

# **GUIDE FOR FEE SETTING FOR PROFESSIONAL SPEECH-LANGUAGE PATHOLOGY AND AUDIOLOGY ASSOCIATIONS IN CANADA:**

## **SPEECH-LANGUAGE PATHOLOGY**

*Prepared in 2007 by representatives from the Ontario Association of Speech-Language Pathologists and Audiologists (OSLA), the British Columbia Association of Speech-Language Pathologists and Audiologists (BCASLPA), the New Brunswick Association of Speech-Language Pathologists and Audiologists (NBASLPA) and the Speech and Hearing Association of Nova Scotia (SHANS).*

Private practitioners form an integral part of the health and education systems in Canada. However, because private health care is not common in this country, there is often a lack of knowledge among individual professionals and even associations regarding what fees should appropriately be charged for speech-language pathology services. Unlike most other industries in the Western world where "market value" is clearly established, Canadians are accustomed to viewing health and education services as "free." There is therefore no sure way, at least yet, to effectively determine the "market value" of speech-language pathology services.

Nevertheless, it is imperative that professional associations set appropriate fee guidelines for their members a) to assist them in understanding the business aspects of the profession, and b) to ensure that clients have a basis upon which to evaluate the cost of services they may be considering.

This document will describe the various factors and analyses that associations should consider when determining fee schedules for speech-language pathologists in their jurisdiction.

### **MAXIMUMS, MINIMUMS OR AVERAGES?**

It is considered most appropriate for associations to set maximums for fee levels, rather than minimums or averages. It is inappropriate to set minimum fee levels as this is anti-competitive and therefore essentially against the law. Reporting averages has two problems. First, it neglects to highlight the often great variability in costs in different regions within a province. Second, it runs the risk of confusing or angering consumers if the practitioner they are considering hiring is charging above the average level. It is therefore most prudent to set maximums, based on the highest cost areas of the province, and then allow individual practitioners to set their fees at or below that maximum level according to their own costs and

the value of the service they offer. In Ontario, the regulatory college indicates that practitioners must bill within the provincial association's guideline, but may bill above that level if discussed in advance with the client, if the client is aware that it is above the provincial guidelines, and if the client then expresses agreement. This is a fair policy, allowing for practitioners who command a higher rate to be compensated for their expertise.

### **TIME / SERVICES TO BE BILLED**

Another question that often arises is, what services should be billed? In hospitals and schools, speech-language pathologists are paid for 7.5 hours per day, whether that time involves doing clinical work (e.g., therapy sessions, preparing for sessions, writing progress notes, writing reports, attending team meetings, talking on the phone with family members), administrative work (participating on committees, completing workload statistics, performance evaluations, etc.), or educational work (e.g., supervising students, going to conferences, etc.). As will be discussed later, private practitioners can not bill time spent completing administrative, teaching, research or education activities that aren't associated with any particular client. But they can and should bill the client for time spent working specifically on that client's assessment or treatment. This includes assessment, scoring and analysis, treatment, therapy preparation, caregiver training, phone/email consultations, team meetings, documentation, caregiver training, etc. Some individuals may choose to waive some of the indirect time, but this should be at their discretion. The association should set the maximum level and include all work that is completed on behalf of the client.

Note that this should include travel time. Clients and professionals who work in the public sector often ask why private practitioners charge for travel time. In order to cover salaries and other clinic costs, practitioners need to maintain a minimum number of billed hours each month. Every hour spent driving is an hour the practitioner can't be in the clinic seeing clients. Traveling for free would mean trying to fit more client sessions into the day in order to maintain the required number of billable hours.

Mileage is usually billed in addition to travel time in order to reimburse therapists for their gas, insurance and repairs. Mileage rates are posted by a number of agencies including CAA and Canada Revenue Agency and are based on the costs per kilometer of driving and maintaining a car. In April 2007, rates posted by CAA were; (<http://www.caa.ca/english/tsa/caa%20media%20centre/media%20centre.html>) and rates posted by the Canada Revenue Agency were 44¢ - 50¢ with a 4¢ premium in the territories (<http://www.cra-arc.gc.ca/tax/business/topics/payroll/benefits/automobile/allowance/menu-e.html>). The primary factors that govern where in the range associations should set their rates include geographic trends in gas prices and insurance premiums as well as quality of roads (due to

increased wear and tear on vehicles resulting in higher maintenance costs). For most regions in Canada, these three factors may vary considerably and, as for hourly rates, associations will want to choose a mileage rate that allows for the worst case scenario of high gas prices, high insurance premiums and poor quality roads.

