

## THE OFFICE AND THE BUSINESS:

### Nuts & Bolts of preparing to open your private (solo) practice:

#### 1. Determine **total number of hours/week** you want to dedicate to private practice.

One of the first steps is to determine about how many hours per week (and how many days per week) you will be doing your private practice. With this information, you can search for office space availability for your time frame and determine rent amounts. This will help you decide if you should rent, sublet or buy.

- If you are combining private practice with a fellowship or “day job”, you will likely need early morning hours or evening hours, unless you can skip out during the daytime too. Some offices are even available on a Saturday if this is your preference.
- Another consideration is to estimate how much income you want left over after rent is paid – that should determine the number of hours you “need” to have to meet your financial goals.
- As it takes time to fill spots (even if you only do 6-10 hours/week!), you may need to invest a bit to keep that office space without getting too much profit early on. Eventually when you fill your practice, you can start to turn a profit.
- Remember that you should set aside part of each check you get from your private practice for taxes. You can consult with your accountant to determine what percentage makes sense, but ballpark figure is to set aside about 30-40%.
- (Remember to keep receipts of payment for things such as rent, utilities, office supplies, business expenses etc. as these are tax deductible business expenses).

#### 2. **Find an Office**

You’ll need to decide if you want to rent, sublet or buy an office. Where you choose to practice may affect office availability and rent/purchase price. Other considerations include whether you want a doorman building vs. buzzer system. Safety is something you should always consider when obtaining an office.

- Various professional listservs are a good place to request shared office space (or to keep an eye out when people post offices available) as well as [www.therapyrealty.com](http://www.therapyrealty.com).
- Other places to search: ask your supervisors, friends, physicians who may have space to rent.

Regarding **furniture**: some offices come furnished (e.g. sublet), but some of you may need to buy furniture yourselves. *At a minimum, you need 2 places to sit (one for you, one for the patient)*. But you may want to consider additional things such as an analytic couch if you are in training, bookshelves, a fax, desk, laptop etc. Whatever you buy, keep the receipts as these are business expenses! Some people give the advice to just buy it all upfront so that you are settled in, while others say to just buy the essentials and then as you start to make money to then buff up the furniture...it’s a personal decision and really depends on the type of office you are renting and what your budget is for decoration.

#### 3. **Phone Line**

It is highly recommended that you obtain a separate phone line for your business (ie, not to use your personal cell phone). This is tax-deductible as a business expense (the phone device itself and the monthly charges). Some people prefer to have a land line in their office, others have a voicemail that they call into (ie, no land line or actual phone), and still others prefer a separate cell phone.

#### 3. **Change address on DEA** to match private practice address/info.

You can use the following link to fill it out directly online:

[http://www.deadiversion.usdoj.gov/drugreg/change\\_requests/addchange.pdf](http://www.deadiversion.usdoj.gov/drugreg/change_requests/addchange.pdf)

- Then fax the form to 212-337-1593 and within 24 hours they confirm it and mail you out the new DEA certificate (to the private practice location).
- For any DEA questions, contact NY office at (212) 337-1593
- NOTE: If you are going to **renew** your DEA, make note that it costs around \$550 (yikes!) so make sure you budget in this business expense.

4. Once you have the DEA certificate, next you can **obtain new Rx pads** with you address and phone number pre-printed. *Use the forms attached.* You will need a copy of your new DEA certificate to mail in.
  - Mail the form to the address provided.
  - *Note that Rx pads will be mailed to your private practice office address.*
  - It is easier to have your phone number and license number on the Rx pad, but many choose not to have DEA number on it for safety (and instead handwrite it in or get a stamp).
  
