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How to Raise Your Fees and Still Win: The Math Surgeons Must Know

Too many surgeons hesitate to charge more because it "feels wrong." But pricing isn't emotional – it's mathematical, says Rod Solar

By Rod Solar | 5/29/2025 | 5 min read

Smart pricing is based on gross margins, unit economics, and the math of profit. If you understand these numbers, you'll stop making decisions based on fear and start making them based on facts.

When adjusting the price of vision correction surgery, many surgeons worry that higher prices may deter patients. But the key to knowing the right price isn't guesswork – it's math. Raising prices can often increase profits, even if fewer patients adopt your procedures. Let's look at how this works.

Understanding gross margin

Gross margin is the amount of money left after paying the **direct costs** associated with surgery. Think consumables, supplies, and clinical labour – just the direct costs. Not rent, staff or marketing.

Here's how we calculate gross margin:

Gross Margin (%) = (Price – Direct Cost)/Price

Let's start with a typical example:

- Surgery price: $5,500
- Cost per surgery: $1,100
- Gross margin: ($5,500 – $1,100) / $5,500 = 80%

An 80 percent margin means that 80 percent of your price becomes gross profit.

What happens when you raise prices?

Imagine you raise the surgery price by 10% from $5,500 to $6,050:

- New profit per surgery: $6,050 - $1,100 = $4,950
- New gross margin: $4,950 / $6,050 ≈ 81.8 percent

Your margin has increased by almost 2 percent.. But can you afford fewer patients? Let's check.

Before: You earned $4,400 per surgery.

After: You earn $4,950 per surgery.

Because each surgery now makes more money, you can afford to lose about 11 percent of your patients and still break even. Fewer surgeries, but the same overall profit.

What if you go higher?

Now, what if you raise your price by 20 percent from $5,500 to $6,600?

- New profit per surgery: $6,600 – $1,100 = $5,500
- New gross margin: $5,500 / $6,600 ≈ 83.3 percent

This increase means you can afford a 20 percent drop in surgeries and still make the same profit as before. Plus, your gross margin is now even better.

Lower margin vs. higher margin

Margins influence the effectiveness of price increases. Let's see how this works with different margins:

Example at 50 percent Margin (Higher Costs):

- Initial price: $5,000
- Cost per surgery: $2,500
- Profit per surgery: $2,500

If you raise your price by 25 percent to $6,250:

- New profit: $6,250 - $2,500 = $3,750

You can now afford a significant drop – 33 percent fewer surgeries – and still make the same money.

Example at 80 percent margin (lower costs):

I aim for all my customers to stretch to 80 percent gross margins.

- Initial price: $5,000
- Cost per surgery: $1,000
- Profit per surgery: $4,000
- Raise prices by 25 percent to $6,250:
- New profit: $6,250 - $1,000 = $5,250

Here, you can afford a 24 percent drop in surgeries. This is still good, but less dramatic than with a lower margin.

The big idea

When your margin is lower (around 50 percent), a price increase has a significant impact on your business. It enables you to reduce the number of surgeries while maintaining steady profits.

When your margin is higher (around 80 percent), the same price increase has a smaller impact on the number of surgeries.

So, how high can prices go?

There isn't a fixed upper limit. The only absolute limit appears when the number of surgeries drops so significantly that total profits decline. Until then, higher prices can improve your business.

Consider:

- Are your prices too low, leaving money on the table?
- Could fewer, higher-paying patients be better for your practice?
- Is your fear of fewer patients costing you more than a price increase would?

Don't guess. Use math. Adjust prices with confidence, knowing how your margin affects your profit.

Action steps

Calculate your current gross margin.

Test small price increases and watch the impact on your conversion rate.

Monitor gross profit, not just patient volume.

Remember, pricing is powerful. Minor adjustments can lead to bigger profits, even if the number of your surgeries slightly drops. Utilise margin calculations to make informed, strategic decisions.

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