Fee Negotiation in Private Practice: What We’ve Learned

A Consensus Statement Developed by the Texas Psychological Association
Business of Practice Committee

Committee Chair: Bonny Gardner Ph.D., M.P.H.
Committee Members: Ron Cohorn Ph.D., Rosalie Cripps Ph.D., Dan Roberts Ph.D.,
Margie Tripp Ph.D., Tom Van Hoose Ph.D., Verlis Setne Ph.D., Glen McClure Ph.D.,
Steve Schneider Ph.D., Ron Garber Ph.D.;

Introduction:

Over the course of 2009, by conference call, the Business of Practice Committee identified common difficulties they had encountered in their own experience, as well as those reported in research, regarding negotiation of fees with both patients and insurance companies. They identified a number of strategies which they considered successful, and well as challenges which remain. The consensus was that an attitude of optimism and an entrepreneurial spirit, as well as a genuine belief in the value and effectiveness of psychological services was the key to successful fee negotiation. A summary of their discussions and recommendations follows.

Background:

Many psychologists have become demoralized by the downward pressure on fees exerted by insurance companies over the last 20 or more years. Given the size and bureaucratic complexity of these companies, the difficulty of registering dissatisfaction with provider representatives, and the time constraints under which psychologists operate, many psychologists have succumbed to despair, helplessness, and cynicism, and have just accepted low fees. Many psychologists are now accepting fees which are lower than what they were being paid per hour in 1990. A factor in acceptance of these fees is that many psychologists genuinely love their work and want to continue to do it, even at personal financial cost. In turn, low fees have spurred them to work longer hours to compensate for loss of income, which leaves less time to advance their own interests. Some psychologists have continued to press for small fee increases with partial success. Another group of psychologists have partially or fully opted out of the insurance system, and have planned and developed largely private pay practices, which involves more acceptance of risk.

Affirmation of the Value of Psychological Services

Attitudes of psychologists who successfully negotiate with insurance companies and of those who develop private pay practices have some commonalities. Both groups are convinced of the uniqueness and value of psychological services within the realm of mental health services. They appreciate the scientific research which serves as the basis for psychological assessment and intervention and believe that their rigorous training in research,
theory, and practice is associated with a high standard of service. Most psychologists utilize evidence based practices and outcome data. The general public is often not aware of the training psychologists receive before they become licensed and insurance company representatives may not fully appreciate their skills levels either. Relative to most of the mental health professions, psychologists have special expertise in clinical evaluation and no other mental health discipline has comparable training in psychological testing. Keen diagnostic skills help ensure accuracy in initial diagnosis, a prerequisite for an effective treatment plan. Over time, many studies are confirming the effectiveness of psychotherapy, especially cognitive behavioral therapy, in treatment of depression, anxiety, eating disorders, post traumatic stress disorder, and other disorders. Psychologists train in practica and then spend two full years or more under direct supervision before licensure as they develop their psychotherapy skills. Strong measures to protect the public are built into psychology training programs.

With the exception of psychiatry, no mental health field other than psychology provides as extensive training and experience in work with patients with severe mental illness. Many psychologists have worked in large medical centers, general hospitals, or mental hospitals on their internships or post-doctoral years, and know how to recognize and manage patients who are severely impaired or in crisis. This set of skills alone serves as a kind of safety net for patients. In conversations with both patients and insurance companies, psychologists can cite all of the above skills and their rigorous training and scientific orientation, as a basis for reasonable fees.

The Interrelatedness of Physical and Mental Health and Behavioral Factors in Health

Research demonstrates that many health problems, ie. heart disease, diabetes, obesity, lung cancer, and certainly substance abuse are at least partially attributable to unhealthy behaviors, which can be modified. Conversely, positive health behaviors reduce the likelihood of some types of illness. Psychologists are uniquely trained to help patients alter their behavior to improve health status. It is also well-documented that about two thirds of physician visits are motivated by mental health concerns which are more appropriately treated by psychologists. While it is difficult to determine potential cost savings, it is clear that patients are better off without a series of unnecessary physician visits, diagnostic and laboratory tests, and unnecessary surgeries for problems which may be emotionally and behaviorally based. We know that patients whose mental health problems are treated function better, physically and socially, and may utilize medical service less extensively. Many physicians have discovered the benefits of working in partnership with psychologists who help patients follow medical regimens and mobilize the resources, internal and external, they need for recovery. In fact, physicians are often relieved to be able to refer patients with emotional and behavioral concerns to professionals who specialize in these issues. Similarly, psychologists benefit from close communication with physicians regarding a course of treatment. Since many psychiatrists now emphasize psychopharmacology, rather than talking therapy in their work, most of them welcome a two way referral system with psychologists. The value of this working partnership with medicine can be emphasized to both insurance companies and patients.
The “Fairness Doctrine”

Committee members agreed that they wanted a fair and reasonable compensation for their years of training and expertise. It is a shocking realization that rates of earnings for other professional and even paraprofessional groups are now outstripping earnings of psychologists. This is ironic given that the public is now more accepting of the value of mental health services and more eager to access mental health services than ever before. In general, medicine now recognizes that psychologists are an essential component of the larger health care system. Health care costs are not expected to remain stable or decrease in other professional specialties. A sense of inequity was cited as a motivating force for psychologists to either press for higher fees from insurance or launch a private pay practice.