5. Next, you can **obtain Malpractice Insurance**.
  - *This will be discussed at length in class as there are different types of insurance plans you can have (occurrence vs. claims made), with different features (e.g. “tail coverage”), different coverage amounts (with different services (e.g. risk management services).*
  - Options of some agencies used commonly are **The Psychiatrists’ Program** (endorsed by APA) and **Frenkel & Co.** In class, we will have a representative from The Psychiatrists’ Program to discuss more and to answer questions.
    - The Psychiatrists’ Program is administered through PRMS, Inc. ([www.prms.com](http://www.prms.com)) and more specific information can be found at [www.psychprogram.com](http://www.psychprogram.com).
      - The cost of The Psychiatrists’ Program malpractice for part-time practices is about \$2600/year for part-time (2009 rates). (There is about a 50% discount in NY for early-career psychiatrists and for part-time practices from the usual rate.) *To find out latest rates, please call or go online.*
      - To get this malpractice insurance, you need to have an APA membership.
        - To find out about APA membership, you can call (888)-357-7924. (Most likely you are already a member, having obtained the Member-In-Training reduced rates during residency, but don’t forget that you will need to renew your membership in the first year of your practice and this is an additional expense.)
        - If you are no longer in “training” status, the cost for membership is \$590 (\$205 national, \$235 county, \$150 state dues) for the year. Member-In-Training rates are lower (around half the cost).
    - To join Frenkel & Co., you need to join one of the academy organizations they are affiliated with (you need to be nominated for membership). One that is easy to be nominated for (many Columbia faculty are members) is the American Academy of Psychoanalysis and Dynamic Psychiatry. As long as your membership is on “pending” status, you will get your malpractice insurance contract.
      - If you are interested in Frenkel & Co., call Margaret Church at 201-356-3422 or 800-373-6535 and ask her to mail you an application for Frenkel & Co's malpractice insurance. Note: since the application is mailed, it will take about 3-4 days to arrive.
      - Frenkel & Co. costs about \$1800 yearly rate for part-time practice at \$1.3 million per claim/\$3.9 total yearly claims (2010 rates).
      - If you choose to join AAPDP, then there is additional \$200 membership fee (2010 rates) due once you are officially accepted into the organization (it takes about 3-6 months to get the official letter and invoice for membership dues).
  
6. Get **Employee Identification Number (EIN) = Tax ID number**.  
 You should use this for your malpractice insurance (not your SS#) and for everything related to banking, claims forms for patients etc. Online application at:  
<https://sa1.www4.irs.gov/modiein/individual/index.jsp>
  
7. Open a **Business Bank (checking) Account** - use your EIN (tax ID) for this.
  - This is where you will deposit your payments, can make rent payment from here etc. This is the recommended way to show income and for purposes of tax deductions.
  - Get a **business credit card** (easier through the bank account you choose or a different card such as American Express). This is good to establish “business credit” (for e.g. if one day you choose to buy your own office) and also you can use to buy books, etc. that will be business expenses/tax write-offs.
  - Some people like using Quicken/Quickbooks to keep track of business expenses/profits and can be helpful for your accountant.

## 8. Obtaining **Business Cards** & other **Stationary**

### The Essentials:

- business cards
- the bill (a.k.a. statement)

### The Optionals:

- practice announcements
- stationary with letterhead
- address labels for envelopes

There are different online sites where you can obtain stationary. A Google search is always helpful, but here are a few options:

