

Module 6 – Part 1 – HOMEWORK – Financial Planning and Budgeting

Directions – Module 6 – Part 1 – HOMEWORK – Financial Planning and Budgeting

Please try your best on these answers. The more you work on these the better off you will be for the test!

I have created a PowerPoint as *guides* to try to get you through these questions. The numbers will be different but the processes the same.

The answers and solutions will be shared on, October 14th.

1. Chelsea Clinic's projected ***budget*** information for 2020 is listed below.

Total FFS Visit Volume	90,000 visits
Payer Mix:	
Blue Cross	40%
Highmark	60%
Reimbursement Rates	
Blue Cross	\$25 per visit
Highmark	\$20 per visit
Variable Costs	
Resource Inputs	
Labor	48,000 total hours
Supplies	100,000 total units
Resource Input Prices	
Labor	\$ 25.00 per hour
Supplies	\$ 1.50 per unit
Fixed Costs (overhead, plant and equipment)	\$ 500,000.00

Based on this information, calculate the *Blue Cross total number of patient visits*.

- Choice: 10,000 visits
- Choice: 30,000 visits
- Choice: 36,000 visits
- Choice: 40,000 visits

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2. Chelsea Clinic's projected ***budget*** information for 2020 is listed below.

Total FFS Visit Volume	90,000 visits
Payer Mix:	
Blue Cross	40%
Highmark	60%
Reimbursement Rates	
Blue Cross	\$25 per visit
Highmark	\$20 per visit
Variable Costs	
Resource Inputs	
Labor	48,000 total hours
Supplies	100,000 total units
Resource Input Prices	
Labor	\$ 25.00 per hour
Supplies	\$ 1.50 per unit
Fixed Costs (overhead, plant and equipment)	\$ 500,000.00

Based on this information, calculate *estimated revenue from Highmark*.

- Choice: \$1,080,000
- Choice: \$980,000
- Choice: \$2,000,000
- Choice: \$,1540,000

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3. Chelsea Clinic's projected ***budget*** information for 2020 is listed below.

Total FFS Visit Volume	90,000 visits
Payer Mix:	
Blue Cross	40%
Highmark	60%
Reimbursement Rates	
Blue Cross	\$25 per visit
Highmark	\$20 per visit
Variable Costs	
Resource Inputs	
Labor	48,000 total hours
Supplies	100,000 total units
Resource Input Prices	
Labor	\$ 25.00 per hour
Supplies	\$ 1.50 per unit
Fixed Costs (overhead, plant and equipment)	\$ 500,000.00

Based on this information, calculate *the total variable costs*.

- Choice: \$1,500,000
- Choice: \$2,890,000
- Choice: \$1,350,000
- Choice: \$987,000

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4. Chelsea Clinic's projected ***budget*** information for 2020 is listed below.

Total FFS Visit Volume	90,000 visits
Payer Mix:	
Blue Cross	40%
Highmark	60%
Reimbursement Rates	
Blue Cross	\$25 per visit
Highmark	\$20 per visit
Variable Costs	
Resource Inputs	
Labor	48,000 total hours
Supplies	100,000 total units
Resource Input Prices	
Labor	\$ 25.00 per hour
Supplies	\$ 1.50 per unit
Fixed Costs (overhead, plant and equipment)	\$ 500,000.00

Based on this information, calculate *the total variable costs per visit*.

- Choice: \$10.00 per visit
- Choice: \$15.00 per visit
- Choice: \$25.00 per visit
- Choice: \$1,000,000,000 per visit

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5. Chelsea Clinic's projected ***budget*** information for 2020 is listed below.

Total FFS Visit Volume	90,000 visits
Payer Mix:	
Blue Cross	40%
Highmark	60%
Reimbursement Rates	
Blue Cross	\$25 per visit
Highmark	\$20 per visit
Variable Costs	
Resource Inputs	
Labor	48,000 total hours
Supplies	100,000 total units
Resource Input Prices	
Labor	\$ 25.00 per hour
Supplies	\$ 1.50 per unit
Fixed Costs (overhead, plant and equipment)	\$ 500,000.00

Based on this information, calculate *the total budgeted costs*.

