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Optical



Opportunities

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Premium Practice Today is a monthly feature section in **CRSToday** 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.

Optical Opportunities

Premium practices focus on eyewear.

BY ROCHELLE NATALONI, CONTRIBUTING EDITOR

Once upon a time, I subscribed to the notion that it was a poor use of a surgeon's resources to have an optical dispensary. Selling eyeglasses was simply not the highest and best use of an ophthalmic practice. Admittedly, this came from a "surgeon-centric" view of how things should work. The world has changed, and when I take a "patient-centric" view of how eye care works, it makes a lot more sense for a premium practice to consider having its own dispensary, both for customers' convenience and as incremental margin to the practice. This month, we feature interviews with administrators and consultants whose experience in this area makes a compelling case and only adds to Premium Practice Today's philosophy that a premium practice and a customer-first mentality go hand in hand.

—Section Editor Shareef Mahdavi

There was a time when optical dispensaries were the domain of optometry and general ophthalmology practices. Back then, even when an ophthalmic surgical practice had a dispensary, its daily management was an afterthought—more important than the choice of waiting room reading material, but not nearly as vital as the nitty-gritty of removing cataracts and performing refractive surgery.

Those days are gone. When surgical practices reacted to declining cataract reimbursement by diversifying into tangential profit centers, dispensaries took on the patina of potential. The problem was that most ocular surgeons did not have a clue as to how to run a retail business—essentially what an optical dispensary is. Hiring an optician solves many of the day-to-day challenges inherent in running a dispensary, but not the big-picture issues such as increasing capture rate or balancing the desire to grow one's dispensary while maintaining and nurturing relationships with referring optometrists.

In addition, a unique challenge exists with respect to optical dispensaries in practices that market their ability to reduce spectacle dependence. Is it counterintuitive for these practices to dedicate time, talent, and dollars to the sale of eyeglasses? Nothing could be further from the truth, according to premium eye care practice administrators, ocular surgeons, consultants, and administrators of third-party services dedicated to optical management. Balancing advanced IOL surgery and a bustling dispensary is not a contradiction say the stakeholders interviewed for

this article. It is simply a way to provide comprehensive care for the life span of the patient, while simultaneously tapping profit centers that are immune to changes in Medicare reimbursement.

PREMIUM BEGETS PREMIUM

Cape Coral Eye Center in Cape Coral, Florida, is a prime example of a premium eye care practice that has reaped the rewards of investing in its dispensary. Practice Administrator Suzi Martin, PhD, recalls that, in the office's early days, there was little interest in selling eyeglasses. Then, several managed



Photos courtesy Cape Coral Eye Center

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care plans began requiring an on-premises dispensary for the practice to be included on their list of participating physicians.

“At that time, we decided to put in the bare bones minimum optical dispensary to meet those standards so that we could be on the plans,” she explains. A few years later, when the practice began offering premium IOLs, the decision was made to use the dispensary as the marketing arm of the practice and to focus on providing a wide selection of upscale, fashionable frames. “We realized that, if we were going to market our practice as a place for premium IOL surgery, we should not sell inexpensive, boring frames,” Dr. Martin says. “We realized that we had about 40,000 patients in our practice and that each one of them could be a walking billboard for Cape Coral Eye Center. I had the idea

that, if each one of those patients had a unique, fashionable, upscale pair of glasses, then their friends and neighbors would ask them where they bought their glasses, and it would be obvious that the glasses were upscale and came from a premium ophthalmology practice. We figured that this was the least expensive advertising that we could do and it would stimulate word of mouth.”

This philosophy was just the beginning of a plan that culminated in three out of six Cape Coral Eye Center locations’ boasting a greater than 100% “capture” rate. This term refers to the percentage of patients who receive an eyeglass prescription from the practice and purchase spectacles from the practice’s dispensary instead of buying them elsewhere. Cape Coral’s capture rate is an anomaly except in retail chains specifically dedicated to eyewear sales.