- **Business Cards:** You should have business cards ready before you graduate. That way you can give them to patients you are currently seeing and taking with you into your private practice. Importantly, for referrals, you will want to give your card to your supervisors and others you've worked with (including psychologists, social workers, and any colleagues in medical or surgical fields).
- **The Bill (Statement):** Some people handwrite them and others do it through billing software programs.
  - **Hand-written bills** – you can either generate bills on MS Word, print up some nice ones at Staples/Kinkos, or you can get a memopad/notepad with pre-printed template at some of the following locations as examples:
    - [www.vistaprint.com](http://www.vistaprint.com) -- note: check out their “free business cards” section (you end up only for shipping and handling); you can make memo pads where you can hand write patient information, dates of service etc.
    - [www.medicalartspress.com](http://www.medicalartspress.com)
  - **Computer-generated (billing software)** - while you have to pay more for this up-front (and need a printer to generate the bills), it might be easier for some who are more tech savvy and like how it helps to organize finances.
    - Options:
      - Quicken and Quickbooks – note: this can be helpful to organize your business expenses, cashflow, and generate invoices ... may be a good way to go to provide your accountant with information on your small business for tax purposes.
      - Therapy Helper (Google search reveals where to buy it; e.g. Jonathan Pastor, PsyD, uses this)
      - [www.psyquel.com](http://www.psyquel.com)
      - Solo (by Shrink2Fit software, MAC and PC versions available, you can contact [shrink2fit@aol.com](mailto:shrink2fit@aol.com))
- **Practice announcements:** some people like to hand these out, though if you are cost-conscious, business cards with a nice note to your supervisors/potential referral sources should suffice.

## **THE PATIENT: fees, referrals, and getting help**

### 1. **Setting your fee**

This is a very personal decision but is also based on fair market rates (you don't want to charge too little where patient is paying a therapist more than he/she is paying you! But also you don't want to charge so much that it is not sustainable for the patient in this economy or a fee that is the same, or higher, than what a senior faculty or expert in a particular area charges as this just doesn't make sense when you are starting out...)

#### **Your Full Fee:**

- Find out what other recent graduates are charging (what senior people and graduates from a few years ago charge may not be sustainable in this economy...). Discuss with each other and with supervisors to get a sense of what is reasonable.
- Determine your “evaluation fee” (e.g. for 45 min, 60 min, or 90 min session) and a “follow-up” fee. You may have different fees for a 30-min psychopharm session vs. 45-minute therapy (+/- psychopharm) session and should determine this ahead of time to be clear in your mind where your fee starts.

- A very informal (and limited) poll of recent graduates conducted in 12/09 revealed that the sample charged the following: \$250-350 for initial evaluation (ranging from 60-90 min sessions), \$100-200 for 30 minute psychopharm session, \$150-250 for a 45-minute psychotherapy session. *These numbers are ever-changing and you can discuss more with supervisors, recent grads etc. who will have a better idea of where the market is at any given time.*

### **Individualizing your Fee (for out-of-pocket):**

- One recommendation for all new patients:
  - Tell the new patient upfront on the phone your initial evaluation fee and do not negotiate this. Think back to your first patient evaluations - remember the amount of work that they were?! And you have no idea what you are getting into either (ie, what kind of pathology)! New patients are *a risk* in the sense that you don't know how much work they will entail (e.g. extra phone calls, chasing them down for appointments etc.) and they may end up never coming back due to resistances and such. So charging your full fee is very important for your finances and to signal to them that this is a thorough and professional evaluation and therefore warrants a market value fee.
  - Next, indicate what your follow-up full fee is and if they balk at this or say they may not be able to afford it, tell them you can work with them to slide this down to a more reasonable amount for them (and that you can help them understand if they have out-of-network benefits and what is covered, therefore what is left over for them to pay – many patients are unaware that they have out of network benefits!) After your initial evaluation, you can spend some time with them to go over their finances, their insurance benefits etc. to determine the follow-up fee (remember though that you need to live with this fee too – it is about a compromise of *your* needs *and* the patient's needs).
  - Another very important piece of advise so you are not burned by a patient who you don't yet know/trust will make their payments: be upfront when you schedule that first appointment that your initial fee is \$x and that you will provide them a bill at the end of the evaluation which is to be paid *at that time*. Remember: there is nothing keeping a patient from seeing you that first time, then not returning nor paying that bill. So make sure you collect payment at the end of that session.
- You may decide to see some patients at a reduced fee or “sliding scale” fee (e.g. people from residency who you know well, are “easy” to treat at this point and you know to be reliable –or— patients who after doing their initial evaluation together you decide that they cannot afford your full follow-up fee but can do something a bit less). Decide first in your mind how low you will go (it can be very easy to be persuaded by a patient's story to go ridiculously low – you may regret this, so stick to your guns and only go to what financially makes sense for you and a value that you know will not affect your countertransference).
  - *E.g. one recent graduate advises against taking anyone for less than \$150 per session, especially if you have a part-time private practice or are only partly full as he thinks this does not make financial sense and costs you more in the end (e.g. rent, personal time on the phone resolving issues etc.) One example: Xanda's lowest fee is \$150 per session, whether that is for psychopharm 30 min or psychotherapy 45 min -- but that is strictly reserved for stable patients who followed her from residency.*
- If you give patients a scaled fee (ie, lower than your full rate), remind them that this fee is less than you usually charge but that you are responding to their circumstances – such that if their circumstances change (ie, they get a job, promotion, insurance with better out-of-network benefits etc) that you will increase your rate accordingly.

