Putting Your Business Plan to Work

*Creating or refining a plan is a necessary step in charting a path to successful practice.*

In today’s competitive and evolving health care marketplace, psychologists must clearly address the business side of practice. In order to survive and thrive, independent psychology practices and behavioral health organizations of all sizes should have a business plan. Your roadmap for the future, a business plan is equally important for solo and small group practices as it is for larger organizations.

Just as a good treatment plan keeps the patient on track to reach goals and maintain health, a business plan will help psychologists set business goals and maintain a successful practice. Going through the exercise of developing a business plan – including stating your mission, describing your marketing plan and anticipating finances for the next few years – helps you focus on important aspects of growth.

If you are considering participating in or implementing an alternative practice model such as an independent practice association (IPA) or medical services organization (MSO), a more comprehensive business plan must be fully developed, especially if you need outside funding.

Many resources, including those listed in the sidebar on page 13, may help you create your business plan. For example, the Small Business Administration provides templates at no cost which can be found online at [www.sba.gov/writing-business-plan](http://www.sba.gov/writing-business-plan). The APA Practice Organization provides further information on the Practice Central website for practitioners on elements to include in your plan.

This article will briefly outline steps in developing a business plan for your practice and how to begin putting your plan to good use.

Look at the present and envision the future

To build a business plan, you need to assess your current practice and articulate goals related to future directions.

For example, do you have a specialty practice? Are you primarily a consultant, child psychologist, group psychologist, an expert in a particular treatment area such as dialectical behavioral therapy or hypnotherapy, or perhaps all of the above? What portion of your practice is private pay? Considering such questions helps you identify your starting point. As you begin the business plan exercise, you may find that you wish to modify certain aspects of your practice or head in a different future direction.

If you have already formed or are participating in a mental health provider group, the personal and professional characteristics of all group members who would potentially be part of any new venture should be considered. In addition to determining individuals’ professional areas of competence and expertise, you should consider factors relating to the structure and characteristics of the group as a whole. For example: Who are the group leaders and
what is the quality of their leadership? How cohesive is the group? Who owns the group and what are the contractual relationships between members of the group?

Assess your readiness for change

Are you satisfied with your practice and your business model? If the answer is “yes,” the rest of the process will be fairly simple to complete. If the answer, however, is “no,” you will need to take a hard look at your practice, beginning with considering your readiness for change. This exercise involves assessing personal as well as professional characteristics. Relevant personal characteristics include your career stage (early, middle or late), your inclination toward change and your level of entrepreneurship and risk tolerance. Relevant professional characteristics include the services you can provide, your areas of expertise, your experience working in multidisciplinary teams and/or in primary care settings, your current professional network and your technological capabilities.

Evaluate the market

Once you assess your practice and readiness for change, the next step is to carefully assess marketplace opportunities in your area. This stage is very important for establishing a solid business plan.

Many psychologists can assess the market on their own, using tools such as online research, informal surveys or focus groups. Another option is to hire an expert to conduct a market analysis for you, which may be a good option if you are planning to invest a substantial amount of money in launching a new venture.

Marketplace assessment often includes considering the following questions:

- What is the potential pool of clients/patients? Consider factors such as population density, demographic characteristics (for example, age, diversity and education levels), local industry and the economic climate.

- What income sources are available? In considering options within the third-party payment system, determine the number of private health insurers, whether you are able to join their networks and psychologists’ experience in participating with various insurers. Find out the percentage of Medicare and Medicaid (if the program in your state allows psychologists to provide services) recipients in your area, along with applicable reimbursement rates from these programs. You may also wish to consider opportunities outside the insurance system, such as the availability of court evaluations and other forensic work and teaching opportunities.

- What is your competition? Identify other mental health providers and groups (including master’s level) and the number of providers who claim to offer the same specialty areas of practice as you do.

- What benefits do you offer clients/patients that your competitors do not? Your business plan can help you pinpoint unique aspects of your practice to use to your competitive advantage.

The results from this research will help you decide your next steps. If you specialize in aging populations but live in an area where the mean age is considerably younger, you will likely want to diversify your practice. If you speak a foreign language, you will want to identify potential clients and other providers who do as well. If you identify an unmet need, you may decide to develop a new area of expertise or to add staff members. Conversely, if the market is saturated with providers in a certain area of practice, you

GETTING THE PROFESSIONAL ASSISTANCE YOU NEED

Psychologists with little to no background or interest in business will need the assistance of other types of professionals to make significant changes to their practices or set up new ventures. For example, attorneys, accountants and business consultants with relevant expertise can help psychology practices and multidisciplinary group practices grow and thrive. Large group practices and alternative models such as IPAs and MSOs clearly require the services of an experienced attorney in setting up legal structures and providing general legal advice as needed. Solo practitioners and small group practices may want to hire an attorney as well, particularly if they decide to create formal business structures beyond sole proprietorships – for example, a corporation or partnership (See the article on page 4).

