

**Massachusetts Chapter
National Association of Social Workers**

Survey of the Costs of Private Social Work Practice

**Implementation Task Force on Social Work
Compensation and Employment Opportunities**

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(at time of survey)

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Executive Summary

The Chapter's Implementation Task Force on Social Work Compensation and Employment has been investigating possible avenues for advocating for increased rates on the part of third party payments, and for this reason decided to document the substantial expenses of social workers working in private practices. Towards this end, in the summer of 2009 the Task Force conducted a survey, using the internet, of private social work practitioners. This effort resulted in responses from 92 practitioners, out of 783 contacted, who provided information on their practice costs, billable hours, revenues, and based on this data, several analyses have been performed that have generated the following findings:

1. **Costs:** The average annual costs for private social work practitioners are \$16,482, or \$1,374 per month. The most significant costs are those for office rental or lease, at \$8,396 or 50.9% of total annual costs. The variability of these costs are substantial, with the middle half of practitioners spending between \$4,905 and \$10,440 for office rental or lease. *Important note: This study did not specifically inquire about health insurance; if this were included, it would increase the costs over and above what is reported here.*
2. **Billable Hours:** The typical private social work practitioner devotes approximately 24 billable hours a week to direct client contact, whether such clients receive psychotherapy, training, consultation, coaching, or other types of services, with median of 24.4 and a mean of 23.5 hours. In contrast, those in group practices saw clients for a mean of 29.0 hours per week.
3. **Revenues:** The typical private practitioner grossed \$68,099, but after costs are deducted, he or she retained only \$51,031 or 74.9% of these collections. Those with larger private practices, involving over 25 hours of client contact per week, grossed an average of \$93,767, and netted \$75,176 a year. In contrast, practices of an intermediate size – 15 to 25 hours a week – netted \$41,795, and those with fewer than 15 hours per week, netted \$16,726. The typical full-time practitioner takes home \$55,147 per year, approximately what was reported by private practice respondents in the 2007 NASW-MA salary survey (\$56,000) and slightly less than the median for all LICSWs surveyed at that time (\$57,817). Full-time net revenues ranged from less than zero to approximately \$130,000 per year, and to be substantially associated with the volume of weekly billable hours.
4. **Hourly Revenues:** Overall, the responding practitioners earned an average of \$61.49 for each billable hour, and after their costs are allocated to each of these hours, they netted only \$45.06 an hour, representing close to three-quarters (or 73.3%) of the total collected. Those with the larger practices netted higher amounts than those with smaller practices: \$51.60 for those with over 25 hours per week, compared with \$41 to \$46 for those with fewer clients. In addition, those with the busiest practices (25 hours+) kept 94.6% of their receipts, compared with 69% to 87% for the various other subgroups. The results also suggest that social workers in group practices have higher gross and net incomes than those in solo practices, although the number of responding workers is too small for any definite conclusions in this regard.

Survey of the Costs of Private Social Work Practice

Introduction. One of the goals of the Implementation Task Force has been advocacy for enhanced compensation rates for both agency-based and private social work practitioners. The aim of this survey has been to investigate the costs of private practice as one possible basis for establishing more equitable fees from third-party payers. To do this, the Task Force conducted a brief online survey of all Massachusetts social workers in private practice for which email addresses were available. In total, the Chapter identified 783 such practitioners. Of these, 11.7% or 92 were usable, however, for some analyses as few as 83 could be used because of missing responses for particular items. Because of the relatively small percentage of responses, as is characteristic of online surveys, the generalizability of these results is unknown.

The instrument used was administered on an entirely anonymous basis and consisted of 18 items, which involved: (i) various cost categories, i.e. rent, utilities, etc.; (ii) estimated revenues; (iii) characteristics of the practice, i.e. solo vs. group; (iv) volume of client contacts; and (v) general comments. Prior to its analysis all figures were converted to an annual amount; data cleaned; and 'other' items assigned to either existing or new categories, or a 'Miscellaneous' category. The following tables and figures summarize these figures, first by costs, and then revenues, and finally, they present several breakdowns based on size and type of practice.

