Evaluating an equipment purchase

Here's what you need to consider when you're thinking about offering clients a new service.

Non-financial factors

- ❑ What kinds of cases will benefit?
- ❑ Are all the doctors in the practice committed?
- ❑ How will the doctors be trained?
- ❑ Will additional support staff be needed?
- ❑ How will you educate clients about the benefits of the new service?
- ❑ Are there timing issues to consider in the acquisition?

Costs of equipment purchase

- ❑ Sticker price
- ❑ Training
- ❑ Additional staff
- ❑ Supplies
- ❑ Maintenance
- ❑ Upgrades
- ❑ Interest costs if financed

Example

Ultrasound machine	$30,000
Fee per exam	$80
Number of exams a week	5
Number of exams a year	260
Cost per view	$32

Revenue

Number of expected cases × Fee charged for service = Revenue

Payback period

Payback period = Total purchase price ÷ Annual net income (Revenue − Operating costs)

Example

$30,000 ÷ ($80 − $32) × 260 = 2.4 years

Break-even point

Number of exams that must be done to break even = Total purchase price ÷ profit per exam

Revenue = Fixed costs + Variable costs

Example

Profit per exam = $80 − $32 = $48

$30,000 ÷ $48 = 625 ultrasounds must be performed to break even.