

## Calculation of the Break Even Point in 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:**  $\text{BEP} = \text{Total Fixed Costs} \div 1.0 \text{ minus } \% \text{ variable costs are of gross collections}$

**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%:

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