Costs. The average annual costs for private social work practitioners are \$16,482, or \$1,374 per month. This includes a full range of costs, such as office lease, utilities, professional memberships, insurance (i.e. liability, office), subscriptions, billing and collection services, supervision and consultation, accounting, and technology. It does not include income tax and similar costs. These aggregate cost figures are summarized in *table 1* (next page) and represent the experience of both part- and full-time practitioners. This study did not specifically inquire about health insurance; if this were included, it would increase the costs over and above what is reported here.

The most significant costs are those for office rental or lease, at \$8,396 or 50.9% of total annual costs; followed by utilities, at \$1,403 or 8.5%; billing and collection services, at 7.0%; and office supplies, at \$921 or 5.6% of costs. The variability of these costs should be noted, and these are reflected by the difference between those at the 25% and 75% percentiles for expenditures for the various items. For example, the middle half of practitioners spent between \$4,905 and \$10,440 for office rental or lease; between \$250 and \$500 for professional memberships; and \$300 and \$738 for short-term professional training. This 'middle group' also spent nothing for supervision and consultation, accounting and legal services, technology, or other miscellaneous costs.

Of some interest are the large number of social workers who reported no outlays for accounting and legal services (93.5%), supervision and consultation (91.3%), technology (87.0%), professional development (73.9%), or billing and collection services (62.0%).

Table 1. The Annual Costs of Private Social Work Practice (n=92)

| Type of Cost | Percent Reporting None or Missing | Median | Mean | Middle 50% | |
|--|-----------------------------------|-----------------|-----------------|-----------------------------|-----------------------------|
| | | | | 25 th Percentile | 75 th Percentile |
| Office rental/lease | 2.2% | \$8,178 | \$8,396 | \$4,905 | \$10,440 |
| Utilities | 14.1% | \$1,140 | \$1,403 | \$600 | \$1,800 |
| Office Maintenance | 47.8% | \$180 | \$693 | \$0 | \$1,200 |
| Internet Fees | 16.3% | \$390 | \$519 | \$240 | \$600 |
| Insurance (i.e. office, liability) | 1.1% | \$353 | \$811 | \$230 | \$750 |
| Office Supplies | 1.1% | \$600 | \$921 | \$300 | \$1,200 |
| Advertising | 19.6% | \$300 | \$626 | \$39 | \$600 |
| Travel | 35.9% | \$300 | \$698 | \$0 | \$1,200 |
| Professional Memberships | 2.1% | \$305 | \$466 | \$250 | \$500 |
| Professional Training (short-term) | 5.4% | \$500 | \$702 | \$300 | \$738 |
| Professional Development (long-term) | 73.9% | \$0 | \$452 | \$0 | \$198 |
| Subscription & Books | 12.0% | \$200 | \$258 | \$75 | \$400 |
| Billing & Collection Services | 62.0% | \$0 | \$1,147 | \$0 | \$1,000 |
| Supervision & Consultation | 91.3% | \$0 | \$122 | \$0 | \$0 |
| Accounting & Legal Services | 93.5% | \$0 | \$69 | \$0 | \$0 |
| Technology, i.e. computers, software, fax machines | 87.0% | \$0 | \$161 | \$0 | \$0 |
| Miscellaneous | 81.5% | \$0 | \$418 | \$0 | \$0 |
| Total | 0.0% | \$14,078 | \$16,482 | \$10,253 | \$20,060 |

Billable Hours. The typical private social work practitioner devotes approximately 24 hours a week to direct client contact, whether such clients receive psychotherapy, training, consultation, coaching, or other types of services, with median of 24.4 and a mean of 23.5 hours. Those few practitioners who report that they are in group practices saw clients for a mean of 29.0 hours per week, however, due to the small number this can not taken to be generalizable. Whether the solo practitioners shared an office and maintained their own office appears to have little impact on the volume of service rendered (with a mean of 23.4 vs. 22.8 hours, respectively). These results are summarized below in *table 2*.

