**BRIGHTFORM, INC. – QUESTIONS**

Use the guidelines for writing a report on the course web site and use the following questions as a guide:

Q. 1. Using only the information provided in Exhibit 1, explain why further analysis of physician visits

may be needed. Compare the profitability of hospital and surgical services to physician services, using the allocation of revenue that was given. Show the breakdown of the $250 premium using a bar chart. Does the allocation of the $250 per employee per month payment across the types of health care services seem reasonable, given the past two months’ utilization?

Q. 2. The weekly utilization data is provided in the Excel data file.

2.1 Create scatter plots to show the relationships between the following:

* + The total cost of physician visits vs. number of employees
  + The number of employees vs. number of visits
  + Total cost for physician visits vs. number of visits

2.2 Calculate visits per employee and the cost per visit for each week (two new columns.)

2.3 Calculate the mean, standard deviation and coefficient of variation for all measures.

2.4 Explain how these statistics in 2.3 are useful in understanding the trend in total outpatient

physician costs per 101App employee.

Q. 3. Regression analysis can be useful to tease out the importance of various factors in explaining

costs.

* 1. Evaluate the relationship between visits per week and week. Interpret your regression results by discussing the significance of the regression equation and the magnitude of the estimated coefficients.
  2. Evaluate the relationship between cost per visit and week. Interpret your regression results by discussing the significance of the regression equation and the magnitude of the estimated coefficients.
  3. Compare the results from the two regressions and explain how they can be used to help Mr. Fleming in making his decision.

Q. 4. Mr. Lucas referred to a national study of copayment levels. The important results of this study

are provided in Exhibit 3.

* 1. Calculate the price elasticity of demand for physician visits at each copayment level using the arc method. What does the data tell you about the price elasticity of demand for physician visits? How does this information help Mr. Fleming in making his decision?

b. Using the six months of data provided in the Excel data file*,* simulate the profitability of the physician services department if copayments are increased to $20 per visit. Repeat your analysis using a copayment of $25 per visit.

Q. 5. Using the six months of data provided in the Excel data file, calculate the percentage reduction in

physician payments that would be required to achieve the same level of profits as in Q.4.b.

Q. 6. In addition to the options suggested by his staff, Mr. Fleming recently read an article about

rationing health care services as a method of controlling costs. The general idea of rationing is that more expensive treatments are excluded so that basic health benefits can be provided to a wider population. Health plans can implement rationing by limiting the types of services they will cover. While they commonly exclude coverage for experimental treatments and cosmetic surgery, many are now considering adding physical therapy, mental health services, and therapies that treat fatal conditions to the list of excluded services. Would you recommend that Mr. Fleming consider this approach? Discuss the ethical considerations.