Also, counselors are required by their code of ethics to do pro bono work.

Shumaker (2003) suggested that the counselor add the net income needed from the business to expenses and then divide by the number of weeks the practice will be open. Be sure to consider holidays and vacations. This will give the weekly income needed. Divide the weekly income figure by the amount the client will pay for an hour session. The result is the number of paying clients that must be seen every week to reach that financial goal. Clients are usually seen for fifty minutes and charged for one hour because the counselor takes ten minutes to finish case notes. Counselors experience a high rate of no show and cancelled appointments, making it necessary to schedule more billable hours than the estimate.

Other financial considerations are the counselor's willingness to take financial risks, emotional dependence on a paycheck, and amount of start-up money that will be needed. Many small businesses fail because they run out of money before they are firmly established. This is one reason many authors recommend starting a limited practice, also known as part-time practice, while employed at an agency. This allows the counselor to work into a full-time practice by building a network of referrals and a client base (Baer, 2005; Rittenhouse, 2005).

Finally, some hidden costs to being in private practice are related to doing business in the healthcare field, for example, professional liability insurance, professional development, pro bono work, extra paperwork, and reduced payments when contracting with some government agencies (e.g., some child protection, mental health, and rehabilitation agencies). For example, Beck (1994) stated that professional development took 14% of his annual income. Additionally, counselors may not be aware of the normal cost of doing business including the cost of the building, licenses, office supplies,

cleaning, and services purchased from others (Richards, 1990; Rittenhouse, 2005). Since income is derived from therapy sessions, a time and money analysis is important.

Skills With People

Counseling is a fee-for-service business. Income depends on fees for counseling sessions, which are usually generated through referrals from satisfied clients and other professionals. The counselor must be able to provide services that will lead to satisfied clients. This is one reason for choosing a specialty. The counselor must also be willing to network with community resources by becoming involved with professional and civic endeavors. If the counselor is not willing to network or does not plan the time to build a sound client and referral base, the business will surely fail.

Counselors are restricted from mass marketing the testimonials of satisfied clients (American Counseling Association, 2005). Even if a client signs a waiver to permit a personal testimonial, the nature of the counselor-client relationship and uneven power would make the disclosure of the client's information or identity unethical and possibly illegal. However, clients may, and often do, generate new business by telling their friends and recommending their therapist to others.

Other sources for referrals are from professionals and networks with churches, attorneys, judges, schools, other therapists, physicians, and other health-related providers. Counselors refer to each other when the client needs services that are not in the scope of expertise of the referring counselor. Court appointed clients and clients from other referral or contract sources are often an important part of the business, so networking becomes an extremely important marketing tool. The independent counselor should have a specific plan for networking and time for doing so should be included in the business plan. Attending and presenting at conferences and meetings, attending community functions, and service organizations are essential for networking and letting the community know about your services.

Conclusion and Recommendations

In conclusion, counseling in private practice can be rewarding personally and financially if the counselor prepares for all aspects of being self-employed. A well designed plan that includes personal, financial, and business components will provide a sound basis for the practice.

An understanding of self is essential for the success of the business. The counselor needs to have a tolerance for financial risk, be willing to work long hours to start the business, be involved in community and professional activities to build a network of professionals, and stay current in the area of specialization. The counselor must have the skills to be successful and produce satisfied clients.

Because counselors generally have education and personalities that are not good preparation for establishing a business, obtaining the help of professionals such as a banker who specializes in business banking, an attorney who specializes in setting up small businesses, and an accountant who knows about business records and taxes is strongly recommended. A relationship with an attorney who has in-depth knowledge about laws pertaining to counseling is also important. Finally the counselor should seek a

mentor in the counseling profession with whom to consult about cases and the business. An understanding of self will help the counselor decide on the practice model -- group without walls, corporation, partnership, or solo practitioner (Bernstein & Hartsell, 2004) - - which will be the next step in entering private practice.

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