

**Thriving without Insurance**

By Dr. Rebecca Resnik for “The Testing Psychologist Podcast” with Dr. Jeremy Sharp

drresnik@resnikpsychology.com, www.resnikpsychology.com

**Statement of the Problem**

1. Private, ‘for profit’ insurance companies are run to generate income for their shareholders. Part of how they do this is to disincentivize people from accessing care—particularly expensive procedures like psych testing.
2. Insurance reimbursement rates can disincentivize health care practitioners from providing high quality care, leading to a tension between provider and insurance company.
3. Reimbursement rates can be too low to allow a psychologist to earn fair compensation for a person who has earned doctoral level credentials (many of us are what accountants call “break even” businesses because we take home so little of what we bring in).
4. The cost of doing insurance billing, benefits inquiry calls, appeals, and forms subtracts from reimbursement rates and so subtracts from the psychologist’s earnings. Estimate how much time you spend per client per month on insurance related work, then multiply that by your hourly rate to see how much income lose by accepting insurance. Finally, psychological testing is often reimbursed at very low rates or capriciously not reimbursed. Testing cast as “educational” instead of medical means the psychologist may not get paid for their work (or some part of it).

**Will people really pay out of pocket for something they can get for free or low cost?**

Yes, but only if there is a “value ad.” People pay for professional services and experiences *all the time*. Consider law firms, private schools, accountants, catering, landscaping companies, fancy salons, wedding planners, tutoring/test prep, and all the many services people pay for—not one of them takes insurance. Most of them offer similar services to what we can get for much cheaper or even do ourselves, but they are thriving.

**Why do they thrive? They offer a service or experience people value enough to pay for it.**

*We are no longer a service economy, we are an “Experience Economy”(Pine and Gilmore). You can create a “near-ideal” customer experience worth buying.*

**Here are some “Pain Points” for our clients—Alleviate any and you create value!**

1. Testing wait lists can be >6 months
2. Testing reports can be impersonal, badly written, and extremely unhelpful
3. Evaluations done by schools will not have a diagnosis and only rarely include recommendations for anything but educational interventions
4. Evaluations done by schools may be done in pieces by several different professionals, so parents don’t get a synthesized, comprehensive understanding of how to help their child
5. Clients may wait months for the report (esp if student/resident testers are being supervised)
6. The testing experience can be very stressful or even downright awful (even to the point where results may be compromised)
7. Inexperienced students/interns/residents may make mistakes that compromise results, or may not have the skills to manage a child’s behavior/anxiety
8. Clients have very little control over the experience—decisions about care will be in the hands of the insurance company
9. Clients may have to accept an evaluator who does not have the proper depth/breadth of expertise to match their child’s issues

**The ugly bits . . .**

* In your many years of study, you have learned an amazing amount about human behavior, but . . .
* You learned either nothing (or close to nothing) about how to run a business
* You probably learned nothing about marketing
* You learned nothing about selling

Most of us were educated to think of ourselves as clinicians, not business people (especially female psychologists who are expected to be nurturing) Our culture celebrates the ideal of the selfless clinician who thinks only of patient well-being, not sordid details like wanting to earn a decent living, hire and retain talented staff, or reap the fruits or our many labors.

***There is nothing wrong with wanting to be compensated fairly for the valuable work you do!***

* The average salary for a clinical psychologist is $73K, while the average debt of a newly licensed psychologist is around $100K
* Psychologists are the lowest paid doctoral level health care providers
* Psychologists net less than masters level clinicians when you account for cost of education, licensure, insurance and debt
* Taking insurance can mean needing to pay administrative staff or companies to handle the paperwork/time on the phone. The psychologist “eats” that cost.

**Three major benefits of taking insurance**

1. Much less marketing
2. Steady stream of new clients
3. Less time/expense dealing with clients who don’t pay

**SO if you decide to get off panels, you need to be prepared cope with the loss of those three major benefits. You’ll need to plan for:**

1. Marketing
2. Maintaining income flow (Not only by seeing patients—create other revenue streams like, say, creating a podcast and selling consultation services)
3. Business management services—answering service, admin, billing, payroll etc.