- Choice: \$1,850,000
- Choice: \$1,455,000
- Choice: \$2,200,400
- Choice: \$1,000,000

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6. Chelsea Clinic's projected ***budget*** information for 2020 is listed below.

Total FFS Visit Volume	90,000 visits
Payer Mix:	
Blue Cross	40%
Highmark	60%
Reimbursement Rates	
Blue Cross	\$25 per visit
Highmark	\$20 per visit
Variable Costs	
Resource Inputs	
Labor	48,000 total hours
Supplies	100,000 total units
Resource Input Prices	
Labor	\$ 25.00 per hour
Supplies	\$ 1.50 per unit
Fixed Costs (overhead, plant and equipment)	\$ 500,000.00

Based on this information, calculate *the contribution margin*.

- Choice: \$550,000
- Choice: \$630,000
- Choice: \$874,000
- Choice: \$1,000,000

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7. Chelsea Clinic's projected ***budget*** information for 2020 is listed below.

Total FFS Visit Volume	90,000 visits
Payer Mix:	
Blue Cross	40%
Highmark	60%
Reimbursement Rates	
Blue Cross	\$25 per visit
Highmark	\$20 per visit
Variable Costs	
Resource Inputs	
Labor	48,000 total hours
Supplies	100,000 total units
Resource Input Prices	
Labor	\$ 25.00 per hour
Supplies	\$ 1.50 per unit
Fixed Costs (overhead, plant and equipment)	\$ 500,000.00

Based on this information, calculate *the budgeted profit*.

- Choice: \$98,000
- Choice: \$117,000
- Choice: \$130,000
- Choice: \$158,000

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8. Chelsea Clinic's **actual and budget information** for 2020 is listed below, we will use this to calculate the **flexible budget**. **Chelsea had actual visits of 100,000 patient visits.**

Payer Mix Budgeted :

Blue Cross	40%
Highmark	60%

Reimbursement Rates Budgeted:

Blue Cross	\$25 per visit
Highmark	\$20 per visit

Payer Mix Actual :

Blue Cross	40%
Highmark	60%

Reimbursement Rates Actual:

Blue Cross	\$28 per visit
Highmark	\$18 per visit

When calculating the flexible budget, we will use the **actual volume** but the **budget rates**. Based on this information, calculate *the flexible budget for revenue*.

- Choice: \$1,456,000
- Choice: \$2,500,000
- Choice: \$1,985,000
- Choice: \$2,200,000

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9. Chelsea Clinic's **actual and budget information** for 2020 is listed below, we will use this to calculate the **flexible budget**. **Chelsea had actual visits of 100,000 patient visits.**

Total FFS Visit Volume	100,000 visits
Budgeted FFS Visit Volume	90,000 visits
Budgeted Variable Costs	
Variable Budget - Volume :	
Labor	48,000 total hours
Supplies	100,000 total units
Variable Budget - Prices:	
Labor	\$ 25.00 per hour
Supplies	\$ 1.50 per unit
Actual Variable Costs	
Actuals - Volume:	
Labor	50,000 total hours
Supplies	150,000 total units
Actuals - Prices	
Labor	\$ 28.00 per hour
Supplies	\$ 1.50 per unit
Fixed Costs (overhead, plant and equipment)	
	\$ 500,000.00

When calculating the flexible budget, we will use the **actual volume** but the **budget rates**.

Based on this information, calculate *the flexible budget for total costs (include the fixed proportion)*.

- Choice: \$1,000,000
- Choice: \$1,980,000
- Choice: \$2,000,000
- Choice: \$3,000,000

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10. Chelsea Clinic's **actual information** for 2020 is listed below.

Total FFS Visit Volume	100,000 visits
Budgeted FFS Visit Volume	90,000 visits
Payer Mix Budgeted :	
Blue Cross	40%
Highmark	60%
Reimbursement Rates Budgeted:	
Blue Cross	\$25 per visit
Highmark	\$20 per visit
Payer Mix Actual :	
Blue Cross	40%
Highmark	60%
Reimbursement Rates Actual:	
Blue Cross	\$28 per visit
Highmark	\$18 per visit

Based on this information, calculate *the actual total revenues*.

