



AMERICAN
PSYCHOLOGICAL
ASSOCIATION
PRACTICE ORGANIZATION

INSURANCE AND MANAGED CARE REIMBURSEMENT TOOLKIT

This Insurance and Managed Care Reimbursement Toolkit from the APA Practice Organization contains information and resources to help you respond to insurance and managed care rate cuts, diversify your sources of professional income and manage practice finances.

Topic	Page
Responding to Managed Care Rate Cuts: A Practical Guide for Psychologists	1
Acting In Light of Antitrust Law	4
A Matter of Law: Managing Your Managed Care Contracts	5
Learn to Speak the Language of Business	8
Increasing Referrals from Other Professionals – Step-by-Step Guide	11
Tools for Identifying and Understanding Your Target Clientele	14
Tools for Tracking Your Client Sources	19
Paid in Full: Tapping Into the Self-Pay Market	21
Speaking of Money	23
Insurance Claims 101: Avoiding Common Payment Pitfalls	25
Six Tips for Handling Insurance Claim Denials	26

Note: The Managed Care Reimbursement Toolkit is subject to change and updating. This information does not constitute legal or financial advice and should not be used as a substitute for obtaining necessary personal advice and consultation prior to making decisions regarding individual circumstances.

For help with questions about managed care reimbursement, contact the APA Practice Directorate's Legal and Regulatory Affairs Department at (202) 336-5886 or email praclegal@apa.org. For information about diversifying your practice, contact the Corporate Relations and Business Strategy Department at (202) 336-5900 or email practicemanagement@apa.org.



AMERICAN
PSYCHOLOGICAL
ASSOCIATION
PRACTICE
ORGANIZATION

Responding to Managed Care Rate Cuts: A Practical Guide for Psychologists

Facing cuts in already low payment rates is a major frustration for psychologists who deal with managed care companies. Yet because of market forces such as the availability of other mental health professionals as well as antitrust concerns, practitioners can face an uphill battle in challenging rate reductions.

Payment rate problems are significant symptoms of the broken U.S. health care system and, ultimately, Congress will need to solve these problems through real health care reform. In the meantime, practitioners can take actions which, in our experience at the APA Practice Organization, can make a difference.

Consider taking the following steps to help protect your patients and your practice when a managed care company cuts your reimbursement rate.

Step 1: Determine whether and how the rate cut affects you

Know the answers to two important questions:

- When does the cut go into effect? Having this information lets you know how much time you have to react and enables you to determine whether the company has violated relevant terms of your contract.
- To which of the managed care company's panels does the rate cut apply? Some companies have a variety of provider panels and products, and the rate cut may affect them differently. If the pertinent facts are not clear from the rate cut notice, contact the managed care company's provider relations department for clarification.

Step 2: Assess Your Arguments and Bargaining Position

Look to your provider contract for possible violations

Your provider contract with the company generally requires the company to give you a certain type and length of notice before it changes your contract, including changing the contracted reimbursement rate. There may be

specific requirements for providing notice of rate changes. If you did not receive the required notice, you can assert this fact as a violation of your contract.

Consider your "market value" to the company's network

Companies are sometimes willing to negotiate a special fee with psychologists who fill gaps in the network – for example, a rural psychologist who is the only psychologist in a geographic area, or those whose practice area (such as working with children or geriatric clients) is in short supply. If such a situation applies to you, insist on negotiating a special rate. Emphasize the adverse impact on subscribers' access to care if the company's refusal to negotiate forces you to accept fewer referrals or leave the network.

Even if you do not fill a unique role in the network, you should consider whether the rate cut will leave company's network with enough psychologists in your area to provide adequate patient access to mental health care. A common indicator of network inadequacy is that you receive desperate calls from subscribers who have had to contact several psychologists on the company's provider list before finding one who can give them an appointment. (A "phantom panel" situation may exist where the company's provider list shows several other psychologists in your area, but they have moved, resigned from the panel or stopped taking patients.) If network adequacy is a problem, you can raise the patient access concern noted at the end of the preceding paragraph.

Documenting access problems in your area is one of the most powerful negotiating tactics that practitioners can use.

Compare rates by other payers and assess your alternate sources of revenue

Your bargaining power is greatest if the rate cut will leave other managed care companies or other sources of revenue – for example, private pay or forensic clients -- paying you significantly more than the company that plans to decrease its payment rate. You also will be in a better position to negotiate when you can replace lost revenue (if



AMERICAN
PSYCHOLOGICAL
ASSOCIATION
PRACTICE
ORGANIZATION

you cease your participation in the company panel) with income from other sources of payment for your professional services. These considerations factor into whether you should indicate to the company that you intend to change your role in the network, as discussed in Step 4.

Examine the company's rationale for rate cut

Sometimes the company's rate cut announcement will state the reason(s) for lowering the rate. You should consider whether the explanation makes sense, particularly as applied to your practice. If the stated rationale does not apply to you – for example, the company claims that it has too many psychologists on its panel, but you are the only network psychologist in your area -- argue that the rate cut is not justified in your case.

Step 3: Get Information from Your Colleagues and Associations

Antitrust Warning: You can gather helpful information by communicating with other psychologists, your state or local psychological association, or with the APA Practice Organization. However, you must proceed carefully to avoid antitrust risks. (See the sidebar to this article, "Acting in Light of Antitrust Law.")

Antitrust concerns severely limit the ability of your state and local psychological associations and the APA Practice Organization to take action on rate cuts. In particular, it is illegal for these associations to negotiate rates on behalf of members or to take part in any threatened or actual boycott of a company in order to influence rates because they are considered, by definition, to be organizations of competitors.

Check with your state and/or local psychological association

The state or local associations to which you belong may have useful information, for example, regarding adequacy of the company's network to provide patient access, or the company's compliance with the provider contract. The association also can let you know if it plans to convey member concerns to the company or investigate issues such as patient access.

Talk to colleagues about network adequacy and patient access

Your fellow psychologists may be able to help you evaluate the adequacy of the network in your community, or in your area(s) of professional practice. You should **not** com-

pare notes with other psychologists who are your economic competitors about the rates that you or they set for their services, or about the minimum payment rate that you would be willing to accept from a managed care company. Such communications might be used as evidence of price fixing, which is prohibited by antitrust law. (See the sidebar, "Acting in Light of Antitrust Law" for additional information.)

Contact the APA Practice Organization.

In line with antitrust considerations, the APA Practice Organization is working closely with state psychological associations to take action on rate cuts by managed care plans.

You may contact us if you have questions about dealing with a managed care payment rate cut. We would particularly like to be informed if the rate cut is substantial or is being applied in more than one state. Contact information appears at the end of this article, following an important disclaimer.

STEP 4: Take Action

This step will focus on action you can take as an individual based on arguments you have developed in Step 2 and further information you may have gathered in Step 3.

Start with a call to the company

Particularly if you have an established relationship with the company's provider relations staffer or other representative, it may be best to start by making an informal call to that individual, approaching it as a "routine" business negotiation. After all, the company is in fact a business, and it should come as no surprise that you expect them to negotiate for the services they need to stay in business.

For example, it might be appropriate to note the access problems created by the rate cut having reminded your contact of the many professional services you already have successfully provided to plan subscribers.

Write the company a letter or e-mail

If the straightforward business approach is unsuccessful, move to the next level of action by mixing your negotiating strategy with certain advocacy strategies. Putting your arguments and concerns about access issues into a letter or email is important at this point.

