

PREMIUM PRACTICE

July 2014

Volume 5, No. 7

TODAY

eyetube.net

Premium Practice Surgeons Tout Supplemental Services

Horizontal integration diversifies revenue streams and satisfies patients.

By Rochelle Nataloni, Contributing Editor



Editorial Advisors:

Matthew Jensen, MBA
Sioux Falls, South Dakota

James D. Dawes
Sarasota, Florida

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Premium Practice Today is a monthly feature section in **CRST** providing articles and resources to assist surgeons and their staff in the pursuit of premium practice development to facilitate exceptional experiences for patients and business success.

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Horizontal integration diversifies revenue streams and satisfies patients.

BY ROCHELLE NATALONI, CONTRIBUTING EDITOR

Reimbursement amounts are not rebounding. Payment for services performed by providers in the clinic or surgery center is declining and will continue to do so until all of traditional health care is driven to marginal costs. Many providers stuck in the reimbursement-only model are frustrated when looking at their future. These physicians have been reluctant to adopt services that have an elective or cash-pay component to them. They state reasons such as their “market is different,” their “patients are conservative,” they are “not set up to do so,” or it makes them “uncomfortable.” Many providers do not understand that all of their patients will become cash-pay patients in the new health care model. Reimbursement is declining and copayments, deductibles, and coinsurance amounts are increasing. For example, although patients might not pay thousands of dollars for the elective options associated with cataract surgery, they may have to pay thousands of dollars out of pocket for their portion before their standard services kick in. This levels the playing field when it comes to point-of-care, cash-pay, or elective services. The practices that perform the best in cash-pay reimbursement models will be the ones who are earlier adopters of additional cash-pay services. These practices have their choreography, scripting, and conversations down no matter what the new offering may be. Read on to see how these cash-pay offerings at the point of service help improve the practice’s bottom line.

—Matthew Jensen, MBA, editorial advisor

Physicians are increasingly choosing to optimize their practices’ sustainability by diversifying into complementary revenue streams. Data from the American Academy of Family Physicians show that electrocardiography, dermatology procedures, ultrasound imaging, and echocardiography are growing in popularity among the ancillary offerings of primary care physicians. According to surveys performed by the American Academy of Family Physicians, 94% of surveyed practices offered electrocardiography, 92% offered skin procedures, 18% offered ultrasound imaging, and 14% offered echocardiography.

Specialists are taking a page from primary care physicians’ playbooks. Ocular surgeons, oral surgeons, and others interviewed for this article say horizontal integration is all about offering high-demand secondary services that do not take you too far afield from your primary area of expertise. In addition to giving patients access to ancillary services in a familiar environment—and sometimes even performed by a familiar physician—these practices receive an alternative revenue

stream not dependent on Medicare reimbursement.



Danbury Eye Physicians & Surgeons in Danbury and New Milford, Connecticut (📍 www.danburyeye.com; 📞 www.danburyeyelidsurgery.com), is a traditional eye surgery practice with premium offerings and an aggressive business model that is branching out to the benefit of its profit margin and its patients. “We have always desired to provide our patients with any service that will benefit their health,” says Matthew Paul, MD, president of Danbury Eye. “However, we also recognize the added need to diversify in the face of decreasing medical reimbursements. We want to create a winning use of additional revenue streams.”

With a dozen eye ophthalmologists and two optometrists on site, Danbury Eye was formed in 1990 from a previous private practice that merged with two others in the area. The doctors do their fair share of premium IOL and LASIK procedures, and, more to the point, the practice added optical services and then a clini-

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Danbury Eye Physicians & Surgeons.

cal research center in 2000. "In addition to that," says Dr. Paul, "we became partners in a nearby multispecialty surgicenter as well as developed two real estate partnerships for our offices over the past 25 years. About 5 years ago, cosmetic ophthalmic plastic surgeons were added, and along with them, we started offering skin care products and injectables. In addition, we have begun to sell [the] AREDS [Age-Related Eye Disease Study formulation of] vitamins as well as fish oil supplements. We also recently hired a hearing aid specialist and began offering hearing services, and this has been well received by our patients." (See *Why Add Audiology to Your Practice's Menu?*)

