

Instructions for Using ClaimTek's Income Calculators

About the Business and Income Calculators:

We consider Medical Billing and Advanced Practice Management to be the core of your business—clearly where most of your income will come from if you follow the business model we train you to do. As a medical billing professional, you take care of the insurance claims for medical doctors of all kinds, dentists, chiropractors, psychologists, and medical equipment suppliers. You process the claims on behalf of your client and record the receivables. You can also send out patient statements and record their payments. You can also provide practice management consulting to your clients.

On our website, we provide two calculators—a Quick Calculator and a Detailed Calculator—to estimate how much income you can earn from just the medical billing side of your business. In this projection, we will show you how to use the Detailed Calculator because it allows you to estimate what gross and net income could be earned over a many years. These projections take into account both income and expenses, so that you can get a more complete picture of your cash flow and profit. You can find the Detailed Calculator here:

<http://www.claimtek.com/Potential/DetailedIncomeProjection.aspx>

Service pricing method [choose one]:	<input checked="" type="radio"/> Percentage	<input type="radio"/> Flat Fee				Help
Years to reach your goal:	2					
	Q1	Q2	Q3	Q4	Goal	Help
Projected Revenue						
Number of doctors:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Help
Average monthly claims per doctor:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Help
Percent charged:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Help
Average claim value:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Help
Projected Monthly Gross Income:						Help
Projected Expenses						
Marketing expense per month:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Help
Administrative expense per month:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Help
Clearinghouse expense per month:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Help
Projected Monthly Total Expenses:						Help
Totals						
Projected monthly net income:						Help
Projected quarterly cash flow:						Help
Projected yearly income:						Help
						Reset

Income Calculation for Medical Billing Activities

Let's use the calculator to project the type of income you can earn from all your medical billing activities. Follow these steps:

1. Select a service pricing method

In a medical billing service, you can charge a percentage of claims collected or a per claim flat fee from \$2 to \$10/per claim. In our calculation we will use the percentage method because it usually pays off better than the flat fee.

Service pricing method [choose one]:	<input checked="" type="radio"/> Percentage	<input type="radio"/> Flat Fee
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2. Indicate how many years to reach your goal

We want to look at your income over 2 years, so choose 2 from the pull-down menu. You can also use the calculator to project income over as much as 10 years.

Years to reach your goal:	2 ▼
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PROJECTED REVENUES

3. Indicate how many doctors you will have.

A medical biller working alone can usually handle up to 5 doctors, with each doctor averaging about 440 claims per month. While it takes longer to process a claim when you first start out due to the learning curve and the need to input data about new patients, it literally takes only 10 seconds to process a claim once you have experience and practice and you are processing claims for a patients already in your database. In addition, if you use ClaimTek's Electronic Remittance Advice, recording A/R (accounts receivable) is almost entirely automatic, hardly taking any time.

In this calculation, we are being quite conservative—estimating that you will not have a doctor client in Q1, then 1 doctor in Q2, 3 doctors in Q3, 4 doctors in Q4 –and by the end of your second year, you will grow to 10 doctors. This projection is very reasonable for a medical biller who is serious about building a thriving business.

Number of doctors:	0	1	3	4	10
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4. Indicate the average monthly claims per doctor:

Many doctors see 20 to 30 patients per day, generating 20 to 30 claims (one for each patient visit). Chiropractors may see more patients per day, while specialists may see less. We will use an average of just 20 / per day. That equals 100 patients per week X 4 weeks = 400 claims per month. But some doctors have many more, and some have less. To be conservative, we have estimated 300 claims per month in Q2, 350 claims per month in Q3, 350 claims per month in Q4 and 440 claims as the average per month for all of Year 2. This means that by Year 2, you are processing 4400 claims per month.

Average monthly claims per doctor:	<input type="text" value="0"/>	<input type="text" value="300"/>	<input type="text" value="350"/>	<input type="text" value="350"/>	<input type="text" value="440"/>
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5. Indicate the percentage you charge your clients

The percentage method of charging for your services may range from 3% to 12% of all fees you collect from both insurance companies and directly from patients, with an average of 6% to 8%. Here we are conservatively estimating 5% for Q2, a modest 6% for Q3 and Q4, and in Year 2, an average of 7% given that you will have some doctors at 5% or 6%, and others at 8% or higher. The law of averages suggests that 7% is reasonable as the average for 10 doctors.

Percent charged:	<input type="text" value="0"/>	<input type="text" value="5"/>	<input type="text" value="6"/>	<input type="text" value="6"/>	<input type="text" value="7"/>
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6. Indicate the average dollar amount of each claim

The dollar amount per claim collected varies a great deal, depending on the medical specialty, the number of services performed, approved insurance rates, and other factors. In general, doctors average from \$50 to \$300 per claim from the insurer and patient. Some claims can reach as high as \$1000 or \$5000 if you are billing for specialists. We will use a conservative average of just \$125 per claim in Q2, Q3, and Q4, rising to \$175 per claim in Year 2 given that the law of averages with 10 doctors means some doctors have higher average per claim amounts, other doctors have lower. \$175 is a reasonable average.