Accountants can be helpful to all types of practices, from solo practitioners to large organizations. Larger groups that participate in payment models other than fee-for-service – for example, capitated payments and accountable care organizations) in particular may need the services of an accountant, financial consultant or other qualified professional to help them predict the bottom-line impact of these forms of payment.
may wish to highlight other areas of treatment you can provide.

Drawing on an example from the field, Dr. Keith Baird from Illinois is in the process of launching a management services organization (MSO). Before taking steps to put his plans in action, however, he researched the local market conditions by networking with leading health professionals and researching provider groups and organizations. Dr. Baird determined that there were no local behavioral health organizations poised to provide services to the large health systems and ACOs being formed in his geographic area. Although he already ran a successful and relatively large group mental health practice, Baird decided to launch an MSO. The business goals of this MSO include becoming the provider network of choice for local ACOs and health systems, as well as being able to negotiate directly with health insurers on behalf of the MSO’s providers. These goals complement the MSO’s broader goals of promoting integrated, cost-effective, high quality care.

Anticipate financial resources and needs

The next step is to plan your income and expenses for the next several years. This section of your business plan should include: three-year projections of your income statement and balance sheet; a cash flow analysis that documents the movement of money in and out of your practice, such as reimbursement from health insurance payers and monthly rent for your office space and the timing of these transactions; and short- and long-term capital requirements.

Project how many clients you need to see or other work you need to undertake in a typical work week to meet expenses. Based on reimbursement amounts from any third-party payers, consider whether you also need to see private pay patients or do some higher paying work that does not involve insurance reimbursement. Likewise, you must project expenses for the next several years such as staffing, professional development, overhead and insurance.

Develop an action plan

You may find that you need to access outside capital or obtain further training to develop and implement your plans. If you are envisioning a larger venture that involves a substantial capital investment, you may need to analyze in some detail the factors that may impact financial feasibility. For example: Will the planned investments in infrastructure and/or staff result in substantial efficiencies and/or economies of scale? Will the structure of the new venture position your group for success under newer reimbursement models beyond fee-for-service (for example, capitated or bundled payments)? What is your bargaining power in the community?

You may decide that you and/or other professionals in your group need to develop new skills before launching a new venture. For example, more than 40 of the mental health professionals affiliated with Behavioral Care Management (BCM), the MSO being developed by Dr. Keith Baird, have obtained post-graduate training and certification in Primary Care Behavioral Health.

You may also find that your staffing, office procedures, or health information technology (HIT) capabilities need to be enhanced in order to pursue your business plans. For example, electronic health records, secure scheduling software and performance measurement procedures may be needed to promote efficiency and to demonstrate accountability. APA Practice Organization (APAPO) and APA resources and information that may helpful regarding HIT and accountability include the outcome measures database “PracticeOUTCOMES” (apapracticecentral.org/update/2011/08-29/measurement-database.aspx) and
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Establishing and maintaining close connections within your community and remaining flexible are keys to successful implementation of your business plan.

Consider taking advantage of opportunities to speak at local civic groups, participate in health-related events or engage in other forms of community involvement.

Staying Connected. Psychologists need to maintain and grow their professional network. Your network likely will include psychologists, other health care providers and referral sources. There are many possible ways to enhance your professional network, such as becoming more active in organizations like APA and APAPO, state psychological associations, psychological specialty societies and local professional groups. Increasing your involvement in relevant community groups can also be helpful for identifying potential opportunities and expanding your connections. Consider taking advantage of opportunities to speak at local civic groups, participate in health-related events or engage in other forms of community involvement. At the same time, promoting your web presence can help you market your services to potential clients.

Remaining flexible. The ongoing implementation of health care reform highlights the fact that business plans need to be updated and revised over time. Business plans are intended to be living documents, not static blueprints. As with all major undertakings, flexibility and persistence are essential for meeting the challenges and taking advantage of the professional opportunities that come your way.

NOTE: The information presented in this article is for informational purposes only and does not constitute legal or financial advice.