

BUSINESS LAW II

Extra Credit

1. Bob has \$100,000 to make his dream of business ownership a reality. He wants to get started right away but is not certain how best to proceed. Due to his hectic work and family life, Bob has no interest in being bogged down with the day to day concerns of a business. He just wants to make money. Bob has come to you for advice.

Provide Bob with two options to become a business owner which suit his particular circumstances. Explain in detail the process for each; the advantages and disadvantages of each; and every other important element of each which Bob needs to consider to make a decision.

My recommendations to Bob are as follows:

Option 1

Bob pays someone to set up a Limited Liability Corporation and invests in a chain-style business franchise operation for \$30,000 or less. Thirty thousand dollars is 30% of his available capital. This puts him into pretty good position to lease office space, hire a contractor to perform the work needed, and to pay other overhead cost for the business. Since most business take about two years before the become profitable, Bob could leave any remaining funds in his personal bank account and provide his LLC a loan when needed.

The franchise that I would recommend that Bob invests in would be American Business Systems (ABS), LLC. ABS is a medical billing company with gross earning potential of \$100,000 per year. As a franchisee, Bob will benefit by being identified as a member of a select group of business operators and operating under the franchisor's trade name, which should reduce his marketing cost.

I would also recommend that Bob hires a lawyer to review the franchise's contract and an accountant to handle payroll and his books. Bob can hire a contractor to do the day to day work. The contractor will be a 1098 worker so the Bob does not have to pay medical, dental, and other fees associated with W4 workers. The contractor will be responsible for their personal taxes.

Here are the specific of the ABC, LLC¹

American Business Systems, LLC – Franchise Information

Medical Billing Business

American Business Systems is the fastest way to start your medical billing business. Guaranteed. ABS is the largest company of its kind nationwide, providing training and support to independent licensees since 1994.

1 <https://www.franchiseopportunities.com/franchise/american-business-systems-llc>

Why choose medical billing for your new business?

- **Flexibility.** You can work from anywhere and set your own schedule. Build a part-time business to earn extra income, replace your salary, or grow the business as large as you want.
- **Growth potential.** According to the U.S. Bureau of Labor forecast, health services are in the #1 “super sector” for growth. Plus, people continue to visit doctors whether the economy is up or down, and 80 million “baby boomers” will be retiring in the next few years, so timing couldn’t be better for this industry.
- **No special education required.** You don’t need any special degrees or professional licenses to be a medical biller. Learning complex billing codes is not required.

American Business Systems has three features that no other company offers:

1. **100% Money Back Guarantee.** Unmatched in the industry, ABS allows for a full refund at the end of the live training if, for any reason, the person is not satisfied.
2. **Live training.** A complete training course is conducted by trainers who are active in the medical billing business. Plus, you also get complete DVD training, work books and ongoing educational webinars.
3. **Lifetime support.** We are dedicated to your success. You will have one-on-one support from our Success Team for life to help you as you get started, and any time you have a question.

Reasons You'll Love Your New Medical Billing Business

- **State-of-the-art, web-based electronic billing.** The ABS proprietary online billing system was developed at a cost of over 1 million dollars. All the codes and HIPAA compliance features are built into the system. All the updates are installed automatically, ready for you to use when you log on. There’s no extra cost for upgrades, ever. You aren’t tied down to the office, because you can do your work online from any computer with an Internet connection. The site is secure and encrypted data is backed up daily.
- **You solve the doctors’ cash-flow problems, not just file their claims.** Doctors often don’t get paid for 60, 90 or 120 days. And the average rejected claims rate is about 30%. Our system gets payments into the doctors’ hands within 7-10 days - with a dramatically reduced rejection rate of just 2%.
- **Faster, more profitable claims filing.** Our electronic filing system is faster than processing with software installed on your computer, or manually completing paper claims. That means you can file claims more efficiently, which boosts your profits.
- **Multiple streams of income with additional cash-flow services.** Doctors need much more help than just claims filing. ABS licensees are able to help in virtually every area of the doctors' revenue cycle. Electronic Medical Records, Patient Payment Plans, Coding Review, and more. Add more value to every customer and get more recurring monthly income.
- **Turnkey marketing system.** Our proven system brings prospects to you. You’ll receive a supply of professionally designed brochures, CDs, faxes, letters and postcards. As an ABS licensee, you’ll also get our exclusive ABS Practice Analysis Tool that shows doctors how much they can save with your services compared to their current billing system.