American Psychological Association Practice Organization

750 First Street, N.E., Washington, DC 20002-4242 • (202) 336-5800 • APApractice.org



AMERICAN
PSYCHOLOGICAL
ASSOCIATION
PRACTICE
ORGANIZATION

Be concise and clearly lay out your arguments and positions in taking issue with the rate cut. Remember that your audience may well be an overworked insurance company employee with limited time to read your correspondence.

Copy state and local psychological associations to which you belong on any communications to the company. Doing so lets them know of members' responses to the rate cut.

Copy your state insurance commissioner and other appropriate regulatory agencies, as well as state legislators. Taking this action shows that you know who else to complain to if the company is not responsive. Your state or local association will be able to guide you as to which government agencies or officials are likely to take an interest in the matter.

Be persistent; follow up. Some companies seem to assume that most providers who complain will eventually drop the issue if the company is not responsive. While taking care not to alienate the people at the company with whom you are dealing, make it clear that you are willing and able to keep at it until you believe that some resolution has occurred.

Let the company know if you plan to change your role on the panel.

When acting on your own in response to a rate cut, you are constrained only by the terms of your provider contract, not by antitrust laws. The responses available to you range from reducing the number of referrals you will take from the company to resigning from the company's lower paying networks to terminating your provider contract completely. If you plan on taking any of these actions, check your provider contract first, then warn the company. If the company understands both its potential gaps in access to services and your ability to help the company fill these gaps, it may reconsider how the payment cut applies to you.

If you plan on accepting fewer referrals or not taking any new clients, check to see if your provider contract limits your ability to do so. Some contracts require that if you are on the panel, you must take new patients that the company refers to you under certain circumstances. Even if your provider contract has such a provision, you may still be able to argue successfully that: you already have a full workload and you are not willing to put in extra hours to treat the company's patients at a reduced rate; and/or, that your contracts with other managed care companies contain similar clauses but you are giving priority to the

companies with higher rates.

Advising the company that you will be forced to discontinue your participation in the network can be an effective bargaining tool, but **avoid indicating your intention to do so unless you plan to carry through.** Otherwise, your effectiveness to negotiate with the company on this issue and any issue in the future will be severely compromised. Before resigning, check the termination provisions in your provider contract to make sure that you give the proper notice. If you do leave, use your letter of resignation to send a strong message to the company, state agencies and legislators about the negative impact of the rate cut. Be sure to keep a copy in case the company subsequently fails to remove you from its network listing or to reimburse you at a higher out-of-network rate.

Before taking the middle approach of discontinuing your participation in some but not all of the company's networks, check your provider contract first for an "all products" clause that states that you must participate in all of the company's products or networks. Such provisions are unenforceable in states such as Virginia.

NOTE: This article and sidebar do not constitute legal advice. If you need a legal opinion, you should retain an attorney in your jurisdiction with appropriate experience.

The discussions of antitrust law are merely a simplified overview of this highly complex area of law. Antitrust law is highly fact-specific and therefore you cannot rely on general guidance like this document. Moreover, antitrust law is less clear than many other areas of law in terms of what exact activities are prohibited and what will lead to prosecution. Antitrust liability can be substantial, and even successfully defending an antitrust investigation or case could be a considerable drain on your resources.

Contacting the APA Practice Organization for Further Assistance

If you have questions or need further assistance with managed care rate cut issues, contact legal and regulatory affairs staff for the APA Practice Organization at 1-800-374-2723, ext. 5886, or send an email: praclegal@apa.org.

American Psychological Association Practice Organization

750 First Street, N.E., Washington, DC 20002-4242 • (202) 336-5800 • APApractice.org



AMERICAN
PSYCHOLOGICAL
ASSOCIATION
PRACTICE
ORGANIZATION

Acting In Light of Antitrust Law

Antitrust law governs competition in the marketplace. Economic competitors, whether giant oil companies or individual psychologists, cannot get together and agree on the prices they will charge (price fixing) or band together and boycott a purchaser in order to affect prices (boycott).

Consider the following information related to antitrust law when planning to take action on rate cuts by managed care companies:

Acting on your own. Antitrust concerns generally do not apply to individual psychologists or practice groups such as partnerships dealing on their own with managed care companies about fee issues. For example, individual psychologists are always free to decide what company rates they will or will not accept, or to set their own rates (though a company may not pay those rates, even if the psychologist is out-of-network). Individual psychologists are also free to cease their participation in the company's network if they object to a rate cut, and to advise the company of their intention to do so.

Acting with other psychologists. Antitrust issues arise once you communicate with or take concerted action with other psychologists who are your competitors in the marketplace. You must exercise great caution to avoid the risk of violating antitrust law.

Steer clear of the following situations:

Price Fixing: Avoid any communications or agreements with competing psychologists that would suggest a joint agreement – for example, a price fixing arrangement where everyone agrees on the minimum rate they should accept from the company or what payment amount constitutes an appropriate rate. Mere discussions about acceptable fees from a managed care company or about the fees you set for your services can create antitrust risk, even if you have no intention of actually agreeing to fix prices.

Boycotts: Avoid any explicit or implicit threats that a group of competing psychologists will boycott the company in an attempt to influence rates. While antitrust law does not define "implicit threat," you should steer clear of suggesting that you are calling for other psychologists to join you in leaving the network.

American Psychological Association Practice Organization

750 First Street, N.E., Washington, DC 20002-4242 • (202) 336-5800 • APApractice.org



A Matter of Law: Managing Your Managed Care Contracts

Whenever a psychologist signs a provider contract to deliver services to managed health plan subscribers, it creates obligations that have the force of law. Contract provisions sometimes prove problematic for practicing psychologists.

Beginning with some general advice on managing contracts, this article highlights several contract terms of particular interest to practitioners and offers tips for handling provisions that may pose difficulties or challenges.

A FEW GENERAL POINTERS

The following pointers offer some general guidance for managing your contracts with managed care organizations (MCOs):

Review a contract thoroughly before you sign it.

Do not assume that all MCO contracts governing health professionals' services are alike. Contracts tend to differ from one to another regarding at least a few of the terms. Read every provider contract carefully and make sure you know what the terms mean—and that you are willing and able to meet them—before you sign a contract.

Psychologists sometimes wonder if there is any leeway when they sign a contract to modify a provision that they find objectionable, for example, by striking through it and signing their initials. Companies typically expect health professionals to agree to a provider contract in its entirety without changing any of the terms. However, if you don't like a particular term, you can ask the MCO whether it is possible to modify or delete it.

Always have a copy of your contract with an MCO readily accessible.

Psychologists sometimes do not keep track of their provider contracts and therefore cannot readily refer to the document when a conflict with the MCO arises. Yet simply reviewing the contract may reveal that the disagreement should be resolved in the psychologist's favor.

For example, practitioners facing fee increases may think they have not been given adequate notice of the increase. A review of the contract will show whether the MCO honored the psychologist's contractual rights to notice.

It is also important to keep track of and maintain any amendments to the contract that you may receive from insurers.

Keep a copy of all materials that are incorporated by reference into the contract.

Provider contracts frequently incorporate by reference policy manuals or other documents. For example, your contract may refer to a separate document identifying procedures that are considered "medically necessary." It is important that you receive and maintain a copy of these documents along with the contract and that you are aware of the terms and provisions in these supplemental documents, as they are considered part of your contract.

Be aware of state governmental entities to which you can report an MCO's unfair practices.

Your state insurance commission, or similar state agency responsible for overseeing contracts issued by MCOs, routinely addresses health professionals' complaints about their contracts with MCOs and may be willing to help you resolve conflicts. Whenever you send a complaint letter to the MCO, send a copy to the state insurance agency as well.



