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.