



Student and Early Career Psychologists

Bridging the Professional Gap: Private Practice

Joining a group private practice is one of the main points of entry into private practice for Early Career Psychologists (ECPs). There is often confusion and/or a misunderstanding of how employers decide to compensate psychologists who work in their practice. ECPs sometimes experience shock or disappointment at receiving their initial offers of employment, so we hope that this information will give some insight into employer contributions and how they factor into decision-making around psychologist compensation.

It is important to note that compensation differs for independent contractors versus employees. We will start with factors that contribute to psychologist compensation for all practice types and will end with compensation considerations specific to employees versus independent contractors.

Table of Contents

SECTION 1: CONSIDERATION FOR ALL PRACTICES	2
INSURANCE/OUT OF NETWORK, SALARY VS FEE FOR SERVICE.....	2
OFFICE SPACE	2
SUPERVISION	2
ADVERTISEMENT/CLIENT RECRUITMENT	3
PRACTICE ADMINISTRATION	3
MISCELLANEOUS	3
SECTION 2: CONSIDERATIONS FOR PRACTICES WITH EMPLOYEES.....	4
TAXES	4
BENEFITS	4
SECTION 3: CONSIDERATIONS FOR PRACTICES WITH INDEPENDENT CONTRACTORS	5
SECTION 4: CONSIDERATIONS FOR TELEPSYCHOLOGY	6
SECTION 5: SUMMARY AND FINAL REMARKS	6
QUESTIONS TO ASK POTENTIAL EMPLOYERS	7

Section 1: Consideration for All Practices

Insurance/ Out of Network, Salary vs Fee for Service

The per-session fee is a major determining factor in an employer's decision about psychologist compensation. Reimbursements offered by insurance companies vary widely both among companies and around the country.

You might expect that the reimbursement is relative to the location (e.g., insurance company in more urban areas reimburse more while more rural areas reimburse less), but this is not always the case. Insurance companies set their fee and rarely raise it, and if it is raised, it is only done every few years and usually not significantly. You may want to try to get a sense of insurance reimbursement rates in your area to better understand the starting point in fee/salary negotiation.

Out-of-Network practices have full control over their fees and thus are able to set and raise fees at their discretion, usually every year or so, and the fee is transparent to the employee.

Historically, it has been common practice to set a psychologist/practice split per client session for reimbursement (e.g., 50/50 or 60/40 of the fee per session) for both employee and contractor relationships. Conversely, some employers choose to offer a salary instead of a split, meaning that the reimbursement is not per client, although the employer may have a client per week minimum that an employee is expected to meet. Employees are able to receive certain benefits that are not legally allowed in contractor relationships (see Practices with Employees below), and these extra benefits have an impact on the salary that employers offer.

Office space

The cost of office space varies depending on the location of the practice. Group practice owners often obtain spaces in locations that are convenient to the clients served, which may mean that it is in a premium location.

In urban areas, office space can be as high as \$55/square foot (e.g., a 2,500sf office would cost an employer over \$11,000/month). Office space might be significantly cheaper in more suburban or rural areas (e.g., a 2,500sf office at \$20/sf would cost an employer just over \$4,000/month).

An important note about office space, however, is that the costs are not fixed; the rent on an office generally increases by a small percentage each year of the lease (e.g., 3.5%), and there are often additional costs per month that an employer may pay in addition to rent (e.g., common area maintenance, which includes the cost of front desk attendants and maintenance of bathrooms, elevators, and other common areas shared by all suites in a building). Additionally, the employer may also be responsible for the cost of utilities, parking, or office cleaning.

Supervision

ECPs often need supervision until they are independently licensed, and each state has different rules about supervision (e.g., who can provide supervision, whether supervisees can pay directly for supervision or not, if the supervisee/supervisor must be employed in the same setting, etc.). If an employer provides supervision for pre-licensed psychologists, they likely take the cost of supervision

and the legal risk associated with supervision into account when determining psychologist reimbursement.

