The Numbers Behind a Medicare Home Health Prior Auth Service

A free field guide from Bytell Press. The figures come from our example financial model for a small firm that handles authorization paperwork, coding review and denial follow-up for home health agencies. They are planning assumptions, not quotes for your market; the worksheet at the end is for your own numbers.

This business needs no truck and no equipment, so it looks cheap to start. What catches new owners is the stretch between the first client and the fourth, when the overhead runs ahead of the revenue.

1. How the money comes in

The main unit of sale is a **monthly retainer per agency client**. Smaller pieces of work are sold on their own. The example model uses these lines:

Revenue line	Model price
Monthly managed-services retainer	About $3,500 per client
Authorization packet	$45–$95 each
Coding review	$45–$80 per episode
Billing	$8–$15 per claim, or 3%–7% of collections
Denial appeal	$75–$150 each
Supplemental work, per client	About $500 a month
Retainer plus supplemental	**About $4,000 per client a month**

Labor is the cost of goods here. The model carries it at about 40% of revenue, leaving a **blended gross margin of about 60%**. The retainer is where the margin is made: steady work from the same clients, month after month.

2. What it costs to open

The example model opens on about **$25,000**, within a range of $6,000 to $25,000.

Use of funds	Amount
Business formation and setup, secure technology, coding software and references, first-year insurance, first marketing	About $18,000 together
Working-capital reserve	$7,000
Total	**$25,000**

An owner who already has the skills and the hardware can open near the bottom of the range.

3. What it costs to stay open

The model carries about **$9,500 a month** in fixed costs, whether or not a client has signed. Of that, **$4,500 is the owner's base draw**. The other $5,000 covers software subscriptions, secure infrastructure, insurance, marketing, administrative services, and a base fee for a contracted backup specialist.

Because the draw is inside the fixed costs, the break-even below is the point where the business covers its bills and pays the owner that base draw.

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

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

With the model's numbers: $9,500 ÷ 0.60 = about **$15,833 a month**. Each client brings in about $4,000 a month and leaves about $2,400 of gross profit, so that is **about four clients**. On retainers alone at $3,500, it is closer to five.

Take the owner's draw out and the sum changes: $5,000 ÷ 0.60 = about $8,333 a month, a little over two clients. That pays the bills but not the owner.

5. The risk the numbers show: the ramp

The model starts with one retainer and reaches about six by month twelve, for about $24,000 a month in revenue. Gross profit does not cover the $9,500 of fixed costs until the fourth client, around month seven.

With one client, the month brings $4,000 of revenue, $2,400 of gross profit, and a shortfall of $7,100. If the owner takes the full $4,500 draw from the first month, the model's cash balance is below zero in every month of the first year. It bottoms out about $21,200 down around month six and is still about $6,200 down at month twelve.

The model shows two ways through. One is to take little or no draw until about month seven. On that path the $25,000 is enough. The other is to fund the draw: about $32,000 of working capital in place of the $7,000, which lifts the total to roughly $50,000. Choose one before you open.

6. Your numbers

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

Question	Model	Yours
Monthly retainer you can charge	$3,500	_____
Supplemental revenue per client a month	$500	_____
Gross margin after specialist labor	60%	_____
Monthly fixed costs, with your draw	$9,500	_____
Break-even revenue (fixed costs ÷ margin)	$15,833	_____

Question	Model	Yours
Clients needed to break even	About 4	_____
Months you can go without a draw	About 7	_____

If your break-even needs more clients than you can sign while your savings last, fix the plan before you open: lower the 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 home health prior authorization and billing support service.

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