

optical dispensing



Embracing Change:



The Dispensing Medical Practice

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The scramble to maximize income in today's managed care environment has been the deciding factor for many ophthalmic practices considering the addition of an optical dispensary. Employers in health maintenance organizations advise their employees where to go to purchase glasses, and if you don't operate an optical dispensary, those people are typically directed to opticians. The American Academy of Ophthalmology openly encouraged dispensing in 1990 and today reports that a record 40% of its membership is dispensing. A recent survey by the American Society of Ophthalmic Administrators (ASOA) confirms this change in operating procedure: A whopping 59% of responding ophthalmic practices dispense.

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Perhaps the most compelling reasons to dispense are often overlooked: patient satisfaction and convenience. In today's hectic world, time is a precious commodity. Patients demand integrated care, a kind of one-stop shop for eyes. There is no question that dispensing quality eyewear helps an ophthalmic practice build a foundation for the future and generate more profits today. Your practice can maintain its current core of patients and attract a growing segment of primary care patients by converting to comprehensive eye health and vision care. But where to begin?

Negotiating Change

The first crucial hurdle to opening a dispensary is gaining 100% partner support. Practices that will benefit most from an on-site dispensary have relatively healthy patients and emphasize primary care. No dispensary is hands-free, and shifting from a surgical/eye disease mindset to a broader scope of clearer vision and total eyecare means a commitment to change. When we get used to doing something one way, we tend to defend that one way from change—even when a change will get better results.

The practice's owners, practitioners, and management team aren't the only players affected by establishing an on-site dispensary. Employees are

also affected, and their buy-in during the decision-making process is crucial to your future success. People don't resist change as much as being changed against their will. Let employees know exactly what the change will mean. Invite their input in a nonthreatening manner. Ask questions such as, "What are your concerns?" "What challenges do you think are most critical?"

When you explain to your staff the benefits of adding an optical department, do it in terms of WIIFM (what's in it for me?). Your employees must feel that even though the change won't be easy, it will be worth it. Without staff buy-in, your new optical department will perform marginally and morale will plummet. With the addition of an optical dispensary, your "seasoned" staff may suddenly feel like rookies, and they won't like the feeling.

Here are some ways you can help your staff make the transition:

- Redesign your history form to include lifestyle questions so your staff will know what type of lenses and eyewear best meet the patient's needs. For example, I work at a computer during the day and enjoy trout fishing. Thus, I need computer glasses with an antireflective coating plus polarized prescription sunwear for fishing. If your practice's goal is providing me

with clearer vision, you've missed the mark if you don't recommend the proper eyewear to meet all my visual needs.

- Give your employees clear instructions. For example, schedulers must learn when to add primary care appointments to the book and technicians, when to over-ride an autorefractor's readings. For example, a first-time presbyope who has never worn glasses will not be happy with eyewear that has a +0.50 diopter add in the distance part of their lenses, even though that's the prescription the autorefractor indicates. A good optician would also make add power adjustments for a tall patient with long arms.
- Examine your current procedures and their impact on the dispensary. For example, patients with dilated pupils can't see well enough to select frames. Routing them to the dispensary while their pupils are dilating disrupts patient flow. If you thought tension between front office and technicians was bad, add a dysfunctional dispensary—and then stand back!

Throughout the planning process, freely admit that you don't know all the answers. Don't rely on one communication channel, such as large-group meetings. Instead, mix those

devices with one-on-one chats, focus groups, written updates, and other approaches. As many times and in as many ways as necessary, have staff identify “what’s in it for them” until you sense their buy-in. Help employees escape the lethargy that can result when they become overwhelmed by change. Persuade them to freely communicate by asking open-ended questions such as, “What would you like to do to control this change?” and “How do you see this new department evolving?”

As you set up procedures and policies, don’t forget to question your solutions. Hold each course of action up to the light of the following question: “Is what the practice already knows and is comfortable with preventing us from reaching excellence?”

Like a mouse in a maze, your practice is trying to reach your goal: a paradigm shift from treating disease to offering total eye health and vision care. Some avenues will get you nowhere, just as some will result in a measure of success.

Learn from Others

Being the last player on the field has its advantages. You have the benefit of studying an established industry—the optical business—to see what needs to be improved. The results should yield a quality product with exceptional value, empowered work teams, satisfied patients,

and a pressure-free, no-hassle return policy.

A key benefit of dispensing is to ensure quality of eyewear as well as eyecare. There’s more to making a pair of glasses than what’s written in the prescription. If the patient can’t see clearly, he or she is forced to go back and forth between the doctor and the optician until the problem is resolved. If the prescription is filled by your practice, your team can make sure the glasses are just right for the patient.