Advertisement/ client recruitment

One benefit of joining a group private practice is that the owner has already invested in advertising and likely has a client base and active referral sources/networks. Owners typically allot a certain amount of money weekly or monthly on a website and other means such as Google Ads, search engine optimization (SEO), or ads taken out in local publications. Additionally, practices that are in-network with insurance companies receive referrals from each company and are listed on each company's website as participating providers.

Practice Administration

Running a group private practice often requires a team of support staff. Practices often need folks to answer phones, schedule clients, interact with clients directly (e.g., a receptionist), and complete billing tasks. Smaller practices may need fewer support staff than larger practices, but a diligent owner may be mindful that as their practice grows, they may need to allocate funds for hiring additional support staff.

Support staff are often paid a salary or contracted for a set amount of hours each month, and this represents another fixed cost for a practice owner. Support staff can cost a practice anywhere between \$15/hr to \$40/hr per person. If support staff are employees, they are often provided the same types of benefits that will be discussed below in the Employee section.

In addition to support staff, a group practice may have clinical staff who provide supervision and/or complete other managerial tasks for which they are compensated above and beyond their own clinical work. Finally, the practice owner(s) often make a salary as an administrator/owner of the practice.

An Electronic Health Record system (EHR) is another administrative cost that group practice owners generally cover. Most EHR systems charge around \$60 for the first clinician, and then offer reduced costs for additional licensed users and trainees and may also charge a small amount per claim that is submitted electronically. For example, the cost of an EHR for a group of around 25 providers in a practice that is in-network with insurers is around \$1300 per month. Practices that offer medication management may pay for additional software or programs specifically for prescribers, and these can cost upwards of \$600 per license for each provider who prescribes.

During the early part of 2020, many practice owners found themselves needing to quickly transition to telehealth due to COVID-19. Some practices utilized telehealth services embedded in their EHR systems (e.g., SimplePractice and TherapyNotes) but others needed to find outside programs for their psychologists to use. Telehealth platforms that offer HIPAA compliant coverage for multiple providers can cost upwards of \$300+ per month.

Miscellaneous

One of the many benefits of joining a group practice, particularly early in one's career, is that doing so eliminates many of the start-up costs associated with forming a new practice. For instance, many practice owners furnish waiting areas, psychologist offices and other common areas. For instance,

many practice owners furnish waiting areas, psychologist offices, and other common areas. It may cost as little as \$700 to furnish an office with a small couch, a psychologist chair, a desk, and a bookshelf, but this cost increases as you add items such as additional seating, a rug, and art, and increases further if the owner decides to get higher-end items.

Group practices may also provide electronics (e.g., laptops or desktops, printers, devices to run client payments, etc.) for psychologists and staff members to use, and also cover the cost of networks on which to use these items. Practices also generally provide office supplies (e.g., pens, notepads, printer paper, etc.) and may have a library of books relevant to the field that the psychologist has access to. Assessment materials and space to conduct assessments are also provided by group practice owners.

The Pearson assessments website provides a list of the cost of starter test kits, with options for print and digital access, which can give you a sense of how much you would need to spend to get started doing assessments in your own practice. It is also important to note that while the materials are a set price, you generally have to pay per administration of each test, either digitally or by purchasing additional paper scoring forms. Finally, practice owners may provide snacks and other refreshments for staff and clients, which may cost a few thousand dollars a month, depending on the size of the practice.

Section 2: Considerations for Practices with Employees

Practices that have an employee structure take on additional financial responsibilities that are beneficial to their employees. It is important to distinguish salaried versus hourly employee structures. Working as an hourly employee may feel similar to being a contractor in that payment is based on the number of contact hours you complete (e.g., therapy, testing, etc.), but the major difference is that the employer pays the taxes. Salaried employees typically receive a set amount of pay (e.g., full-time or part-time), and typically the employer mandates a certain number of clinical and/or assessment hours to be completed during work hours. This section will briefly discuss **taxes** and **benefits**.

