

Miller J. (2007) Who determines value?: Counsellors' fees in a third party funding environment, *Counselling, Psychotherapy, and Health*, 3(1), 115-120, May 2007.



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## **Who determines value?: Counsellors' fees in a third-party funding environment**

### **Abstract:**

Controversy over who decides the financial worth of counselling and psychotherapy is not new. The *Counselling and Psychotherapy Journal* aired discussion of this topic in 2003. It is fuelled by complex issues related to individual aspirations and collective professional allegiance, counsellors' views of marketing and the place of third-party funders in fee-setting structures. The impact of the latter, however, has featured very little in the discussion. In this paper, I use a case study to highlight the prominence of third-party funding and its impact on the value of counselling in New Zealand and suggest that considerations of such funding should be factored into any further discussions on the issue of counselling's financial worth.

### **Introduction**

In 2003, the *Counselling and Psychotherapy Journal* published a number of articles the purpose of which was to encourage professional debate about how counsellors view the way private practitioners charge fees for their service (Feltham, 2003; Friery, 2003; Hawley, 2003; Martyn, 2003). Friery (2003) raised questions about whether it was ethical for counsellors to set their own fees for service when, clearly, there are wide discrepancies in their rates. While much of the article was thought-provoking, the underlying judgemental tone about 'greed' and the clear promotion of the services provided in his place of work, detracted from its usefulness. David Hawley (2003), in response to Friery, chose to ignore the call for a discussion of counsellor motives and, instead, considered how we value ourselves and the profession as expressed in the income we find acceptable. Both writers focused their discussions on the ways that counsellors set fees. Hawley (2003) suggested that counsellors should decide on a reasonable hourly rate by taking into consideration such factors as:

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The location of the counselling – whether there will be sufficient client base.

The location of the counselling – cost of rental.

The maximum number of clients to see – most professional bodies estimate 20 per week.

Allowance for time when clients are not in session – notetaking, letters of referral, accounting etc.

Whether the counsellor will institute a sliding-scale for some clients.

Holidays

Professional development.

Number of clients who may have their fees paid, or subsidised by third-party funders.

Similarly, Martyn (2003) listed individual factors that should form the basis of decisions about fair incomes but added a need to build parity with other professions, for example, nurses, lawyers, social workers and psychotherapists.

While these factors are clearly relevant when a counsellor is in private practice and is able to support his or her work without recourse to public funding, the issue that appears to be overlooked is that hinted at the end of Hawley's list – the impact of third-party funding. It is this impact that I want to explore in this paper.

### **Third-party funding**

Friedson, (1994) argues that the presence of third-party funding for professional work highlights the tensions between the need to provide a conscientious service and the economic interest of service providers. Similarly, Ritchie (1990) notes that even if counsellors win the right to collect insurance payments, their professional autonomy is threatened when it is the insurance companies that decide what services they will pay for. Furthermore, Smith (2003), writing about members of the American Counseling Association, notes that the struggles of many counsellors for professional identity come, in part, in the form of challenges by managed care or third-party funders who don't want to reimburse them. Managed care (and by association, third-party funding) has a number of effects on counselling which include: a decrease in the number of health workers in private practice and an increase in the number working in group practices; a displacement of doctoral-level practitioners for master's-level psychotherapists; an increase in marketing strategies used by therapists; a decrease in use of DSMIV for diagnostic purposes; an increase in administrative paperwork and a curriculum change to incorporate cost-effective therapies (Miller, 2004). Added to this is the fact that when third-party funding is a necessary part of a counsellor's income, the value of counselling, or the price that may be charged for services is determined by the amount of subsidy available.