*OK that’s nice, but how do I start? Can I really make a living with private pay clients alone?*

It depends . . .

1. Evaluate the demographics—Is your practice located in an area where people have the resources to spend on ‘out of network’ care? Check how many ‘out of network’ providers there are in your area by googling other practices (or better yet, hire a Task Rabbit or administrative type person to do this for you!). Check out the density of other professionals who serve your target population--people like orthodontists, chiropractors, plastic surgeons/medspas, cosmetic dentists, etc. Look at their website FAQs to see how many are non-participating with insurance (none of these listed to offer a ‘life or death’ level of care, so clients are mostly choosing to pay for these services).

Now consider other services that your potential clients pay for out of pocket, such as private schools, test prep and tutoring companies, educational consultants, child enrichment activities/classes and summer camps. These are all supported by families with disposable income. If the geographic area has a dense array of these services, there should be enough clients who can manage to pay for out of network care.

You can also ask a real-estate agent where the median income in your area is highest and where the best schools are (their business depends on knowing a lot about demographics and population density). Librarians will also have this information too if you are a ‘do it yourselfer’ type.

1. Data: Have projections done or create your own spreadsheet with income/expenses from your last 3 years, including: fixed/variable expenses, flow over time, and a ‘profits and loss’ trajectory. Ask you accountant/bookkeeper to calculate what you make from each insurance panel, once all the expenses associated with admin work are subtracted. Then, have the accountant calculate how many private pay clients you need at a minimum to replace that income. It may be fewer than you think.
2. Goals: Identify your short term and long-term goals—3 months, 6 months, 1-year vs your long term vision-- 5 years? 10? Consider both your personal and financial goals and how much risk you can manage. Your tolerance for risk will inform how slowly you proceed in getting off panels or if you decide not to sign up for panels at all.
3. Analysis: Use structured ‘thinking tools’ such as: Composing a formal business plan, conducting a SWOT (Strengths, Weaknesses, Opportunities, Threats) Analysis, and doing a Pre-Mortem (Psychologist Dr. Gary Klein’s idea, popularized by Dr. Daniel Khaneman and Dr. Richard Thayler, for which you start from an assumption that you implemented your plan and your venture **failed**. Work backwards to identify what decisions/actions/circumstances lead to the failure)

*Ok, so now I know how many private pay clients I need. How do I attract them?*

Business to Business (B2B) Marketing

1. Developing relationships with other professionals is HUGE—a 5$ coffee with a speech pathologist could convert into thousands of dollars in income every year for both of you
2. Network with people you already know—that’s less scary and a safer bet for actually generating referrals. Take them out for coffee or send over a Harry and David box of pears (35$ worth of pears can create thousands in income). Do something nice for them to remind them that you can help solve problems for them.
3. If you’re an early career psychologist, network with other younger clinicians/pediatricians/therapists. Don’t spend as much time (if any) courting older, bigger practices—they have been referring to the same people for the past 20 years and won’t be as interested in you. If your state psych assoc has an active organization, join it and get to know other early-career friends (a 20$ evening at happy hour can generate decades of referrals for both of you—see a theme here?). *You* will be the next generation of ‘big dogs in the yard’ if you develop those relationships with other ‘up and comers.’
4. Offer exemplary service to your *referral sources* as well as your clients. Treat their clients well, make them look good, send thank you notes/gifts, refer to them, and most of all-- solve problems for them. They are your clients too.
5. Market to schools/clinics/advocacy groups/local conferences by offering free talks. You probably won’t get paid much, but hundreds, if not thousands, of people will see your name in the advertising, and that is invaluable. Remember clients have to have seen your name at least 6 times for them to think you’re good.
6. Play nice—refer to the people who refer to you and refer to your competition too (if they do good work). Join the local listserves and spend a couple minutes a day helping other people—one of the best and cheapest ways to get your name familiar to a lot of people, learn a bunch, and make good friends too.
7. Market to private schools and private therapy clinics. For schools, if you want to do admissions testing, meet with the Admissions staff in October. If you want to do testing for learning/emotional disorders, meet with the Learning Specialist sometime between end of Sept and end of Nov. right around that first round of parent-teacher conferences.
8. Find a niche—create a specialty or something you want to be known for. *Everyone who comes into contact with you should walk away knowing 2 things you do really well.* Need ideas? Look around at other practice websites to see what they are NOT doing well or needs they are NOT meeting. Cultivate a specialty or ‘differentiator’ so you stand out from the crowd (e.g., Do you test teens with substance abuse disorders? Do you have expertise with head injuries? Are you part of the LGBT community? Do you test on weekends?) Let people know what makes your practice unique.

