

How's Business?

Making the most of economic trends.

BY ROCHELLE NATALONI, CONTRIBUTING EDITOR

This month we look at dollars and sense. A diverse range of contributors give their input about the economy and its impact on investments in technology. What is clear to me is that we are at a fork in the road: Obamacare and an aging population will greatly increase the demand for services, especially in the demographic of those patients older than 65. Surgeons and practices will have to do more and will be paid less on a per-unit basis. On the other hand, self-pay opportunities are already in place, and more will continue to emerge as companies and physicians seek to help practices figure out how to stay independent in an era of accountable care organizations, practice mergers, and acquisitions of smaller practices by larger entities.

Regardless of whether you choose to work increasingly for the government (reimbursed medicine) or increasingly for yourself (self-pay "lifestyle" health care), both paths require you to focus on improving the quality of the experience for patients. I find this trend both ironic and refreshing. The government will reward you with greater payments if you meet quality scores on the various programs they have in place (eg, meaningful use). Similarly, patients will reward you with their business if you learn and adopt customer service principles and a customer experience mindset. The latter is more difficult, but in the final analysis, it is much better for one's practice as well as one's sense of independence as a physician. Read on!

—Section Editor Shareef Mahdavi

When you were working 36-hour residency shifts or lobbying for that coveted cornea fellowship, odds are you did not feel an affinity toward the average small-business owner. After a decade or more in practice, however, you are probably as attuned to the challenges of entrepreneurship as you are to those of anterior segment surgery. Attracting, satisfying, and influencing patients to refer more of the same is the name of the game. After all, no matter how savvy the surgeon or how high tech the equipment, without patients, a practice is just a failed case study in practice management.

The litany of factors that influence patient utilization and practice revenue is long and complex. A staple on this list, of course, is the economy. The Office of the Actuary in the Centers for Medicare and Medicaid Service reports that national health spending grew by 3.9% each year from 2009 to 2011, representing the lowest rate of growth since the federal government began keeping such statistics in 1960. According to a Kaiser Family Report, estimates from The Center for Sustainable Health Spending at the Altarum Institute

suggest that the trend largely continued into 2012, with health spending growing by just 4.3%.¹

A Kaiser Family Foundation analysis of how the economy affects the nation's health spending concluded that the slow growth rate of recent years stems largely from economic factors beyond the health system, with the economy responsible for 77% of the slowdown, and more rapid growth expected in coming years if the economy strengthens as expected.²

THINGS ARE LOOKING UP

A Milliman Medical Index survey found that patients are going to physicians more, thanks to greater access to preventive care services and a better economy, resulting in a rise in spending on doctors. The survey, which was released in May 2013, reported that health spending is up 6.2% and that outpatient procedure spending grew the most, at 9.2%.³

Because of the out-of-pocket expenses associated with premium cataract and refractive IOL surgery, it is a given that eye surgeons need to be more business savvy than ever to compete. But what exactly does

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that mean? Offering onsite financing? Carefully managing billing so that you are not inadvertently “giving it away,” or diversifying to ensure a variety of income streams?

Colorado cataract and refractive surgeon, Gary Foster (<http://eyecenternoco.com/meet-our-doctor/gary-foster-m-d>), has been in practice for 18 years and says he is very optimistic for the future of the specialty despite some rocky times. “With the tepid recovery of the economy, we have had a rebound of LASIK volumes back to our 2007 levels, which is good,” he says. “However, the increased costs of electronic health records (EHRs) and the combined regulatory and compliance burdens have increased our overhead percentages. The bottom line about the bottom line is that revenues are good, but we take home less of each dollar earned. On the up side,” he adds, “technology has improved our ability to provide great patient care so it is more rewarding than ever to be an ophthalmologist.”

Despite the lackluster economy, Dr. Foster says his practice has invested heavily in new technologies in recent years. “This was mostly driven by a commitment to our patients and a desire to give them the best results possible. In a way, this culture of excellence is also a business model as we believe that doing the best for our patients—while achieving and demonstrating better quality to [third-party] payers—will be rewarded.”

Dr. Foster adds, “Some of our recent investments like the Optiwave Refractive Analysis (ORA; WaveTec Vision, <http://getorasystem.com/overview>) and the LenSx Laser (Alcon; www.alconsurgical.com/lensx-laser-technology.aspx) bring in new revenue and pay for themselves, while others, like the Centurion Vision System (Alcon; www.alconsurgical.co.za/centurion/centurion-vision-system.aspx) that we

recently purchased are not expected to increase revenue. The Centurion is replacing our Infinity (Alcon) machines, which are still working fine. This purchase is a straight forward investment in our patients with no potential revenue stream to cover the expenses,” he explains.

Dr. Foster is not only optimistic about ophthalmology in general but also about LASIK specifically. “Refractive surgery has compelling demographics as so few of those who would benefit have had surgery. This represents a large pool that will seek surgery as their finances and confidence in the procedure improves. Up to this point in time, the laser companies have largely left the education of patients up to the individual refractive surgeons. This has not given patients or the market a cogent message about the benefits and safety of LASIK. Alphaeon (<http://alphaeon.com>) is taking a different approach to this and will begin a direct-to-consumer campaign about its lifestyle health care model as their products are ready for release. They will do this with the goal of growing the entire refractive market rather than growing refractive market share.”

