

Calculating ROI

Let's then walk through two sample ROI calculations. In the first calculation we will look at continuing use of film. In the second we will consider a \$45,000 purchase of a CR system with no significant improvement in workflow or image quality and thus no behavioral changes. We will assume the ability to share images with clients is worth a \$5/study increase. In the second scenario we will consider a \$75,000 DR purchase with significant workflow and image quality improvement. For all cases we will assume the practice initially is performing 30 studies monthly and doctors are paid 20% of gross production with a 60 month, dollar buyout lease.

| Exams /Month | Average # Images/Exam | Current \$ for 2-views | CR charge for 2-views | DR charge for 2-views |
|---------------------------|------------------------------|-------------------------------|------------------------------|------------------------------|
| 30 | 2 | \$130.00 | \$140.00 | \$155.00 |
| Doctor Commission% | Average Tech Rate/Hr | Increase in Volume % | Total CR System Cost | Total DR System Cost |
| 20% | \$12.00 | 25% | \$45,000 | \$75,000 |
| | | | <i>Lease term</i> | <i>60</i> |
| | | Film | CR | DR |
| <u>Income</u> | | | | |
| Exams Current | | \$3,900.00 | \$4,200.00 | \$4,650.00 |
| Increased Volume | | - | - | \$1,162.50 |
| Telemedicine Gross Margin | | - | \$450.00 | \$562.50 |
| Total Income | | \$3,900.00 | \$4,650.00 | \$6,375.00 |
| <u>Expenses</u> | | | | |
| Radiology Expenses | | | | |
| Film | | \$225.00 | - | - |
| Processor Maint | | \$200.00 | - | - |
| Professional Costs | | | | |
| Doctor Pay | | \$780.00 | \$840.00 | \$1,162.50 |
| Tech Costs | | \$216.00 | \$216.00 | \$45.00 |
| Lease Payment | | | \$921.15 | \$1,535.25 |
| Total Expenses | | \$1,421.00 | \$1,977.15 | \$2,742.75 |
| Operating Margin | | \$2,479.00 | \$2,672.85 | \$3,632.25 |

| | | |
|--|-----------------|-------------------|
| Monthly Cash flow Benefit over Film | \$193.85 | \$1,153.25 |
|--|-----------------|-------------------|

In this scenario, after all expenses are considered, including the lease payment, the CR yields a \$193.85 monthly cash flow benefit from CR and a \$1,153.25 monthly benefit from DR. This does not take into consideration the additional benefit of a \$1,535.25/month tax deduction for DR and \$921.15 monthly tax deduction for CR.

If we then take the monthly radiography operating margin and extend it over 5 years with a 5% annual growth assumption, we see that after all expenses CR has a \$12,853.72 net or ROI and DR has a \$76,469.21 ROI.

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Total | Difference from Film |
|------|-------------|-------------|-------------|-------------|-------------|--------------|----------------------|
| Film | \$29,748.00 | \$31,235.40 | \$32,797.17 | \$34,437.03 | \$36,158.88 | \$164,376.48 | |
| CR | \$32,074.20 | \$33,677.91 | \$35,361.81 | \$37,129.90 | \$38,986.39 | \$177,230.20 | \$12,853.72 |
| DR | \$43,587.00 | \$45,766.35 | \$48,054.67 | \$50,457.40 | \$52,980.27 | \$240,845.69 | \$76,469.21 |

Even though the CR system cost \$30,000 less, the workflow and image quality advantages of the more expensive DR system make the DR a substantially better investment.