

The Price is Right

How much should you charge for your newest procedure?



By Jay A. Shorr, BA, MBM-C, CAC I-VI

You just purchased the hottest new body contouring device on the market. You had no choice. Patients have been asking for it by name, and the results you have seen at industry meetings are nothing short of awesome.

Now what?

It's time to decide how and what to charge your patients.

There are two main components that come into any business model for pricing: fixed costs and variable costs.

Your gross profit is determined by taking the actual revenue collected minus the cost of goods sold. You also have to take all of the costs associated with operating your business into account to determine

the actual cost associated with the new procedure.

Some of these expenses can include:

- Rent/mortgage;
- Utilities;
- Payroll;
- Lease payments on capital equipment;
- Insurance (property/casualty/employee health, etc);
- Advertising/marketing;
- Consumables/disposables, such as tips for the new laser;

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- Interest, taxes, and depreciation; and
- Labor costs. One of the highest costs is the physician or provider fee per procedure. In many states, it's illegal to pay a percentage, as that is considered fee splitting, but a fee per procedure is permissible.

After determining all of these expenses, you must allow for a profit. When you finally make a decision on how much profit you need to make, adjust your retail price accordingly.

Factors that can also affect price points of services and procedures include:

The Competition

What are your local colleagues charging for the same procedure? You don't always need to match the charges, but it helps to know the going rate. The less competition in your area, the more you can charge for your services. Don't compare procedure charges offered by Groupons or other Internet deals. The most important variable is patient safety.

Don't be fooled by "chop-shop" surgery centers that work strictly on volume. Many of these surgery centers hire surgeons who work on very low margins and cut corners with second-rate supplies and loosely monitored surgical facilities. Your

reputation matters, and it should never be compromised for profit.

Supply and Demand

When a new product and/or procedure enters the market, there is so much hype and hoopla that it can create a rush. When the demand is high and the number of practices offering the procedure is low, the price can be higher.

Demographics

The procedure charge may also be determined by your geographic region due to the cost of living. If your practice is in Beverly Hills or on Fifth Avenue in New York City, you can charge more—sometimes as much as 40% to 50% more—than if you were located in a rural area. ■

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