48. Determining break-even price in a reduce-or-expand decision. QuickCare is a health care franchise that functions as a primary family health clinic, seeing unscheduled patients twenty-four hours a day. Several months after the grand opening, a corporate office management engineering study showed that the clinic was experiencing some dips in volume in the midafternoon hours. To increase volume, efficiency, and revenues, the clinic administrator contracted with the area high schools to provide after-school physicals for the sports teams. The initial agreement was that QuickCare would charge $100 per exam, the market average. Fixed costs were $30,000 and variable costs are $25 per physical. Although this strategy proved somewhat successful, gross profit margin lagged behind the corporate expectations. To improve margins, the clinic is considering increasing the exam price to $125. QuickCare’s administrator projects that this price increase will cause the high schools to send their athletes to other providers and that volume could drop by 33 percent. Last year, QuickCare performed 1,026 examinations. The administrator feels that if the program closes down, all $30,000 in fixed costs would be saved.
a. What should QuickCare’s decision be, assuming that this price increase will decrease the number of patients seen by one-third?
b. What price would QuickCare have to charge to make up for the loss of patients?
c. Using the information from point 1, should QuickCare make the same decision if 40% of the fixed costs are avoidable? Would it be better or worse off? Why?

52. Break-even equation. Fill in the blank. The following table contains selected data concerning several outpatient clinics in the new Ambulatory Care Center at Hope University Hospital. Fill in the missing information.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **APrice Visit** | **BVariable Cost/Visit** | **CNumber of Visits** | **DContribution Margin** | **EFixed Costs** | **FNet Income** |
| $85 |  | 3,000 | $180,000 |  | $80,000 |
| $70 | $20 |  | $130,000 | $90,000 |  |
|  | $35 | 3,250 |  | $78,000 | $117,000 |
| $65 | $40 | 2,000 |  | $60,000 |  |