**Discussion Board #2**

This assignment is intended to provide experience is putting together a proforma and making a recommendation based on the information available to you. Let me say up front that there is not an absolute right answer since the final data will depend upon what you estimate for staffing needs. The key will be that you enter the data correctly and make a recommendation that is substantiated by your analysis. The situational criteria are listed below. The pro forma spreadsheet and reimbursement calculator are on the Moodle page.

**Situation**: The Neurosurgical Service has approached Radiology about adding a 3 tesla MRI scanner. Neurosurgery believes that this service will enhance the provision of care to patients and will also allow the facility to recruit more patients. If the patient volume does increase then Radiology would also benefit through increased revenue. These 2 services have requested that hospital administration purchase and install the scanner. Your administrator has asked you as the director of radiology to access the feasibility and develop a pro forma.

One of the most difficult parts of the assessment is the determination of need or customer demand. The clinical services wanting the new equipment know that the technology is superior to what the hospital currently has but you have to determine what the actual usage of the equipment might be. Some ways to assess this include:

* Assess internal demand – If the new equipment will be providing exams that current equipment provide (in addition to new exams) then you must ascertain how well demand is being met. For example, if the next available appointment is several weeks out, then there is a possibility that patients may not be willing to wait and choose to have the exam performed elsewhere. Data such as cancellations is useful in evaluating this aspect.
* Internal demand for new procedure – In this case neurosurgery will use the new scanner for imaging associated with new procedures but what is the demand. You will need to talk to the services that would be referring patients to determine if the demand actually exists. For example, are these services referring their patients to other facilities to have these procedures performed?
* Lost opportunities in general – Although a particular service is requesting the equipment are there other opportunities. For example, you might learn that another service is referring patients outside of the facility for MR imaging due to quality, appointment availability, etc.

For the purpose of this discussion board this type of information as well as additional project information is provided in the table below:

|  |  |  |
| --- | --- | --- |
| **Item** | **Data** | **Comments** |
| Estimated Procedure Volume | 14 | MR Spinal Canal – 3/day  MR Brain – 3/day  MR Angio Head – 4/day  MR Lower Extremity – 4/day |
| CPT Codes/Reimbursement | Reimbursement is provided for you in the reimbursement calculator |  |
| Payer Mix | Commercial – 50%, Workers Comp – 10%, Free Care – 0%, Medicare – 20%, Managed Care –20%, Medicaid – 0% |  |
| Allowance for Bad Debt | 2% | From your finance office |
| Income from non-patient care | 5% | A researcher is willing to pay $200 per scan for imaging cadaver section after hours |
| Operating Expenses | All expenses are provided except for MR technical staff and office staff | Based on the procedure volume and an 8 hour day (M-F) determine your staffing needs. |
| Startup costs | There is a building next to your facility that can be leased. A vendor has been selected and cost negotiation is complete  Site prep/const – 185,000  Scanner – 2,000,000 to be paid in a lease over 5 years  Architect – 20,000  RF Shielding – 40,000  Rigging – 5,000  Shipping – 12,000  Fixed equip/furnishing – 10,000  Office equipment – 3,000  Software – 45,000  Legal fees – 3,000 |  |

1. Enter the data into the pro formaand determine if there is a breakeven point associated with this proposal as submitted.

Break Even Point – *See break even scans per day at bottom of proforma sheet*

Consider this value and the total estimated exams. Is this a realistic value in your opinion?

What is your recommendation to administration? How would you substantiate this recommendation?

***Reimbursement Calculator:***



1. Let’s change a few things:
   1. Bad Debt – 20%
   2. Income from other activities – 0 (Everyone freaked out about scanning cadavers)
   3. $ per exam - $500.00

Consider this value and the total estimated exams. Is this a realistic value in your opinion?

What is your recommendation to administration? How would you substantiate this recommendation?

***Pro Forma for Scenario #2:***



Break Even Occurs for Year 1. Why is there not a break even for years 2, 3, 4 and 5?