### **If you see a patient as an out-of-network provider (i.e., they have insurance from which they can get reimbursed for some/all of your fee):**

- You can find out what is “reasonable and customary” reimbursement from the patient's insurance company to determine whether you actually need to reduce your fee for that patient (e.g. one recent graduate found out that one of her residency patients had an insurance plan that reimbursed the patient \$250 per session after she paid a deductible of only \$350– so it made sense to charge that patient the full fee! However, another patient had an insurance plan that only reimbursed about \$60 per session for out-of-network provider, so that anything left over the patient was paying out of pocket – that led to the resident lowering from her full fee so that the patient was only paying \$125 out of pocket per session).
- Note that if you are seeing a patient who has out-of-network benefits (see below), it is easier if *they pay you in full* and then submit their claims/benefits forms so they get reimbursed – that way you are guaranteed payment and don't need to wait for the insurance to approve (and send) payment.

- *Stick to your numbers once you've decided – adjust after 6 months to 1 year depending on the economy and the ease with which you are filling your practice. Many practitioners will increase their rates every 1-2 years to match rates of inflation.*

## 2. **Billing practices**

You will need to decide a few key things:

- How often to bill your patients (e.g. at the end of every session? every two weeks? monthly?)
- How you will provide them with the bill/statement/invoice (e.g. will you hand it to them at the end of session? will you mail it to them?)
- When you want the payment by (e.g. right at the end of the session? at their next session? to mail back to you?)
- What is your cancellation policy (see below)
- What is your “system” for tracking your bills/statements/invoices and the payments (see below)

*Whatever you decide (and it may depend on the patient – e.g. patients you see once per month may be billed differently from your weekly patients), just make sure the patient knows what to expect and how to pay you (e.g. bring a checkbook to each session vs. expect to mail it to you).*

### **Develop a “system”**

As described above, there are some billing software programs that generate bills/statements/invoices for you and help keep track of what you've billed out and what's been paid etc. If you decide to hand-write your bills, you will need a “system” to keep track of what has been given out (or mailed) and what you have collected payment for. Even if you prefer to handwrite your bills, you can still keep track of things through the computer (Quicken, Excel, another software program) or having a very low-tech approach (e.g. photocopy your bills with photocopy of the payment/check).

- Remember also that your private practice fees are considered “income” and you will need to pay taxes on these – remember to put money away to pay office rent and separate some part of it (e.g. 30%) away for tax purposes.
- Remember to keep track in your “system” also of business expenses as this will help you with tax deductions to make the most out of your private practice income (e.g. office rent, office utilities, stationary costs, office furniture, oral board exams, DEA renewal costs, conferences, taxi between “day job” and your pvt practice office, dinners in which you consult with colleagues regarding your patients, museum admissions, movies/theater tickets etc.).
  - If you are looking for an accountant with experience, call Wendy Schantzer at 212-532-1110.