Average claim value:	<input type="text" value="0"/>	<input type="text" value="125"/>	<input type="text" value="125"/>	<input type="text" value="125"/>	<input type="text" value="175"/>
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7. Gross Monthly Income Calculation

The calculator shows your average gross **monthly** income for each month in that quarter and in Year 2. Here, you can see that you have Zero income in the first quarter because you had no doctors. Then your average gross monthly income increases in each quarter of Year 1, until Year 2 where the calculator estimates your average gross monthly income is \$53,900 per month! This is a real number! Remember you are processing over 4400 claims per month with an average value of \$175 and you charge 7% of all collectibles.

Projected Monthly Gross Income:	0	\$1,875	\$7,875	\$10,500	\$53,900
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PROJECTED EXPENSES

8. Indicate your monthly marketing expenses.

Your marketing expenses can go as high as you want them to, but when you work with ClaimTek, we save you thousands of dollars in marketing. That's why we provide you with many marketing collateral items, including many types of brochures, flyers, postcards, presentation materials, a web site, and more.

For this calculation, we use just \$500 as your average monthly marketing expense for the entire two years. This covers items such as postage, advertising in medical magazines, and giveaway premiums that you might do on your own. Projecting \$500 /month is very reasonable given that ClaimTek supplies you with hundreds of items in marketing collateral.

Marketing expense per month:	500	500	500	500	500
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9. Indicate your administrative expense

Administrative expenses include your business and cell phones, fax machine, office supplies, answering service if you use one, and other general office expenses. At the start of your practice, you will have very few admin expenses so we estimate only \$300 per month. If you grow your business to 10 doctors as projected in Year 2, you will want to hire an assistant one or two days per week to help you process all the claims (4400 per month). This means salary, payroll taxes, and so on. We've included \$2500 per month in Year 2 to cover this employee expense.

Administrative expense per month:	300	300	300	300	2500
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10. Indicate the clearinghouse expense

Clearinghouses vary. Some charge \$20, some \$75, and some \$50. We prefer a reliable clearinghouse at about \$50/month per doctor. We therefore are using \$50 per month per doctor in Year 1, so \$50 per month in Q2, \$150 for 3 doctors in Q3, and \$200 in Q4 for 4 doctors. In Year 2, you have \$500 per month to account for 10 doctors.

Clearinghouse expense per month:	0	50	150	200	500
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11. Calculate total monthly expenses.

The detailed calculator does the work for you, showing your estimated average monthly expense for each month in that quarter and the average monthly expense in Year 2.

Projected Monthly Total Expenses:	\$800	\$850	\$950	\$1,000	\$3,500
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TOTALS

12. Calculate Projected Net Monthly Income

The calculator puts all the numbers together in this section. Here you can see your NET monthly income, which is equal to "Gross Monthly Income -- minus Monthly Expenses." As you can see, in Q1, you have a loss of \$800 each month because you have no clients. But in the remaining quarters of Year 1, your net income increases and in Year 2, it reaches \$50,400 per month as your average. That's right! With 10 doctors and processing 4400 claims per month, and even with an employee to help you 1 or 2 days per week, you can make \$50,400 per month in Year 2.

Projected monthly net income:	(\$800)	\$1,025	\$6,925	\$9,500	\$50,400
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13. Calculate Projected Quarterly Cash Flow (Net)

This total shows your *accumulated* cash flow on a quarterly basis. Your cash flow is the sum of your NET monthly incomes added together for each quarter. As you can see, the \$2,400 loss in Q1 goes positive in Q2, as your income of \$1,025 per month compensates for the former loss. Then in Q3, your cash flow rises to \$21,450, and by the end of the year 1, you have accumulated \$49,950. This amount is the same as your annual income in Year 1 because it reflects how much cash you have generated over the course of Year 1.

Projected quarterly cash flow:	(\$2,400)	\$675	\$21,450	\$49,950	
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14. Calculate Projected Yearly Income (NET)

