



# Considering New Equipment?

## Check Carefully Before Buying

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Every veterinary practice needs medical equipment to deliver services to patients. The question is, how do owners and managers ensure they will get a return on investment (ROI) on the equipment and they are not buying another newfangled device that will gather dust in a treatment room corner?

Using dental radiography as an example, practice owners and managers should consider the following when purchasing new equipment.

### **Determine Necessity**

Always assess whether the new services are necessary before rushing to buy the latest and greatest piece of medical equipment. In the case of dental radiography, veterinarians need to be able to see beneath the patient's gum line, and digital dental radiography units, which provide clearer views of the patient's dental health, can definitely be considered necessary.

New equipment does not necessarily need to provide a new service. For example, a digital radiography unit may replace outdated methods of obtaining dental radiographs. However, if dental radiographs have not previously been recommended as a service, the practitioner will need to clearly communicate their necessity to team members and clients to ensure full utilization of the new equipment.

See related article, **Obtaining High-Quality Dental Radiographs**, page 49

**BENCHMARKS**

**Periodontal Digital Radiography Views & Fees**

Views	Median Fee
1	\$31
2	\$50
3	\$60
4	\$77
5	\$89
6-8	\$95

**SOURCE:** *Benchmarks 2017: A Study of Well-Managed Practices*. Columbus, OH: WMPB; 2017:25.

**TAKE ACTION**

- 1 Do not purchase a new piece of equipment because it is the “latest thing” everyone is buying—ensure the piece of equipment under consideration will contribute to the practice’s bottom line.
- 2 Remember that new equipment can provide not only new services but also up-to-date, more efficient treatment for patients.
- 3 Calculate the product’s ROI before buying.

**Select Equipment**

When selecting the right piece of equipment, more than the purchase price should be considered.

- **Footprint:** Consider size, portability, and practicality. When choosing between a wall-mounted or mobile stand unit, consider that wall-mounted units take up less space and can be folded and stored when not in use. Mobile stand units take up more floor space, but their wheels make them extremely portable. Consider the square footage available in the practice’s treatment area and the number of dental stations required when choosing which unit to buy.
- **Computer compatibility:** A new digital dental unit must connect to a computer to view and store images, so make sure the practice’s computer operating system is compatible with the digital unit and that storage space is available for the digital radiograph files. If images will be shown to clients, software licenses from the dental equipment provider may be required for each examination room computer. Avoid surprises by always asking what the equipment purchase includes and if there are any extra costs.
- **Warranties:** Eventually even new equipment parts wear down, accidents happen, and maintenance service will be required, so examine any guarantees and warranties (eg, how long a warranty covers the unit) before making a major purchase to avoid being caught by surprise later with large repair bills. A unit that costs less when purchased may cost more in the long run because of frequently needed repairs and maintenance.
- **Professional advice:** Consult with professionals before making a final decision. Veterinary professionals who are dentistry specialists can be extremely helpful in providing practical, non-biased recommendations based on a practice’s needs and budget, as they most likely have worked with the many different units available.

## Determine Return on Investment

After choosing the equipment to be purchased, calculating ROI is a wise exercise that will determine the breakeven point on the investment and the point at which the equipment will start generating a profit.

The revenue generated by dental radiographs will determine the ROI of the digital dental radiography equipment. Vickie Byard, RVT, VTS (Dentistry), says that, in preventive dentistry, 8 views are taken on average for cats and 10 to 18 views for dogs, depending on the size of the dog.<sup>1</sup> According to the 2017 WMPB, the average fee for 6 to 8 views is \$95.<sup>2</sup> (See **Benchmarks: Periodontal Digital Radiography Views & Fees** and **Doing the Math.**)

## Conclusion

When buying any new piece of veterinary medical equipment, practice owners and managers should always determine the need, select carefully, and

understand the ROI before making the actual purchase. Taking these steps can help minimize costly impulse purchases and maximize the potential for healthy profits. ■

## References

1. Personal interview. November 1, 2017.
2. *Benchmarks 2017: A Study of Well-Managed Practices*. Columbus, OH: WMPB; 2017:25.
3. Felsted KE. Break even analysis. In: Ackerman L, ed. *Five-Minute Veterinary Practice Management Consult*. Oxford, UK: Blackwell Publishing; 2007:151.
4. *Benchmarks 2017: A Study of Well-Managed Practices*. Columbus, OH: WMPB; 2017:125.
5. *Benchmarks 2017: A Study of Well-Managed Practices*. Columbus, OH: WMPB; 2017:98.



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**FUN FACT:** In a former life, Brenda hustled on the 9-ball circuit and was once ranked a semiprofessional player by the Women's Professional Billiards Association.

## Doing the Math

Use the following formula to calculate the number of radiograph sets that must be taken to reach the breakeven point on the digital dental radiography equipment purchase.<sup>3</sup>

$$\text{Number of 6-to-8-view sets} = \frac{\text{Cost of the unit (ie, fixed cost)}}{\text{fee for the radiographs} - \text{cost per set}}$$

Using \$15 000 as the cost of the digital dental unit and \$95 as the fee for 6 to 8 views, calculate the cost of producing each 6-to-8-view set (ie, the variable costs that include the amount paid to the veterinarian and the cost of labor to take the radiographs).

The average amount paid to associate veterinarians with a blended or production-based compensation plan is 21% of generated revenue, which equals \$19.95 per set of 6 to 8 views.<sup>4</sup>

$$\$95 \text{ (ie, fee for 6-to-8-view set)} \times 21\% = \$19.95$$

Plus, according to a time study, capturing 6 to 8 views requires 0.664 hours of total labor. Median salary for a

veterinary nurse with 3 to 5.9 years of experience is \$16.<sup>5</sup> Then, labor costs for a 6-to-8-view set are as follows:

$$\$16 \times 0.664 \text{ h} = \$10.62 \text{ (ie, labor cost)}$$

$$\$19.95 \text{ (ie, veterinarian's time)} + \$10.62 \text{ (ie, veterinary nurse's time)} = \$30.57 \text{ (ie, variable costs per set)}$$

Using the breakeven formula, calculate the number of sets of 6 to 8 views the practice must complete to begin seeing the ROI:

$$\text{Number of 6-to-8-view sets} = \frac{\$15\,000}{(\$95 - \$30.57)}$$

$$\text{Number of sets} = \$15\,000 \div \$64.43$$

$$\text{Number of sets} = 232.8$$

Therefore, the practice must complete and charge for 233 sets of 6-to-8-view dental radiographs to pay for the equipment and begin making a profit. By noting the number of preventive dental cleanings the veterinary team performed during the past year, a timeline for profitability can be projected.