### **A case study**

In 1995, as an extension of my research into the image of counselling (Miller, 2003) and the ways in which third-party funding influences New Zealand counselling (Miller, 1996), I initiated a survey of counsellors in private practice in Christchurch, New Zealand. This year signalled a time of growth in New Zealand counselling in general and, specifically an increase in the number of counsellors moving into private practice (ibid.,1996). In part, this latter increase was related to changes in government policies that decreased the availability of counselling offered in

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government departments and increased the opportunities for private practitioners to access employee-assistance funding and specific government funding. Examples of the latter included subsidies for counselling provided by the Family Courts, for couples seeking divorce, by the Children, Young People and their Families Agency (CYPFA), for families recognised as having difficulties, by the Department of Social Welfare (DSW), for people who live on a disability allowance, and by the Accident Rehabilitation and Compensation Insurance Corporation (ACC)<sup>1</sup> for people who have been made redundant because of an accident and people who claim to have been sexually abused. The latter funding arrangement is unique to New Zealand and has had dramatic influence on the fees set by New Zealand counsellors (see Miller 1996).

I used a two phase telephone survey to gather my data. Phase One began in 1995 when I used the counsellor advertisements in the Christchurch Yellow Pages to access participants. In 1995, there were 73 such advertisements for counsellors and counselling and mental health agencies. A short, confidential telephone interview was made with these agencies and their counsellors to determine the proportion of their income that came from third-party sources. Sixty (82%) questionnaires were completed. Of these 60, 29 (48%) contained data from counsellors in private practice: 17 (28.3%) were counsellors in full-time private practice and 12 counsellors were in part-time private practice. The remaining 31 (52%) responses were from people who worked in specialist agencies eg., pregnancy help, telephone counselling, sexual abuse survivors group, youth centres and agencies dealing with compulsive gambling. Each of these agencies was counted as one response, however part-time, often voluntary counsellors recorded in these agencies numbered 190.

Phase two was conducted in 2001 at which time the Yellow Pages in Christchurch contained 91 advertisements for counsellors and counselling and mental health agencies. When they were telephoned, 72 (79%) completed the telephone questionnaire which was the same as that used in 1995. Of this 72, 32 (44.4%) advertised under their own name and described themselves as full-time, and 34 advertised within a counselling agency and described themselves as part-time. Agencies were counted as one response, thus there were 40 of these incorporating 10 full-time counsellors and 157 part-time or volunteer counsellors.

During both surveys, counsellors were asked to indicate the proportion of clients whose counselling was funded by third-party funders. The majority of respondents indicated that less than 20 per cent of their funding came from any specific funding provider but there were some for whom more than 50 per cent of their funding came from third-party funding providers.

In 1995, 26 per cent of counsellors surveyed gained more than 5 per cent of their income from third-party funders, in 2001, 20 per cent received more than 50 per cent of their income from these sources (See Table 1). This level of reliance on third-party funding is lower than that recorded by two other surveys of New Zealand counsellors (Paton, 1999 and UCEN, 1994). Seventy-four percent (74%) of respondents to UCEN had ACC-funded clients, accounting for an average of 50 per cent of their income. For Paton, 36.8 per cent of respondents estimated that more than 50 per cent of their funding came from ACC –funded clients (See Table 1). The sample and data

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<sup>1</sup> Although the name Accident Compensation Commission was changed to the Accident Compensation Corporation in 1980 and Accident Rehabilitation and Compensation Insurance Corporation in 1992, the letters ACC have continued to be used by the agency for its title.

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collection procedure for these two surveys were different than this present study. Paton (1999) distributed a written questionnaire (in 1994) to all members of the New Zealand Association of Counsellors who identified themselves as being in private practice and UCEN (1994) conducted a structured interview (in 1993) with a sample of 27 counsellors who had been in a salaried position before entering private practice. These surveys therefore included more full-time counsellors from throughout New Zealand. In Paton's study, 66 per cent worked more than 25 hours, and in the UCEN study, 63 per cent were working full-time.

