How to Manage Key Practice Benchmarks

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Behavioral objectives

At the end of this presentation, the attendee will be able to
1. Identify and measure key performance indicators (KPI)
2. Compare KPIs to national and practice Benchmarks
3. Manage the KPIs by Trend Analysis

SPEAKER FINANCIAL DISCLOSURE STATEMENT

• Mark R. Wright, OD, FCOVD has been a paid speaker for the following companies:
  • Alcon
  • Essilor
  • Jobson
  • Vistakon
  • VSP
• He is an officer of:
  • Pathways to Success
• He is the professional editor of:
  • Review of Optometric Business

• Diversified Ophthalmics
• Eye Recommend
• IDOC
• NAA
• PECAA
• PERC
• Vision Source

How to Manage Key Practice Benchmarks

• This course is designed to help practices successfully manage key practice benchmarks. Analysis, landmines, opportunities and systems will be discussed.
Measure to Manage

KPI’s
Business metrics
Practice statistics
Numbers

Identify KPIs
(Key Performance Indicators)

Income
- Total Revenue
- Per patient income
- Frequency of visit
- Total patients
- New patients
- Accounts Receivable

Productivity
- $/Exam
- $/Dr hr
- $/Sq ft
- Average Frame sale

Expenses
- COGS
- Staff Payroll
- Occupancy
- Clinical Equipment
- Marketing
- Overhead

Where do you find the measurements

- Marketing
  - Internal
  - External
- Productivity
  - $/Exam
  - $/Dr hr
  - $/Sq ft
  - Average Frame sale
- Expenses
  - COGS
  - Staff Payroll
  - Occupancy
  - Clinical Equipment
  - Marketing
  - Overhead

Get current patients to refer new
Increase $/Patient
Get current patients to return
Self-Dx
P&L Statement

- Revenue
- COG
- Gross Profit
- Expenses
  - Accounting
  - Bank charges
  - Credit card expenses
  - Depreciation
  -...
- Net

Practice Management Software

Create or Buy a Business Dashboard

Who is going to measure?

Monthly
Yearly
Monthly

Practice Financial Documents

Counting

What's in the bank
Direct CashFlow Statement

Monthly
Yearly
Monthly

Who is going to measure?
How often do you measure?

- On Line
  - Daily/Hourly
- Office Manager
  - Weekly
- Owner
  - Monthly

Benchmark

How am I doing compared to myself?

Benchmark

How am I doing compared to others?

Best Practices
Learn from the mistakes of others!

www.reviewob.com
Income

$686,000

2 x $686K = $1,372,000

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Key Metrics by Practice Type

<table>
<thead>
<tr>
<th>Practice Type</th>
<th>Gross Revenue</th>
<th>Net Revenue</th>
<th>Profitability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Office</td>
<td>$450,000</td>
<td>$360,000</td>
<td>80%</td>
</tr>
<tr>
<td>Medium Office</td>
<td>$1,000,000</td>
<td>$800,000</td>
<td>80%</td>
</tr>
<tr>
<td>Large Office</td>
<td>$2,500,000</td>
<td>$2,000,000</td>
<td>80%</td>
</tr>
</tbody>
</table>

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www.reviewob.com

White Papers

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mba-ce.com

BEST PRACTICES
of Contact Lens Management

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mba-ce.com

KEY METRICS:
Assessing Optometric Practice Performance
More patients seek care more often when they have coverage.

Health plan with embedded eye exam in routine health.

Claims reviewed to determine eye exam utilization rates.

What does VSP say you should do to make a profit with them?
Give sales force access to doctor

If you are using Category F and below lenses, you are probably losing money

- Dispensing fees
  - Cat F = $36
  - Cat O = $45
  - Cat N = $65

Review Quarterly Practice Report

Check the boxes

- Eg: Diabetic = $5
- 5% Eye health management

Premier program

- 18% new patients to practice
- Patients get an extra $20 on products
- This program will expand

Retinal Imaging
Use overstocked frames

- Do NOT use a constant mark-up formula

- Do NOT use a constant mark-up formula

VSP: Frame Formula

- WFA45 (Wholesale Frame Allowance) = $45
- Retail Value Allowance = $120
- FramesData Cost = $45
- Retail Price = $120

HOW MUCH WILL THE PATIENT PAY FOR THIS FRAME?

- VSP will pay you = $45
- The patient will pay you = $0

- WFA45 = $45
- Retail Frame Allowance is $120 and your charge is $120

Your PROFIT from the FRAME in the previous transaction

Patient pays = + $0
VSP pays = + $45
COG for frame = - $45

YOUR PROFIT = $0

DON’T FORGET

+ $ 0.00
- $15.00
- $15.00

How do you make a Profit with VSP

1) When the WHOLESALE COST of your Frame is GREATER than the WFA AND

2) Your RETAIL PRICE is GREATER than the RETAIL FRAME ALLOWANCE

VSP: Close-out frames, your cost = $10.00

- WFA45 (Wholesale Frame Allowance) = $45
- Retail Value Allowance = $120
- FramesData Cost = $46
- Retail Price = $46 x 3 = $138 < $169

HOW MUCH WILL THE PATIENT PAY FOR THIS FRAME?