Dispensing Advice

In addition to the workaday realities of managed care, increasingly sophisticated information technology systems and the mandate for electronic medical records make it imperative that practice-owner ocular surgeons be savvy business people. There are ample opportunities to brush up on the skills necessary to participate effectively in the management of one’s practice, but where are the books and courses to bring practice-owner ocular surgeons up to speed on optical dispensing? Although the majority of ophthalmic practices have an optical dispensary, resources geared toward educating ophthalmologists on this topic seem to be lacking. Into this void stepped Arthur DeGennaro with his book, *The Dispensing Ophthalmologist*. Mr. DeGennaro is an optical dispensary consultant with Arthur DeGennaro & Associates, based in Lexington, South Carolina. He says he wrote the book at the request of the American Academy of Ophthalmology (AAO) to “fill a black hole of information.” He explains that the AAO saw a need for a single resource that covers all of the major aspects of dispensing in the ophthalmic world and this book fills that need.

Mr. DeGennaro stresses the importance of optical dispensing to the ophthalmic practice’s bottom line this way: “The typical capture rate is between 30% and 60%, and even with this mediocre performance, 35% of the not LASIK-associated revenue of these typical practices comes from the dispensary.” By following the recommen-

dations in his book, he says, that capture rate can rise significantly, bringing with it an increase in revenue. “If 30% of your revenue stems from dispensary sales, you should have a working knowledge of that arena,” he states.

When Mr. DeGennaro is not consulting with ophthalmology practices about how to ramp up their dispensary sales or blogging on the topic (adgablog.wordpress.com/), he is traveling around the country giving his course, “How to Manage Your Optical Dispensary in 4 Hours per Week.” He shares the top three tips featured in this course with *Premium Practice Today*:

1. **Reliable data.** Set up a series of reports that show how the business is doing.
2. **Relevant benchmarks.** Recognize the benchmarks and how they apply to your dispensary.
3. **React to aberrations.** Respond appropriately when something is outside the norm.

A key concept described at length in his book is the importance of branding. Mr. DeGennaro writes, “Ophthalmologists who actively develop and manage their brand can hope to separate themselves from the crowd of other vision care providers. This should increase referrals, new-patient volume and dispensary sales, not to mention the practice’s valuation. That differentiation should also support an increase in fees.” For more information on *The Dispensing Ophthalmologist*, visit www.adegennaro.com/thebook.html.

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Dr. Martin says she was able to turn her dispensary into an example of overachievement by following the advice set forth in *The Dispensing Ophthalmologist*. Written by optical consultant Arthur DeGennaro (see *Dispensing Advice*), the book describes how ophthalmic practices can go about increasing optical sales. "I read his book several times and [checked off] each paragraph as I implemented it. Once I implemented everything, our optical sales rose 64%—in the middle of the recession," she says. "It took about 3 months before everything started to pop." The practice began to get walk-ins and realized they were actually stealing optical sales market share from area competitors. According to Dr. Martin, 40% of people have their eye examination performed at the location where they buy their glasses, and only 60% of patients select their eye doctor based on his or her merits. "If 40% choose their eye doctor based on the selection of frames, then it is incumbent on us to go after that 40%. If we don't have a premium optical dispensary, we are going to lose 40% of the market," she says.

Using the dispensary as a marketing tool has benefits beyond increased eyewear sales, according to Dr. Martin. She theorizes, "If a patient comes to us and has a wonderful experience buying glasses, then when their recall card goes out, they will come back to us for their next examination, and eventually, we will be providing their cataract surgery instead of their originating ophthalmologist."

To further benefit from the strategy, she says that ophthalmologists who perform premium IOL surgery should stock their dispensary with high-end products that prepare the patient to make a premium choice further down the line. "If you eventually want to sell a patient a premium IOL, then you should help them begin to appreciate the concept of premium eyeglasses a few years in advance," she says. If the patient is wearing a \$2,000 pair of luxury Fred frames (Paris, France), then when he or she hears the additional cost of upgrading to a premium IOL, it will not sound like very much at all, according to Dr. Martin. Although \$2,000 frames are not the norm in her practice, she says that Cape Coral regularly has eyeglass sales in excess of \$1,000. The practice has a premium IOL conversion rate just shy of 50%.

Mr. DeGennaro says most just try to get people not to walk away with their eyeglass prescription instead of actively trying to keep those optical sales and attracting others that did not originate in house.

"Ophthalmologists perform somewhere between 35% and 40% of all vision examinations in the United States but control only 10% of the eyeglass sales, because they are not good at it," says Mr. DeGennaro. "They are letting a tremendous amount of money slide off the table." His book is full

of advice on how to prevent the loss of those potential profits, and he is an advocate of either training in-house staff or recruiting appropriately experienced professionals to manage the dispensary.

