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Closing Your Solo Practice? Details to Address

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Are you thinking of closing your solo practice? The more lead time you allow, the smoother will be the transition, for both you and your clients/patients. You need to consider ethics, business issues, and laws.

Ethical Considerations

What is the plan for your existing clients in your solo practice? If you will be retiring, then any current clients will need to decide whether to end therapy or find another professional to work with.

While you are not ethically obligated to provide referrals, the ethics codes of mental health professionals emphasize that we are to take steps to prevent harm - which, for some clients, may mean that a personal referral may help ease the suffering of transition. Since the word "harm" is not defined in the ethics codes, you may want to discuss the nuances of this with the risk manager of your malpractice insurance company. Not providing referrals can be deemed as abandonment or a form of harm.

If you will be closing your solo practice for reasons other than retirement, such as moving away or joining another practice, will you be terminating with all your current clients (referring some of them out) or will you invite them to see you at your new practice? This may or may not be practical or possible.

Regardless of your plan to continue or not with current clients after closing your practice, it is important to discuss this with them, and to document in each person's chart what the plan is (terminate, get referred or follow you to your new practice). These plans are not written in stone. For example, at the time you give a client notice that you will be closing your practice, they might say they would like a referral. But a few sessions later, they may change their mind and decide to try managing on their own for a while. The important thing, in terms of ethics and risk management, is that the client was informed and was provided with options.

There is no set range for how much notice you must give. However, patients who are more emotionally fragile may need more time to process the transition.

Business Considerations

As much as possible in advance, follow up on collecting money owed to you. It will be much harder to collect once your practice is closed.

Decide on a date when you will no longer be taking referrals to your existing solo practice. This depends on the type of work you do.

If you do mainly short-term work or one-off evaluations, you can accept new referrals up to a few weeks prior to closing your practice. But if you see people long-term, you'll need to use your clinical judgment as to whether to accept new referrals even several months before closing your practice.

Rather than a strict cut-off date for new referrals - especially if you'll be joining another practice in the same city - you might consider accepting new clients with the understanding that they can follow you after your solo practice closes. Be sure to inform prospective clients prior to the first session, so they can make an informed decision about starting their work with you.

Prior to offering anyone the option of following you to a new practice, check with the practice owner whether that would be permissible and/or practical. For example, does the new practice serve the same demographic? Will the client's fees remain the same? Does the new practice accept the same insurance that you do for a given client? If not, the client will likely have to pay more in order to keep seeing you.

After you stop accepting referrals at your solo practice, if you are moving to a different practice, try to arrange for new client appointments to be scheduled with you there, so that by your start date, your calendar will be at least partially full.

In the weeks leading up to closing your practice and for some time afterward: Leave in place your website, email, postal mail, and phone number. People and late-paying debtors may try to reach you using their old contact information on you. Also include information about your new practice location (if any) and contact information. Notify your current referral sources, so that they can update your information in their contact list.

Tax and Legal Considerations

When you originally set up your solo practice as a business, you likely applied for a federal Employer Identification number (EIN) and filed taxes under that number. There is now a trail of transactions associated with your EIN. In order to close your practice, you need to tie up the loose ends, even if you never had employees.

The IRS provides instructions on the paperwork for closing a business from a federal tax perspective. Also check your state laws for their requirements. State and local laws may have requirements for posting public notices of your business closing, and how patients can access their records if needed.

Records Storage

State laws vary in how long you must retain records. Make sure you provide secure storage that complies with HIPAA regulations. If you don't already have a professional will, consider creating one that includes (among other things) designating a trusted person to confirm there is informed consent (not just a signed request) before releasing records. Even if you are young and healthy, it's a good idea to have a professional will. As we are reminded every day by events around us, tomorrow may not turn out as we expect.

Get Professional Advice!

We strongly recommend that you consult with your tax advisor and a healthcare attorney in your state about your options and obligations related to closing your practice. They will save you time, aggravation, and money by making sure you don't miss any details that could cause inconvenience or liability in the future.

The practice of your dreams can be your reality. If you're looking for personalized guidance or more on this topic, consider a one-on-one consultation with a TPI consultant. Contact us at support@thepracticeinstitute.com to arrange a convenient time.

TPI members have access to our expanded checklists, guides, and tips; a free one-on-one consultation; access to our on-demand Answer Desk; and free small group discussions on a variety of practice needs.

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