

Dear Mary Pat: What is the Difference Between Fixed and Variable Expenses in a Medical Office?

Operating expenses fall into two categories: fixed and variable. Your fixed expenses are the same from month to month regardless of whether you are seeing patients or not. Your variable expenses change from month to month based on the volume of business you do and what is needed to support that volume of business. Purchases that fall under the operating expense category are less than a pre-determined amount – maybe less than \$500 in a practice or less than \$1000 in a hospital. Any purchase over that amount will be a capital expense (defined as having a usable life of more than one year) and will appear on your monthly expense statement as depreciation.

Fixed Expenses

Rent/Mortgage

Utilities: electricity, water, garbage, cable, alarm system

Janitorial and Groundskeeping

Computer System: monthly maintenance

Phones: monthly maintenance

Leases: copiers, transcription equipment, some medical equipment

Malpractice Insurance

Other Insurance: general, business interruption, directors &

officers, umbrella

Depreciation

Variable Expenses – *Typically when you are looking at reducing expenses, you will look first at your variable expenses, seeing what you can cut down on or eliminate, or what you can renegotiate.*

Payroll: staff wages, tax match, retirement plan match, bonuses, annual raises

Benefits: health insurance, life insurance, dental insurance, vision insurance, disability (long term, short-term), worker's compensation, unemployment

Computer System: additional licenses, charges for claims, statements, eligibility

Phones: repair, new lines, new jacks, voice mail changes, cell phone plans, pager plans, answering service, Yellow Pages (hopefully minimal),

Inside: pest service, plant service

Medical equipment: small instruments, exam room lamps, Mayo trays

Laundry: gowns, sheets, towels, shorts, lab coats

Consumables: (medical – built-in to the price of the service) table paper, syringes, x-ray film, lab supplies

Consumables: (medical – charged separately to the patient) allergy serum, durable medical equipment

Consumables: (office) copy paper, toner, kitchen and bathroom supplies, pens

Printing: encounter forms, appointment cards, Rx pads

Education: (staff) continuing education, license renewal, CPR, coding updates, dues, subscriptions

Perks: uniform allowance, parking, lunches, holiday parties, birthday gifts

Purchased Services: transcription, radiology over-read, accountant, lawyer, consultant, auditor, inspector, outsourced billing, collection agencies

Marketing: advertising (print, TV, radio, direct), sponsorship of events, meet & greet with referrers, holiday gifts, website