- **A unique window of opportunity.** Larger medical practices have already switched to electronic billing by government mandate. All indications are that eventually all doctors will be required to comply. The future is web-based electronic billing.

Opportunities to Offer

The Center for Medicare and Medicaid Services estimates 70% of the doctors practicing fall into the group that is not under mandate to use electronic claims filing at this time. Many of those are still using paper claims, so the opportunity is wide open. You can help doctors get more money faster and reduce their rejection rate. That’s reason enough for them to switch to the proprietary system you can offer as an ABS certified licensee, even if they’re currently using computer-based software, or filing paper claims. This opportunity is available in the United States only.

Bob should develop a budget :

Expense	Amount	Notes
LLC and permits	\$1,900.00	**Set up online, pay state and city fees
Franchise Cost	\$30,000.00	
Lawyer	\$2,000.00	Franchise Contract Review
Accountant	\$6,000.00	Payroll and Bookkeeping
Contract Employee/PT	\$20,000.00	Marketing, Billing, Coding, other tasks
Office Lease	\$4,500.00	Electronic Office or Remote work
Insurance	\$3,600.00	
Marketing	\$1,000.00	
Telecommunication/Equipment	\$5,000.00	Internet, Laptops, Cell phones
Miscellaneous	\$6,000.00	Additional Overhead supplies
Total	\$75,000.00	

**The LLC consultant that Bob uses will draft the articles of organization, file them with the state. Bob will need to provide the name of the business, a business address, and input on how the business will be managed.

Option 2

Bob finds a partner and establish a Limited Liability Partnership. Bob and his partner can work out an arrangement where Bob funds the business 100% and his partner performs the day to day operations of the business for the first two years. They will be co-owners of the business and will split the profits 50-50. Both parties will be responsible for managerial decisions. Both parties should also decide how the business would be dissolved if necessary. I recommend that their agreement be put in writing. The business outlined above can be used as the franchise of choice.

2. Betty is a hair stylist. She has a full book of clients and has maximized her earning potential from styling hair. So, she looked for other sources of revenue. She rented a large space in a strip mall and created twenty mini salons. Betty named her new business “Salon Plaza.” She moved her business into one of the units and rented out the other 19 to independent stylists. It has turned out to be an efficient and profitable arrangement. Betty maintains the property, provides a laundry room, kitchen and waiting rooms. She also pays all the utilities, pays for a receptionist and handles all other aspects of the business. In return, the independent stylists pay her rent and abide by the company policies. It’s a win-win. Betty believes that she has a model that could be duplicated in every community. Unfortunately, she is so busy with her salon and running Salon Plaza, she doesn’t have the time to expand. She has come to you for advice on how to make her dreams of expansion come true.

Explain how Betty can expand Salon Plaza. Detail each element that she should consider, including the advantages and disadvantages of doing so.

I would recommend that Betty hires a consultant to create a business plan for Salon Plaza. The business plan will capture the details of how Betty established and operates her business. The business plan would include :²

- Executive Summary
- Business description
- Market strategies
- Competitive analysis
- Design and development plan
- Operations and management plan

The next step is for Betty to hire a consultant to establish a S Corporation named **Salon Plaza**. A board of directors will be chosen to help make the decisions of the corporation and appoint officers including the Chief Executive Officer (CEO), Chief Financial Officer (CFO), and Chief Operating Officer (COO). Betty can serve as the CEO, who makes the decision for the corporation but the COO will be responsible for the operations of the corporation, therefore relieving Betty of the day to day operations of the business. The Chief Financial Officer will be responsible for the funds that flow in and out of the cooperation and for the taxes.

The corporation will be organized to provide franchise opportunities to franchisees seeking to open a Salon Plaza. The COO will handle the legal aspects of the franchise, including contracts, site locations, and other operation duties. Regular meetings will be held to report the status of the corporation and the franchise businesses that have been established or closed.

2 <https://www.entrepreneur.com/article/38290>