## **FACTORS TO EVALUATE WHEN SELECTING FEES**

As mentioned, there is no such thing as “market value” in Canada, yet, because of our 40 year history of “free” health care. Nevertheless, there are three important areas for associations to analyze when determining their fee schedule: value to the client, cost to offer the service, cost of other products and services.

### **1. Value to the Client**

In the speech-language pathology profession, client value is the primary driver of fees. Our clients have important and complicated needs. Being unable to think and communicate strikes at the core of what makes us human. It influences one’s ability to work, interact with friends and family and even spend time alone reading, watching television or simply reflecting on the day. Very few disorders are more debilitating.

Client value can be subdivided into four areas:

#### **Skill Level**

Prior to being able to work independently, speech-language pathologists are required to earn a Master’s degree (with at least 350 hours of clinical practice). In provinces with regulatory colleges, they then must complete a 6-month supervised work experience. Speech-language pathologists are then required to earn Continuing Education Credits every year of their career.

There is good reason for these stringent academic and clinical requirements. The disorders that speech-language pathologists treat are exceedingly complex. In contrast to many observable behaviours, most communication processes need to be inferred. For every observed communicative interaction, speech-language pathologists need to determine if the underlying disturbed process is linguistic, cognitive, pragmatic, motor or a combination of any of these. Each time this is determined, the therapist then needs to deduce which therapy activities and strategies are likely to target the impaired process, given the particular circumstances relevant to each individual. These circumstances are also highly variable, as is the individual’s response to them.

## **Intensity of Assessment and Treatment Sessions**

Speech-language pathology, by its nature, requires intense one-on-one interactions. This is so for two primary reasons.

First of all, communication, by definition, involves two or more individuals. It is ridiculous to ask clients to practice expressing themselves when there is no skilled listener to interact with and to monitor and evaluate their effectiveness as a speaker. While homework completed by the client alone certainly supplements therapy, its effectiveness does not remotely approach that offered by real-time interaction. This is even true for reading and writing activities. If left to complete these on their own, clients cannot benefit from on-line monitoring and development of strategies. If written work is reviewed with a therapist after it is completed, feedback is often too late to generate real learning, resulting in increased client frustration. Communication therapy requires real-time interaction with a skilled and informed individual.

Secondly, as discussed earlier, the complex nature of the disorders we treat necessitates close monitoring of performance. Speech-language pathologists cannot hope to correctly infer impaired processes and the resulting treatment protocols if they are not present throughout the entire session. We cannot set two clients up to work independently and then divide our time between the two. Unlike many forms of physical rehabilitation, where one therapist can treat 15-20 clients in a day, speech-language pathologists rarely treat more than four to six. If we bill for one hour of time, it is because we spent the entire hour working directly with or for our client.

## **Impact on Clients' Lives**

There is strong research and anecdotal evidence to support the significant impact communication and swallowing disorders and the associated therapies have on our clients' lives. Almost every client who has both a physical disability and a communicative disability feels similarly: they can manage many aspects of their lives with a physical disability, they can not if they have a communicative disability.

The nature of physical abilities allows easier home and workplace accommodation. Wheelchairs, wheelchair ramps, grasping devices, braces, etc. are all relatively inexpensive and easily accessed. A full-time skilled communication partner is not. Our clients must work extremely hard to overcome or independently manage their communicative disabilities because they cannot easily rely on their environment to compensate for them.

Imagine any career you can think of. If you lost the use of your legs, could you still participate in it? What if you lost your ability to understand, speak, read, write or think? If you couldn't understand or remember the directions your boss gave you? If you couldn't read the report that came across your desk? If you couldn't express your opinion?

Think of your experience at school. How well would you do if you couldn't understand what the teacher was saying, read the notes or textbook, write an essay or simply answer a question in class? Children who struggle to develop basic communication competencies often face a lifetime of academic struggle and may be unemployed, underemployed or more likely to commit crimes as adults.

Imagine the many roles you fulfill with your family and friends. If you lost the use of your legs, could you still help your children with their homework? If you lost your ability to speak and write, could you? Could you have a discussion with your spouse about your retirement savings? Could you organize the neighbourhood football pool? Or follow a documentary on TV?