Top 10 Tips for Boosting Your Capture Rate

Suzi Martin, PhD, boosted the capture rate at Florida's Cape Coral Eye Center by more than 60% within 3 months of implementing the strategies outlined in Arthur DeGennaro's book, *The Dispensing Ophthalmologist*. Here are 10 changes that helped three out of six Cape Coral sites attain a capture rate greater than 100%.

1. Sell upscale frames and better lenses; patients will not want to go elsewhere if you have the best selection.
2. Have dispensary staff members ask lifestyle questions and bond with the patient.
3. After making the sale, call the person to confirm the sale and make sure he or she is happy with the selection.
4. Redecorate the optical shop; aim for attractive and modern.
5. Retrain all staff with a focus on friendliness and customer service.
6. Put all opticians in uniforms to enhance professionalism and branding.
7. Ensure that the staff's hairstyles, makeup, and clothing are fashionable. The device they are selling is not only medical; it is also a fashion item.
8. Do not schedule an eye examination for the last visit of the day, because the dispensary will be closed when the patient is ready to shop. You never want the patient to leave with the prescription without first having the opportunity to shop.
9. Have the staff, when scheduling an eye examination, remind the patient to block out 30 to 45 minutes afterward to shop for glasses.
10. Give everyone who comes through the dispensary two business cards: one for them and one to share with a friend or family member. Giving everyone a second card can bring in 20% more business.

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OUTSOURCING OPTICAL SERVICES

At some practices, the desire may be to ramp up dispensary sales but not to train a staff member or recruit one who is already wise in the ways of the optical world. In that case, there are third-party optical management companies dedicated to handling everything from ordering frames to recruiting and training personnel, processing insurance claims, and everything in between.

According to Joe Casorio, principal of the optical management company Vision Associates (Warren Township, NJ), “An optical dispensary within an ophthalmology office provides a complete circle of eye care to the patient and provides a passive income profit center.” He points out that the benefit of having the dispensary professionally managed is that it increases patients’ satisfaction and maximizes profit potential while relieving the practice of the day-to-day burdens of the dispensary’s operation.

“Many practices are concerned that they will not have control of the important decisions within the dispensary,” says Mr. Casorio, “but this is without merit because all important issues are presented to the practice before any final decisions are made.” His service provides a complete turnkey management program that includes staffing, inventory control, eyewear fabrication, third-party billing, benchmarking, and internal marketing, among other things. Although hiring an optician is seen as the obvious solution to dispensary management, in the vast majority of instances, it simply is not, according to Mr. Casorio.

“Over the years, I’ve encountered opticians who are technically skilled within their profession but have little or no experience in operating a business,” he says. “The practice is usually consumed with the issues at hand on the medical side, often relying too heavily on the optical manager, so the

ophthalmologist ends up writing ‘blank checks’ for expenses regardless of the consequences.”

Eye Associates of Boca Raton contracts with Mr. Casorio’s company. Roughly 25% of the cataract surgery performed in this Florida practice is represented by either toric or multifocal implants.

Ralph Simone, Eye Associates’ administrator, says, “Our practice converted from a self-managed optical to a turnkey management company when we realized that, if we were going to maximize profits in the dispensary, it would take considerably more time and effort to manage. Due to the complexities of our six-physician multispecialty practice, it made sense to outsource management of the dispensary to enable more focus on practice development.” So far, he says, the strategy is working to their advantage. Even though the practice is trying to pump up its premium IOL conversion rate, he says that many of these patients will still use spectacles for some aspect of vision. “The number of patients who continue to opt for monofocal IOLs is still significant enough to make it a good idea to have a dispensary,” says Mr. Simone.

The benefits of having one’s dispensary managed by a third-party program are innumerable, according to Ron L. Greenberg, program director of Advantage Hoya in Sarasota, Florida. The company provides business solutions aimed at augmenting practice growth. “Greater than 70% of practices are dispensing in some way, shape, or form,” says Mr. Greenberg. “The challenge from a profitability perspective is that the majority are barely breaking even, and the others are generating approximately [a] 12% to 17% profit. When you look at what they’re generating in relation to the square footage that’s allocated to the dispensary, it’s somewhat disproportionate.”

