

*Protecting Wisconsin Consumers for 75 Years*

## Medical billing business opportunity schemes

If you're looking for a home-based business that can help you pull in \$50,000 or more a year using your computer, advertisements for medical billing centers may be appealing. But before you part with your money, consider this: The Federal Trade Commission has brought charges against several companies for misrepresenting the earnings potential of medical billing centers, and failing to provide certain key pre-investment information the law requires.

### How the scam works

You can find ads for pre-packaged businesses—known as billing centers—in newspapers, on television, and on the Internet. When you respond, you'll get a sales pitch. You'll hear that there's a crisis in the health care system, due partly to the overwhelming task of processing paper claims, that electronic claim processing is the solution, and that because only a small percentage of claims are transmitted electronically, the market for billing centers is wide open.

These promoters also may tell you that many doctors who process claims electronically want to "outsource" or contract out their billing services because it will save them money. They'll promise that you can earn a substantial income working full or part-time, providing services like billing, accounts receivable, electronic insurance claim processing, and practice management to doctors and dentists. They also may assure

you that no selling or experience is required, and that they will provide customers or qualified salespeople to find clients for you. The reality: you will have to sell—these promoters rarely provide experienced sales staff or contacts within the medical community.

The company will follow-up by sending you promotional materials that typically include a brochure, application, sample diskettes, a contract (licensing agreement), disclosure document, and in some cases, testimonial letters, video cassettes, and reference lists. For your investment of \$2,000 to \$8,000, they promise software, training, and technical support. And the company will encourage you to call its references. If you do make the phone calls, be aware that you may be talking to a "singer" or a "shill"—a person hired by the promoter to give a favorable report on the business.

### The bitter pill

The FTC has found that few consumers purchasing a medical billing business opportunity are able to find clients, start a business, and generate revenues, let alone earn a substantial income and recover their investment. Competition in the medical billing market is very strong among a number of large and well-established firms.

### How to protect yourself

Taking certain precautions can help you minimize your risk of losing money to a medical billing business opportunity:

- **Check out the company** with the consumer protection agency, and the Better Business Bureau where you live and where the business is headquartered. These organizations can tell you if there are any unresolved complaints about the company. While complaints may alert you to problems, the absence of complaints does not necessarily mean the company is legitimate. Unscrupulous companies may settle complaints, change their names, or move to avoid detection.
- **Call the Secretary of State** in the state where the company is headquartered to determine how long it has been in business. In Wisconsin, call the Department of Financial Institutions, Corporations Division: (608) 261-7577.
- **Get all earnings claims in writing.** Insist that the promoter give you written substantiation. Be sure it includes the number and percent of others who have earned at least as much as the promoter claims. If the promoter hesitates or refuses, walk away from the deal. Don't believe what was said about sales, profits or income.
- **Be skeptical of past success stories.** Don't rely solely on the names given to you by the promoter. Fraudulent companies sometimes hire "references" to speak to potential investors about earnings claims. Ask the

promoter to give you the names of all or many previous purchasers so that you can pick and choose whom to call. When speaking to references, ask them for the names of their clients and details of their operations. You also might consider meeting with references in person. If the promoter or the references hesitate or refuse, walk away from the deal.

- **Consult an attorney, accountant, or other business advisor** before you sign any agreement or make any payments upfront. Entering into any business opportunity may require a significant financial investment. Your attorney can review the company's contract and advise you on how best to proceed. If the company requires a deposit, you may want your attorney to establish an escrow account where the money will be maintained by a neutral third party.

## Business opportunities and franchises

Some businesses are considered franchises. Usually, if a business opportunity constitutes a franchise, the law requires that the company give you a Franchise Disclosure Document at least 10 days before you sign an agreement or pay any money.

There are two ways to tell if the business opportunity you're considering is a franchise.

### It is a franchise if -

- The goods or services that you will sell or distribute will be supplied by either a particular company or a designated supplier. – **and** - The company will help you by securing locations, sites, or accounts. – **and** - The company requires you to pay \$500 or more when you sign the contract or within six months after you begin operations.

-or-

### It would also be a franchise if-

- The goods you are selling or distributing are identified by a trademark, service mark, trade name, advertising or other commercial symbol designating the company. – **and** - The company exerts significant control over, or provides significant assistance to, the way you conduct business. – **and** - The company requires you to pay \$500 or more when you sign the contract or within six months after you begin operations.

The required disclosure document provides important information about a business:

- the names, addresses, and telephone numbers of other purchasers;
- a fully-audited financial statement of the seller;
- the background and experience of the business's key executives;
- the cost of starting and maintaining the business; and
- the responsibilities you and the seller will have to each other once you've bought.

Pay special attention to the sections detailing:

- the business experience of the company and its directors;
- any lawsuits brought against the company or its directors by franchisees, and suits alleging fraud;
- fees you will have to pay and the conditions under which any fees or deposits will be returned to you; and
- substantiation for any claims about your earnings potential or the earnings of existing investors.

If the seller doesn't give you a disclosure document, ask why. Some sellers may not be required by law to provide one. If a franchise or business opportunity seller says it's not covered by the

Franchise Rule, verify it with the FTC, an attorney, or a business advisor. Even if the business is not legally required to provide a disclosure document, you still may want one for your own information.

## Where to complain

If you think you've been defrauded in a medical billing business opportunity, contact the company and ask for your money back. Let the company know you plan to notify law enforcement and other officials about your experience. Keep a record of your conversations and correspondence. If you send documents to the company, make sure you send copies, *not* originals. Send correspondence by certified mail-and request a return receipt-to document what the company received.

If you can't resolve the dispute with the company, several organizations may be able to help you. Check your phone book for the complete names, addresses, and phone numbers for these organizations. The Better Business Bureau (BBB) where the company is located—in Wisconsin 1-800-273-1002. Your local Postmaster. The U.S. Postal Service investigates fraudulent mail practices.

For more information or to file a complaint, contact the Bureau of Consumer Protection at:

**(800) 422-7128**

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PO Box 8911  
Madison WI 53708-8911  
(608) 224-4976

**FAX: (608) 224-4939**

**TTY: (608) 224-5058**

**E-MAIL:**

**DATCPHotline@Wisconsin.gov**

**WEBSITE:**

**www.datcp.state.wi.us**

(Taken from the FTC's fact sheet, "Medical Billing Business Opportunity Schemes")