

Unit 8 Assignment: The Financial Side of Medicine

After completing this unit, you should be able to:

- Discuss the purpose of cost analysis.
- Differentiate the types of bank accounts.
- Define basic medical accounting terms.
- Determine various ratios including: collection ratio, cost ratio, billing rate, profit ratio, overhead ratio, and revenue ratio.

Course outcome(s) practiced in this unit:

MO270-5: Apply basic accounting principles to the medical office.

Instructions:

For your Assignment this week, respond to the following questions in a Word document.

1. In paragraphs, define each of the following terms and describe their roles within a medical office.

Overhead ratio

Cost ratio

Revenue ratio

Profit ratio

Billing Rate

Salary Rate

2. Determine the correct answers to the following examples of office ratios.

Billing Rate Per Patient: Total billing \div Number of patients = average amount billed for each patient.

Determine the billing rate for each of the following scenarios:

- a) \$215,000 Total billing, 4000 Patients
- b) \$325,000 Total billing, 1800 Patients

Salary Rate Per Patient: Salary \div total patients seen doctor salary

Determine the salary rate for each of the following scenarios:

- a) \$65,000 doctor salary, 325 patients
- b) \$85,000 doctor salary, 600 patients

Profit Ratio: Total revenue per procedure minus total costs per procedure = profit

Determine the profit ratio for each use of an EKG:

- a) Cost of an EKG: \$2,850, Amount billed per patient: \$300
- b) Cost of a Microscope: \$990, Amount billed per patient: \$ 25.00

3. Answer the following questions:

- Profit and loss expenses for the month are found where?
- What is an accrual reporting system?
- To fully understand the daily cash flow within an office, which type of accounts should be analyzed?
- An income/expense statement provides what summary data?

Unit 8 Assignment Grading Rubric = 80 points

Assignment Requirements	Points possible	Points earned by student
Student completes question 1 with accurate answers. (Definitions 2 points each; descriptions 4 points each)	36	
Student completes question 2 with accurate answers. (4 points each)	24	
Student completes question 3 with accurate answers. (5 points each)	20	
Total (Sum of points earned)	80	
The Proposal is written in the most current version of APA format with no grammatical, spelling, copyright, plagiarism or proof reading errors. Points deducted for spelling, grammar, and/or APA errors.		
Adjusted total points earned		

Instructor Feedback*:

***Instructor may also leave feedback comments within Assignment submission.**