**Table 1: % of respondents who received more than 50% of their funding from third party funding providers**

Funding provider	1995 % resp.	2001 % resp.	Paton 1996	UCEN 1998
ACC	15	10	36.8	74
CYPFA	1.3	2.0		
DSW	6.6	2.6	7.4	
Family Courts	3.0	4.1	12	
EAP	0	1.4	3.4	
Total	25.9	20.1	59.6	74

While the data in the present study reflect an apparently small level of reliance on third-party funding, when counsellors were asked if they received **any** third-party funding from ACC, the prominence of this funder in determining the value of counselling becomes clearer (Table 2). Most counsellors received some ACC funding in 1995 and this situation continued in 2001 (Table 2).

**Table 2: Percentage of counsellors estimating the proportion of their clients who are funded by ACC.**

	1995	2001
% funding	% Resp.	% Resp.
0 -10	57	67
10-20	8	12
20-30	7	7
30-40	12	1
40-50	2	3
50-60	5	6
60-70	3	0
70-80	5	1
80-90	0	0
90-100	2	3

## **Discussion**

The results for my, and the two national studies, demonstrate the impact of third-party funders on the total income of New Zealand counsellors. All surveys conducted in the 1990s show that private practice counsellors in New Zealand were dependent on funding from third party providers and that the main source of third-party funding was the ACC. The ACC fee-for-counselling-service during the 1990s was set at \$NZ50.00 plus Goods and Services Tax (GST 12.5%) for each of up to 20 counselling sessions with a client. The total amount of funding paid out by ACC for counselling at that time was \$NZ 2.5 million in 1990, \$NZ 5.6 million in 1994 and \$NZ 7.4 million in 1996 (*ACC Injury Statistics 2001 (Second Edition)*). At this time, a small proportion of counsellors were earning more than \$60,000 per annum (Paton noted 10.8% of the group surveyed earned more than \$60,000 gross). The low subsidy provided by the main third-party funder was, I contend, having a determining effect on the value of counselling. Paton (1999) also noted that, since ACC funding is available for clients who have experienced sexual abuse, it is more likely that female counsellors access more of this funding. These female counsellors, therefore, received a lower total income on average.

In 2001, counsellors in private practice began to object to the constraints on their practice set by ACC. Two counsellors in this present study commented, in 2001, that they were not going to re-apply for ACC accreditation and two said that they had not sought this accreditation because they did not agree with the process. In 2002, ACC reported that there were 620 counsellors approved for funded work whereas there had been 750 approved counsellors before the latest re-approval process began (New Zealand Association of Counsellors Newsletter, September 2002: 26). Alongside this finding is a reduction in the total amount of funding paid out by ACC for counselling, from \$NZ 7.4 million in 1996 to \$NZ 6.7 million in 2001 (*ACC Injury Statistics 2001 (Second Edition)*), this despite the fact that the ACC fee-for-counselling-service was raised to \$NZ76.50 (including GST) per hour. Also, during this period, the New Zealand Association of Counselling conducted meetings with ACC personnel, and sought feedback from members on the process and payment structure of this funding (New Zealand Association of Counsellors Newsletter, September, 2002).

Each of these points highlights how difficult it is for New Zealand counsellors to set realistic fees for their service when so many private practitioners rely on the low third-party funder subsidies for work with many of their clients.

## **Conclusion**

While previous debate about setting fees has centred on the practices of individual counsellors, it appears that the profession needs to keep alert to the impact third-party funders have on the value of counsellors as expressed in the income they receive. I have highlighted how during the 1990s, a very high proportion of New Zealand counsellors supplemented their income with funding from third-party subsidies. I have also demonstrated that, while, at the turn of the century, some counsellors started to limit their involvement with ACC, many still have some ACC and other third-party funded clients. The implication of this is that while private practice counsellors may try to set their own fee standard it is still the third-party funders who determine the value of counselling expressed in terms of income. The complexity of setting a fee

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that is reasonable, ethical, comfortable and achievable cannot be underestimated. If the profession is to debate the value of counselling, it must do this by canvassing members and challenging the fee constraints being set by all third-party funders.

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