



The Economics of Independent & Corporate Optometric Practice

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Metrics of Optometric Practice



- Little systematic research has been conducted defining financial performance norms for optometry
- Since 2005, CIBA VISION and Essilor have sponsored the Management & Business Academy™ (MBA)
 - Highly detailed database of over 1,600 established optometric practices about revenue, expenses, productivity, profitability and processes
 - Research among over 250 “new” optometric practices
- CIBA VISION has also conducted surveys among thousands of corporate affiliated ODs as part of its corporate optometry educational programs

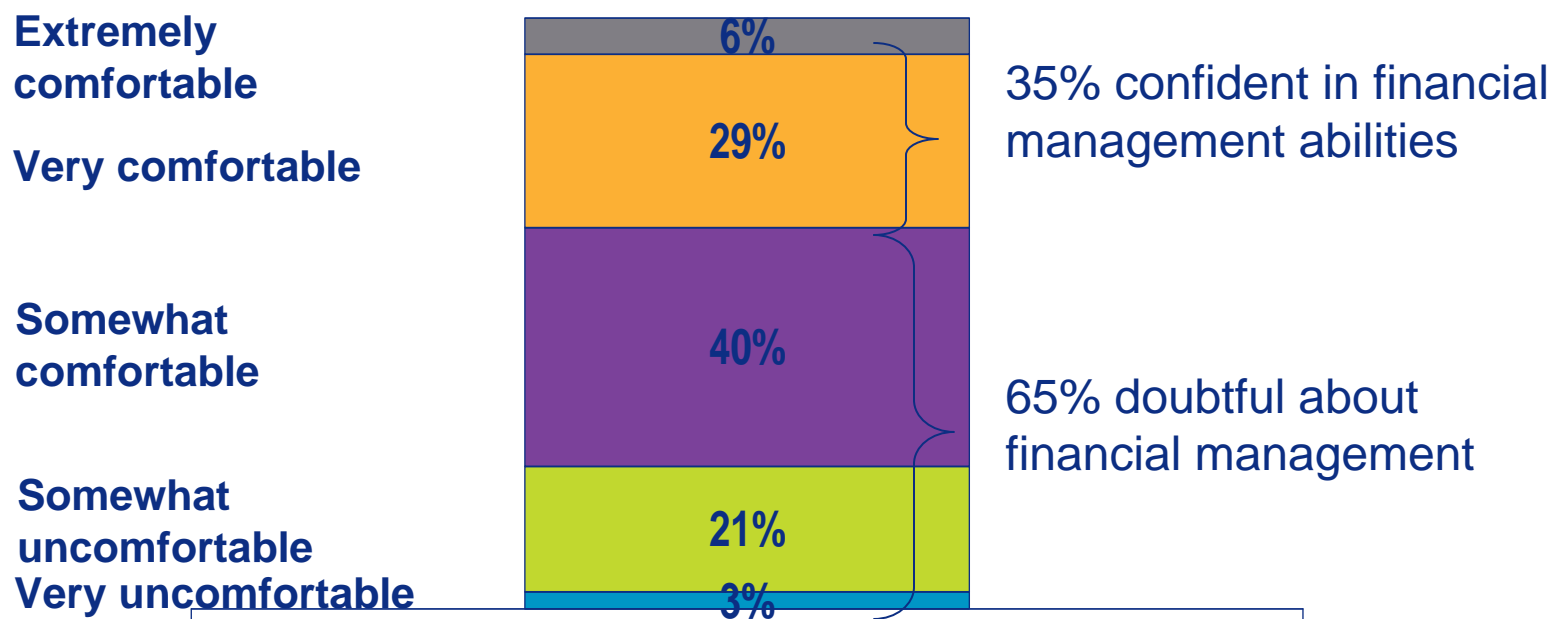
Independent optometric practice characteristics

	Universe of Private Optometric Practices*	MBA Practices** % of Practices	% of Gross Revenue
Solo Optometrists	49%	24.5%	14.0%
Under \$750,000 gross revenue		14.4%	5.5%
\$750,000 gross revenue or more		10.1%	8.5%
Two+ O.D.s – Single location	36%	50.1%	50.2%
Under \$1.3 million gross revenue		30.0%	20.3%
\$1.3 million gross revenue or more		20.1%	29.9%
Two+ O.D.s – Multiple locations	15%	25.4%	35.7%
Total	100%	100.0%	100.0%
Median Annual Gross Revenue	\$550,000	\$1,060,000	