Developing a Private Pay Practice

BOP Committee members identified a pattern of gradual transition into private pay practice. Often they had started with a number of insurance companies and then began gradually dropping off lower paying companies as their practices became established. Psychologists following the private pay path often cultivated relationships with referral sources, especially attorneys and physicians, who then began to trust their work. They made a point of sending thank you letters, with patient permission, and kept the referral source updated on progress. Psychologists who opted for private pay also typically offered some specialty or “niche” services which were not as readily available in their communities. For example, there continues to be some unmet demand for child expertise, for forensic specialization, ie. child custody evaluations, and for expertise in some less common disorders, ie. eating disorders, obsessive compulsive disorder, or for testing services.

In discussions of fees with patients, psychologists emphasized the limitations of confidentiality associated with use of insurance. Once the data leave the psychologist’s office, they are no longer under the patient’s or psychologist’s control and may become part of a permanent record in the Medical Information Bureau. Utilization of mental health services can have some negative consequences. For example, future applications for life or disability income insurance may be denied due to a preexisting condition. In a small company, the individual who is utilizing mental health services can sometimes be readily identified, through claims processing information going to Human Resources departments. Many patients are not aware of these threats to privacy and once informed, choose to private pay.

Most psychologists who develop successful practices, and especially psychologists in private pay practices, report taking considerable time at the front end of the therapeutic relationship to describe their levels of training and experience to patients, the importance of addressing mental health concerns before they become debilitating, and their willingness to
collaborate with other trusted professionals the patient is seeing. They take time to educate
the patient regarding the process of psychotherapy, including limitations of therapy. They
provide estimates of reasonable time frames for treatment, so the focus is less on an
individual session than on a course of therapy with a set of mutually agreed upon, measurable
objectives, planned interventions, and a foreseeable end. The key to successful development
of a private pay practice is to offer something that is not perceived as readily available
elsewhere, whether it be a specialty skill, a high level of overall skill and experience, extra
privacy protection, or an exceptionally supportive, caring therapeutic relationship.

Fee Negotiation with Insurance Companies

There are some insurance companies which adopt a “take it or leave it” attitude regarding fees, but much of the time, there is room for fee negotiation. Fee negotiation can happen at the point of signing on to an insurance panel or after having provided service successfully through a panel. An important first step is to establish direct telephone contact with a provider relations representative who is authorized to negotiate fees. Ask if you may briefly speak with them to identify your areas of expertise, training and background, and any specialty certificates or memberships you may have. Mention your years of service to the company and your familiarity with its policies, procedures, etc. if this is the case, and your desire to continue seeing their patients. At this point you may want to broach the subject of fees, and your need to be able to keep up with increasing administrative overhead. You can indicate an awareness of emerging trends within the insurance agencies themselves. For example, at this point it is often helpful to cite your familiarity with cognitive behavioral therapy if this is the case and/or with structured, short term, or solution-focused therapies. Mention if you routinely work with local psychiatrists in handling difficult cases or severe mental illness and explain that training as a psychologist equips you to handle challenging patients and clinical emergencies and keep people out of the hospital. This is also an opportunity to educate the provider representative regarding the training psychologists receive before licensure and any additional continuing education and experience you may have which has led to new specialties. Some representatives even express surprise when they begin to understand the variations in levels of training among different types of mental health practitioners. Discussion of the scientific basis of psychological practice and your awareness of evidence-based treatment protocols is often helpful and enhances credibility with a representative. Emphasizing that in depth training in clinical evaluation and testing often results in quicker, more accurate diagnosis, which in turn leads to more effective interventions is worth noting. It can be helpful to ask if there are types of patients which the company finds difficult to place with a therapist, and to offer to meet this need, if you can do so legitimately.

A key point to make is that many patients are requesting a Ph.D. psychologist and that you are available to accept these patients. Insurance companies advertise that they have Ph.D. psychologists on their panel, but often patients complain that they have difficulty finding one accepting new patients. Working in the psychologist’s favor is the requirement that companies have a reasonable number of psychologists on their panels if they advertise their availability. Some representatives may ask for a written description of your skills, along with a request for increases in fees. Whatever the response of the representative, it is
important to always remain cordial, to thank them for their time, and not to launch into any
diatribes regarding managed care or personal “hard luck” stories. While the first request for
a fee increase may not be successful, you have established a relationship with the
representative who will remember you if you call again at a later date.

In any discussions of fees with other psychologists or insurance companies, it is
imperative to be aware of federal antitrust constraints, which prohibit conferring with
colleagues and agreeing on any minimally acceptable fees or citing other colleagues’ fees as
a basis for your own fee in the bargaining process. Fees should be presented as stemming
from your own calculations of what you believe to be reasonable and fair, given your own
expertise and administrative overhead.

Psychology is also a field in which you continue to develop skills over time, and
therefore, increase your value as a practitioner. Capitalize on your experience! If you can say
that you have two or more decades of experience, this is plus, not a limiting factor.

Summary Position Statement

Psychologists can take a step toward pay equity and achieve more satisfaction in their
their work if they are willing to actively communicate the unique value of their work and the
rationale for their fees to both insurance companies and individual patients. By highlighting
the ways in which psychological services benefit patients and their families, serve the
interests of the other health professions, and prevent unnecessary disability psychologists
play an educative role in relation to the public and to insurers. Their efforts can lead to
greater recognition of psychology’s critical role in health care and more adequate
compensation.