

Module 4 – Part 2 – HOMEWORK – Service Line Costing and Pricing

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#1. The audiology department at Randall Clinic offers many services to the clinic's patients. The three most common, along with cost and utilization data, are as follows:

Service	Variable Cost Per Unit	Annual Direct Fixed Costs	Annual Number of Visits
Basic Examination	\$5	\$50,000	3,000
Advanced Examination	\$7	\$30,000	1,500
Therapy Session	\$10	\$40,000	500

What is the fee schedule for a Basic Exam assuming that the goal is to cover only variable and direct fixed costs?

- Choice: \$10.00
- Choice: \$16.50
- Choice: \$21.67
- Choice: \$32.98

#2. The audiology department at Randall Clinic offers many services to the clinic's patients. The three most common, along with cost and utilization data, are as follows:

Service	Variable Cost Per Unit	Annual Direct Fixed Costs	Annual Number of Visits
Basic Examination	\$5	\$50,000	3,000
Advanced Examination	\$7	\$30,000	1,500
Therapy Session	\$10	\$40,000	500

What is the fee for schedule for an Advanced Exam, assuming that the goal is to cover only variable and direct fixed costs?

- Choice: \$20
- Choice: \$24
- Choice: \$25
- Choice: \$27

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#3. The audiology department at Randall Clinic offers many services to the clinic's patients. The three most common, along with cost and utilization data, are as follows:

Service	Variable Cost Per Unit	Annual Direct Fixed Costs	Annual Number of Visits
Basic Examination	\$5	\$50,000	3,000
Advanced Examination	\$7	\$30,000	1,500
Therapy Session	\$10	\$40,000	500

What is the fee for schedule for a Therapy Session, assuming that the goal is to cover only variable and direct fixed costs?

Choice: \$70

Choice: \$90

Choice: \$100

Choice: \$120

#4. The audiology department at Randall Clinic offers many services to the clinic's patients. The three most common, along with cost and utilization data, are as follows:

Service	Variable Cost Per Unit	Annual Direct Fixed Costs	Annual Number of Visits
Basic Examination	\$5	\$50,000	3,000
Advanced Examination	\$7	\$30,000	1,500
Therapy Session	\$10	\$40,000	500

There is also \$50,000 in general overhead expenses in addition to the 'Variable Cost Per Unit' and 'Annual Direct Fixed Costs' that must be allocated. *What is the fee for schedule for a Basic Exam assuming that the overhead costs must be covered?*

Choice: \$31.67

Choice: \$38.45

Choice: \$43.98

Choice: \$50.00

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#5. The audiology department at Randall Clinic offers many services to the clinic's patients. The three most common, along with cost and utilization data, are as follows:

Service	Variable Cost Per Unit	Annual Direct Fixed Costs	Annual Number of Visits
Basic Examination	\$5	\$50,000	3,000
Advanced Examination	\$7	\$30,000	1,500
Therapy Session	\$10	\$40,000	500

There is also \$50,000 in general overhead expenses in addition to the 'Variable Cost Per Unit' and 'Annual Direct Fixed Costs' that must be allocated. *What is the fee for schedule for an Advanced Exam assuming that the overheard costs must be covered?*

Choice: \$33

Choice: \$37

Choice: \$43

Choice: \$47

#6. The audiology department at Randall Clinic offers many services to the clinic's patients. The three most common, along with cost and utilization data, are as follows:

Service	Variable Cost Per Unit	Annual Direct Fixed Costs	Annual Number of Visits
Basic Examination	\$5	\$50,000	3,000
Advanced Examination	\$7	\$30,000	1,500
Therapy Session	\$10	\$40,000	500

There is also \$50,000 in general overhead expenses in addition to the 'Variable Cost Per Unit' and 'Annual Direct Fixed Costs' that must be allocated. *What is the fee for schedule for a Therapy Session assuming that the overheard costs must be covered?*

Choice: \$50

Choice: \$75

Choice: \$100

Choice: \$125

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#7. Allied Laboratories is combining some of its most common tests into one-price packages. One such package will contain three tests that have the following variable costs:

	Test A	Test B	Test C
Disposable Syringe	\$3.00	\$3.00	\$3.00
Blood Vial	\$0.50	\$0.50	\$0.50
Forms	\$0.15	\$0.15	\$0.15
Reagents	\$0.80	\$0.60	\$1.20
Sterile Bandages	\$0.10	\$0.10	\$0.10
Breakage/losses	\$0.05	\$0.05	\$0.05

When the tests are combined, only one syringe, form, and sterile bandage will be used. Furthermore, only one charge for breakage/losses will apply. Two blood vials are required, and reagent costs will remain the same (reagents from all three tests are required).