MODERATELY OPTIMISTIC



Scottsdale, Arizona, cataract and refractive surgeon, Dennis L. Kilpatrick (www.scottsdaleeye.com) has been in practice for 28 years. “I’m currently 62 years old and hope to practice until I’m 75,” says the surgeon who describes himself as “moderately optimistic” about his specialty.

“Patient and surgery volume seems slightly lower compared to 5 years ago,” Dr. Kilpatrick says. “However, with toric and multifocal IOLs, the femtosecond laser and the ORA, surgical revenue is the same or greater than 5 years ago. Naturally, we have experienced increased overhead, especially in information technology and labor and employee health insurance costs. Last year we made the decision to stop funding an employee profit sharing plan given that it just didn’t seem to matter to our employees anyway.”

Dr. Kilpatrick notes that the practice stopped offering LASIK or PRK “because there just didn’t seem to be much demand for it in our zip code” in a downtown suburban area. Instead, he focused on premium IOLs. “In 2013, we experienced a greater than expected patient interest in the femtosecond laser and the ORA-assisted IOL selection and placement. About 75% of my patients now opt for the ORA measurement. This

ONE ON ONE: DARRELL E. WHITE, MD, SKYVISION CENTERS

“Premium Practice Today” interviewed Darrell E. White, MD, a Cleveland, Ohio, cataract and refractive surgeon with SkyVision Centers (<http://skyvisioncenters.com>) about the impact of economics on his practice specifically and the practice of medicine and ophthalmology in general.

PPT: Do businesses and medical practices have more in common than meets the eye?

Dr. White: “The biggest and unfortunately also most common mistake that physicians of all sorts make is to believe that a medical practice is somehow immune to the realities of running a nonmedical business. The most successful medical businesses, both big and small, are those that acknowledge that they are for the most part just like all other businesses, vulnerable to both macro-economic forces like recessions as well as mundane micro-economic forces like employee theft. Both cause anxiety for business owners and managers for the same reason: we feel a loss of control.

PPT: How did the recession impact SkyVision Centers and what was your response?

Dr. White: SkyVision Centers has seen a dramatic decline in our growth rate that is directly attributable to the great recession that began in August of 2008. Cleveland’s Rust Belt economy was devastated, and our service offerings in the disposable income segment of the market were affected by both the rampant unemployment as well as the general financial malaise brought on by the fear of unemployment. We were able to continue to grow by remaining faithful to a basic component of our business model. We looked to non-medical service companies that were successfully navigating the recession and tried to emulate and adopt their successful strategies in a health care setting.

PPT: What are some specific steps that SkyVision Centers took to achieve growth despite the recession?

Dr. White: A good example of this is our approach to new technology and our purchasing strategy. There are two or three areas in ophthalmology where we have a high level of expertise, both clinical and business/management. We consciously opted to invest in new technology only in these areas in which we have a proven market advantage in both outcomes and business process. We chose to “double down” on services that generated our existing revenue and grow them rather than grow revenue by looking to add services or buy new technology that would take time to generate a [return on investment] due to a learning curve. Not unlike the classic strategy at General Electric under Jack Welch, we invested in new technology only in those clinical areas where we were local or regional market leaders.

PPT: As a medical practice proprietor, what worries you about the future?

Dr. White: As a 54-year-old mid-career anterior segment surgeon, I am most troubled by the uncertainty we face as physicians and small business owners. The seemingly random, arbitrarily leveled regulatory burden makes it virtually impossible to do any kind of economic forecasting. This in turn makes it difficult to pull the trigger on many new technologies.

PPT: Is there an upside?

Dr. White: Two areas for which I have more than just cautious optimism are cataract surgery and laser refractive surgery. The great presbyopia frontier is no longer over the horizon, it is here. Our place in that spectrum of care, both inside the eye and on its surface, has a sunny forecast, indeed.

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was a win-win situation in that it results in both additional sources of income and happier patients due to improved outcomes.” Both the preoperative visit and the surgical case now take longer due to the use of this equipment, he pointed out, so he has added surgical days because he cannot perform the same number of cases as before in a single day. “Determining the IOL model and power also takes longer than before. In addition to reviewing the usual IOLMaster (Carl Zeiss Meditec; <http://meditec.zeiss.com>) data, one must

now determine the femto/limbal relaxing incision plan, adjust for axial length if it is over 26 mm, correct for previous refractive surgery, review the topography for coma and spherical aberration, modify the IOL power if monovision is planned, run the toric calculations, and enter preoperative ORA data,” says Dr. Kilpatrick. “Plus, someone must now enter postoperative ORA data to generate an optimized program for each surgeon. All this has necessitated our creating a surgical counselor position in our two-surgeon group.” He says the prac-

PREMIUM PRACTICE TODAY

tice is considering adding a separate charge for preoperative testing.