Clearly, the impact of a communication disorder is devastating.

### **Value to Third Party Payers**

The value to the person receiving therapy is obviously immense. But what about the value to any third party payers? If therapy promotes a return to work, the payer should be willing to pay any amount that is less than the cost of maintaining an individual on income-replacement benefits for the remainder of the benefits period. The following is a present value calculation for an insurer having to pay income replacement benefits until age 65 in three different scenarios:

Accident occurred at age _____	25	35	45
Net weekly earnings*	375	450	575
80% of net weekly earnings	300	360	460
Annual payout	15600	18720	23920
Maximum years of income replacement	40	30	20
Discount factor	7%	7%	7%
<b>PRESENT VALUE OF LIFETIME INCOME REPLACEMENT</b>	<b>\$207,974</b>	<b>\$232,297</b>	<b>\$253,408</b>

\* Based on Income Replacement Benefit regulations from the Statutory Accident Benefits Schedule in Ontario, where \$400 is the maximum weekly benefit payable unless additional coverage is purchased; for many individuals, \$400/week would significantly underestimate their net take home pay.

Using the same discount factor, it would take one of the following (or somewhere within this range) in order to cost the insurer the same amount of money in present value terms:

- 10 years of therapy at \$32,000 per year
- 5 years of therapy at \$55,000 per year
- 2 years of therapy at \$125,000 per year

This analysis shows that therapy that promotes a return to work is in the best interests of both the client and the payer. The same holds true for a return to school, as education will be crucial in obtaining work.

Does our therapy still hold value for payers if it improves clients' quality of life but is not directly related to a return to work? Absolutely. Communication therapy promotes independence, a positive mental image and improved relationships with others. These, in turn, are associated with reduced stress and improved health, which hold the line on costs of other services that the payer would have to fund. Again, therapy becomes of immense value to insurers.

## **2. Cost to Offer the Service**

Very importantly, the net income to the private speech-language pathologist should be, at a minimum, the same as in public sector positions otherwise there would be little ability to hire in the private sector. In reality, the net income should be higher to offset the risk of working in the private sector where an income stream is not guaranteed. Also, speech-language pathologists typically only bill for 50-60% of their time, and these levels cannot typically be maintained every day throughout the year. Examples of non-billable time include:

- marketing
- program planning
- materials development
- quality standards maintenance
- workload analysis
- client database analysis
- human resources management
- financial management / accounting
- student supervision
- professional development / continuing education
- volunteering for college / association committees
- research

Of course, during sick days, statutory holidays and vacation days, there will be no billed time.

Therefore, there are approximately 215 days in the year when speech-language pathologists can bill. Assuming they can sustain four billed hours per day over every one of these 215 days, there are 860 hours in the year that can be billed. The billings for these 860 hours must offset the costs to provide the service.

Although exact ongoing costs for each practitioner or facility will vary according to a number of factors, the following is a list of items and services that must be paid for each year (for examples of actual dollar figures, please see Appendix A):

- Therapist salaries and payroll taxes
- Benefit package and pension plan
- Disability insurance
- Management and administrative staff salaries, payroll taxes and benefits
- Equipment (e.g., computers and software, printers, fax machine, photocopier, telephones, etc.)
- Furniture (e.g., desks, chairs, conference table, filing cabinets, reception area, etc.)
- Tests and therapy materials (e.g., one test costs \$500 and each test form costs \$5)
- Rent / property taxes
- Utilities (e.g., phone, gas, hydro, internet)
- Office supplies (e.g., paper, toner cartridges, binders, scissors, post-it notes, etc.)
- Bookkeeping and accounting fees
- Interest on debt and other banking fees
- Fees from collections agencies and allowances for bad debt (clients who don't pay their bills)
- Legal fees
- Mandatory licensing and association fees
- Insurance (e.g., liability, office contents)
- Federal and provincial corporate income taxes
- Advertising / promotion (e.g., Yellow Pages, pamphlets, signs, website, etc.)
- Professional development for therapists and staff (e.g., conferences, workshops, books, etc.), including travel and accommodation costs

- Maintenance and repairs (e.g., office cleaning, fixing computers, replacing lights, etc.)

The initial cost of obtaining a degree in speech-language pathology is in the \$50,000 range. This amount includes only tuition – books and expenses to travel to clinical placements would further increase the dollar figure. Because most people have to borrow money to pay this tuition, there are several years’ worth of interest charges on top of this base amount. This amount is rarely factored into billing rates, but it really should be.

