**Cost Analysis Problem**

**Problem:**

The Downtown Clinic is a 50,000 sq. ft., inner-city primary care facility with a total annual budget of $1.7 million.  However, it is losing its Federal and State grants, and must become self-sufficient to survive.  It must now compete for paying customers with other providers, and must enter into contracts with managed care organizations (MCOs) for reimbursement.  One such MCO has already made an offer to the Downtown Clinic to care for its enrollees on a cost per visit basis.  It is offering $50.00 per visit, regardless of service.  Should the Downtown Clinic accept this offer and enter into a contract with the MCO?

The road to the answer begins with determining the per-visit costs of seeing patients, and the overall income provided by the contract compared with expenses.  Below are the data for each of the Clinic’s departments, needed to prepare **a step-down cost analysis**.

**Requirements:**

Each team’s answer to the case study should contain:

1. A spread-sheet step-down cost analysis
2. A narrative explaining the methods used for distribution of costs and calculation of the per visit cost for each service, and the overall per visit cost, and
3. A decision as to whether the clinic should accept the offer or not, and why.

**Needed Information:**

|  |  |
| --- | --- |
| Pediatrics | 8,000 sq. ft; 5,000 patients; $185,000 budget; 1.5 docs & 1 nurse; and                                  3,000 lab orders |
| OB/GYN | 6,000 sq. ft; 8,500 patients; $225,000 budget; 2.5 docs & 1.5 nurse; and 2,000 lab orders |
| Cardiac Center | 8,000 sq. ft; 6,000 patients; $200,000 budget; 2.0 docs & 2.0 nurse; and                               3,000 lab orders |
| Dental | 5,000 sq. ft; 4,500 patients; $175,000 budget; 1dentist; and 1,000 lab orders |
| General Medicine | 7,000 sq. ft; 10,000 patients; $300,000 budget; 3.5 docs & 2 nurses; and                                6,000 lab orders |
| Lab | 9,000 sq. ft.; $125,000 budget; and 1 lab tech |
| Medical Records | 5,000 sq. ft.; $150,000 budget; 1 medical records employee |
| Administration | 2,000 sq. ft.; $140,000 budget; 1 administrator and 1 secretary |
| Rent | $80,000 |
| Utilities | $78,000 |
| Cleaning | $42,000 |

