

# 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  $\times$  Fee charged for service = Revenue

### Payback period

Payback period = Total purchase price  $\div$  Annual net income (Revenue  $-$  Operating costs)

#### Example

$$\$30,000 \div (\$80 - \$32) \times 260 = 2.4 \text{ years}$$

### Break-even point

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

Revenue = Fixed costs + Variable costs

#### Example

$$\text{Profit per exam} = \$80 - \$32 = \$48$$

$$\$30,000 \div \$48 = 625 \text{ ultrasounds must be performed to break even.}$$