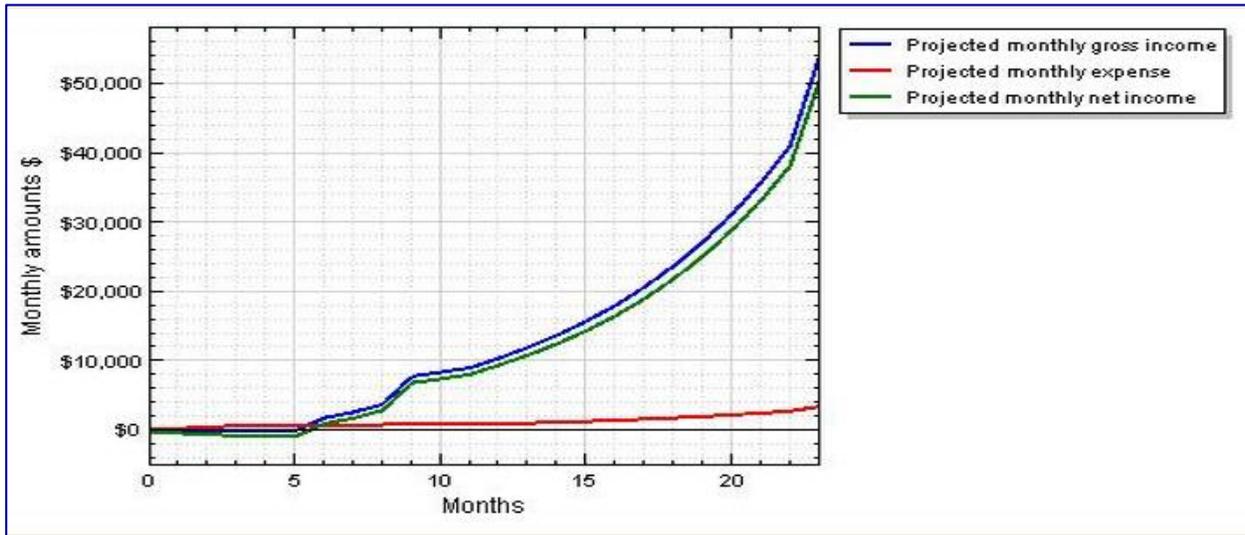
The calculator now projects you your total NET annual income in Year 1 and your annual income for Year 2. As you can see, in Year 1, you make \$49,950. It took time to build up your business, but it has paid off. The rewards truly happen in Year 2 as you reputation spreads and you get new business, going from 4 doctors to 10. Now you are processing 4400 claims per month, taking an average of 7% of all collections you get from insurance companies and patients. Your annual income is \$604,800. It seems unbelievable but it is not if you are working hard and building your business with a goal of 10 doctors.

Projected yearly income:				\$49,950	\$604,800
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15. Graph of Your Results

The Detailed Calculator also graphs your monthly income and expenses, as shown below for this example. Notice how your expenses remain steady throughout all of Year 1 and go up only a slight amount in Year 2 (to account for the employee). Meanwhile, see how your income skyrockets in Year 2 as you build your practice and add doctors.



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3. Medical Billing Follow-Up on Past Due Claims

The Business

The income projection we just made above is based on doing insurance billing for *current* claims that your doctor-clients have. But the fact is, when you first get a client, you will see that they often have hundreds of unpaid *past* claims that no one has followed up on. It is not uncommon for doctors to have \$50,000 to \$300,000 in uncollected claims. They don't have the staff or time to go back to insurance companies to try to collect. For patients who have not paid, doctors are sometimes reluctant to hire a collection agency that charges 30% as it might alienate the patients.

ClaimTek teaches you to pursue this opportunity, offering your doctor clients your services to pursue *past unpaid claims*. You can charge 12% to 25% to handle such claims because they take far more effort to pursue than a current insurance claim or patient follow-up.

Income Calculation for Following-up on Past Claims

Let's say you have 4 doctors by the end of Year 1 and 10 doctors by the end of Year 2 as we used in the calculation above. Again, we will be conservative and say that among the 4 doctors in Year 1, they collectively had \$100,000 in uncollected claims. Among the 10 doctors you have in Year 2, they collectively have \$400,000 in outstanding claims. You will seek to collect on all these amounts and you will charge the doctors 20%. To be conservative, let's say that you successfully collect only 60% of all uncollected amounts.

	Uncollected Amounts among all your clients	You collect 60% of those amounts	Your Fee	Income for You
Year 1	\$100,000	\$60,000	20%	\$12,000
Year 2	\$400,000	\$240,000	20%	\$48,000

CLAIMTEK'S VARIETY OF BUSINESSES HELP YOU GET IN THE DOOR TO BUILD SOLID LONG-TERM RELATIONSHIPS WITH PROSPECTIVE CLIENTS

As you read through the remaining income projections, keep in mind that these allow you to walk into any doctor's office with a wide variety of services to offer. This gives you the flexibility to respond to any need that a practice may have. Rather than feeling the pressure to sell your medical billing service or nothing, you can ask questions, listen closely, and assess how any of your 16 services can help the practice. You can build a relationship with the doctor for the long-term. Even if they do not need medical billing services now, you might find they need one of your other services—and that sale is what can you lead you eventually to win their medical billing business down the road.

Keep in mind also that all remaining businesses can be sold to any doctor and in some cases to many non-medical businesses as well, including small companies, retail stores, and others.