Considerations in Opening a Private Practice

Important Notation

The information provided in this document does not constitute business or legal advice. NASW recommends that practitioners seek consultations with business and legal experts when opening a private practice. This document provides a very brief overview of a few factors that should be considered prior to opening a private practice and is not meant to be a comprehensive analysis.

A. OVERVIEW

The private or independent practice of clinical social work is both a service and a business venture. As a service provided by independent practitioners, it is regulated mostly by state licensing laws. As a business, it is subject to business and tax laws and practices.

B. CLINICAL SOCIAL WORK PRACTICE

Clinical social work practice includes, and is broader than, providing psychotherapy. It is helpful to understand this in contrast to other mental health professions. View the definition of clinical social work practice.

To obtain a licensed clinical social worker (LCSW) license in California applicants must have a master’s degree in social work (MSW) from a CSWE accredited school. View California LCSW requirements.

C. BUSINESS PRACTICES

As a business venture, private practice should follow the basic principles of starting and maintaining a business, including the development of a business plan and financing. Business structures for private practitioners include “sole proprietorship,” incorporation, group practice, etc. The structure for your business should be developed in consultation with an attorney and your tax advisor/accountant. View info related to business structures.

Some practitioners, depending on their tax situation, receive a separate tax identification number for their business from the IRS. This helps to separate professional from personal finances. Social workers often use a practice management company and/or a billing service to help with many of the business aspects of a private practice. Readers are encouraged to consult with colleagues for referrals to these services.
D. FORMS

Developing and maintaining the appropriate financial, therapeutic, and business forms is critical to a private practice. The Federal Health Insurance Portability and Accountability Act (HIPAA) provides general guidance on electronic transmission of billing claims and privacy concerns.

View sample HIPAA forms on NASW website. Sample forms are also found in the book Prudent Practice, which can be purchased from the NASW Press website. Additionally, there are several online courses that can be accessed through the NASW California Chapter’s online program at www.socialworkweb.com/nasw that provide information regarding forms and documentation.

E. PROFESSIONAL LIABILITY INSURANCE

It is important to obtain and maintain professional liability insurance. NASW Assurance Services, Inc. (ASI) offers group discounted insurance and other services for members. View more information.

F. PAYORS

Practitioners set their fees using a variety of factors including the economy, geographic location, fees of insurance companies, other mental health providers, etc. Some practitioners also employ sliding scales and pro-bono services. There are public and private (insurance companies, fee for service out of pocket) payers in California. California is also a managed care state meaning that depending on their health plan, consumers may be limited to as to the selection of their practitioner (sometimes known as panels).

1. Public Payers

The main public payers are Medicare and Medi-Cal (Medicaid) and counties (Mental Health Services Act). A National Provider Identification (NPI) number is required to bill Medicare. Some managed care companies also require the use of the NPI. View information on NPI.

California doesn’t have a Medi-Cal vendorship for social workers (so they can’t bill Medi-Cal directly). Social workers can get paid using Medi-Cal or MHSA funds through counties and their subcontractors. Contact your county mental health department.

2. Private Payers

Directly contact the insurance company’s provider relations department to determine if they are accepting applications for their provider panels. Getting on a provider panel involves a fixed payment for services and a contract. It is often helpful to have an attorney review contracts before signing. View national list of companies.

3. Client Pays Out of Pocket

Some clients have insurance (public or private), but may want to pay fee for service out of pocket. In these cases, clients should be advised to check with their insurance companies as to their policies regarding payment for covered services out of pocket.
G. MARKETING AND REFERRALS

Ideally, practitioners should know what services they will to provide (specialty areas, target populations, special skills, etc.). A business plan should always include a detailed marketing plan with specific strategies. Since California’s insurance market focused on managed care, being listed with provider panels is an important element of getting referrals. Contracting with public payers such as Medicare, counties and their sub-contractors (Medi-Cal and MHSA) can also generate referrals. Competing for the small segment of consumers who pay out of pocket involves building relationships with other providers in the health care system (hospitals, clinics, etc.) to generate referrals. Joining referral services and networks usually involves a fee. Since these services are constantly changing and evolving, some research would be advisable and evaluation to determine if they are a viable source of referrals. View more information.

The NASW Assurance Services, Inc. (ASI) has started an employee assistance referral network. View more information.

H. RESOURCES

1. NASW Educational Opportunities

   • NASW Clinical Practice Series
   • NASW Assurance Services Inc. Practice Pointers
   • NASW-CA Continuing Education—Starting a Private Practice
     www.socialworkweb.com/nasw/choose/details.cfm?course_number=1265
   • NASW-CA Continuing Education—Writing Mental Health Records
     www.socialworkweb.com/nasw/choose/details.cfm?course_number=1327
   • NASW Standards for Clinical Social Work in Social Work Practice
   • NASW Legal Issues of the Month (members only)
     www.socialworkers.org/ldf/default.asp
   • NASW Leadership Series: Opening a New Private Practice
     http://careers.socialworkers.org/careerdev/default.asp#leadership

2. NASW Press

   • Clinical Social Workers in Private Practice (A Reference Guide)
   • Starting A Private Practice (Brochure)
   • NASW Legal Defense Fund (LDF) Law Note Serious
   • Books related to Clinical Practice
     www.naswpress.org/publications/clinical/index.html

3. California Board of Behavioral Sciences (BBS)

   • Forms and Publications
   • Consumer Empowerment Brochure
• Therapy Never Includes Sex
• Advertising
• Business Cards

4. NASW Chapter Resources
• Illinois Chapter Article
• Massachusetts Chapter Resources

5. Miscellaneous Resources
• U.S Small Business Administration—Provides information, resources, counseling, training, and loans.  
  www.sba.gov/
• California Small Business Program and Services  
  www.smallbusinesscalifornia.org/CA_smallbiz_programs.pdf
• Small Businesses California  
  www.smallbusinesscalifornia.org/
• America’s Small Business Development Center (ASBDC)  
  www.asbdc-us.org/About_Us/SBDCs_CA.html
Business Plan Design Elements Outline

Before embarking on starting a private practice, consider the feasibility based on how much time you can commit to your practice, including office hours and time for administrative duties. **Important:** Using this design does not guarantee intended results; rather it may serve as an overview of possible considerations.

1. Description of Business Services
   a. Your goals and mission, your specialty, your expertise, your experience (uniqueness, niche), your target customers, your service community.

2. Financial Considerations
   a. Take into consideration the number of clients you want to treat, as well as current insurance rates, private pay rates, and sliding scale fees, in addition to expenses such as office space, office furniture/supplies, telephone, Internet, marketing material, malpractice insurance, and liability insurance.
   b. Expected revenue, expected expenses, startup capital needed.

3. Business Structure (determined by your tax situation, your assets, and protection for your assets)
   a. Sole proprietorship, group practice, incorporation.
   b. Business notices and license (usually needed when using a "fictitious business name and not a sole proprietorship).
   c. Billing service and practice management companies.

4. Marketing Strategies
   a. Networking with colleagues and peers.
   b. Providing education, research in specialty areas, volunteering, getting involved in the community.
   c. Joining panels and referral networks.
   d. Designing and preparing materials (both digital and paper).

5. Develop a schedule or timeline incorporating milestones for the business startup.

**References**

Redefining Private Practice—Smart Ideas for a Changing Economy, Keisha Cox, LCSW
*Social Work Today* Vol. 9 No.

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