

Volume and revenue project

[Finance](#)



Financial Planning Estimations For The Year 0 Introductions From the financial analysis it could be noted that the hospital was loss making for the period of 2012 and 2013. The aim of this financial projection is to evaluate the cost structure and how to integrate the projected medical and financial trends to ensure profitability for the medical facility. This process would involve strategizing on the most appropriate volume and revenue to be generated for the firm to be profitable if not break even. The targeted profit is set at \$200, 000

Benchmarks/ key performance indicators

Accounts receivables

Formula: less than 90days

Benchmark: median 22. 3%

Bad debt expense

Formula: as % of gross or net revenue

Benchmark: less than 5%

Average collection period or Days in patients accounts receivable

Formula:

$$\text{Net Accounts Receivable} / \text{Net patient service} / 365$$

Benchmark: Median 47. 1days

Source: <http://www.kareo.com/gettingpaid/2011/06/benchmarks-for-your-medical-practice-a-vital-part-of-critical-practice-analysis/>

2. 0 Marginal costing

Using marginal costing differentiates the various elements of the costs of production. The costs are divided into fixed and variable costs. The marginal costs or the contribution is calculated by subtracting the variable costs from total revenues per unit.

<https://assignbuster.com/volume-and-revenue-project/>

3. 0 Projections

Medical spending with regards to private insurance spending is expected to grow in the year 2014 by an estimated 9. 4% (National Health Expenditure Projections 2010-2020). Spending by the government is also expected to grow in Medicare and Medicaid by 6. 2 and 300 percent respectively (National Health Expenditure Projections 2010-2020). Based on this estimated for the hospital to be profitable it either has to increase the volume of patients and or increase the revenue received per procedure. conservative figure for the projected revenue of \$ 15, 694, 583, this is by using increments in number of procedures and cost per procedure to reflect the change estimates. The total expenses are estimated to be at \$ 3, 134, 381

4. 0 Notable areas of focus

Looking at the expenses it could be noted that the physician contract services had a variance of -27. 8% which affected the general result of the hospital. Other areas that should be focused on are the salaries and telephone costs. The hospital could consider employing more staff for its operations.

5. 0 Works Cited

National Health Expenditure Projections 2010-2020. 20 October 2013

[http://www. cms. gov/Research-Statistics-Data-and-Systems/Statistics-](http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/downloads/proj2010.pdf)

[Trends-and-Reports/NationalHealthExpendData/downloads/proj2010. pdf](http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/downloads/proj2010.pdf)>