**Table 2. Average Weekly Billable Hours,
by Type of Private Practice**

| | # of Respondents | Mean Weekly Hours | Median Weekly Hours |
|--------------------------------|------------------|-------------------|---------------------|
| <u>Type of Practice</u> | | | |
| Group | 4 | 29.0 | 31.5 |
| Solo, with own office | 60 | 23.4 | 24.5 |
| Solo, with shared office | 26 | 22.8 | 23.5 |
| TOTAL | 90 | 23.5 | 24.4 |

Revenues. *Table 3*, on the next page, summarizes the overall revenues reported by all the responding practitioners, both before and after deductions for the costs presented in *table 1*. In total, 84 or 91.3% of the respondents provided sufficient information on revenues, as well as type of practice and weekly billable hours, to be included in this analysis. The typical private practitioner grossed \$68,099, but after costs are deducted, he or she retained only \$51,031 or 74.9% of collections. Again, it should be noted that this overall figure reflects the combined experience of all respondents, both part-time and full-time. Those with substantial private practices, involving over 25 hours of client contact per week, grossed an average of \$93,767, and netted \$75,176. In contrast, practices of an intermediate size – 15 to 25 hours a week – netted \$41,795, and those with fewer than 15 hours per week, netted \$16,726. If a full-time private practice is regarded as involving 15 or more direct client contact hours per week – which is the case with 75 or 89.3% of the respondents – then the typical full-time practitioner takes home \$55,147 per year, approximately what was reported by private practice respondents in the 2007 NASW-MA salary survey (\$56,000) and slightly less than the median for all LICSWs surveyed at that time (\$57,817). It should be noted that these levels of client contact involve considerably more actual hours involving uncompensated ancillary work, reporting, telephone calls, and the like.