Also, the Ontario government has previously indicated that insurers should have a reasonable expectation of a 12% return on investment. They have also indicated that it is important for insurance companies to be profitable so that they may stay in business in the province and offer consumers a choice. This is in fact the case for any business in any industry, and health care should be no different. The 12% return on investment is designed to offset the risk associated with private enterprise, compared to a government-funded position with a guaranteed salary. In the private sector, there is no guarantee that enough clients will seek out your service every year to cover your expenses.

Therefore, one simple way to calculate an hourly rate is to add up all of the relevant costs above, add in the 12% return on investment, then divide by the number of hours that can be billed over the course of a year (860). See Appendix A for some examples.

### **3. Cost of other Products and Services**

Speech-language pathology fees actually appear below average in comparison to other professions given the level of education required and the value to clients. Appendix B contains a list of fees from other professions. The professions with the most similar level of education and training would be lawyers (LLB) and management consultants (MBA). Interestingly, these professions bill a far greater percentage of their time and their hourly rates are 2-3 times as high as speech-language pathology hourly rates. This is because they are market value determined, while speech-language pathologists are still working within the arena of perceived “free” health and education services and therefore tend to grossly undervalue their services.

An argument is often made that it isn’t appropriate to compare to other professionals, because we don’t typically need to hire these other professionals on a weekly basis for months if not years at a time. So let’s look at some other products and services that Canadians spend their money on (either one-time purchases or annual):

Big Screen Television	\$2,000 - \$5,000
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One Week in Mexico	\$1,500 - \$3,000
Dental Implants	\$5,000 - \$10,000
Braces / Orthodontics	\$3,000 - \$7,000
Personal Trainer	\$2,000 - \$3,000
Replacement Windows	\$2,000 - \$20,000
Bathroom Renovation	\$2,000 - \$15,000
Double Garage Doors	\$1,500 - \$3,000
Car Repairs	\$500 - \$3,000
Golf Club Membership	\$2,500 - \$20,000
Wedding	\$7,000 - \$20,000
Computer with Software	\$2,000 - \$3,000
Sofa & Loveseat	\$1,600 - \$4,000
Landscaping	\$5,000 - \$20,000
Engagement Ring	\$2,000 - \$10,000
Snowblower	\$1,000 - \$2,000
Pedicures & Facials	\$500 - \$2,000
Haircuts	\$500 - \$1,000
Cigarettes	\$1,000 - \$2,000
Beer, Wine & Liquor	\$500 - \$2,000
Cleaning Service	\$1,000 - \$2,500
Fishing Supplies	\$300 - \$1,000
Sports Equipment	\$250 - \$1,500
Car Payment	\$3,000 - \$7,500
Insurance & Gas	\$1,500 - \$3,000

This list is just a beginning, but demonstrates that Canadians are accustomed to spending money on a variety of products and services that are important to them. Determining how important speech-language pathology services are to any given individual relative to other expenditures is a personal decision that should be made by each individual, but it is still important to consider how speech-language pathology services compare in price to other products and services.

## **SUMMARY**

In conclusion, associations should consider the following when setting fee guidelines for their members:

- Maximum levels, not minimums or averages, should be posted, along with the caveat that practitioners may bill above the guideline with their client's informed consent
- All clinical time should be listed as billable services, as well as travel time and mileage
- The high value of speech-language pathology services, to clients, family members, third party payers and society as a whole should be considered
- The full costs of running a business should be considered, whether or not an individual practitioner decides to incur those costs or not (e.g., someone may choose to work out of their home instead of renting office space, but there is still a cost to using that space and this needs to be recognized)
- Comparisons to other health professionals and to other products and services in general should be made to help put the fees in the context of what Canadians spend their money on
- While it is the nature of any "helping profession" to want to make costs as manageable for their clients as possible, speech-language pathologists should recognize their value and price their services accordingly – skilled therapists are worth more than hairdressers!

Each association will set its own fee schedule based on the results of the above analyses and it is then anticipated that each individual practitioner will use similar analyses to determine what to charge in their own practices.

## APPENDIX A

### Scenario 1: Individual Working out of Home Office

In this scenario, costs are much lower. However, because many support services are provided by the speech-language pathologist instead of staff, there are many fewer hours that can be billed in a year.

