

Break-Even Calculator When Does a New Panel Pay for Itself?

A framework for evaluating new test investments

Article 10 of 22

7 min-minute read

12-18 Mo

Target payback period
for most independent labs

\$15K+

Typical total fixed
investment for new assay

30 Min

Time to run this analysis
before committing

Adding a new test or panel to your menu is an investment. Before committing, you need to know exactly how many tests you need to run before it starts generating profit. This is your break-even point.

1 Identify Your Fixed Costs

Sum up instrument purchase/lease, validation costs, training, software/LIS interface fees, and PT enrollment. This is your total fixed investment.

2 Calculate Variable Cost Per Test

Reagent cost per test, consumables, incremental labor, and QC/calibrator allocation. Divide monthly QC cost by expected monthly volume.

QUICK TIP: Don't forget QC and calibrator costs—they're easy to miss.

3 Determine Revenue Per Test

Estimate average reimbursement based on payer mix. Apply your collection rate. If weighted average reimbursement is \$50 and collection rate is 82%, effective revenue is \$41/test.

4 Calculate Break-Even Volume

$\text{Fixed Costs} / (\text{Revenue Per Test} - \text{Variable Cost Per Test})$. If fixed investment is \$15,000, variable cost is \$12/test, and effective revenue is \$41/test, break-even is 518 tests (~10-11 months at 50/month).

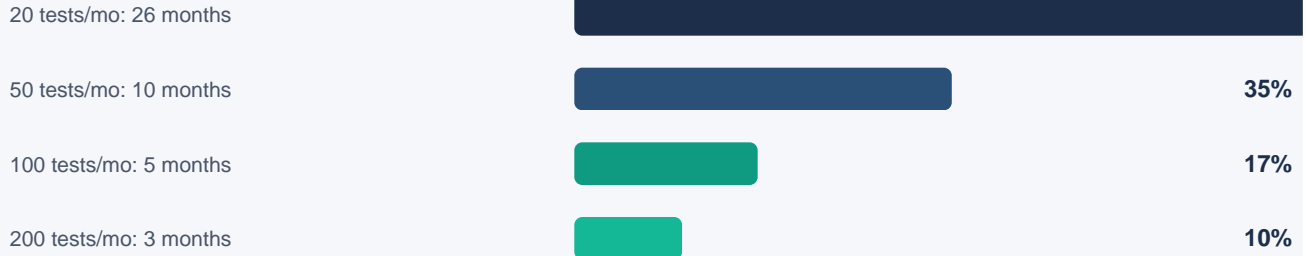
QUICK TIP: Use the Break-Even Calculator template—plug in your numbers and get instant results.

5 Factor In Time Value

A 10-month payback is very different from 36 months. Most labs target 12-18 months. If longer, you need higher volume, lower costs, or better payer contracts.

QUICK TIP: Run this analysis before committing to any new test.

BREAK-EVEN TIMELINE BY MONTHLY VOLUME



Based on \$15,000 fixed investment, \$29 contribution per test

BOTTOM LINE: Run this analysis before committing to any new test. It takes 30 minutes and can prevent a multi-year financial drag on your lab.

FREE TOOLS TO GET STARTED

| Template | What It Does |
|---------------------------------------|--|
| Break-Even Calculator | Plug in costs and volume to see payback period instantly |

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