

## Calculation of the Break-Even Point for your Practice

The break-even point (BEP) is the minimum amount of money needed to pay overhead, compensate the doctor, service debt and allow a profit (ROI). Collection goals and the annual budget can be calculated once the BEP is determined. Remember, however, that if a BEP is based on production rather than collections, it must be adjusted if the collection rate in the practice is less than 100%. See the modified formula below:

**Formula:**  $BEP = \text{Total Fixed Costs} \div 1.0 \text{ minus } \% \text{ variable costs are of gross collections}$

**Fixed Costs** include office overhead (staff salaries and benefits, occupancy costs, administrative costs, taxes, insurance, etc.), the dentist's compensation, and debt service.

**Variable costs** are considered to be laboratory fees and clinical supplies (those costs which vary according to patient load) and are, typically, 8% to 12% of collections in pediatric and orthodontic practices; 15% to 20% in general practice;

If total fixed costs are \$625,000 and variable costs are 10%:

$$BEP = \frac{\$625,000}{1.0 - .1} = \frac{\$625,000}{.9} = \$694,500 \text{ BEP (collection goal)}$$

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