The Numbers Behind a Medical Equipment Prior Authorization and Appeals Service

A free field guide from Bytell Press. The figures come from our example financial model for a small service firm that prepares prior authorization packets and appeal letters for medical equipment suppliers. They are planning assumptions, not quotes for your market; the worksheet at the end is for your own numbers.

This is a service business with no inventory and little equipment, so it looks cheap to start. What catches new owners is the months between opening and having enough retainer clients to cover the overhead. This guide gives you that arithmetic in two pages.

1. How the money comes in

The firm's customers are equipment suppliers, and most of the revenue is a **monthly retainer per supplier client**. Work beyond the retainer is billed per item, and an optional tracking subscription sits on top.

Revenue line	Model price	Model gross margin
Monthly retainer, managed service	$2,500 per client, range $1,500–$5,000	55–62%
Overflow: first-level appeal letter	About $185 each	60–68%
Overflow: second-level appeal letter	About $325 each	60–68%
Overflow: prior authorization packet	About $45 each	Not stated separately
Add-on tracking subscription	About $750 a month	65–72%
Blended per mature client	**About $2,800 a month**	**About 58%**

The subscription carries the best margin because it takes little extra labor once the client is already being served.

2. What it costs to open

The example model opens on about **$52,000**, within a range of $35,000 to $70,000. A $40,000 loan covers the first six lines; the owner's own money adds the last.

Use of funds	Amount
IT and tooling setup	$9,000
First-year professional liability and cyber insurance	$6,000

Use of funds	Amount
Legal, entity and compliance setup	$4,000
Initial marketing	$7,000
Working capital and payroll runway	$11,000
Reserve	$3,000
Owner equity held as extra working-capital cushion	$12,000
Total	**$52,000**

3. What it costs to stay open

The model carries about **$9,500 a month** in fixed costs:

Monthly fixed cost	Amount
Owner's base draw (partial)	$4,500
Base marketing	$1,100
Administrative, accounting, legal	$700
Software and secure document exchange	$650
Professional liability and cyber insurance	$550
Virtual office and phone	$500
Subscriptions, training, compliance	$500
Contingency	$1,000
Total	**$9,500**

The loan payment of about $870 a month is not in this table. The model shows it separately as financing.

4. The break-even: the one number to know

Break-even revenue = monthly fixed costs ÷ gross margin.

With the model's numbers: $9,500 ÷ 0.58 = about **$16,379 a month**. At $2,800 per mature client, that is **about six retainer clients**.

Add the $870 loan payment and the sum becomes $10,370 ÷ 0.58 = about $17,879 a month, which is closer to seven clients. The owner draw in these figures is a partial one.

5. The risk the numbers show: the ramp

The model does not open with six clients. Its first stable month brings in about $12,000, roughly four clients. Gross profit on that is about $6,960, which is $2,540 short of the fixed costs before the loan payment. Break-even arrives around month five, and the model reaches about $28,000 a month by month twelve.

In the model's slower case, an owner who reaches only four to five clients by year-end sits at $14,000–$16,000 a month, right around break-even, for the whole year. In that case the model keeps the owner doing the work personally and holds off on the first hire. Hiring early, on hope, spends the runway the plan depends on.

6. Your numbers

Fill this in with your own figures before you borrow anything.

Question	Model	Yours
Monthly retainer you can charge	$2,500	_____
Blended monthly revenue per client	$2,800	_____
Gross margin after specialist labor	58%	_____
Monthly fixed costs, with your base draw	$9,500	_____
Break-even revenue (fixed costs ÷ margin)	$16,379	_____
Clients needed to break even	About 6	_____
Months of runway you can fund	About 5	_____

If your break-even needs more clients than you can sign in the months your runway covers, change the plan before you open: lower the base draw, cut a fixed cost, or line up the first clients in advance.

This guide is general business information, not legal, tax, accounting or investment advice. The figures are illustrative assumptions from an example model and are not a forecast or a promise of results. Licensing and insurance requirements vary by state and are not covered here; check yours with the state agency.

Bytell Press publishes the full business plan, the editable financial model behind these numbers, and the operating playbooks for a medical equipment prior authorization and appeals service.

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