**BREAK EVEN ANALYSIS IN HEALTH CARE SETUP**

The break-even analysis provides useful information to the owners of the medical practice about the production and time factors involved in establishing a new medical practice.  It’s applied in finding out the volume of service required to make sure the expenses incurred are exceeded by the revenue generated.  There are several advantages of this analysis. Through the generation of cost-benefit analysis, the medical practice owner can decide on whether to pursue the intended program. Break-even analysis can explain the relationship between the cost, the volume of production and returns on investment. It can also be used to show how variation in fixed cost, variable cost correlations, and prices in commodities or revenues changes will affect the break-even points and the level of profits. Through break-even analysis, the owners of the medical programs can know the lowest amount to be used in the health service and also assist in service pricing decision to avoid loses. This analysis also has weaknesses such as it’s hard to predict the amount of revenue that will be generated by the medical project or service and there is subjectivity in the value the people put on intangible benefits, thus making the evaluation of possible revenues unreliable. Break-even analysis is best applied for a health project at a time; it is as well challenging to classify a cost as all fixed or as all variable. Another weakness is that health service provider may tend to continue using a break-even analysis even after a change in income and cost function. Despite all that, Break-even analysis strategy is an essential tool in medical service program as it monitors the cost and promotes better production decisions through the margin of safety (Issel, & Wells, 2017).

**References**

Issel, L. M., & Wells, R. (2017). *Health program planning and evaluation*. Jones & Bartlett Learning.