**Name:**

**P & L problem**

**DaVita Hemodialysis Center**

Assume the following:

You have just been hired as the manager for DaVita’s Westside Hemodialysis Center. The Regional Manager will be doing a site visit in a few days and will be reviewing the Center’s operating performance. You must complete a monthly P & L statement and a variance analysis and provide an action plan for achieving budget projections in March to prepare for this meeting.

This is a case analysis.  That said, you need to use the info you were given in the best way you can to develop your P&L.  You are working on a variance analysis for your boss.  Should you compare Jan and Feb to budget, or should you use a trending analysis? You should use whatever you believe will give your boss the best answers.

A tip on the revenue.  You do not have enough info to estimate Gross Revenue.  You can use the payer mix numbers and multiply them against the total encounters to develop the net revenue numbers.

For example to calculate the net revenue for January, you can use the following formula:

total encounters = 1,925.

80% of 1,925 = 1,540   then you multiply that number by the reimbursement rate of $75.00.

3% of 1,925 = 57.75 then multiply that number by $110

15% 0f 1,925 = 288.75 then multiply by $62.00

2% of 1,925 = 38.50 hen multiply by $70.

Add these together and you will have the net revenue.

Do the same for Feb.

Guidelines

* The center operates 12 hours a day, 6 days a week
* RN’s are generally scheduled to work 12 hour shifts, 3 days a week.
* Staff is paid time and a half for overtime up to 12 hours, and double time for hours worked greater than 12 hours.
* Medicare reimbursement rates can’t be adjusted.

Remediation Plan

Westside Center

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **January Actual** | | **January Budget** | | **February Actual** | | **February Budget** | | **Jan to Feb Variance to Budget** |
|  | **Total** | **Per Treatment** | **Total** | **Per Treatment** | **Total** | **Per Treatment** | **Total** | **Per Treatment** |
| **Gross Revenue** |  |  |  |  |  |  |  |  |  |
| **Net Revenue** |  |  |  |  |  |  |  |  |  |
| **Fixed Cost** |  |  |  |  |  |  |  |  |  |
| **Variable Cost** |  |  |  |  |  |  |  |  |  |
| **Contribution Margin** |  |  |  |  |  |  |  |  |  |
| **Total Costs** |  |  |  |  |  |  |  |  |  |
| **EBIDTA** |  |  |  |  |  |  |  |  |  |

**Volume January and February**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **January** | | **February** | | **Monthly Budget** | |
| **Total** | **Per day** | **Total** | **Per day** | **Total** | **Per Day** |
| Treatments | 1,925 | 80 | 1,875 | 78 | 1,985 | 83 |

**Expense Description**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Average Cost Per TX** | | |
| **Description** | **Jan** | **Feb** | **Monthly Budget** |
| Drugs | $8.50 | $6.50 | $7.50 |
| Office supplies | $0.00 | $2.00 | $1.40 |
| Medical Supplies | $12.00 | $11.00 | $10.00 |
| **Total** | **$20.50** | **$19.50** | **$18.90** |
|  |  |  |  |
|  | **Monthly Fixed Cost** | | |
| **Description** | **Jan** | **Feb** | **Monthly Budget** |
| Building Lease | $6,000 | $6,000 | $6,000 |
| Equipment | $2,200 | $2,300 | $1,500 |
| **Total** | **$8,200** | **$8,300** | **$7,500** |
|  |  |  |  |
|  | **Monthly Fixed Salaries/Benefits** | | |
| **Description** | **Jan** | **Feb** | **Monthly Budget** |
| Biomedical Engineer | $6,000 | $6,000 | $6,000 |
| Manager Salary & Benefits | $546 | $10,500 | $10,500 |
| Receptionist | $2,200 | $2,300 | $1,500 |
| **Total** | **$8,746** | **$18,800** | **$18,000** |

**Payer Summary**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **January** | | **February** | | **Monthly Budget** | |
| **Payer Mix** | **Percent** | **Net Revenue Per Treatment** | **Percent** | **Net Revenue Per Treatment** | **Percent** | **Net Revenue Per Treatment** |
| **Medicare** | 80% | $75.00 | 78% | $75.00 | 80% | $75.00 |
| **Commercial** | 3% | $110.00 | 2% | $112.00 | 11% | $112.00 |
| **Medicaid** | 15% | $62.00 | 17% | $62.00 | 7% | $62.00 |
| **Self-pay** | 2% | $70.00 | 3% | $70.00 | 1% | $70.00 |

**Labor Worksheet**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Position** |  | | | | | |
| **Avg Treatments per Day** | **Avg Minutes Per TX** | **Avg Total FTE"s Day** | **Avg Total Paid Hours Day** | **Avg Hourly Expense per FTE** | **Average Cost Per Treatment** |
| **Registered Nurse** | 80.21 | 300.00 | 8.36 | 66.84 | $41.50 | $34.58 |
|  |  |  |  |  |  |  |
| **Position** |  | | | | | |
| **Avg Treatments per Day** | **Avg Minutes Per TX** | **Avg Total FTE"s Day** | **Avg Total Paid Hours Day** | **Avg Hourly Expense per FTE** | **Average Cost Per Treatment** |
| **Registered Nurse** | 78.13 | 295.00 | 8.00 | 64.02 | $42.50 | $34.83 |
|  |  |  |  |  |  |  |
| **Position** |  | | | | | |
| **Avg Treatments per Day** | **Avg Minutes Per TX** | **Avg Total FTE"s Day** | **Avg Total Paid Hours Day** | **Avg Hourly Expense per FTE** | **Average Cost Per Treatment** |
| **Registered Nurse** | 82.71 | 240.00 | 6.89 | 55.14 | $38.50 | $25.67 |