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## **Revenue, Expenses, and Profit Generation for an NP in a Family Practice**

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**NP as revenue generator.** A full-time NP who gets 1 week off for continuing education, 2 weeks vacation, and has 2 weeks of holiday days will work 5 days a week, 47 weeks per year. A reasonable patient load for a full-time NP is 20 patients per day. Payments per patient visit for evaluation and management will vary from approximately \$20 to \$120, but for these purposes we will use an average payment of \$57. Based on these projections, the annual revenues generated by this NP would be \$267,900.

**NP as employee -- expenses to consider.** NP salaries vary by geographic region. The NP national salary average is approximately \$75,000. If full benefits at 25% of salary are offered, the personnel expense runs about \$93,750. If the additional overhead expenses of employing an NP are \$60,000 (additional space, furniture, assistants, supplies, telephone, continuing education, and so on), the full expense of employing an NP would be approximately \$187,500.

**NP as a potential profit maker.** In the example above, the practice's profit would be \$80,400. Profits could surpass that amount for the NP who generated more or who cost the practice less

Question 2:

What percentage of the NP services in your clinical practice is being billed to Medicare under a physician's name under the "incident to" rules?

Your colleagues responded:

18% None

44% Don't know

8% 0% to 25%

9% 26% to 50%

3% 51% to 75%

15% over 75%  
You answered:  
over 75%

## **NP Services: Reimbursement Basics -- The Payers**

The categories of third-party payers who may reimburse for NP services are:

- Medicare
- Medicaid
- Commercial indemnity insurers
- Commercial managed care organizations (MCOs)/health maintenance organizations
- Businesses or schools wanting health services for employees or students

Each of these categories of payers and each of the commercial insurers has different rules on reimbursing NP services. The basics for each category of payer are described below.

### **Medicare Considerations**

**Medicare's rules for NPs.** Medicare pays NPs under the following terms and conditions:

1. The NP meets Medicare qualification requirements;
2. The practice or facility accepts Medicare's payment, which is 85% of the physician fee schedule rate for bills submitted under an NP's provider number\*;
3. The services performed are "physician services" or those for which a physician can bill Medicare<sup>[2]</sup>;
4. The services are performed in collaboration with a physician;
5. The services are within the NP's scope of practice as defined in state law; and
6. No facility or other provider charges or is paid with respect to the furnishing of the services.

(\*In general, Medicare requires that practices bill services under the provider number of the individual clinician performing the service. However, Medicare rules allow "incident-to" billing -- submitting bills under a physician's provider number for services provided by a supervised employee -- under certain circumstances. Medicare also permits billing "shared visits" under a physician's provider number when an NP performs services in a

hospital and a physician employed by the same entity has a face-to-face visit with the patient that day. If billing an NP's services "incident to" a physician's service or if billing a "shared visit," practices may be reimbursed at 100% of the Physicians Fee Schedule rate. To submit bills under the "incident-to" or "shared visit" provision, certain rules must be followed. See "Billing an NP's Service Under a Physician's Provider Number," below.)

Each of these rules or conditions is explained in greater detail below.

**Medicare qualifications for NPs.** To qualify as an NP eligible to become a Medicare provider, an individual must hold a state license as an NP and be certified as an NP by a recognized national certifying body. The recognized NP national certifying bodies are:

- [AACN \(American Association of Critical Care Nurses\) Certification Corporation](#)
- [American Academy of Nurse Practitioners](#)
- [American Nurses Credentialing Center](#)
- [National Board on Certification of Hospice and Palliative Nurses](#)
- [National Certification Corporation](#)
- [Oncology Nursing Certification Corporation](#)
- [Pediatric Nursing National Certification Board](#)

Individuals applying for Medicare provider numbers as NPs must possess a master's degree from an NP program as well as national certification and state licensure.

**Medicare pays NPs 85% of physician rate.** Medicare pays 80% of the patient's bill for physician services and the patient pays 20%. Medicare reimburses NPs at a rate of 85% of the physician fee, as stated in Medicare's Physicians Fee Schedule. (The US Department of Health and Human Services, Center for Medicare and Medicaid Services, publishes the [Physicians Fee Schedule](#) annually.) So, Medicare pays NPs 80% of the 85% of the Physicians Fee Schedule rate for a procedure.

For example, assume the Physicians Fee Schedule rate for a particular service is \$100. If a physician performs the service, Medicare pays the physician \$80; the patient pays the physician \$20. If an NP performs the service, Medicare pays the NP \$68; the patient pays the NP \$17.