Source: MBA Key Metrics of Optometric Practice 2009 , AOA

Financial management self-confidence

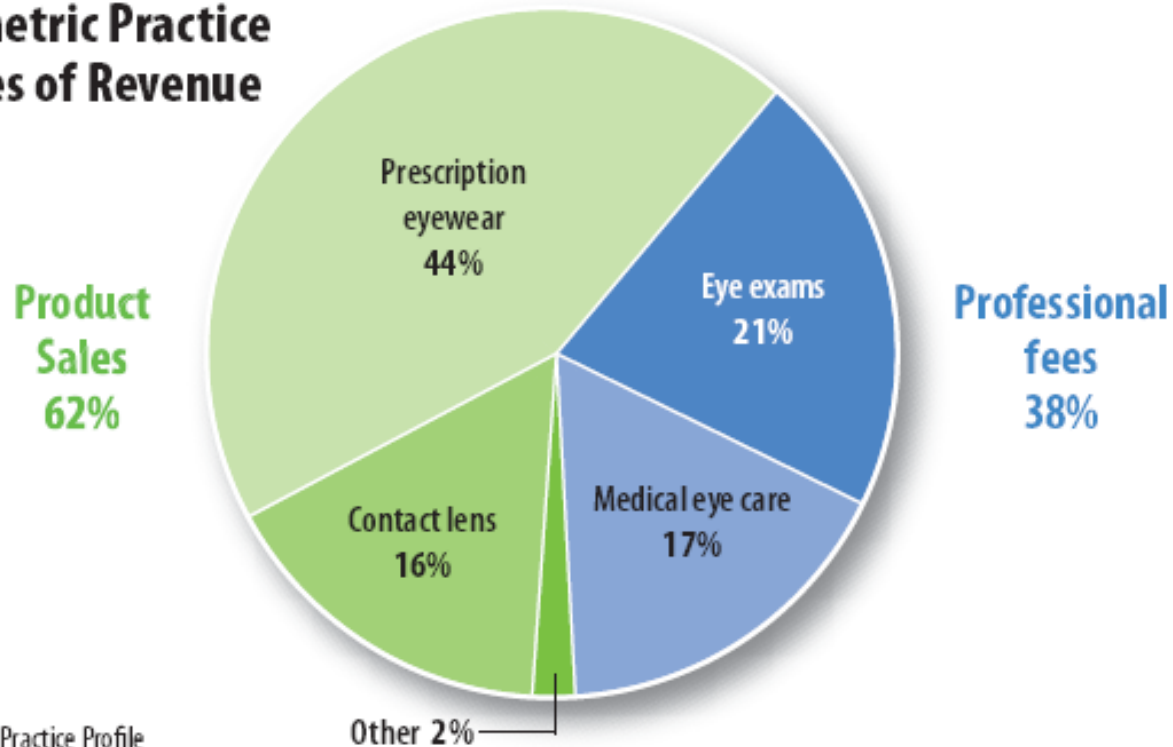
Most independent ODs could benefit from financial training



Source: MBA Practice Profile

Sources of revenue

Optometric Practice Sources of Revenue



Source: MBA Practice Profile

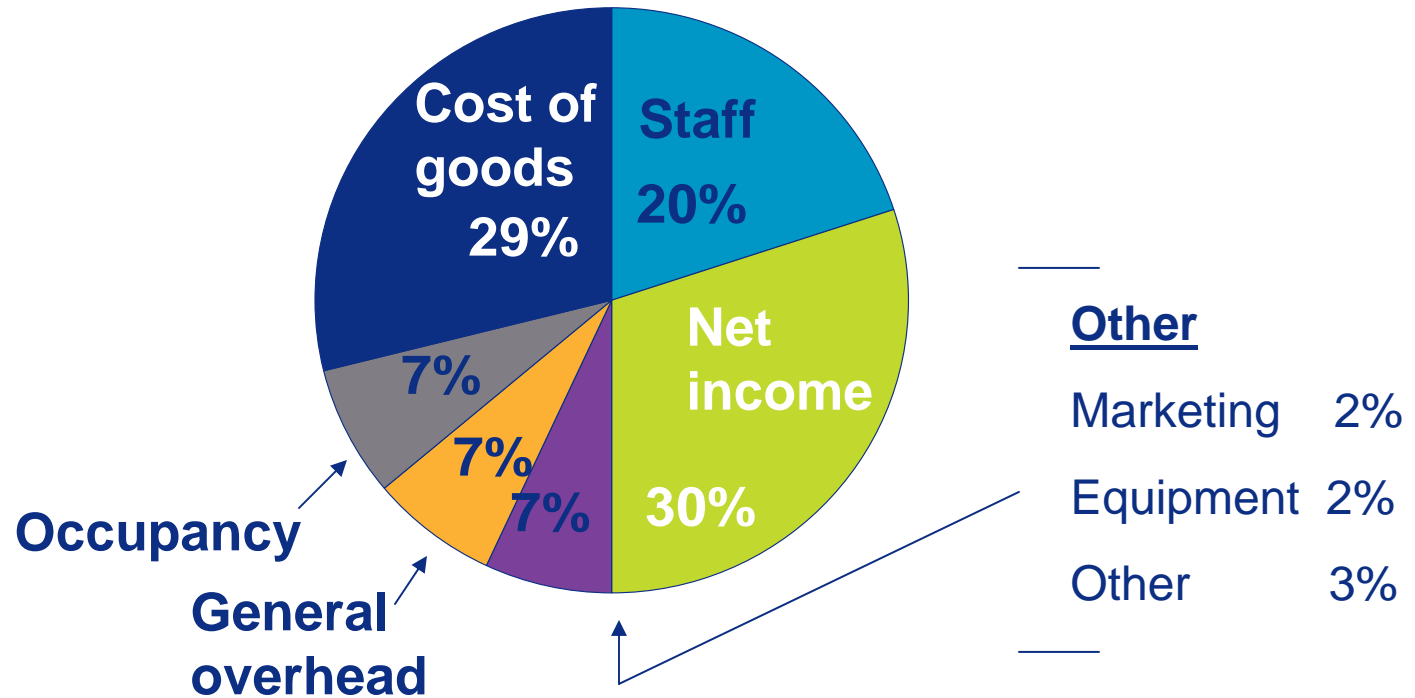
**Independent practice ODs are retailers,
but don't view themselves as such**