### **Cancellation policy** (ie, billing for missed/cancelled sessions)

- If you accept insurance, the cancellation/no-show billing policy may be determined by the insurance company – check with them. Note: if you accept MCR, you can't bill for a no show or cancelled appointment.
- For those in fee-for-service type practices (or who accept insurance that don't have designated policies), this ends up being a personal decision and some will use their residency clinic policies or their own therapist/analyst policies as models.
- In order not to bill for a cancelled session, some providers ask for 24 hours notice, others 48 hours, 1 week, 2 weeks etc. and some (e.g. psychoanalysts) tell the patient up front that the weekly session time is theirs and only if they can be accommodated into another slot will they not be charged for that cancelled session. You will need to decide what makes sense for you and your circumstances and what seems like a reasonable/fair policy for your practice. *Regardless of what you decide, just make sure it is clearly stated when you describe the frame and your practice's policies to the patient.*
  - You can even provide to them your policies in writing and have them sign it for their chart to cover your bases (Xanda does this and can show you a sample of her “policy” which she can then refer to it if a patient balks at having to pay when no show or not cancelling with sufficient notice – and provides a therapeutic opportunity to discuss the resistance to paying because after all, they were aware of the policy!).
  - *Advice: don't feel guilty for billing your patient at the next session (or by mailing a bill to them) if they did not adhere to your policy -- they should have been aware of your policy from day #1*

*and remember that your time is valuable – imagine you are sitting there waiting and waiting and could have seen another patient (for sure when your practice is full this will be the case and you want to establish this from the get-go with patients, even when you are not full), stayed later at your day job, or gone out with friends for dinner!*

### 3. **Obtaining referrals**

Filling a private practice (even part time) takes some time (especially in this economy!), so be patient (and expect a lower, if any, profit in the first few months to first year).

- If your residency patients can afford you (and you want to keep them), offer them a spot in your private practice. You may even reduce your fee for these patients who you have come to know well and enjoy working with. *But don't feel bad if you don't have a patient population that is conducive to following you into private practice ... this happens a lot and is not a reflection on you as a therapist, but more likely the patient's own finances (e.g. inability to work) and/or dynamics.*
- Supervisors or mentors are great referral sources – make sure you give them your business card and indicate you are starting a private practice and need patients.
- Check out CUPP periodically for needed referrals – however note that the majority are asking for providers who take insurance. So if you are out-of-pocket, it may be harder to find referrals there.
- Joining an insurance plan is often the quickest way to fill your practice. If you are willing to get paid less per hour to have your hours filled (typically insurance companies reimburse less than what your full or private fee would be), you may want to consider this option. See later in syllabus for different insurance plans and their fee schedules to help you decide.

### 4. **Supervision**

Will you seek outside supervision? With whom? How much will they charge you? (You'll need to factor this in when thinking of your earnings and business expenses)

- Remember that if you do psychoanalytic training or the psychodynamic psychotherapy course offered at NYPSI, that you will have supervision through that.
- If you've had a great supervisor during your training, maybe you can reach out and decide if they have time to supervise you privately, what they would charge you etc.
- A piece of advice: since you will have different types of patients in your practice including psychopharmacology, make sure you choose a private supervisor who is well versed in different pathologies and in psychopharmacology as early practices tend to see all comers!

### 5. **Consultation**

There may be times that you may need a consultation on your patient above and beyond what your supervisor (if you have one) or an informal discussion with a colleague can provide. This might occur, for example, when you need expertise of someone more well-versed in psychiatric treatment during the female reproductive cycle (pregnancy, menopause etc) or for expert psychopharmacology (e.g. use of MAO-Is, treatment of resistant psychopathology) or for alternative treatments (e.g. alternative therapies). A professional listserv (like the one ADAA is planning to set up soon) can be used to discuss a case to obtain opinions or to obtain the name of an expert in a field that the patient can consult face-to-face with. As well, call on faculty members you've worked with in training who have their own areas of expertise and strong connections with other faculty/providers in the community (and they know you!).