<b>Item</b>	<b>Cost</b>
• Salary, payroll taxes	• \$75,000
• Benefit package and pension plan	• \$ 6,000
• Disability insurance	• \$ 2,500
• Support staff salaries, payroll taxes and benefits	• N/A
• Equipment	• \$ 1,000
• Furniture	• \$ 500
• Tests and therapy materials	• \$ 1,000
• 15% of mortgage and property taxes	• \$ 3,500
• Utilities	• \$ 2,000
• Office supplies	• \$ 1,200
• Bookkeeping and accounting fees	• \$ 3,000
• Interest on debt and other banking fees	• \$ 1,200
• Fees from collections agencies; allowances for bad debt	• \$ 750
• Legal fees	• \$ 300
• Mandatory licensing and association fees	• \$ 1,500
• Insurance (e.g., liability, office contents)	• \$ 600
• Federal and provincial corporate income taxes	• N/A
• Advertising / promotion	• \$ 1,500
• Professional development	• \$ 1,500
• Maintenance and repairs	• \$ 2,500

The total costs in the work-at-home scenario are \$105,500. We should then add in the 12% return on investment factor plus an "amortization" of the costs of education needed to practice as a speech-language pathologist, and this brings the total annual cost to \$120,000.

Assuming that a therapist in this situation, who has no support staff, needs extra time to complete administrative duties, the annual number of billable hours would be approximately 725.

**To calculate the hourly rate that should be charged for a person in this situation, we divide \$120,000 by 725 and come up with \$165.52.**

Scenario 2: Individual Working out of Commercial Office

In this scenario, costs are higher. However, because there are support staff, the speech-language pathologist can maintain providing 860 billed hours per year.

Item	Cost
• Salary, payroll taxes	• \$75,000
• Benefit package and pension plan	• \$ 6,000
• Disability insurance	• \$ 2,500
• Support staff salaries, payroll taxes and benefits	• \$15,000
• Equipment	• \$ 2,000
• Furniture	• \$ 1,000
• Tests and therapy materials	• \$ 1,000
• Rent and property taxes	• \$12,500
• Utilities	• \$ 4,000
• Office supplies	• \$ 1,200
• Bookkeeping and accounting fees	• \$ 4,000
• Interest on debt and other banking fees	• \$ 1,200
• Fees from collections agencies; allowances for bad debt	• \$ 750
• Legal fees	• \$ 500
• Mandatory licensing and association fees	• \$ 1,500

• Insurance (e.g., liability, office contents)	• \$ 800
• Federal and provincial corporate income taxes	• \$ 4,000
• Advertising / promotion	• \$ 1,500
• Professional development	• \$ 2,500
• Maintenance and repairs	• \$ 3,500

The total costs in the work-at-the-office scenario are \$140,450. We should then add in the 12% return on investment factor plus an “amortization” of the costs of education needed to practice as a speech-language pathologist, and this brings the total annual cost to \$160,000.

**To calculate the hourly rate that should be charged for a person in this situation, we divide \$160,000 by 860 hours and come up with \$186.05.**

Scenario 3: Individual Seeing Some Clients on the Side, after their Usual Job

For individuals who are “moonlighting” (i.e., have a regular day job and see some private clients on the side), it is difficult to truly calculate costs. These individuals do not need to generate a living from their private practice revenue because they have their government salaries. Private work is therefore essentially “gravy.” Nevertheless, these individuals should still consider the relevant costs, and should definitely consider the value of the service they are providing and the skill they bring to the table. While it would not be surprising to see lower fees from someone who is just doing private work on the side and does not have to earn a salary from this revenue, it would be surprising (and likely confusing for clients and referral sources) to see substantially lower fees. For example, accountants who do some tax work on the side during tax season often (but not always) charge less than accountants who do this billable work full-time. But it would be rare to see such a person charging so much less that it brings into question the caliber of the service being provided and reduces the value of a chartered accountant’s training and expertise.

## APPENDIX B

<b>Profession</b>	<b>Fees</b>
Psychologist	\$195 / hour
Physiotherapist	\$40 / 15 minutes
Optometrist	\$75-110 / 20 minutes
Social Worker	\$125-\$140 / hour
Case Manager	\$110-\$125 / hour
Lawyer	\$250-\$600 / hour
Computer Support	\$100-\$150 / hour
Management Consulting	\$250-\$650 / hour
Chartered Accountant	\$125-\$600 / hour