Advantage Hoya assesses the performance of business units—such as dispensaries—within the practice and identifies the best approach for the practice. “We’re basically looking to find out if it makes sense for the practice to continue to invest the resources to manage an optical dispensary or if there is a way to create efficiencies to achieve better capture rates and identify better ways to position their premium services to drive more profitability,” says Mr. Greenberg.

Premium IOL practices that enlist the company’s assessment services are funneled to Advantage Hoya’s Premier Optical Services program, which is run by Ron Katz. He owns Medical Eye Glass Center (MEC), an optical dispensary management company based in Summit, New Jersey. “Typical practices are affected by declining reimbursement, which leaves them no choice but to seek out additional income and profit sources, whether it’s premium IOLs or a

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productive and profitably run dispensary. This is no longer a luxury for today's practice; it is an essential part of the very fabric of maintaining the practice," he says.

The benefits of enlisting a third-party turnkey service to manage the dispensary far outweigh the potential disadvantages, according to Mr. Katz. "One of the main advantages is that ophthalmologists can achieve a higher rate of profit by using a third-party program like ours rather than trying to manage it on their own," he says. "Our findings suggest that 50% of practices that are managing their own dispensary are making between just 5% and 10% net profit on their dispensary revenue, and 75% are making just 15%. When MEC is engaged, the typical practice that works with us makes between 20% and 30% net profit on their dispensary revenue, so we create an opportunity for them to earn significantly more profit than they would otherwise be able to do on their own. We also provide access to training for the optician, regional management, sharing of best practices with regard to skills development for the optician, inventory procurement services, insurance claims submission services, and overall market positioning of the optical based off demographic data, among other things. Essentially, we treat it as a business and are very professional about the effort we make. That's not to say that most ophthalmologists can't do that. It's that they usually don't have the time and therefore leave it either in the hands of an administrator who has not come up through the optical ranks or in the hands of an optician who is essentially a line-level worker, not a senior-level manager."

The only disadvantage, says Mr. Katz, is a perceived lack of control. "If you are a physician who is uncomfortable sharing control and like to have your hand in everything, you might be uncomfortable with a third-party service," he says. However, he points out, these ophthalmologists do themselves and their practice a disservice by spending time on important but relatively mundane tasks in the dispensary instead of on issues within their area of expertise that are related to growing the practice.

Although the majority of those interviewed for this article say that focusing on premium IOLs does not negatively affect eyeglass sales, Mr. Katz points out that this has not necessarily been the case in some of the premium practices that engage MEC. To counter the potential loss of eyeglass revenue that can accompany a high premium IOL conversion rate, MEC has put in place an aggressive sun wear campaign. "The key to minimizing the negative impact is to adjust your strategy to include the optical in the sale of the premium IOL," he says. "At MEC, we have adapted to this by increasing sunglass collections in these

practices and have targeted these premium IOL patients with incentives where they can purchase the premium IOL first and get a premium sun wear selection at a significant discount."

Harry Grossman, MD, of Garden State Eye Physicians and Surgeons in Marlton, New Jersey, contracted with MEC after first attempting to manage the dispensary on his own and then engaging a third-party management company that fell short of his expectations. "An optical dispensary needs plenty of attention and insight and knowledge, and I really didn't have the sufficient time or understanding of what it takes to run an optical," says Dr. Grossman. "I wanted the optical to do better financially to be able to accommodate my patients better, and we thought that an optical management company was the answer. We initially contracted with a different optical management company and [were] not satisfied and then switched to MEC. Rob Katz is always available if I have a concern or question, and I have found MEC to be one of the most ethical and attentive companies that I've ever dealt with."

Dr. Grossman implants a considerable number of multifocal IOLs per month, but he says that plenty of his premium IOL patients as well as his monofocal IOL patients require eyeglasses for some aspect of their vision. His entire practice is built around being patients' advocate, he says. "My main focus is on serving patients, providing quality care, and having satisfied patients," he comments. "Each one of these patients is different. Some want sunglasses. Some still want reading glasses for certain tasks. Some feel better with antireflective coating on clear glass for driving." Ultimately, he says, "The dispensary is a major convenience to all of my patients, and there are still many areas where glasses can help people who have multifocal IOLs." ■

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