Median key performance metrics

Complete exams per FTE OD	2,300
Gross revenue per sq ft	\$361
Complete exams per OD hour	1.15
Gross revenue per complete exam	\$307
Eyewear retail sales per RX	\$229
% active patients wearing CLs	34%
Staff compensation per hour	\$14.21
Annual gross revenue per non-OD staff	\$134,000

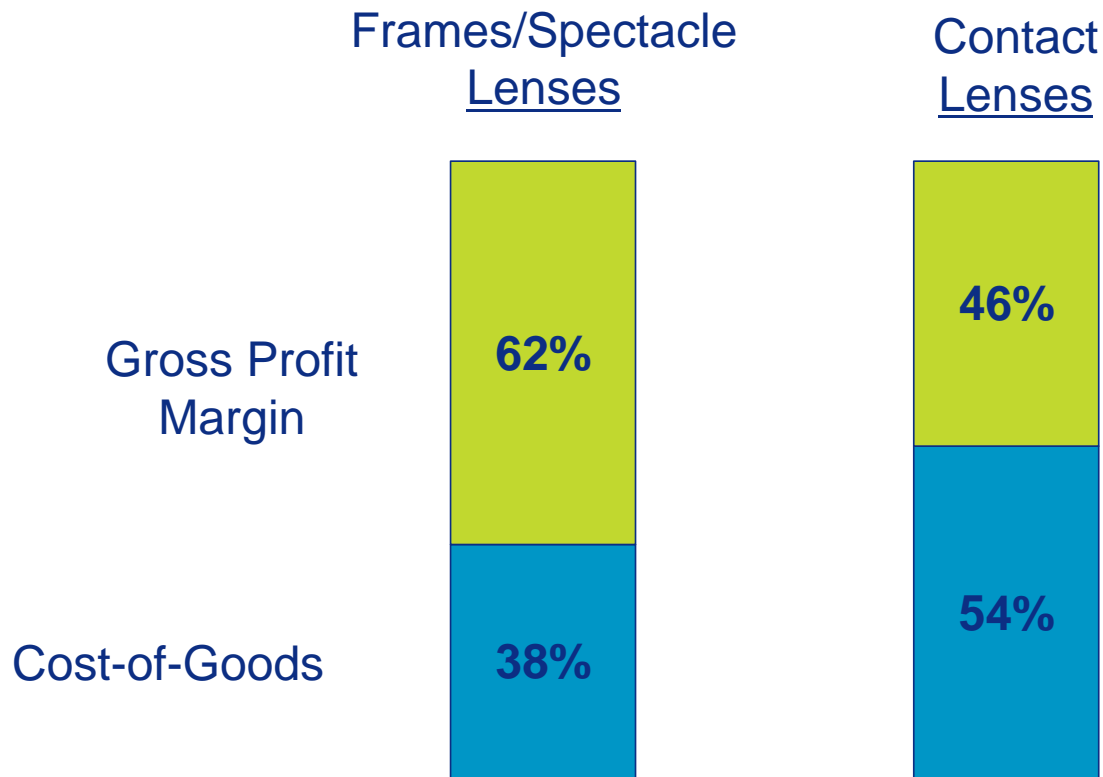
Average size independent practices have excess capacity