Increasing efficiency helps the practice withstand economic fluctuations. "With our updated practice management software, we are reviewing different patient scheduling options. This will allow us to reduce wait times, increase productivity and employ more efficient staff scheduling," says Dr. Kilpatrick. "Last year, we shifted our marketing attention by hiring a marketing firm, revamping our logo and website and starting a social media presence. We actively pursue search engine optimization strategies since our Yellow Pages presence is now only minimal. All in all, we aren't really spending much more money on marketing than before, since the Yellow Pages used to be quite expensive," he explained.

While Dr. Kilpatrick has the benefit of access to a femtosecond laser, the investment was not his. "The ambulatory surgery center that I use acquired the laser and I'm very excited to offer this technology to my patients," he says, "The machine is extremely easy to use and I have not experienced any complications or difficulty removing cortex. The perfectly formed capsulorhexis, corneal incisions, and limbal relaxing incisions are a work of art. I feel the femtosecond laser technology greatly reduces the risk of surgery on all patients, but especially those with Fuchs, pseudoexfoliation, loose lenses, mature cataracts, narrow angles, or shallow chambers and small eyes. I no longer need to use trypan blue on hypermature lenses. The femtosecond laser clearly reduces phaco time and therefore endothelial cell loss, and I believe studies will show that femtosecond laser use is associated with better IOL centration and more predictable visual outcomes."

FINANCING AND DIVERSIFICATION

Cincinnati Eye Institute (CEI) is one of the largest ophthalmology practices in the United States with 45 ophthalmologists and 15 optometrists at 18 locations. Even this behemoth is not impervious to economic forces.

Two of the ways that CEI buffers its bottom line include



offering on-site financing and diversifying its revenue stream. Vice President of Marketing and Business Development Don Holmes says, "As more and more financial responsibility falls on the potential ophthalmic surgery patient with high deductible insurance and Advance Beneficiary Notice payments for specialty IOL implants and refractive cataract procedures, the ability to offer

health care financing becomes business critical. The patients have the opportunity to manage their health care budget and receive the surgical care they desire."

CEI offers its patients financing through CareCredit (www.carecredit.com/howcarecreditworks.html) a credit card that can be used to pay for ophthalmic, optometric, dental, cosmetic surgery, dermatology and veterinary services. "The concept of financing health care costs can be confusing and there is definitely a learning curve for the patient. At the same time, the patient is trying to understand all the details of the preoperative, surgical, and postoperative instructions. They have to grasp the nuances of financing," says Mr. Holmes. "We take a great amount of time to explain to all the patients that CareCredit is health care specific financing for the patient and that approximately 50,000 doctors accept CareCredit. Then we explain in great detail the no interest plans and the possible penalties. The patients are always thankful for the extra time and customer service."



CEI's additional revenue streams stem from hearing and aesthetics clinics. "In the past 5 years and with a single hearing instrument specialist, CEI Hearing Services has grown to a million dollar a year revenue source, and we continue to grow our cosmetic surgical procedures and services with our Face and Eye Aesthetic Center, as well," says Mr. Holmes. CEI also houses an ophthalmology specific compounding pharmacy. "Northmark Pharmacy under CEI management, supplies all of our internal compounding, which allows us to control compounding costs and quality," Mr. Holmes explains.

LOCATION MATTERS

Mann Eye Institute and Laser Center in Austin, Texas (www.manneye.com/meet-our-doctors) circumvented the economic impact of the recession and continues to thrive primarily by being located in a "booming" geographic locale. Making patient-focused practice decisions and offering on-site financing helps as well, according to Joan Wahlman, marketing director. "Texas is booming and we have nine locations covering the greater Houston and Austin areas. Both cities have low unemployment rates, strong diversified economies, and consistent growth rates," she explains.

The practice has grown every year for the past

PREMIUM PRA

PREMIUM PRACTICE TODAY

5 years, including adding new offices, LASIK centers, ambulatory surgery centers, staff, and technology. "Our practice focuses on delivering excellent customer service, experience, and advanced technology, and in turn we have a high patient satisfaction rate of over 96%, resulting in a strong referral base," Ms. Wahlman says. "Each manager is trained and tasked to manage a specific budget. Our goal in 2014 is to manage growing expenses associated with large surgical volumes."

Offering affordable financing options to patients significantly contributes to practice growth by making surgical treatments not covered by insurance affordable so patients can achieve their very best vision, Ms. Wahlman points out. "Removing the affordability barrier helps lessen the financial concern that often impacts the decision making process. Financing options allow patients to focus on the benefit of the recommended procedure, helping them make a more informed decision," she says.

CONCLUSION

Practice management consultant Ron Rosenberg, president of Practice Management Resource Group in Sausalito, California (www.medicalpmrg.com), helps practices across the country stay afloat and thrive. No matter the practices' size or location, his take-home

message is the same: "When the topic is rising overhead and stagnant reimbursement, it makes basic sense to have an effective and efficient business model in place, because you just can't afford to leave money on the table," says Mr. Rosenberg. "The changing environment screams for making sure your business process is intact and running 100% optimally otherwise you have no one and nothing to blame but yourself." ■

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