

# How to Determine Whether Expanding Your Practice's Marketing Makes Financial Sense

by Marc Aronson

To properly establish the validity of increasing your marketing, you need to make a few calculations. Let's say you are a primary care physician who is interested in expanding PPO and Medicare patient volume. Your office manager performs some calculations and discovers the following:

The average revenue generated by a patient visit (insurance and Medicare reimbursement) is \$150. Each patient ordinarily visits your office twice a year and you hold onto your patients for an average of five years. Thus, the value each new patient has to your practice is about \$1,500. Next, you contact your accountant and confirm that about 75% of your revenue goes to overhead and salary. Therefore, a new patient to your practice would be worth an average profit of \$375. To break even, you can then calculate you would need 2.67 new patients for every \$1,000 you spend on additional marketing.

## Start Small

Never jump into the swimming pool. Rather, wade in slowly using one of the most essential marketing tools you should employ— TESTING. Rarely do we ever suggest a practice start with full-page ads or radio commercials. Initially, you need to develop a few smaller test ads or direct mailers by

following the seven steps of The Marketing Formula (visit our website at [www.marketingstrategy.com/med.html](http://www.marketingstrategy.com/med.html)). You can ask colleagues or patients whether they believe your ads and promotion are tasteful. If their comments make sense, you may need to make a few revisions. Then test them to see which performs best. Once you have found an ad that yields a nice, profitable return based on a small test, you can “risk” investing in a larger campaign because you already know you have a winner.

Testing is a science and is usually best left to marketing experts. If you have questions, contact us.

