

# [Recommendation concerning the future of the walk-in clinic](https://assignbuster.com/recommendation-concerning-the-future-of-the-walk-in-clinic/)

[Finance](https://assignbuster.com/essay-subjects/finance/)

Better Care Clinic
Forecasted Data Daily Averages
Number of visits 45
Net revenue $1, 845
Salaries and wages $ 451
Physician fees $600
Malpractice insurance $107
Travel and education 0
General insurance $28
Utilities $36
Equipment leases $5
Building lease $417
Other operating expenses $300
Total operating expenses $1, 944
Total revenue profit $1, 845
Net profit (loss) ($ 99)
These numbers subjects the clinic will not make a profit, but a loss of $ 99 a month or $1, 188 a year.
2. How many additional daily visits must be generated to break even?
In order to break even, the clinic would need to raise prices. For example, at the current price raising the patient numbers will make the cost go up. This chart shows with 10 and 15 more patients.
3. Thus far, the analysis has considered the clinic's near-term profitability—that is, an average day in 2009. Redo the forecasted profit and loss statement developed in Question 1 for an average day in 2014, five years hence, assuming that volume stays constant (does not increase). (Hint: You must consider likely changes in revenues and costs due to inflation and other factors. The idea here is to see whether the clinic can " inflate" its way to profitability even if volume remains at its current level.)
Better Care Clinic
Forecasted 2014 Data Daily Averages
Number of visits 45
Net revenue $1, 882
Salaries and wages $ 460
Physician fees $612
Malpractice insurance $109
Travel and education 0
General insurance $29
Utilities $36
Equipment leases $6
Building lease $425
Other operating expenses $306
Total operating expenses $1, 983
Total revenue profit of $1, 882
Net profit (loss) ($ 101)

Using a 2% inflation rate the above chart would reflect the daily projections for the clinic.
4. Suppose you just found out that the $3, 215 monthly malpractice insurance charge is based on an accounting allocation scheme that divides the hospital’s total annual malpractice insurance costs by the total annual number of inpatient days and outpatient visits to obtain a per-episode charge. Then, the per-episode value is multiplied by each department's projected a number of patient days or outpatient visits to obtain each departments malpractice cost allocation. What impact does this allocation scheme have on the clinic’s true (cash) profitability? (No calculations are necessary.)
If the malpractice insurance charge is based on the hospital’s numbers of the patient, then the clinic is paying too much. The clinic has fewer patients, so the insurance needs to be reduced to reflect the number of actual patient visits the clinic sees daily.
The clinic does impact the hospital. If the hospital doctors see patients at the clinic, then patients from the hospital go to the clinic. It would also be a bad practice if the hospital is discharging patients to doctors in the Baptist Hospital clinic. The clinic is an extension of the hospital. Whatever the clinic loses, the hospital makes up in volume, procedures, and other means. Baptist Hospital should not have any bearing on the decision. When the other clinics were opened, this clinic had the same volume. Only if the volume of patients drop drastically should the clinic be close?