Assuming marginal cost pricing, what is the cost of the combined test?

Choice: \$3.00

Choice: \$4.50

Choice: \$5.30

Choice: \$6.90

#8. Allied Laboratories is combining some of its most common tests into one-price packages. One such package will contain three tests that have the following variable costs:

	Test A	Test B	Test C
Disposable Syringe	\$3.00	\$3.00	\$3.00
Blood Vial	\$0.50	\$0.50	\$0.50
Forms	\$0.15	\$0.15	\$0.15
Reagents	\$0.80	\$0.60	\$1.20
Sterile Bandages	\$0.10	\$0.10	\$0.10
Breakage/losses	\$0.05	\$0.05	\$0.05

When the tests are combined, only one syringe, form, and sterile bandage will be used. Furthermore, only one charge for breakage/losses will apply. Two blood vials are required, and reagent costs will remain the same (reagents from all three tests are required).

What price must be charge to achieve a contribution margin of \$10?

Choice: \$10.25

Choice: \$15.70

Choice: \$16.90

Choice: \$19.80

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#9. Allied Laboratories is combining some of its most common tests into one-price packages. One such package will contain three tests that have the following variable costs:

	Test A	Test B	Test C
Disposable Syringe	\$3.00	\$3.00	\$3.00
Blood Vial	\$0.50	\$0.50	\$0.50
Forms	\$0.15	\$0.15	\$0.15
Reagents	\$0.80	\$0.60	\$1.20
Sterile Bandages	\$0.10	\$0.10	\$0.10
Breakage/losses	\$0.05	\$0.05	\$0.05

When the tests are combined, only one syringe, form, and sterile bandage will be used. Furthermore, only one charge for breakage/losses will apply. Two blood vials are required, and reagent costs will remain the same (reagents from all three tests are required).

Allied estimates that 2,000 of the combined tests will be conducted during the first year. The annual allocation of direct fixed and overhead costs totals \$40,000. What price must be set to cover the total overhead costs at the projected volume.

What price must be charged to cover full costs?

Choice: \$26.90

Choice: \$31.50

Choice: \$39.40

Choice: \$43.75

#10. Allied Laboratories is combining some of its most common tests into one-price packages. One such package will contain three tests that have the following variable costs:

	Test A	Test B	Test C
Disposable Syringe	\$3.00	\$3.00	\$3.00
Blood Vial	\$0.50	\$0.50	\$0.50
Forms	\$0.15	\$0.15	\$0.15
Reagents	\$0.80	\$0.60	\$1.20
Sterile Bandages	\$0.10	\$0.10	\$0.10
Breakage/losses	\$0.05	\$0.05	\$0.05

When the tests are combined, only one syringe, form, and sterile bandage will be used. Furthermore, only one charge for breakage/losses will apply. Two blood vials are required, and reagent costs will remain the same (reagents from all three tests are required).

Allied estimates that 2,000 of the combined tests will be conducted during the first year. The annual allocation of direct fixed and overhead costs totals \$40,000. What price must be set to cover the total overhead costs at the projected volume.

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What price must be charged to cover full costs plus a \$20,000 profit?

Choice: \$23.54

Choice: \$32.45

Choice: \$33.80

Choice: \$36.90

#11. Bay Pine Medical Center estimates that a capitated population of 50,000 would have the following base case utilization and total cost characteristics:

In addition to medical costs, Bay Pines allocated 10% of the total premium for administration /reserves.

Service Category	Inpatient Days per 1,000 Enrollee	Average Cost per Day
General	150	\$1,500
Surgical	125	\$1,800
Psychiatric	70	\$700
Alcohol / Drug Abuse	38	\$500
Maternity	42	\$1,500
Total	425	\$1,367

What is the PMPM rate that Bay Pines must set to cover medical costs and administrative expenses? Remember that “Inpatient Days” is per 1,000 enrollees. Also, the entire capitated population is 50,000.

Choice: \$45.98

Choice: \$53.79

Choice: \$65.73

Choice: \$100.00