**Table 3. Total Revenues,
By Size and Type of Private Practice**

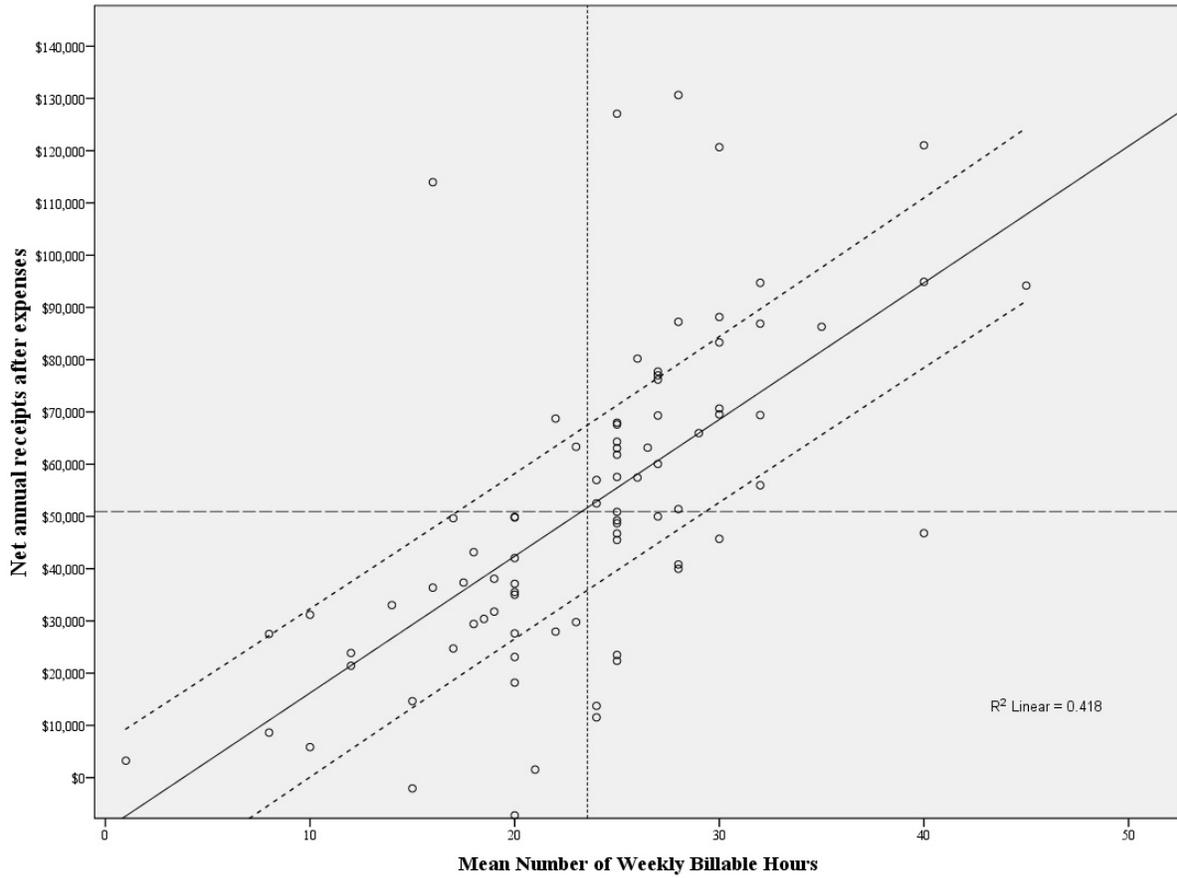
| | # of Respondents | Mean Gross Revenues | Mean Net Revenues |
|---|------------------|---------------------|-------------------|
| <u>Type of Practice</u> | | | |
| Group | 4 | \$75,000 | \$65,258 |
| Solo, with own office | 58 | \$69,626 | \$51,221 |
| Solo, with shared office | 22 | \$62,818 | \$47,974 |
| <u>Weekly Billable Hours</u> | | | |
| Under 15 hours | 9 | \$26,000 | \$16,726 |
| 15-25 hours | 45 | \$59,407 | \$41,795 |
| Over 25 hours | 30 | \$93,767 | \$75,176 |
| TOTAL | 84 | \$68,099 | \$51,031 |
| <u>Median Annual Income of Full-time LICSWs*</u> | 181 | | \$57,817 |

NOTES: Gross revenues are those collected before expenses; net revenues are those remaining after expenses (taxes not figured in here). The total here is less than the total respondents because of missing data for either Type of Practice or Hours. Mean Net Revenues for full-time private practices – those with over 15 hours a week – are \$55,147 for those 75 responding practitioners.

* The median income of LICSWs includes both those working in agencies and in private practice. This information is taken from the survey reported in: NASW, Massachusetts Chapter. (2007). *Social Work in Massachusetts: A Survey of Employment, Compensation, and Working Conditions*, p. 8.

These reported revenues also reflected the combined experience of those in both group and solo practices. When revenues are broken down by type of practice, it appears that those in group practices do much better, grossing \$75,000 per year, from which they take home a net of \$65,258. However, this represents the experience of only four (4) respondents, thus, this result should not be taken to be generalizable. Those solo practitioners with their own non-shared offices netted an average of \$51,221 a year, compared with those solo practitioners who shared offices who netted \$47,974.

Figure 1. Total Annual Net Receipts from Social Work Private Practices, As a Function of Weekly Billable Hours



NOTE: The center diagonal line represents the line of best-fit that summarizes the typical net income for those at various levels of weekly activity, whereas the two outside lines parallel to it encompass the middle 50% of respondents. The line of best-fit accounts for 41.8% of the variation in respondents' income levels. The vertical line represents the mean number of billable hours worked per week (23.6), and the horizontal line, the mean net annual receipts (\$51,031).