These ventures have increased revenue and kept the practice on course. "We are the only eye practice in our area to accept Medicaid for medical and vision services,

and we do this as a commitment to our goal to reach every eye and give the best possible care to everyone in our community," Dr. Paul says. "Additional revenue sources help sponsor this commitment as well as any charity cases. I do not feel that any of our 'outside-the-normal-ophthalmology-box' ventures have interfered with our clinical care. If anything, they have created an enhanced experience for our patients."

Stephen Zuckerman, MD, a cornea specialist at Danbury Eye, points out that this type of practice requires different management skills, "but we are blessed with good managers who have been with us upwards of 10 to more than 30 years."

REVENUE BOOST



Steven A. Shanbom, MD, of Shanbom Eye Specialist in metropolitan Detroit (www.shanbomeyespecialist.com) has also received a positive response from patients as well as a positive fiscal response to supplemental services. The practice opened in 1975, and Dr. Shanbom joined in 1999. In 2010, Dr. Shanbom brought in an oculoplastic specialist to perform blepharoplasty as well as injectable and facial laser procedures, and last year, he hired an associate to perform oculoplastic and cosmetic procedures. "When I first started in practice, I was doing eyelid procedures," he explains. "As I got busier with cataracts and LASIK, I started to refer that business out of the office. In 2010, I decided to bring those services back in house. After I saw how successful I was by having an oculoplastic surgeon 1 day a week, I brought in an associate full time to grow that part of the business."

WHY ADD AUDIOLOGY TO YOUR PRACTICE'S MENU?

- Hearing loss is one of the most common chronic health care problems facing older adults.
- More than 55 million Americans suffer from hearing loss that is significant enough to have a debilitating effect on communication, and 80% of that group is undiagnosed or untreated.
- Up to 50% of baby boomers are experiencing significant hearing loss as much as 20 years earlier in life than prior generations.
- Vision and hearing function together and create three-dimensional awareness of one's surroundings.
- Statistics suggest that only about 15% of primary care physicians address hearing loss.

Source: www.danburyeye.com/danbury/hearing_services.htm.



Shanbom Eye Specialist in Detroit.

He says the addition of these services has definitely boosted the practice's revenue. "This is especially necessary in light of declining reimbursement from insurance," Dr. Shanbom acknowledges.

He says he is open to offering ancillary services that make sense in an ophthalmology setting but that he is also sensitive to patients who feel they are being marketed to in the office. "I know that I don't like being upsold when I see a physician, so I use my own tolerance as a guide," says Dr. Shanbom. For the most part, patients respond positively. "They have been very receptive to having these ancillary services done in a location and with a doctor that they are comfortable with," he says. "They may have had a cataract surgery in our center and now want to explore options to lift their lids or decrease wrinkles."

THE NEXT LEVEL



Benjamin Ticho, MD, has been in practice for 20 years with Illinois-based The Eye Specialists Center (📍 <http://eyespecialistscenter.com>). Five years ago, he and his associates opened the Aesthetic & Therapeutic Laser Center-Aesthetic TLC (📍 <http://aesthetictlc.com>). Dr. Ticho had been using botulinum toxin for strabismus, hemifacial spasms, and rhytids throughout his career and was ready to take things to the next level.

"I wanted to open the medi-spa, because I was ready to try something new," he says. "Many patients were asking for lower eyelid skin tightening treatment, which

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—Benjamin Ticho, MD

isn't generally covered by medical insurance, and elective eyelid surgery can be expensive, so I looked for a nonsurgical eyelid treatment. It turned out that the resurfacing laser that we purchased to treat eyelids also is great for photo facials, hair removal, and fractionated laser wrinkle treatments, among other things."