'NO CAUSE TERMINATION' FROM THE MCO PROVIDER PANEL

In considering whether to enter into a provider contract, psychologists need to be aware of the fundamental distinction between "for cause" and "no cause" terminations. There are certain items listed in the contract that are identified as constituting grounds for terminating the provider "for cause" if he or she does – or fails to do – these items. It is crucial for psychologists to be fully aware of terms related to "for cause termination" before signing a contract and be prepared to abide by them.

Some contracts have what are called "no cause termination clauses." These clauses allow an MCO to terminate a contract without giving you any reason for doing so, usually with a certain number of days notice.

"No cause" terminations typically are used when a company determines that it is no longer in its business interest to continue contracting with a particular party. Organized psychology has long challenged no cause terminations as inappropriate for contracts where the delivery of health care services is involved, given the relationship between the health professional and his or her patient and the quality of care issues at stake when continuity of care is disrupted.

It is difficult to fight a no cause termination because you are left without any "due process" from the insurance company: it is able to terminate you without any reason. As a result, you can't argue with the company about whether a particular ground for termination was legitimate.

Some states have found no cause termination provisions to be contrary to public policy and have passed legislation prohibiting such provisions in provider contracts. You should check to see if such a law exists in your state.

CONTINUATION OF PATIENT CARE

There is another important matter for psychologists to be aware of related to terminating their relationship with an MCO. Practitioners should know in advance whether they

are contractually obligated to continue providing services to patients covered by the MCO for a specified period of time (for example, 90 days) after their relationship with the company has terminated, or at least until the patient is transitioned safely to another health professional's care.

PATIENT RECORDKEEPING REQUIREMENTS

Your contract may specify the length of time for which you need to keep patient records. It is important to keep in mind that, regardless of whether or not contractual requirements apply, you may be obligated by state law and/or ethical and professional guidelines to keep these records for a certain period of time. The APA Practice Organization asserts that professional standards should guide individual psychologists in determining what patient records to keep. Nonetheless, some provider contracts entail additional patient recordkeeping requirements. In situations where a contract includes requirements that are more onerous than professional standards would suggest, keep in mind that if you sign the contract, you are bound by these recordkeeping requirements.

If any of the recordkeeping requirements are unclear, you may want to ask for clarification or check to see if any the MCO's provider manual or website provides adequate guidance.

Remember that if you keep psychotherapy notes as defined by the Health Insurance Portability and Accountability Act (HIPAA), a health insurer cannot demand to review these notes.

RETROSPECTIVE AUDITS OF PATIENT RECORDS

Many provider contracts give the MCO the right to audit a psychologist's established patient records for quality control purposes or fraud and abuse detection. There have been instances where companies go beyond what their contract or state law allows when conducting retrospective audits.

The APA Practice Organization was involved in a prime example of this activity when the organization, along with



the New York State Psychological Association, intervened in a retrospective audit conducted by Oxford Health Plans in 2003. Psychologists in the New York area were required to turn over to Oxford's auditors a sample of patient records dating back as far as seven years. These audits resulted in practitioners being directed to refund monies to Oxford due to alleged deficiencies in recordkeeping. Following organized psychology's advocacy on behalf of practitioners, Oxford ultimately backed off from its repayment demands, and the company returned refunds that health professionals already had paid.

If you face a retrospective audit that you consider excessive, you should check your contract and provider manual, as well as relevant state laws, to determine whether the company is going beyond what the contract or law allows.

PROMPT PAYMENT LAWS AND RELATED CONTRACT PROVISIONS

Many states have statutes or regulations specifically requiring MCOs to pay within a designated amount of time after receiving "clean claims" that contain all the information needed to process that claim. For example, an Ohio statute requires that an insurer pay health professionals for their clean claims within 30 days of receipt.

Check your state laws regarding prompt payment and make sure that your contract's payment provisions match state law requirements.

CLAUSES GOVERNING CHANGES TO CONTRACT TERMS

Payment rate changes and other modifications to contract terms bring into play provisions in the contract itself that govern how the MCO can change terms of the provider contract.

In general, contracts may either indicate that the company may make changes to the contract unilaterally – that is, on its own without the provider's agreement – or that changes must be agreed to by the MCO and the health professional. You should know before signing a contract what provisions of the contract an MCO may change on its

own versus any changes in which you would have a say as a party to the contract.

Unilateral changes usually require some degree of notice, and psychologists should be mindful of the notice an MCO is required to give. For example, a contract may obligate the company to give written notice 60 days before a contract change takes effect.

Another important issue is what can the psychologist do in response to a proposed change. Provider contracts sometimes allow the psychologist to formally object to a proposed change, but by taking this action the psychologist may be considered by the contract terms automatically to have resigned from the provider panel.

Other provider contracts allow the health professional to object to and block any changes to the contract. In response to a psychologist's doing so, however, the company may elect to remove an objecting psychologist from the panel after the designated notice period by using the contract's termination provision.

If an MCO proposes a change in your provider contract that you consider unsatisfactory, check your contract to determine whether you received proper notice and what will happen if you object to the change.

Please contact the Practice Directorate's Office of Legal and Regulatory Affairs at 202-336-5886 if you have any questions or concerns about your provider contracts with managed care companies. While we cannot provide legal advice to individual psychologists, we can tell you about legislation or legal actions related to your contract issue.

PLEASE NOTE: *Legal issues are complex and highly fact-specific and require legal expertise that cannot be provided by any single article. In addition, laws change over time and vary by jurisdiction. The information in this article should not be used as a substitute for obtaining personal legal advice and consultation prior to making decisions regarding individual circumstances.*



Learn to Speak the Language of Business

Whether you are talking to your accountant about your practice finances, negotiating a contract with a payer, or providing organizational consultation, understanding and speaking the language of business can help you communicate more effectively and achieve your goals. This article highlights simple ways to build your knowledge base about business aspects of your practice.

RECOGNIZE THE BENEFITS

The health care system's growing complexity is increasing the need for practitioners to be familiar with business concepts. While many psychologists who work in hospitals and other institutional settings grapple with organizational and larger systemic issues on a daily basis, even those psychologists in solo independent practice find that they must deal with business issues such as budgeting, contracts, billing and marketing. For psychologists functioning in this complex environment, learning to speak the language of business can have a variety of benefits.

Communicate more effectively – Chances are you interact with a variety of business and financial people who affect your practice. When you deal with managed care representatives, accountants, hospital administrators, or practice consultants, having a firm grasp of business concepts and terminology will help you communicate your needs more clearly, give constructive feedback, and provide others with the information and resources they need. In turn, this will streamline your interactions, reduce the likelihood of conflicts and misunderstandings, and increase the chances of a positive outcome.

Understand and manage the business aspects of your practice

Even though you may turn to consultants for expert guidance or outsource some of your business functions, it may not be in your best interest to completely relinquish decision making about your practice to non-clinicians. Understanding the language of business will help you build and maintain a successful practice by integrating business data with the clinical, legal, and ethical aspects of your practice.

This in turn allows you to make better decisions about finances, staffing, marketing, and business strategy.

Tap into new markets – Increasingly, psychologists are finding innovative ways to apply their expertise in human behavior outside of the traditional mental health realm. Branching out, whether by entering the business world via organizational consulting or executive coaching, or launching a new business venture requires psychologists to be well schooled in the language of business. Developing your business vocabulary can be the first step in starting to think like a businessperson and an entrepreneur.

