

The Business of Psychology: Developing a Cash Practice

by Margaret Sears

In the last issue of the Bulletin, I discussed insurance panels, whether and how to join them and when and how to resign from them. There are those of you whose services are paid for primarily by insurance companies. Some of you like it that way. Others prefer or long for a cash practice, where you are paid at the time of service by the patients themselves, without the involvement of third parties. In this article, I will discuss benefits to your patients and to you of moving to a cash practice, as well as some practical considerations on the viability of that path for you.

Benefits to your patients

Protecting confidentiality. These days, many insurers require more than a diagnostic code and a procedure code. Some require clinical details even before the first visit. Once the patient has been seen, many require treatment plans (necessary for authorization of ongoing services) with descriptions of symptoms, psychosocial history, family life, social life and work life, as well as details about treatment strategies and prognosis. Once this information leaves your office, there is no guarantee who will see it or what they may choose to do with it. Sending no information to third parties is the only way you can ensure your patients' privacy.

Maintaining control of treatment. Insurance companies use the information you provide to make decisions about whether treatment or evaluation should be paid for in the first place and if so, for how long it should continue. Some types of services are routinely disallowed, (e.g., marital therapy, educational or vocational evaluations, consults with parents of children you are treating). Many insurance company "care managers" who are making these decisions have limited mental health training. Paying out of pocket allows patients and their psychologists to maintain control over the type and duration of services they receive.

Avoiding a psychiatric diagnosis. In nearly all cases, insurance companies pay only for the treatment of illness. This means each patient whose mental health services are reimbursed by insurance will have to be given a psychiatric diagnosis. These diagnoses often haunt people, affecting hiring decisions or employment advances, raising the cost or precluding the purchase of life or disability insurance, preventing security clearances and the like. Paying out of pocket enables a patient's mental health services to remain a private matter.

Benefits to you

Maintaining your professional position. Not working with insurance companies enables you to work with your patient as you and the patient deem appropriate, without the intrusion or

limitations imposed by a third party. It allows you, the professional who knows the patient's needs best, to plan for the type, frequency and duration of treatment that will be most beneficial.

Saving time and eliminating hassles. If you stop billing insurance, you will never have to write another treatment plan, call for another authorization, mail another pile of HCFAs, wait for another stack of mail from insurance companies, send recredentialing information to another managed care panel administrator, or spend any more time on hold waiting for the claims representative to straighten out yet another incorrect payment. Instead, you could spend that time in ways that would be more rewarding to your practice (more about this below).

Saving costs and increasing income. If patients pay for their treatment at the time of service, you will collect your full fee without contractual write offs, you will have no insurance billing costs and your cash flow will be predictable, depending only on the number of clinical hours you work each week. I will happily share with you my handy dandy formula for calculating the dollar value of an even small increase in cash flow. You will be amazed!

Protecting the therapy from money problems. Although I am not clinically trained, I have an opinion that the best therapy is the therapy that is paid for at the time of service. It is best for you and it is best for your patient. When patients come in, sit down, hand you a check for payment in full, they then "own" what is about to occur. Invariably psychologists report to me that their favorite patients are ones who pay them at each visit. I think it is human nature to give our very best to our favorites. And we have all heard horror stories about disgruntled patients, most often those who have amassed large balances.

Considerations - Can I really make it work in my practice?

Do you communicate thoroughly with new patients about options for payment? Many times patients ask you to bill their insurance without ever having considered reasons to pay out of pocket or how they might do that. Truly informed consent should involve a thorough education about the pros and cons of billing insurance, as well as discussion about other ways patients can finance treatment (more about this in another issue).

Where are you located and who are your patients? If you practice in an affluent area, many patients may choose to pay out of pocket once they understand the pros and cons of billing their insurance. If your practice is located in an area where the majority of families are just barely affording their copays, making the change to a financially rewarding cash practice will be a greater challenge. It can be done, however. In order to insure you are paid for your services, you will need to work actively with your patients to design an affordable treatment plan for each of them. You may choose to change your treatment

plan to accommodate your patients' means (e.g., offering group therapy, seeing patients less frequently or for shorter sessions). You may elect to work a few more hours per week in exchange for the freedom of not billing insurance, or you may find a variety of ways to augment your practice income (more on that in another issue).

Are you comfortable asking your patients to pay you? Those of you who are uncomfortable discussing money with patients may be reluctant to let go of an "advantage" of billing insurance companies, that the bulk of your income can arrive in the mail without your ever having to ask anyone directly for payment. Before moving toward a cash practice, you must become comfortable requiring patients to pay you and discussing any financial issues that arise as a part of the treatment. Sometimes, it is a simple matter of learning and practicing a language for these discussions (more on this in another article).

Do you have a full practice with a steady stream of new referrals? If you have too many referrals to handle, moving to a cash practice can slow the referrals to a more manageable level. If your practice is not blessed with that type of high class problem, and you are worried that leaving insurance behind would slow your referrals to a trickle, read on.

Are you willing to invest in practice development? Remember the time we talked about saving by not having to deal with insurance companies? Most psychologists who successfully transition to cash practices spend a significant amount of time and energy on practice building and practice maintenance. There are many things you can do to build a thriving practice that does not involve billing insurance,

For those of you who are eager to get started creating or enlarging a cash practice, this article may have just whetted your appetite. I will write more about specific practice enhancement techniques in future articles. If you have questions or particular topics you would like me to address, please let me know. I hope that in some small way I have helped you create a more rewarding psychology "business" that serves not only your patients, but also the psychologist who owns it!

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