Create an Amazing Client Experience

1. Be easy to find online with a well-organized website (have some naïve strangers look at your site and tell you what they think you do/don’t do! Very eye opening). Make sure your full contact info and office location are very easy to find—if clients have to dig more than 5 seconds, odds are they leave. Have an FAQ that explains upfront that you don’t take insurance and *why that allows you to do great work*. Make your website be the first “holding environment” that shows how much care, energy, and love you put into your work!
2. Have someone friendly and helpful answer the phones during business hours. That friendly helpful person can be an administrative assistant sitting at home with a laptop and a burner phone. Invest time in training them and role-playing so they create an exemplary customer experience right from first contact. In a competitive market, the first one to make positive contact often gets the client. Book them and get a deposit asap.
3. Get an EMR so you can get people the consent forms quickly and efficiently.
4. Find office space that is welcoming to children and parents hauling strollers/diaper bags/toddlers. Invest in making it look nice—your waiting room is another “holding environment” that communicates how much you care about the practice (and keep the bathroom clean!). Make it ASD friendly. Make sure the space you pick has safe parking.
5. Get clients in for an intake asap—that same week if possible. The testing can come later but make sure they can connect with you soon.
6. Get them a highly comprehensive, personalized report as soon as you can. Meet with them to go over the findings in a lot of detail. Make the feedback session therapeutic, compassionate and maybe even empowering.
7. Have a full ‘rolodex’ of great providers/resources who can help your clients. The ‘hand off’ is absolutely critical because it is your last contact with the client (so the ‘hand-off’ is what they will remember most about the experience with you!) Your ‘rolodex’ should include psychiatrists, ABA providers, speech/occupational therapists, group therapy practices, DBT providers, advocates, lawyers, neurologists, advocacy/parent groups that you have personally had some contact with and/or vetted. Never hand your client off to someone you don’t know or don’t completely trust. Connecting clients with trusted resources is a huge part of creating that ‘near ideal client experience’ (Jim Stengel, Grow)

**Resources**

The Testing Psychologist (thetestingpsychologist.com) by Dr. Jeremy Sharp (incudes resources and legal document packets for consent, training and hiring)

Grow: How Ideals Power Growth and Profit at the World’s Greatest Companies by Jim Stengel (see a great powerpoint based on this book at https://www.slideshare.net/OmarMKhateeb/book-summary-grow-how-ideals-power-growth-and-profit-at-the-worlds-greatest-companies)

Billing and Collecting for your Mental Health Practice by Dr. Jefferey E Barnett, Professor of Clinical Psychology at Loyola U and all-around mensch.

The Experience Economy by Pine and Gilmore (several versions including updated version) or watch a YouTube of Dr. Joseph Pine https://www.youtube.com/watch?v=TOjUxGqh7aA

Critical Connections by Evan Leepson (a workbook style guide to business to business marketing for small business owners)

What Works for Women at Work: Four Patterns Working Women Need to Know by Joan Williams and Rachel Dempsey

Pushback: How Smart Women Ask—and Stand Up—for What They Want by Selena Rezvani

Nudge: Improving Decisions about Health, Wealth and Happiness by Dr. Richard Thayler

Never Split the Difference: Negotiating as if Your Life Depended On It by Chris Voss

Podcasts:

The Testing Psychologist with Dr. Jeremy Sharp

Harvard Business Review’s ‘Women at Work’ Podcast

The Private Practice: How to Start, Grow, and Scale a Practice

Harvard Business Review (HBR) Ideacast

Freakonomics Radio

NPR’s ‘How I Built This’