Advance your career – At some point in your career, you may want to shift the nature of your work, take on additional administrative responsibilities, or make contributions at a larger systemic level. Psychologists who have developed their business competencies are well suited to leadership positions such as heading up a department or facility, running a larger group practice, or starting a new business.

DEVELOP YOUR KNOWLEDGE BASE

Learning to understand and speak the language of business often requires that psychologists access new resources and create a new frame of reference – that of a businessperson. Thinking like a businessperson is not meant to replace the foundation you have developed during your education, training, and experience as a psychologist. Rather, it should provide a new tool that will enhance your ability to successfully provide high quality psychological services. Below are a few simple steps you can take to get started.

Read – Keeping up with the latest psychology literature can be extremely time consuming, especially with today's busy schedules. As a result, many psychologists rarely venture outside the world of psychology. Picking up the latest busi-

American Psychological Association Practice Organization

750 First Street, N.E., Washington, DC 20002-4242 • (202) 336-5800 • APApractice.org



ness books and browsing relevant periodicals are great ways to build your business vocabulary and knowledge base.

Talk to non-psychologists – As psychologists, like many other professionals, we spend a lot of time talking among ourselves. Despite the diversity of perspectives within our profession, this somewhat cloistered existence can inadvertently result in missing important information and opportunities that may ultimately facilitate successful practice. Getting out of the office and talking to business people, networking with other professionals, and joining organizations such as the local Rotary Club, chamber of commerce, or small business owners association can expose you to a variety of business related topics.

Ask questions – When business concepts or terms come up that you don't understand, don't hesitate to ask trusted sources to explain or clarify. In addition to asking friends, colleagues, and family members, use your consultants

(e.g., accountant, attorney, graphic designer) as resources to help build your knowledge base. After all, you pay them for their expertise.

Use the Internet – A wealth of business knowledge resides on the Internet. Utilize search engines and reputable websites to research unfamiliar business territory and fill in your knowledge gaps. See the *Additional Resources* section below for a selection of Web resources to help you get started.

Take a course – You don't have to go to business school to start building your basic business competencies. Many colleges and universities will let you register for or audit a single business course and may even offer weekend and evening seminars or online courses. Similarly, local community colleges may offer basic business courses through their adult education programs. And small business associations and other community business groups often offer seminars and workshops at low or no cost.



AMERICAN
PSYCHOLOGICAL
ASSOCIATION
PRACTICE
ORGANIZATION

HELPFUL RESOURCES

Books

Collins, J. C. (2001). *Good to Great: Why Some Companies Make the Leap... And Others Don't*. New York: Harper Business.

Covey, S. R. (1990). *The 7 Habits of Highly Effective People*. New York: Free Press.

Drucker, P. F. (2004). *The Daily Drucker: 366 Days of Insight and Motivation for Getting the Right Things Done*. New York: Harper Business.

Perrott, L. A. (1999). *Reinventing Your Practice as a Business Psychologist: A Step-by-Step Guide*. San Francisco: Jossey-Bass.

Periodicals

Business Week <http://www.businessweek.com>

Fast Company <http://www.fastcompany.com>

Fortune <http://www.fortune.com>

Harvard Business Review www.harvardbusinessonline.org

Inc. <http://inc.com>

The Wall Street Journal <http://online.wsj.com/public/us>

Websites

Quicken Small Business

http://www.quicken.com/small_business/

Rotary International <http://www.rotary.org>

U.S. Chamber of Commerce <http://www.chamberbiz.com>

United States Small Business Administration

<http://www.sba.gov>

United States Small Business Administration Local SBA Resources <http://www.sba.gov/regions/states.html>



Increasing Referrals from Other Professionals: A Step-by-Step Guide

In the current marketplace, good clinical skills and solid credentials are necessary, but not sufficient, to create and sustain a flourishing psychology practice. Today's psychologists must also be confident and competent in their professional relationships and activities.

A network of strong referral sources can be instrumental in sustaining or helping to grow a practice. This article summarizes important steps you can take to improve your effectiveness in developing and maintaining referrals from other professionals.

Step 1. Getting Started

Understanding Your Practice. Before identifying promising referral sources, you must first examine the internal workings and current direction of your own practice.

Consider the following questions:

- What are your areas of competence?
- What client populations do you usually work with (e.g., children, families, college students, organizations)?
- What mix of services do you provide? Consider how frequently you offer each service, as well as which services generate the most revenue for your practice?
- What payers do you work with (e.g., Medicare, Medicaid, insurance panels, self-pay clients, attorneys, employers)?
- What setting(s) do you work in (e.g., private practice office, shared suite with other professionals, professional building, hospital, school, college counseling center)?
- Are there areas of practice that you want to expand upon or transition into?

Gathering Materials. Another important part of getting started is to create and organize the tools that will help you build a stronger referral network. In creating new materials, remember to be creative, distinctive, and concise. Also be sure your materials consistently reflect the professional image you want to convey. In addition to a 30-second sound bite that concisely explains who you are, what you do, and the benefits your services provide, the following tools can help you start making connections:

- Business card
- Practice brochure
- Practice website
- Letter of introduction

Step 2. Finding the Right Referral Sources

Now that you have done some preparation, it is important to think about what types of professionals would be good referral sources for you. Your answers to the questions in *Understanding Your Practice*, above, will aid you in this process.

Given the characteristics you identified, consider the types of professionals that serve or interact with your target clientele or influence their decisions to seek the type of services you offer. Also think about the types of professionals you have access to, either by proximity, or via your participation in professional and community activities.

Examples:

- Health psychologists may want to make contact with nurse-practitioners, internists, family physicians, and specialists, such as cardiologists and oncologists.



- Psychologists who work with children and families might connect with professionals in local schools, such as principals, counselors and teachers, pediatricians, local religious leaders, and case workers from county social service agencies.

- Forensic psychologists would likely seek out attorneys, judges, local and state law enforcement officials, and probation officers.

- Psychologists working in counseling centers might build connections with fraternity and sorority leaders, student activities committees, RAs, athletics/coaching departments, academic support services, and campus health clinic staff.

After identifying the types of professionals that are likely to be good referral sources, you next need to get specific names. Here are some examples of where to go to find the names of professionals in your community:

- Look in the local Yellow Pages under the area of interest.
- Go to your city or community webpage to look up listing of local professionals or professional groups.
- Flip through local newspapers, magazines, and promotional mailings to see who is advertising in them.
- Visit insurance company and professional association websites or directories to identify professionals in your area. Many websites will let you search by zip code and specialty.
- Use Internet search engines and type in the type of professional you are looking for and your zip code or community name.

Step 3. Initiating Relationships

Once you have found the referral sources that you want to link up with, think about how you can reach them and what to do when you connect. The general rule in terms of effectiveness is: in-person over phone, phone over letter, letter over e-mail.

The more personal the connection, the more memorable it will be. However, as personal visits are not always feasible, written communication with a follow-up phone call can be a good substitute in some cases.

Making contact:

- Attend community events and professional association meetings.
- Visit their offices.
- Invite them to lunch.
- Give free lectures on topics in your areas of expertise.
- Join the local chamber of commerce or small business association and participate actively.
- Host an open house at your practice and invite the professionals you identified.
- Send a letter of introduction, along with a business card and a copy of your brochure.
- Send a postcard announcing new services you offer, articles or information you have added to your website, or upcoming speaking engagements.
- Have a presence on the Internet. As more potential clients and referral sources go online to look for professional services, it is increasingly important to have a website and to be listed in a locator service.