Taxes

Group practices that have employees pay payroll taxes for their employees; this includes a portion of Social Security and Medicare taxes, and federal and state unemployment taxes. Additionally, practice owners pay taxes on the income (i.e., the profit) of the practice, and practices that are registered as LLCs/PLLCs have additional taxes and registration fees that are paid on a regular basis.

Benefits

The most common benefit that an employer might provide is health insurance coverage (e.g., health, dental, vision), and practices vary on how much of the premium is covered by the practice and whether family members are covered. Insurance premiums vary widely by company and are also dependent on the age of the subscriber(s), but the cost is likely a few hundred dollars per adult per month. Practices may pay a percentage of the premium (e.g., 70%) or may offer a set amount that they contribute monthly to the premium (e.g., \$200).

Another common benefit offered to salaried employees is paid time off (PTO). This is often provided for salaried employees and represents a set amount of time that an employee can take off work and

still be paid (e.g., 2 weeks/10 days, 3 weeks/15 days). Some employers combine PTO and sick leave while others provide additional time off for sick leave above and beyond PTO. Additional time off might also be provided in the form of paid holidays and various types of personal leave (e.g., family leave, bereavement, medical, etc.).

Group practices often provide group professional liability (malpractice) insurance coverage under a group policy; this means that the employer covers the employee under their liability insurance policy such that the employee is not required to obtain their own individual coverage for work done at/for the practice, though this is still highly recommended. Some employers also provide other types of insurance (e.g., disability, pet, etc.). Additionally, employers are required to have office liability insurance to cover any accidents on the premises involving employees, staff, or visitors, as well as coverage for damage to the office (e.g., furniture, equipment, etc.). Any psychologist who wishes to do work outside of their full-time employment setting and/or who has their own private practice has to obtain their own liability insurance and, if applicable, office insurance (also known as a Business Office Policy). Purchasing an Office Overhead policy allows private practitioners to pay salaries, bills, professional dues, and other financial responsibilities during a covered event. These policies along with other financial security products are offered by The Trust. For more information, please visit the following link: <https://www.trustinsurance.com/Products-Services>.

A final common benefit that employers often offer is funds that employees can use towards continuing education or professional development. This amount can range from a couple hundred dollars to upwards of \$1,000 or more per year. In lieu of actual funds to be used at the employee's discretion, some employers opt to host continuing education seminars that the employee can attend for free, and others may pay for an intensive training or certification course for the employee (e.g., DBT, couples therapy, etc.).

Some group practice owners offer an employer-sponsored 401K or Simple IRA retirement plan. Employers are not required to contribute to an employee's 401K plan but are required to do so for IRA plans, but those who elect to do so can contribute a certain percentage of an employee's salary. In general, employers tend to contribute 3% or 4% of an employee's salary; the IRS sets limits on the total amount that is legally able to be contributed to each type of plan per employee each year.

Section 3: Considerations for Practices with Independent Contractors

The major difference between being an employee and an independent contractor is that contractors are required to set aside and pay their own taxes quarterly/yearly, and the second major difference is that legally employers cannot provide fringe benefits to contractors (e.g., PTO, insurance, reimbursement for professional development, etc.). One significant benefit of being a contractor is the ability to claim various business expenses for tax purposes (e.g., home office space, professional development, work travel expenses, etc.); it is advisable to consult with an accountant to better understand the tax implications of being employed as an independent contractor.

Practices that hire psychologists as independent contractors operate on a fee-for-service structure. This means that payment is based on the hours worked, and typically the fees are set (e.g., per client, either as a flat fee or a percentage split, per assessment, per supervision/consultation provided, etc.).

The exact fee per service will vary depending on the reimbursement that the practice receives for services (i.e., insurance fees versus out-of-pocket fees).

A benefit of a fee-for-service arrangement is the ability to have control over your schedule. For instance, salaried employees may be required to attend staff or other meetings and are often required to see a set number of clients per week. Conversely, independent contractors generally have some flexibility to adjust their schedule due to their needs and have direct control over the amount of money that they make because they can see as few or as many clients as they desire. Regarding office space, practice owners vary on whether they require contractors to pay for the use of office space or if it is included in the set fee that the contractor is paid.