- VSP will pay you = $45
- The patient will pay you = $39.20

$169 - $120 = $49 – (20% x $49) = $39.20

VSP: Frame $1 more than WFA

- WFA45 (Wholesale Frame Allowance) = $45
- Retail Frame Allowance = $120
- FramesData Cost = $46
- Retail Price = $46 x 3 = $138

HOW MUCH WILL THE PATIENT PAY FOR THIS FRAME?

- VSP will pay you = $45
- The patient will pay you = $14.40

$138 - $120 = $18 – (20% x $18) = $14.40
Your PROFIT from the FRAME in the previous transaction

Patient pays = + $39.20
VSP pays = + $45.00
COG for frame = - $10.00

\[ \text{YOUR PROFIT} = + $74.20 \]

\[ \text{DON'T FORGET} \]
\[ + \$74.20 \]
\[ - \$15.00 \]
\[ + \$59.20 \]

Let’s compare Close-outs vs. Full Price

- Close-out profit = + $59.20
- Full price profit = + $23.20
- Difference = + $36.00

\[ 2200 \times 20\% = 440 \text{ patients} \]
\[ $36.00 \times 440 = $15,840 \]

- Tuition + fees + \( \frac{1}{2} \) of room and board for state college undergraduate

Fair Market Value

- Frame cost you = $50.00
- Mark-up = $50 \times 3 = $150.00
- Les Wexner’s approach
- What if marked frame up to $249.00 and tested it
- And it sold out the first month

Use wholly owned VSP lab

\[ \frac{\text{Mark-up}}{\text{Frame cost}} = \frac{50}{50} \times 3 \]

In-office finishing

- (esp for SV, $33 average profit)

Use OTTO = One Touch To Optical

- Position of wear measurements
- $8 extra per exam
- Never miss out of pocket expense
- Frames data in OTTO
Patient presentation

"The more you spend, the more you save."

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<table>
<thead>
<tr>
<th>Gross Revenue</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Goods</td>
<td>25%</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>75%</td>
</tr>
</tbody>
</table>

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Protocol for coming into the optical

1) Explain your guarantee
2) Demonstrate polarized versus darkening lenses
3) Select the frame
4) Select the lenses
5) “Let’s see what your insurance contributes.”

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Gross Revenue
Cost of Goods
Gross Profit

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Knowledge
Pricing
Products

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Trend Analysis
Where are the problems ... What are your solutions?

![Graphs showing trends in Gross Collections and Net](image)

Create a system for managing the trends

Prioritize
Trend analysis
Benchmark
Measure

Action plan
Prioritize
Trend analysis
Benchmark
Measure

Create Profit Centers

<table>
<thead>
<tr>
<th>Clinic</th>
<th>Money IN</th>
<th>Money OUT</th>
<th>Money REMAINING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money IN - Money OUT</td>
<td>Money REMAINING</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Optical</th>
<th>Money IN</th>
<th>Money OUT</th>
<th>Money REMAINING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money IN - Money OUT</td>
<td>Money REMAINING</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Your VT Profit Center P&L Statement

- Revenue
- Expenses
  - CDGS
  - Staff Payroll
  - Doctor Payroll
  - Occupancy
  - Clinical Equipment
  - Marketing
  - Overhead
- Net

Website Analytics

- How they got to your website
  - Put in your URL
  - Search a topic
    - What were those topics
      - Example: #1 search last month Dr. Burns, #1 search this month Autism
  - How many viewed your website
  - How long they stayed
  - What did they look at

Tracking phone number on website (only located here)

- Here’s what you need to know
  - How many people actually called
  - Every one of the phone calls is listened to and summarized
  - How many new patients get to you from the website (cold calls)
  - How many new patients go to the website because of a referral
  - Know why people didn’t schedule

- Options
  - Hire a digital marketing company to do this for you
  - Hire a staff member with marketing experience
  - Train a staff member
  - Do it yourself

Monthly VT Seminar

- Testing and VT sign-ups are asked to attend
  - Get a $50 credit by attending
- Not for just in-house
  - Ads on Facebook, Website

Case presentation

- Make sure the decision maker is present – this is more important than both parents
- Make sure the closer is present as well
Different jobs

DOCTOR
- Get agreement that they are ready to go ahead
- AGREEMENT FORMULA
  - Agree there is a problem
  - Agree change is necessary
  - Get emotional agreement
  - Let’s take the next step

CLOSER
- Answering all questions before they are asked
- Handle Logistics
- Handle Payment
  - Make it easy for the patient to pay

Creating Systems for VT

VT and 3rd party billing strategy
- Self pay
- Both
- 3rd Party

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