What to do:

- Introduce yourself. Opportunities may be fleeting, so use your sound bite.
- Use your skills as a psychologist. Rather than come across like a salesperson, listen to their needs and focus on the way you can help.
- Exchange business cards. This helps new contacts remember you and gives them information about how to



contact you. Collecting their cards also helps you keep track of your new contacts and puts their contact information at your fingertips.

- Follow up with new contacts. Send a quick email or mail them a copy of your brochure along with a handwritten note. To jog their memory, include a reference to where you met them or the topic you discussed. Invite them to contact you if you can ever be of assistance.
- Be personable and concise. Professionals are busy, just like you are, so stick to the point, but not at the expense of being unfriendly. Remember, this is about building relationships.
- Keep track of your contacts. After meeting someone, write a note to yourself including when and where you met them, what you talked about and any other important points of information. When you are at an event or out in the community, jot these notes down on the back of the person's business card for easy reference.
- Stick with it. Set aside a certain amount of time each week to build your network of referring professionals. Track the sources of your referrals and adjust your efforts, as needed.

Step 4. Maintaining Relationships

Now that you have made the initial connection (which is half the battle), your efforts can become that much more focused. Continuing to seek out new referrals is important, but do not neglect the referral sources that you have built over time.

Keeping the momentum going:

- Communicate regularly. Don't let too much time go by without being in touch with your referral sources. Depending on your relationship with a particular individual, call, email, send a follow-up letter, or meet for lunch periodically to build and maintain the relationship.
- Express your gratitude. When professionals begin to refer to you, call to thank them personally. If someone refers to you regularly, be sure to periodically let that person know you appreciate him or her sending business your way. During the winter holidays, send a card or a nominal token of thanks.
- Make referrals to your referral sources. Your contacts will view their relationship with you as mutually beneficial and will be more likely to reciprocate.
- Grow your referrals exponentially. Once you have an established relationship with a referral source, consider asking them to send information to, or put you in touch with, other professionals they know who might be interested in your services. In some cases, your referral sources may even be willing to put a stack of your business cards and brochures in their waiting area.



Tools for Identifying and Understanding Your Target Clientele

Whether you are exploring a new practice opportunity, monitoring current trends to make sure your services are meeting emerging needs, or creating promotional materials for your practice, understanding your target market is an important part of reaching the clients who could benefit most from your services. This article provides a basic framework for identifying the characteristics of your target clientele and includes a worksheet that can help you more effectively focus your marketing efforts.

Market Segmentation

To generate a steady flow of clients and build a thriving practice, you need sufficient information about your target market. Understanding who your potential clients are, where they come from, and what characteristics they share will help you both develop services that will meet their needs and communicate with them effectively.

Although each potential client is unique, it would be impractical to custom-tailor your promotional materials and marketing communications to each individual. However, this individual variability frequently renders the mass marketing approach, whereby a practitioner tries to use a single marketing strategy for all potential clients, ineffective.

Somewhere in the middle ground lies a more effective approach: market segmentation. Dividing the market into distinct groups of potential clients with common characteristics allows you to focus your marketing efforts on the segments that are most likely to respond to your marketing communications, seek your services and benefit most from them.

Using market segmentation and focusing your communication efforts on key groups does not require you to restrict your clients to these groups. Rather, this approach simply serves as a generalization to help you focus your market-

ing efforts and communication to make effective use of your resources and reach the people who could benefit the most from your services.

General Categories of Data

Demographic Characteristics -- Since issues, preferences and usage patterns vary along a variety of personal characteristics, identifying factors such as age, gender and ethnicity can help you more specifically address the needs of your target market. A potential client's family characteristics, such as marital status, family size and structure and the stage in the family life-cycle (e.g., single, married with young children, college-age children leaving home, retired with chronically ill partner) are also important to understand, since they can affect needs, issues, priorities, preferences, and usage patterns.

Socioeconomic Characteristics -- Household income and related variables, such as level of education, social status and occupation, can also influence potential clients in terms of the way they make decisions about seeking and utilizing services, what type of information they want, and how they evaluate their options. Socioeconomic factors can also shape whether people select a provider based on cost, value or quality and whether or not they can afford your services.

Geographic Characteristics -- Knowing where your potential clients live, work, shop, attend school and engage in recreational activities can help you identify effective ways to reach them. Defining the geographic area (e.g., county, city, neighborhood, zip code) allows you to identify the marketing opportunities and communication channels available and focus your promotional efforts in those areas. For example, if most of your clients live in a few specific neighborhoods, it may be more effective to advertise in the local community newspaper or directory listing, rather than in the larger city newspaper that serves the

American Psychological Association Practice Organization

750 First Street, N.E., Washington, DC 20002-4242 • (202) 336-5800 • APApractice.org



metropolitan area. Knowing whether people are relatively settled or relocate and change jobs frequently can also shape your marketing approach.

Psychographic Characteristics -- How potential clients see you, the services you offer and the people who seek those services has an important bearing on how you market your practice. What your target clientele values (e.g., positive relationships, achievement, independence, personal growth and development, status) will influence the type of communications they attend to and the way they respond to your marketing efforts. Understanding the subgroups that your potential clients identify with and their general lifestyle (i.e., the way they allocate time and money and the types of activities they value) will also help you communicate effectively with them and provide services that meet their needs.

Service-Related Characteristics -- Understanding when and under what circumstances prospective clients access services, how ready they are to make changes in their lives, and their most likely usage patterns will inform your marketing efforts. Similarly, factors such as how your target clientele finds out about available services, how well informed they are, who influences their decisions and choices, and who the typical referral sources are also have important implications for how you communicate with them. *Note: In the health care system, where a third-party payer is often involved and the client does not directly pay for the service, it is also be important to identify the relevant characteristics of the payer.*

Tools You Can Use

Use the worksheet that accompanies this article to create a simple profile you can use as a reference tool when planning your marketing strategy, creating promotional materials, developing new services, or evaluating new practice opportunities.

Start out by reviewing each characteristic for your current clients. Identify the ways the clients you see cluster together in distinct groups and create a generalized profile for each segment. Enter each profile in one of the worksheet columns and note the percentage of your total client base that each segment represents.

If you are just building a client base or are evaluating a new opportunity, contact local government agencies and business associations about the availability of demographic data for the geographic area you will serve.

For a segmentation strategy that will best fit your particular practice, be sure to customize the worksheet by adding other relevant characteristics specific to your geographic area, client population, or services offered and update this profile annually.

Marketing Tools:**Target Clientele Worksheet**

APApractice.org

This worksheet is intended to accompany the article, "Tools for Identifying and Understanding Your Target Clientele," available at APApractice.org.

	Segment 1 % of Total Market	Segment 2 % of Total Market	Segment 3 % of Total Market
Demographic Characteristics			
Age			
Gender			
Race/Ethnicity			
Cultural Identity			
Marital Status			
Family Size			
Family Structure			
Stage in Family Life Cycle			
Other:			

Socioeconomic Characteristics			
Education			
Occupation			
Household Income			
Social Status			
Own/Rent Home			
Other:			

Geographic Characteristics			
Home (neighborhoods or zip codes)			
Length of Time at Current Residence			
Work (neighborhoods or zip codes)			
Length of Time at Current Job			
School (neighborhoods or zip codes)			
Shopping (neighborhoods or zip codes)			
Leisure Activities (neighborhoods or zip codes)			
Other:			

Psychographic Characteristics			
Core Issues/Problems/Diagnoses			
Lifestyle (allocation of time and money and activities valued)			
What Clientele Values (e.g., relationships, personal development)			
Sources of Motivation			
Religious/Spiritual Beliefs and Practices			
Hobbies, Interests and Leisure Activities			
Subgroups Identified With			
Media Most Frequently Exposed To			
Patterns of Internet and Email Use			
Other:			

Service-Related Characteristics			
Where and How Clientele Obtains Information About Available Services			
How Well Informed Clientele Is About Issue or Service			
User Status (non-user, first-time user, regular user)			
Frequency of Service Use			
Intensity of Service Use			
Typical Time of Service Use			
Circumstances That Typically Trigger Service Use			
Readiness for Change			
Who Influences User's Decision to Access or Utilize Service			
Factors That Influence Choice of Provider			
Payer (self-pay, Medicare, Medicaid, HMO, PPO, EAP)			
For Payer Other Than Self-Pay, Describe Characteristics			
For Payer Other Than Self-Pay, Describe Relationship to User			
Typical Referral Sources			
Other:			



Tools for Tracking Your Client Sources

This article offers guidance for tracking your client sources, concluding with a worksheet to assist with this important process.

