Assume that a radiologist group practice has the following cost structure:

Fixed costs $500,000

Variable cost per procedure $25

Charge (revenue) per procedure $100

Assume that the group expects to perform 7,500 procedures in the coming year.

1. Construct the group’s base case projected profit and loss statement.
2. What is the group’s contribution margin? What is the breakeven point?
3. What volume is required to provide a pretax profit of $100,000? A pretax profit of $200,000?
4. Sketch out a CVP analysis graph depicting the base case situation.
5. Assume the practice contracts with one HMO and the plan propose 20% discount from charges. Redo questions a, b, c, and d under these conditions.