To obtain a more in depth understanding of the impact of practice size on net receipts, a simple bivariate regression plot was computed, and this is reflected in **figure 1** (above). As would be expected, the more clients are seen, the greater the revenues. The central line on **figure 1** reflects the typical relationship between billable hours and revenues, with the two outlying lines encompassing the middle 50% of the respondents. For example, someone seeing 10 clients a week might expect around \$18,000 per year, and someone seeing 40 clients a week, about \$93,000 a year. However, this figure also indicates that a few people netted close to \$130,000 a year seeing 20 to 30 clients a week, and a few people similarly busy, made almost nothing, and at least one social worker, actually ended up with more expenses than revenues, or a negative income. Overall, the volume of clients explains slightly over two-fifths ($R^2 = .412$ or 41.8%) of the variation in net income. Other factors that potentially explain the remaining variation probably include the types of clients, referral networks, fees charged, insurance companies involved, aggressiveness of collection efforts, and level of engagement and confidence on the part of the clientele, among other factors.

Hourly Revenues. Although annual figures are of interest to individual practitioners, of importance also are the amounts that social work private practitioners gross and net on an hourly basis. “Hourly”, in this context, refers only to billable hours, typically involving formal psychotherapy, consultation, supervision provided, or the like. Many practitioners either can not or choose not to bill for various ancillary services, such as telephone calls, dealing with insurance companies, completing paperwork, travel time, or attending meetings on behalf of their clients. Thus, the hourly revenues reflected in *table 4* over estimate the true hourly earnings, as it is commonly known that most social workers devote a considerably greater number of hours to their practices than they can bill for.

**Table 4. Hourly Revenues,
By Size and Type of Private Practice**

| | # of Respondents | Mean Gross Revenues per Hour | Mean Net Revenues per Hour | Net as % of Gross |
|-------------------------------------|------------------|------------------------------|----------------------------|-------------------|
| <u>Type of Practice</u> | | | | |
| Group | 4 | \$49.63 | \$43.21 | 87.1% |
| Solo, with own office | 58 | \$62.81 | \$45.16 | 71.9% |
| Solo, with shared office | 21 | \$60.09 | \$45.15 | 75.1% |
| <u>Weekly Billable Hours</u> | | | | |
| Under 15 hours | 8 | \$66.90 | \$45.83 | 68.5% |
| 15-25 hours | 45 | \$58.48 | \$40.57 | 69.4% |
| Over 25 hours | 30 | \$54.55 | \$51.60 | 94.6% |
| TOTAL | 83 | \$61.49 | \$45.06 | 73.3% |

NOTES: Gross revenues per hour are those collected before expenses; net revenues per hour are those remaining after expenses (taxes not figured in here). The total here is less than the total respondents because of missing data for either Type of Practice or Hours. Mean Net Revenues per hour for full-time private practices – those with over 15 hours a week – are \$44.98 for those 75 responding practitioners.

Overall, the responding practitioners earned an average of \$61.49 for each billable hour, and after their costs are allocated to each of these hours, they netted \$45.06 an hour. This represented close to three-quarters (or 73.3%) of the total collected. And given the economies of scale associated with greater practice sizes, it is not unexpected that those with larger practices netted higher amounts than those with smaller practices: \$51.60 for those with over 25 hours, compared with \$41 to \$46 for those with fewer clients. However, those with the smallest part-time practices actually did a little

better than intermediate practices, perhaps since they more often worked from home, or renting offices on an hourly basis, as opposed to entering into regular rental or lease agreements. And those with the busiest practices (25 hours+) netted 94.6% of their gross revenues, compared with 69% to 87% for the various other subgroups. Given the many challenges that social workers face in managing their practices and their relationships with third-party payers, there is clearly a need for the continued development of better business skills among private practitioners, as a critical supplement to their clinical skills.