Keeping track of how clients reach your practice provides vital data that can help guide marketing efforts to help you build a successful practice. A lot depends on your primary source(s) of clients:

- If most of your referrals come via recommendations from current or former clients, you may want to find ways to facilitate those connections -- such as continued contact with clients through print or electronic newsletters and making your promotional materials easily accessible by placing them in your waiting room.
- If your referral stream comes primarily from colleagues or other professionals, make sure you keep in regular contact with those sources.
- If you have placed advertisements in local media, handed out practice brochures, or taken out a listing in the yellow pages or other directory, be sure to keep track of which ones get results.

Similarly, identify any potential referral streams you are not tapping into -- such as contacts made through public speaking engagements, community involvement, or professional associations. Consider bolstering your efforts in those areas.

Some Tips on Tracking

A few more tips to help you track and manage your referrals effectively:

- During your initial contact with new clients, collect data about how they found out about you. This can be as simple as adding one question to your intake form or just asking.
- Organize and summarize the data. You can track this manually, or use practice management software, a database, or a spreadsheet to automate the process. This summary will be a valuable tool when you are working on your business plan, evaluating and refining your marketing efforts, or creating an advertising plan to help you reach new clients who could benefit from your services.
- Review your overall referral patterns. If more than 20 percent of your referrals come from one category, make sure you are actively working to build and maintain this source. You might also consider diversifying your referral streams to protect yourself from any major changes that could adversely affect your revenues.

Tools You Can Use

Use the following worksheet to track your referrals. You can use it to keep a handwritten record of your referral sources, or you can download the Excel version from APApractice.org, which will automatically calculate and graph the percentages for each category.

The content of these tools is based in part on an earlier version of this material contained in the APA Practice Directorate publication, "Business Strategies for a Caring Profession."

Referral Tracking Form



Instructions: In the shaded boxes under "Data Entry" below, enter the number of client referrals you have received from the sources listed. In the "Data Summary" section, compute the percentages according to the instructions for each category and enter the result in the appropriate shaded box.

Data Entry

Referral Source	# of clients	Referral Source	# of clients
Individuals		Contacts Made Through Other Activities	
1. Self-Referral		37. Teaching	
2. Current Client		38. Community Involvement	
3. Former Client		39. Speeches/Presentations	
4. Other Psychologist		40. Articles/Writings	
5. Primary Care Physician		41. Group Memberships	
6. Internist		42. Volunteer Activities	
7. Pediatrician		43. Professional Association	
8. Oncologist			
9. OB/GYN		Advertising	
10. Other Physician		44. Yellow Pages	
11. Social Workers		45. Printed Directory Listing	
12. Nurses		46. Electronic/Web-based Directory Listing	
13. Clergy		47. Website	
14. Pharmacists		48. Brochure	
15. Teachers		49. Newspaper	
16. Principals/School Counselors		50. Radio	
17. Attorneys		51. TV	
18. Judges			
19. Other (List Here):		Other Sources (List Here)	
		52.	
		53.	
		54.	
		55.	
		56. Total = Sum of items 1 through 55	
Businesses			
20. Employers			
21. EAPs			
22. Business Associations/Groups			
23. Other (List Here):			
Healthcare/Social Service Organizations		Data Summary	
24. Emergency Rooms		How your clients find out about you	
25. Non-Physician Staff			
26. Outpatient facility			
27. Community-Based Mental Health Agency			
28. Social Service Agency			
29. Formal Referral Service			
30. Other (List Here):			
Managed Care Organizations			
31. HMO:			
32. HMO:			
33. PPO:			
34. PPO:			
35. PPO:			
36. Other (List Here):			

%	Source
	Self-Referral = (Item 1 divided by item 56) x 100
	Clients = (Sum of items 2 and 3 divided by item 56) x 100
	Other Psychologists = (Item 4 divided by item 56) x 100
	Physicians = (Sum of items 5 through 10 divided by item 56) x 100
	Other Professionals = (Sum of items 11 through 19 divided by item 56) x 100
	Businesses = (Sum of items 20 through 23 divided by item 56) x 100
	Healthcare Organizations = (Sum of items 24 through 30 divided by item 56) x 100
	Managed Care Organizations = (Sum of items 31 through 36 divided by item 56) x 100
	Other Activities = (Sum of items 37 through 43 divided by item 56) x 100
	Advertising = (Sum of items 44 through 51 divided by item 56) x 100
	Other = (Sum of items 52 through 55 divided by item 56) x 100



Paid in Full: Tapping Into the Self-Pay Market

Faced with low reimbursement rates, increasing competition from masters-level providers, and the administrative burden of managed care, some psychologists are finding ways to incorporate more full-fee services into their practices. This article identifies several practice areas that provide opportunities for non-insurance-based services and presents a basic framework for tapping into the self-pay market.

WHO PAYS OUT-OF-POCKET?

Although market opportunities exist most everywhere if you offer services that provide value, some practice areas lend themselves more readily to clients who will pay full fee for your services.

- **Forensics** – Because third-party payers typically do not cover areas such as divorce mediation, conflict resolution, and various types of psychological evaluation for the courts, they are a prime market for psychologists seeking self-pay clients. Additionally, in these situations, potential clients are often willing to pay top dollar for high-quality services. As with all professional activities, if you plan to add forensic work to your menu of offerings, be sure you have the appropriate competencies and qualifications.
- **Organizational Consulting** – Expertise in helping individuals, groups, and organizations function more effectively makes psychologists especially well suited to working with clients in the business world. Organizational work can include a wide range of activities, such as coaching a high-potential executive for peak performance, helping a family-owned and operated business address complex dynamics that are negatively affecting company performance, or working with a large corporation to develop new policies and programs to enhance employee well-being and improve organizational performance.

- **Life Coaching** – Opportunities abound to break free of a medical model that focuses on treating illness and “fixing” problems. Many prospective clients are willing to invest in services that will enhance their performance and help them feel better, be more successful, and maintain healthy lifestyles. Psychologists’ existing skills can readily be applied to this positive approach that focuses on health and wellness.

- **Traditional Mental Health Services** – While you might not expect traditional mental health services to be included on a list of full-fee services, there are still clients who will willingly pay out-of-pocket. Their reasons might include a desire to see a specific psychologist who comes highly recommended, a lack of high-quality providers on available insurance panels, concerns regarding confidentiality when dealing with third-party payers, not wanting documentation of treatment to appear in their insurance record, and a belief that high-quality services are worth the financial investment.

TAPPING INTO THE SELF-PAY MARKET

Finding new market opportunities usually requires some effort, but for those psychologists who can find creative ways to apply their skills and meet the changing needs of society, the possibilities are abundant. These basic steps can help you identify and start to develop full-fee practice opportunities.