Section 4: Considerations for Telepsychology

The COVID-19 crisis led to a sudden and significant increase in the utilization of telepsychology, and many practices now offer hybrid work options for psychologists. Insurance company reimbursement rates may differ state-by-state. Every 6 months you may be required to have an in-person session (as is the case, for example, in Hawaii). Medicare guidelines (which are changing now that PHE is over). 100-something day waiting period. This does not affect everyone (not everyone takes Medicare clients) but may be worth mentioning. Check where you have reciprocity to take clients (for example, can you supervise if client is traveling?). For more information, visit the [PSYPACT website](#) and the [PSYPACT FAQ](#), offered by The Trust.

Section 5: Summary and Final Remarks

The goal of this resource is to provide an explanation of the many factors that group practice owners consider when making decisions about psychologist compensation. Practice ownership is more than a full-time job; it requires daily attention to both the people of the practice (e.g., psychologists, clients, and administrative staff) and the physical space. Additionally, each clinician represents vicarious liability to the practice owner; any issues that arise between a clinician and a client may impact the practice and potentially a clinician-owner.

There is also tremendous financial risk involved in owning a practice, especially as a practice grows, and the administrative side of owning a practice is costly, as mentioned above. Practice owners make decisions about expanding, including hiring administrative staff or moving into a larger office, that are not easily undone when there is a change in the practice that negatively impacts revenue (e.g., when a psychologist leaves the practice, economic downturn, a global pandemic necessitating increased telework, and less office space use).

The decision to join a group practice requires an examination of one's personal and professional needs and goals, and an understanding of one's risk tolerance. Being a salaried employee at a group private practice can offer a pre-licensed or newly licensed ECP stability and predictability and a "safe" place to launch their career. Conversely, ECPs who have a higher tolerance for risk and/or those who feel a desire for greater independence may opt to seek employment as an independent contractor. Neither option is better than the other, and it is possible that one's needs, desires and risk tolerance may change over time.

Parts one and two of this series have activities and tips that may assist you in your decision-making process.

Questions to Ask Potential Employers

It may be useful to know what your ideal answers are to these questions prior to an interview:

- ▶ Is the position salaried, hourly, or contract? When do I get paid (e.g., weekly, biweekly, monthly, etc.)?
- ▶ Am I paid when practice is reimbursed or salaried/paid whether or not the practice is paid?
- ▶ Is there a minimum number of clients that I am required to see per week? If so, what happens if I don't meet this number?
- ▶ How are client referrals handled? Do they come from the practice or does the psychologist have to recruit their own clients?
- ▶ How are clients assigned? Can I refuse clients (e.g., due to goodness of fit mismatch) or must I see who is assigned to me?
- ▶ Who will be in control of scheduling and how much flexibility can I expect?
- ▶ What are the administrative and/or non-clinical expectations of the position?
- ▶ For group practices, is there an office sharing arrangement with other clinicians that may affect my schedule?
- ▶ Is there built-in flexibility for a hybrid schedule of telehealth and in-office days?
- ▶ Does the position offer any benefits?
- ▶ Does the practice cover office rent or is the psychologist required to pay?
- ▶ Are there any other up-front costs associated with joining the practice (e.g., credentialing, advertising, furnishing an office, paying for assessment materials, etc.)? Will I be under a group professional liability insurance policy? If so, can I find out more details of the exact kind of coverage (e.g., the provider, limits of liability, and whether there are exclusions to the policy)? For example, if I am practicing in a forensic setting, will I be covered if I am required to conduct evaluations in a jail?
- ▶ Does the employer offer assistance with continuing education (CE) or provide CEs at a reduced cost to the clinician?
- ▶ Is there any cost sharing or does the practice pay for licensure, PSYPACT, etc.? If the practice does provide assistance with the cost of licensure, how is this handled in metro areas with nearby states?



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