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MEDICAL ACCOUNTS RECEIVABLE FINANCING

1. Who de we serve: Listed below are some, but not all examples of potential clients for medical accounts receivable financing: Healthcare service companies also known as healthcare providers must generate all accounts receivable.

- a. Sole Practice Physicians
- b. Group Practice Physicians
- c. Nursing Homes
- d. Home Healthcare Companies
- e. Rehabilitation / Physical Therapy Companies
- f. Chiropractors
- g. Small Hospitals
- h. Laboratories
- i. Medical Equipment and Supply Companies
- j. MRI Facilities

****We do not offer funding to dentists or veterinarians.**

2. Mainstream Accounts Receivable (Acceptable for Funding): Accounts receivable generated from Third Party Payors such as:

- a. Medicare
- b. Medicaid
- c. Commercial Insurance
- d. Private Insurance
- e. HMO (Health Maintenance Organization)
- f. PPO (Preferred Provider Organization)
- g. Managed Care

3. Acceptable, But Not Mainstream: Not our “bread and butter” type of receivables, but we will consider.

- a. Personal Injury
- b. No Fault
- c. Worker’s Compensation

4. Accounts Receivable Which Are Not Acceptable: Accounts Receivable that we will not fund.

- a. Self-Pay

- b. Longer Turning Worker's Compensation
- c. Longer Turning Personal Injury
- d. Longer Turning No-Fault

5. Due Diligence Fees: May be different with each deal, depending upon the size and complexity of the organization. Used to cover costs of researching and validating credit information and accounts receivable quality. Reimbursement of out-of-pocket disbursements.

- a. Typically about \$3,500
- b. Up-front fee due at time of proposal acceptance

6. Fees: Fees applied to purchases to cover cost of doing business.

- a. One time commitment fee (typically 2%) of the aggregate funding facility
- b. Discount rate applied monthly to open batches

7. Time to Open Account: A new deal can typically be closed in approximately 30 days after receipt of ALL requested documentation on the application, assuming no credit or lien problems to resolve.

8. Advance Amount: The amount advanced to each client will vary, but advance amount is always based upon performance of receivables.

- a. First Deal: Typically 70%-80% of Net Realizable Value (NRV)
- b. Can be increased based upon accounts receivable performance

9. Client Minimums: Lowest amount of New, qualified gross billing amounts per month.

- a. Must have a minimum of \$60,000 in new gross billings per month
- b. Ideal range is \$100,000 to \$1 million in outstanding accounts receivable

10. Application Process: The following steps outline the typical process, which takes the provider from potential client to client.

- c. Prospective Client Summary and Application Form completed.
- d. Letter of Intent (after receiving application)
- e. Due Diligence: Conducted both on and off site. Used to evaluate accounts receivable and organization, and to answer any potential questions.
- f. Funding: Following closing procedures, funding can begin shortly thereafter.

11. Medical Receivables: Good Prospects / Bad Prospects

a. Good Prospects: Any medical related business that bills a third party payor (either an insurance company or government agency such as Medicare or Medicaid) could be a potential candidate for medical accounts receivable financing.

Doctors who participate in an HMO referral program or as a primary physician in managed health care are prime candidates for medical accounts receivable financing. Other good prospects could include such facilities as hospitals, MRI facilities, specialty clinics, rehabilitation centers, laboratories, home health care companies, psychiatric and substance abuse facilities, skilled nursing facilities, fertility clinics, and long term care centers.

Providers are not the only prospects for medical accounts receivable financing. Many durable medical equipment companies (which manufacture and/or sell hospital beds, wheelchairs, etc) also bill insurance companies, Medicare and Medicaid directly.

Keep in mind that just because a company manufactures medical equipment or medical supplies, it is not truly a “medical” account receivable unless it is billing insurance companies, Medicare or Medicaid. If, for example, the manufacturer’s customers are hospitals and clinics (which are businesses, not insurance companies), the account could probably be serviced by a commercial finance company. It would not be necessary to place this account with a medical accounts receivable finance company.

b. Common Threads in Prospects: The following are common threads or trends that tend to accompany candidates for medical accounts receivable financing:

1. **Not old enough:** Healthcare provider may only have been in business for 2 or 3 years, and while doing very well, may still not be established long enough to qualify for traditional banks.
2. **Cash Poor:** May be doing everything correctly, however they are not collecting enough money fast enough and can’t meet payroll each week.
3. **Looking for Expansion or Acquisition:** Healthcare provider is performing well, however they need to expand their services or acquire complimentary operations to really start to grow.
4. **Credit Problems:** Principals may have a poor credit rating due to things such as high student loans, divorce settlements, prior bankruptcy, etc. but the company is still doing very well as a business.

The information above is to serve as a general guideline. Some deals might deviate from these guidelines.