- **Identify your strengths and areas of interest** – Think both personally and professionally. What types of activities do you excel in? What do you enjoy doing? What professional topics draw your attention? What are your hobbies and personal interests outside of work? When adding new practice activities, try to build on something you are passionate about. You will be most successful in new endeavors if you enjoy your work and find it meaningful and stimulating.



- **Assess the market opportunities** – Identify potential practice opportunities that can help you establish a new niche. What types of services do people want and what are they willing to pay for? Do a quick survey of the popular literature in your area of interest. For example, if you are thinking about pursuing organizational work, skim the latest bestsellers in the business section, magazines like *Fortune* and *BusinessWeek*, and the *Wall Street Journal*. For life coaching, get a quick read on hot topics by browsing the self-help section of your local bookstore. Other useful exploratory activities include conducting Internet searches to look for current trends in your area of interest, talking with others who work in related areas, and attending meetings of relevant organizations. These activities will suggest the issues people are concerned about and what they are willing to spend money on.

- **Evaluate the market realities** - In addition to identifying potential opportunities, you should also assess market realities. What is the likely level of demand for these services? How much competition is there? Is there a target market and if so, can you reach it? What barriers (for example, high start-up costs, necessary competencies, required credentials) will you have to overcome in order to enter the market?

- **Create a plan** – Create or review your business plan. Do the new services you are considering fit with your mission statement? How will internal and external environmental factors identified in your environmental assessment affect your plans? Who are your potential referral sources and how will you reach out to them? How will you market your services? What will it cost to provide these services and how will you finance your new operations?

- **Invest in business development** – Be sure to allocate the necessary time, money, and other resources to developing your new practice area. Devise and follow through with a comprehensive marketing plan that includes a variety of efforts, such as creating and distributing promotional materials, giving presentations to community groups, and conducting outreach efforts with potential referral sources. Even the best ideas may fail if you are unable to reach your target audience and effectively communicate the benefits of your services.



Speaking of Money ...

Historically, economists and other experts have viewed financial behavior as driven by rational and analytic decision-making. In recent years, however, the emerging fields of behavioral finance and financial psychology have emphasized that thoughts, feeling and values affect the way people handle money and make financial decisions.

Although psychologists may view their clients' financial worries as appropriate grist for the therapeutic mill, some may not stop to think about how their own feelings about money affect their practice and their efforts to achieve professional goals.

This article describes some practice-related activities that your attitudes about money can affect. It also provides a list of questions to help you start developing a better understanding of your approach to financial issues.

Getting compensated fairly

- **Setting fees** – While you should consider a variety of factors when determining what to charge for your services (for example, usual and customary rates in your geographic area, the type of services you provide, your qualifications and amount of experience, the length of sessions), your attitudes about money also affect the way you set your fees. Do you promote yourself as a premier service provider and command high rates, go for the average, or resign yourself to accepting lower payment?
- **Using a sliding scale** – Do you adjust your rates and offer other discounts to make your services more affordable, or do you stick with your full fee and offer some pro bono services?
- **Accepting third-party payments** – What types of contractual arrangements do you enter into and what reimbursement rates are you willing to accept? How prompt and active are you in submitting insurance claims and pursuing reimbursement?

- **Challenging claim denials** – How aggressively do you address denials when they occur and how many do you eventually write off as unpaid?

Marketing your practice

- **Doing the work** – Do you actively market your practice through public speaking, networking, and the use of collateral materials such as business cards, brochures, and a website? Do you enjoy “getting out there” and promoting your practice, view it as an unfortunate marketplace reality, feel like you shouldn’t have to expend the effort, or avoid marketing activities altogether?
- **Spending the money** – Do you budget enough for a comprehensive and effective marketing plan or invest the bare minimum? When you make budget allocations or cutbacks, how do you prioritize your marketing activities? Do you feel that your marketing budget is money well spent or view it as a “throw away”? Do you track the results of your marketing efforts?
- **Diversifying your activities** – Do you stick with providing traditional mental health services or have you found new ways to apply your expertise in health and behavior? How actively have you developed and marketed services in a particular niche area? What range of services do you offer and what activities do you charge for? How much risk are you willing to take on in your efforts to branch out into new areas?

Talking to your clients

- **Discussing financial issues** – How comfortable are you talking about fees, billing, collection, and other financial arrangements with clients? Do you actively discuss financial issues as part of the informed consent process when you initiate services and again later, as necessary?
- **Providing clear information** – Do you include a handout in your new client information packet that describes your



AMERICAN
PSYCHOLOGICAL
ASSOCIATION
PRACTICE
ORGANIZATION

policies and practices related to scheduling appointments, cancellations, no shows, the forms of payment you accept, claim submissions, co-payments and other business arrangements?

• **Openly addressing financial difficulties** – Do you actively discuss financial problems such as missed payments when they arise? Are you comfortable engaging in these conversations with clients or do you feel awkward or avoid bringing up the issue? Can you address financial problems directly, while still being supportive and exploring the impact on treatment?

Understanding your feelings about money

Exploring the following questions may help you realize more fully how and why you approach financial issues as you do:

- What key messages about money did you learn as a child?
- How did your role models handle money?
- What are your core values regarding earning, spending and investing?
- Are you intimately familiar with the details of your finances, do you leave them to someone else, or do you tend to avoid dealing with money issues altogether?

• Do you budget and plan for purchases or spend money more impulsively?

• Are you willing to accept more financial risk for potentially higher returns or would you rather play it safe for a guaranteed but lower rate?

• What does money represent to you (for example, success, greed, status, stability)?

• What functions does money serve for you (for example, substitute, tool, benchmark, excuse)?

• Is money frequently a source of stress and conflict in your life?

• Do you feel that the services you provide are valuable? How valuable?

• Are you comfortable accepting payment for your services?

• Have you set professional and financial goals for yourself? Do you have plans for how to achieve them? Do you stick with your plans? Are you monitoring your progress?



Insurance Claims 101: Avoiding Common Payment Pitfalls

If you are like many psychologists, the health of your practice finances is tied directly to the insurance claims process. Beyond outlining how the claims process is supposed to work, this article provides tips for avoiding errors and delays and for handling actions taken by payers that can plague the claims process.

Submitting and following up on insurance claims is one of the most important, yet often time-consuming and frustrating, administrative activities that psychology practices face. Without an organized system for timely and accurate claims submission, the process can be a greater drain on resources, whether you submit claims yourself or use administrative staff.

The recent trend toward electronic claims submission has improved the process for some practitioners. By standardizing data, electronic claims submission can speed up claims processing, reducing the errors and payment delays or denials that are common with manual or paper claims submissions. It is important to recognize that switching to electronic claims submission will trigger compliance requirements related to the Health Insurance Portability and Accountability Act (HIPAA) for those who are not already subject to those regulations.

For both electronic and manual submissions, the claims process generally follows similar steps. Claims processes vary by payer, but the following general outline describes how the system is supposed to work.

Claim Submission

A psychologist submits a claim either electronically or manually to a health plan. Electronic claims are translated or converted into a standard format, while paper claims are scanned or typed into the computer system. If you submit a claim to an intermediary such as a billing service

or clearinghouse, the intermediary typically processes the claim and submits it to the payer.

Claims Adjudication

After the claim data is entered into the company's computer system, it goes through a process called "claims adjudication." The company checks the validity of the claim by comparing it against the coverage and benefit requirements of the health plan. The claim is checked for all of the information necessary to activate payment.