- Choice: \$1,800,000
- Choice: \$4,650,000
- Choice: \$2,200,000
- Choice: \$3,647,000

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11. Chelsea Clinic's **static budget, flexible budget and actual expense information** for 2020 is listed below.

To make the following problems easier I have summarized the following three financial statements side by side - static budget, flexible budget and actual results. You may recognize that these numbers are the same to what you have worked out prior. I gave this to you, not only to help out with your homework but also in case you got some of the numbers wrong in the previous section(s).

Assumptions:	Static Budget	Flexible Budget	Actual Results
Blue Cross Visits	36,000	40,000	40,000
Highmark Visits	54,000	60,000	60,000
Total Visits	90,000	100,000	100,000

Revenues

Blue Cross	\$ 900,000	\$ 1,000,000	\$ 1,120,000
Highmark	\$ 1,080,000	\$ 1,200,000	\$ 1,080,000
Total	\$ 1,980,000	\$ 2,200,000	\$ 2,200,000

Costs

Variable:

Labor	\$ 1,200,000	\$ 1,333,333	\$ 1,400,000
Supplies	\$ 150,000	\$ 166,667	\$ 225,000
Total Variable	\$ 1,350,000	\$ 1,500,000	\$ 1,625,000
Fixed Costs	\$ 500,000	\$ 500,000	\$ 500,000
Total Costs	\$ 1,850,000	\$ 2,000,000	\$ 2,125,000

Profit	\$ 130,000	\$ 200,000	\$ 75,000
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Based on this information, calculate *profit variance*.

Choice: \$105,000

Choice: \$45,000

Choice: (\$0)

Choice: (\$55,000)

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12. Chelsea Clinic's **static budget, flexible budget and actual expense information** for 2020 is listed below.

Assumptions:	Static Budget	Flexible Budget	Actual Results
Blue Cross Visits	36,000	40,000	40,000
Highmark Visits	54,000	60,000	60,000
Total Visits	90,000	100,000	100,000
Revenues			
Blue Cross	\$ 900,000	\$ 1,000,000	\$ 1,120,000
Highmark	\$ 1,080,000	\$ 1,200,000	\$ 1,080,000
Total	\$ 1,980,000	\$ 2,200,000	\$ 2,200,000
Costs			
Variable:			
Labor	\$ 1,200,000	\$ 1,333,333	\$ 1,400,000
Supplies	\$ 150,000	\$ 166,667	\$ 225,000
Total Variable	\$ 1,350,000	\$ 1,500,000	\$ 1,625,000
Fixed Costs	\$ 500,000	\$ 500,000	\$ 500,000
Total Costs	\$ 1,850,000	\$ 2,000,000	\$ 2,125,000
Profit	\$ 130,000	\$ 200,000	\$ 75,000

Based on this information, calculate *revenue variance*.

Choice: \$220,000

Choice: \$318,000

Choice: \$25,000

Choice: (\$55,000)

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13. Chelsea Clinic's **static budget, flexible budget and actual expense information** for 2020 is listed below.

Assumptions:	Static Budget	Flexible Budget	Actual Results
Blue Cross Visits	36,000	40,000	40,000
Highmark Visits	54,000	60,000	60,000
Total Visits	90,000	100,000	100,000

Revenues

Blue Cross	\$ 900,000	\$ 1,000,000	\$ 1,120,000
Highmark	\$ 1,080,000	\$ 1,200,000	\$ 1,080,000
Total	\$ 1,980,000	\$ 2,200,000	\$ 2,200,000

Costs

Variable:

Labor	\$ 1,200,000	\$ 1,333,333	\$ 1,400,000
Supplies	\$ 150,000	\$ 166,667	\$ 225,000
Total Variable	\$ 1,350,000	\$ 1,500,000	\$ 1,625,000
Fixed Costs	\$ 500,000	\$ 500,000	\$ 500,000
Total Costs	\$ 1,850,000	\$ 2,000,000	\$ 2,125,000

Profit	\$ 130,000	\$ 200,000	\$ 75,000
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Based on this information, calculate *cost variance*.

Choice: \$95,000

Choice: \$145,000

Choice: (\$275,000)

Choice: (\$100,000)