Expenses & net income for independent practices



Most independent practices under market

INDEPENDENT O.D. GROSS PROFIT MARGIN: SPECTACLES VS. SOFT CONTACT LENSES



Source: MBA Key Metrics 2009

6 year value of contact lens & spectacle patients

	<u>6-year CL Revenue (\$119/yr)</u>	<u>6-year Number Full Exams</u>	<u>Median Exam Fee Revenue</u>	<u>6-year Spectacles Revenue</u>	<u>6-year Value of Patient</u>
Contact lens <u>and</u> Spectacles	\$714	4	\$556	\$458	\$1,728
Spectacles-only (2.4 yr purchase cycle / \$229 per sale)	\$0	3	\$330	\$573	\$903

Contact lens patients generate 91% greater revenue over 6 years

Source: Practice Advancement Associates estimates based on CL industry audits, CIBA Vision wearer model, Jobson Publishing frames and lens estimates

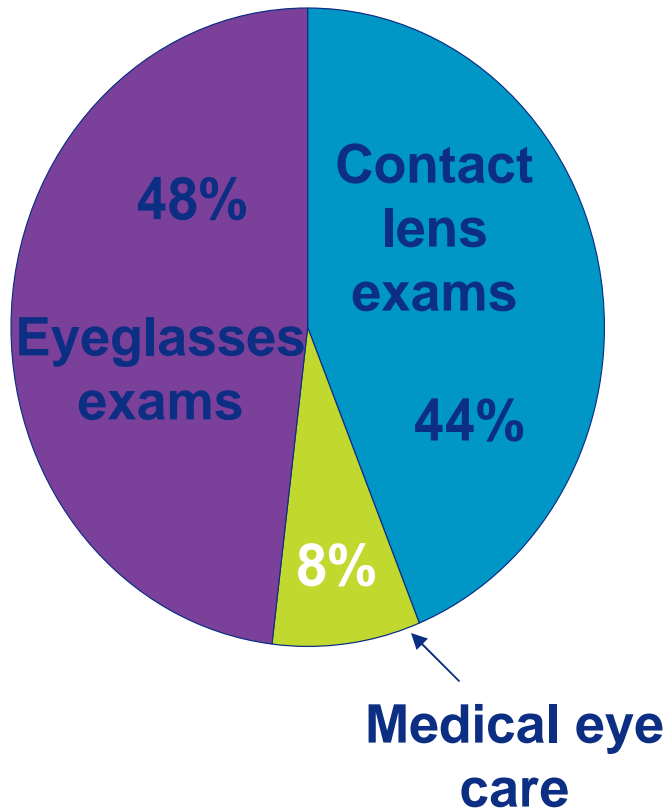
Implications

- ✓ Contact lens patients are more profitable long-term because they:
 - ✓ Return to the practice more frequently for eye examinations
 - ✓ May require medical services to treat dry eye, allergies and red eye
 - ✓ Purchase both contact lenses and spectacles

The most valuable patients in the practice are those that wear contact lenses and spectacles

Corporate optometrist revenue

Median annual revenue= \$170,000
(professional fees only)



Practice Characteristics Median Practice
1 FTE OD
1 Location
1 Refractive lane
No employed staff

Median corporate optometrist productivity

Complete eye exams	2,600
Exams per OD hour	1.08
Gross revenue per exam	\$64
Gross revenue per OD hour	\$72
Annual marketing investment	\$1,100
% with website	18%

Source: CIBA Vision corporate OD surveys

Professional fee comparison

	Independent Practice direct- pay	Corporate OD
Complete exam spectacle-only	\$110	\$49
<u>Contact lenses</u>		
Existing/no refit	\$139	\$75
New spherical	\$181	\$89

6 year value of contact lens & spectacle patients

Corporate Optometry

	6 Year Number of Exams	Median Exam Fee	6 Year Value
Contact lens	4	\$75	\$300
Spectacles-only	3	\$49	\$147

Contact lens patients generate 104% greater revenue over 6 years

Key points to remember

- Independent practice and corporate ODs are equally productive
- Medical eye care services produce a much smaller share of revenue in corporate practices
- Few practices aggressively market themselves
- Most ODs spend little time working “on” the business
- Contact lens patients produce higher annual revenue than spectacles-only patients
- Corporate ODs are more proactive in encouraging contact lens wear

For more information visit:

www.cibavisionacademy.com/us

THANK YOU !

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