Notification of Adjudication

An explanation, or "remittance advice," is typically sent to the practice describing the outcome of the adjudication process. In addition, an "explanation of benefits" is typically sent to the practice and the insured client outlining the services performed and how the payments have been settled.

If the claim is approved, the company forwards payment to the practice. If the practice uses an intermediary such as a billing service, the health plan may remit payment to the billing service, which will in turn forward the payment to the practice. A claim may be approved but only partially paid; in that case, the payer should provide an explanation.

If the claim is put on hold, the practice may be asked to resubmit the claim with additional information.

If the claim is denied, the practice or intermediary may file an appeal.

Tracking and Payment

The time that elapses between submitting a claim and receiving payment can vary. Generally, electronic claims



AMERICAN
PSYCHOLOGICAL
ASSOCIATION
PRACTICE
ORGANIZATION

take much less time to process than paper claims. One of the benefits of using a billing service or clearinghouse is that these intermediaries may track claims until they are paid, helping to identify and resolve problems in a timely manner. Practices who don't use an intermediary can check on the status of claims by calling the company or checking the company's website.

COMMON PITFALLS

Throughout the claims process, there are many opportunities for errors or delays. Major reasons that payers reject or delay payment on a claim include:

- The health plan didn't receive the claim
- A CPT code is missing or incorrect
- Provider and/or patient identifiers are not included
- The health plan information is incorrect
- The plan does not cover the service

Administrative errors or delays by the payer can also result in processing errors and delays.

AVOIDING PROBLEMS AND MINIMIZING DELAYS

Some of the ways you can help to ensure the accurate processing of your claims and avoid payment delays include:

Before Providing Services

- Review your contract with the health plan regarding the claim submission requirements, preauthorization requirements, fee-schedule and adjudication process.
- Obtain preauthorization (also called pre-certification) if that is required.
- Verify that the patient's insurance covers the service before providing treatment. Ask the company if there are any limitations or restrictions, such as the number of visits or length of the sessions.

When Submitting a Claim

- Use the required forms and check that all claim submissions are completed fully and accurately.
- Follow the payers' requirements for claims submission as described in their contract or provider manual.
- Check your procedure codes and diagnosis codes to ensure they are accurate and, if necessary, HIPAA-compliant.

After Receiving Notification of Adjudication

- Carefully review the notification for accuracy and confirm that you were paid for the correct services, that no diagnosis or procedure codes were changed, and that you were paid the correct amount.
- If a claim is denied and you believe denial was improper, submit a timely appeal letter and ask the insurance carrier for reconsideration.

On a Regular Basis

- Establish and follow a schedule for submitting claims on a routine basis.
- Inquire regularly with the health plan or intermediary about the status of unpaid claims, generally within one month after filing.
- Keep current information on file regarding the terms of your clients' insurance policies.
- Know how to access provider manuals and other documents related to your contract. Many are available online. Read health-plan bulletins and newsletters to keep track of the most current information and be alert to upcoming changes. File documents describing any changes with your contract and provider manual.
- Understand the collection policies required by various payers. For example, while acknowledging that there may be circumstances affecting patients' ability to pay, it can be considered fraud for providers not to collect copayments from beneficiaries.

American Psychological Association Practice Organization

750 First Street, N.E., Washington, DC 20002-4242 • (202) 336-5800 • APApractice.org



Two Final Tips for Problem Resolution

- Psychologists in states with prompt payment laws may be able to use such laws to press insurance companies to pay within the required time. These laws typically require the company to pay within 30 days of receiving a “clean claim” that contains all of the information that the payer needs to process the claim.
- The state insurance commissioner’s office is a potential source of help, especially if there is a pattern of problems or an egregious situation with a payer.



Six Tips for Handling Insurance Claim Denials

Even practitioners who take precautions to avoid insurance payment pitfalls sometimes find themselves faced with a claims denial. Handling denied insurance claims can be a frustrating, time-consuming and complicated process for practicing psychologists and their administrative staff.

Knowing some basic strategies for resolving claims denials can save practitioners time and improve their practice's cash flow. Some basic pointers for handling claims denials are outlined below.

1. Carefully review all notifications regarding the claim

It sounds obvious, but it's one of the most important steps in claims processing. When you receive a remittance advice, explanation of benefits, or other notification from an insurance company regarding a claim, review it carefully.

The notification should indicate whether the claim was paid in full, delayed, partially paid, or denied. If the claim is determined to be "unclean" or contested, follow the carrier's instructions for resubmitting the claim along with any missing or corrected information. (Tip: For pointers on submitting clean claims, read "Insurance Claims 101: Avoiding Common Payment Pitfalls.") If the claim is partially paid or if payment is denied, the notification should specify the reason(s) and outline the specific procedures and documentation required to resubmit the claim or file an appeal.

If the notification is not clear, call the carrier for more information. In addition to eliciting a stated reason for denying a claim, you may find out that the claim was adjudicated incorrectly because of an administrative error on the part of the payer. You might also discover that your submission procedures do not match the company's requirements but that you can make some simple adjust-

ments to your procedures to streamline future claims submissions.

2. Be persistent

If your resubmitted claim is denied and you believe the denial was improper, you may appeal the decision according to the carrier's guidelines. Make sure you know exactly what information you need to submit with your appeal. Keep in mind that appeal procedures may vary by insurance company and state law.

Your appeal should include an explanation of your reconsideration request, along with any necessary supporting documentation, such as a copy of the claim in question and copies of earlier communication to the company about the matter. If your claim is denied on the grounds of "medical necessity," you may need to submit additional information to demonstrate necessity. Be aware that it is crucial to meet your obligations under the Health Insurance Portability and Accountability Act (HIPAA) to protect psychotherapy notes and to provide only the "minimum necessary" information.

You may need to resubmit the claim or file an appeal more than once to reverse a company's decision, but don't give up. Your persistence can demonstrate to the insurance company that you are serious about resolving the problem and getting paid.

3. Don't delay

It is important to submit and resubmit claims in a timely manner, within the timeframe specified by the company or the applicable laws in your state. Otherwise, the claim may be adjudicated based only on the information you already provided, or any requests for reconsideration or appeal may be denied as untimely.



4. Get to know the appeals process

When you submit an appeal, make sure you are familiar with the company's appeals process. When you know your carrier's policies, you are in a better position to respond to the carrier's actions. Keep current information regarding the claims adjudication and appeal processes for each carrier with whom you work. Carriers often include this information on their websites and, if applicable, provide hard copies of the information each time you sign a new contract with them.

5. Maintain records on disputed claims

When you call an insurance company for more information about a claim, keep a record of the information you are given, along with the full name of the representative with whom you spoke. Store this information with other key information about the claim, including: why the claim was partially paid, delayed or denied; the actions your office took to follow up on the claim; and the outcome.

These records can play an important role in future actions, such as taking your appeal to higher levels, submitting complaints to the state insurance commissioner, and/or pursuing subsequent litigation. The records can also serve as a helpful file of sample appeals letters and documentation that can aid your office in avoiding or resolving future claims denials.

6. Remember that help is available

While handling claims denials can be a frustrating process, it can save you time and money in the long run by alerting you to the expectations and requirements of the insurance carriers you contract with. By ensuring that your billing procedures are consistent with the company's requirements, you may be able to reduce the occurrence of rejections and denials in the future. However, if you continue to encounter reimbursement problems with a particular insurance company, contact your state insurance commissioner's office for assistance.

For additional pointers related specifically to Medicare claims, see "How to Avoid and Handle Medicare Claim Denials."