Then, one of the practice's ophthalmic technicians revealed an interest in the aesthetics field and expressed interest in being the medi-spa's manager. "From there, we've hired several licensed aestheticians and branched into many directions, including spray tanning, massage, manicures, facials, and tattoo removal," says Dr. Ticho. As far as his involvement in the aesthetic side of the practice, he says he sticks to injections of botulinum toxin and facial fillers and does some deep laser resurfacing treatments. "This certainly provides me with a change of pace from cataract and strabismus surgery, which are my main occupations," he adds.

Dr. Ticho has advice for others who are considering diversification: "Make sure you are adding or changing services for nonfinancial reasons, because if you don't enjoy the new specialty, you are less likely to be successful, and even if you do well financially, you won't stay happy unless the actual work is fun for you."

He says branching out into aesthetics has not been nearly as lucrative as someone might expect. "I don't rely on the spa financially, especially because there is so much competition in the Chicago area for aesthetic services, so competition keeps our charges down." On the upside, he explains, the medi-spa complements and expands the eye care practice's patient base. "Many spa clients have become eye care patients and vice versa," he explains. "However, each business has to stand on its own; the spa business and finances are

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SUPER SPECIALIZATION AND VERTICAL INTEGRATION Q & A WITH CORY LESSNER, MD MILLENNIUM LASER EYE CENTERS, MIAMI

As more and more eye surgery practices branch out horizontally into aesthetics, dermatology, audiology, and nutraceuticals, why are you growing your practice vertically by getting deeper into eye care and advanced surgical techniques?

In most businesses, it is highly desirable to diversify, both geographically and in terms of product offerings. In service businesses, however, I believe that this has to be balanced with the benefits of specialization. Much in the same way as retina and strabismus specialists moved toward subspecialization many decades ago, I firmly believe that this trend will continue in refractive surgery and that, years from now, it will almost be unheard of for people seeking out refractive services to obtain treatment from those who are not subspecialists. It is for these reasons that I have chosen to limit my practice at Millennium Laser (📍 www.mleye.com) to refractive laser vision correction. At the same time, I believed that it was important to be able to offer solutions to patients who are not ideal LASIK candidates. With the advent of femtosecond laser procedures for intraocular applications and the refinement of premium multifocal IOLs, my LASIK practice demographics have shifted more to a Millennial or Generation Y population with more and more patients in their early to mid-50s showing signs of early lens changes and opting for a more permanent intraocular solution instead of monovision or modified monovision.

How did your practice fare during the economic downturn, and what are your expectations for the next few years?

Although the economic downturn that had an impact on the country in the fourth quarter of 2008 was reflected by a slight drop in our 2008 numbers, from 2009 to the present, gross revenue and procedural volumes are 40% off peak. This was one of the main impetuses to open our intraocular practice, the SightTrust Eye Institute (📍 www.sighttrust.com), in 2010. SightTrust operates out of a separate physical plant to comply with the Health Insurance Portability and Accountability Act guidelines (10% of its revenues are still derived from insurance proceeds). One of the reasons that Millennium's yearly procedural volumes



have not rebounded is due to the cannibalization of some of the patients who are in their 50s who would have previously undergone LASIK but are now deemed to be better candidates for refractive lens exchange and have had surgery at SightTrust. With gross revenues increasing 50% year over year, the combined gross revenue of my two companies has almost returned to prerecession levels. We expect modest increases in volume as consumers' confidence continues to grow, but I believe that fear due to an overall lack of understanding and misinformation about these ocular procedures is still the main reason that volumes have failed to grow appreciably. It will take another year or 2 before positive word-of-mouth experiences shared through social channels accelerate growth in our sector.

Do you have any plans to branch out into ancillary services eventually?

Horizontal expansion of services is the next logical step in the growth of my two businesses, with audiology and cosmetic surgery's being offered to a more senior population at SightTrust and aesthetics procedures and product lines offered at Millennium. As I did with the hiring of our intraocular specialist, Andrew Shatz, MD, who performs all of the procedures at SightTrust, my plan will be to bring in a board-certified oculoplastics specialist and an audiologist to provide these accretive services.

Cory Lessner, MD, may be reached at (888) 935-2745; clessner@havelasik.com.

Andrew C. Shatz, MD, may be reached at (877) 878-7890; ashatz@sighttrust.com.

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kept completely separate from the eye practice, so I can clearly tell how it does financially. So far, the spa has its head above water, though not dramatically so. Our two main lasers were quite expensive, so we had significant startup costs."

GLOBAL PATIENT NEEDS



Oral surgeons, too, have learned that branching into cosmetics is crucial to addressing their patients' global dental needs. James Huang, DMD, of All-In-1Dental in Dublin, California (<http://www.allin1dental.com>), decided to expand services when he saw how many patients he was referring out and noticed their hesitation at the prospect of having to go to someone new. He has been in practice for 11 years and was in practice for 3 years before venturing into dental implants and orthodontics. "Having more services in our offices has allowed us to grow at a much faster pace than the other practices in our area, because we can market those 'special' services and then retain those patients for their other needs," he says. "We have been able to grow 35% to 42% each year as a result of the many services we provide." Although the benefits of super-specialization cannot be overlooked, there are perks to broadening one's expertise. "It's very important, as a clinician, to be well rounded and capable of providing the services your patients need," says Dr. Huang. "This lessens patient[s'] anxiety and increases quality control, and ultimately, it's great for both marketing and practice growth."

A recent investment increases All-In-1Dental's ability to achieve those ends. "Last year, we bought a \$100,000 piece of equipment that enables us to take three-dimensional images," says Dr. Huang. "In previous years, we had to send patients to outside facilities to take these images." He explains that having the device on the premises helps retain existing patients and attract new ones. "Patients talk about it, so it generates word-of-mouth referrals for both traditional as well as cosmetic services," he says.

NUTRICEUTICALS

Another route that physicians take to diversify revenue streams and address patients' demands is dispensing nutraceuticals. Stefan Schoen, vice president of business development for Physician Recommended Nutraceuticals in Plymouth Meeting, Pennsylvania (<http://prnomegahealth.com>), says this role can be

adopted effectively, but he highlighted some caveats. "I'm a big proponent of ophthalmology practices' diversifying their revenue streams with clinically proven cash-pay offerings," he says. "However, dispensing pharmaceuticals and nutraceuticals in house only makes sense if the practice has a mechanism in place to capture refills. This is especially important when offering therapeutically dosed nutraceuticals that may take 60 or 90 days to show an effect. It's pointless to dispense a 30-day supply and hope the patient returns for [his or her] next supply. A physician would never dispense a half-course of an antibiotic, so it doesn't make sense to do that with a nutraceutical, either."

The bottom line, Mr. Schoen warns: "It makes financial and clinical sense for ophthalmologists to recommend a clinically proven nutraceutical—but only if they can ensure the patient will receive the product on a long-term, recurring basis. Forget about patients returning to the practice to get their refills, because it won't happen." ■

James Huang, DMD, may be reached at (925) 828-9811; ayc1212@gmail.com. Alternatively, Dr. Huang may be contacted through Josh Meah at (855) 553-6271, ext. 891; josh@jackmyrep.com.

Matthew Paul, MD, may be reached at (203) 791-2020; mdpaul1954@gmail.com.

Stefan Schoen may be reached at (610) 862-0182, ext. 102; sschoen@prnomegahealth.com.

Steven A. Shanbom MD, may be reached at (248) 546-2133; sshanbom@shanbomeyespecialist.com.

Benjamin Ticho, MD, may be reached at (708) 423-4070, bticho@mac.com.

Stephen Zuckerman, MD, may be reached at (203) 791-2020; sjzmd1@cs.com.

Rochelle Nataloni welcomes ideas for future articles about innovative strategies that are helping you elevate your practice to the "premium" level.

She may be reached at rnk2020@comcast.net.