If you and the doctors agree that the practice will internally manage the dispensary, the next things to consider are the layout of the dispensary, frame selection, and hiring key personnel. And what about profit; what financial goals should you set? Examine last year’s numbers. How many primary care patients did you see last year? How many primary care patients visited your practice on a daily basis? If your computer system tracks prescription changes, query it and you’ll discover your maximum dispensary foot traffic.

Using ASOA’s survey figures as an example, if the average doctor sees 4,500 patients in a year and the typical practice has 3 full-time equivalent doctors, the universe of patients is 13,500. By theoretically subtracting surgical patients and patients not having a prescription change, we’ve assumed that 60% of patients (8,100)

of this typical practice could decide to purchase eyewear. The American Society of Optometry reports that the average optical sale is \$185. This means that if your practice fits this profile, captures 100% of all available prescriptions, and collects the typical fee, you have the potential to generate \$1,498,500 in gross sales ($8,100 \times \$185$).

An optical dispensary is a business in itself and needs to be run with a sense of urgency toward growth. Sales and business training for the optical department manager, edging lab optician, and eyewear consultants to polish their basic skills and increase productivity is paramount to achieving maximum potential.

Am I suggesting that you manage the optical department? No. But I am recommending that you do your homework before hiring the manager. This person will be responsible for day-to-day operations and overall customer satisfaction. Understanding why other optical departments aren’t profitable can help you make the right hiring decision.

How does your practice measure up in optical department sales? Most optical departments do not reach their maximum potential because of one or more of the following reasons:

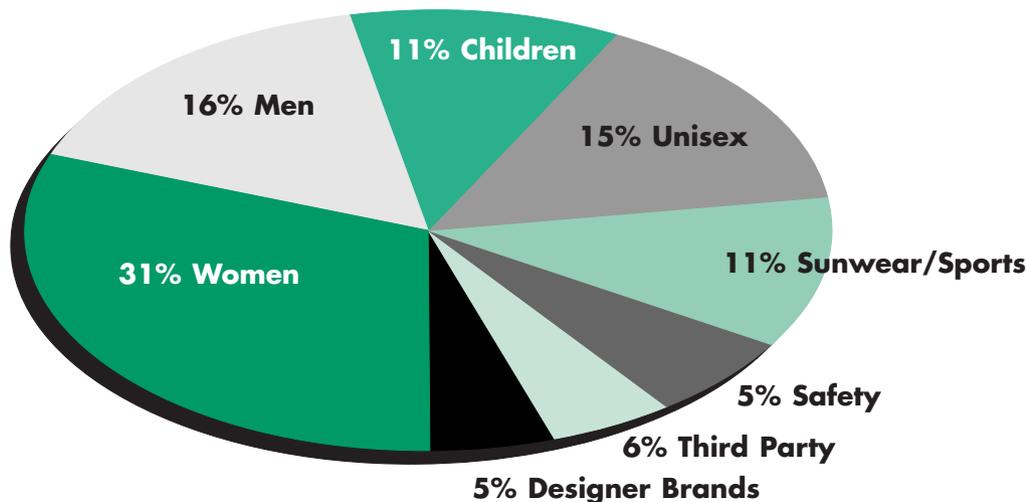
- wrong inventory mix in terms of styles and men’s versus women’s frames
- too much inventory
- ineffective sales staff

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Figure 1. National average sales by sex and category.



- doctor and technicians do not make effective recommendations for optical needs
- lack of education of and marketing to the patient.

Managing the Frame Boards

Once you have established your dispensary, it is important to evaluate your frame board management by answering the following: How many nonselling frames does your practice return in a quarter? Do you have boxes of frames that no one will buy and the vendor won't let you return? Can your frame buyer logically explain the mix of frame styles and men's versus women's frames? Do vendors "show up" every so often, or does your buyer put them on a visitation cycle so they are seen only by appointment?

Frame vendors are a wonderful resource. They can give advice on a variety of optical issues and can make specific suggestions about their product line. They know what type of bridge is being bought by women older than 65 years and can suggest a frame for a hard-to-fit patient. They can also show you the best sellers nationwide or in your region of the country.

However, you can't hold vendors accountable for slow-moving frames

or poor department performance. Frame vendors should not be given a set number of slots on the board and then told to fill them. Choose vendors who carry the styles you want, not vice versa. Sales representatives don't know your patient demographics and what type of eyewear and lenses your patients need; thus, they should not be allowed to choose which frames you will carry or they will likely fill your board with their top sellers. There's one big problem with this arrangement: All the top sellers look alike. To avoid duplication of styles, you might want to buy your unisex frames from a vendor who specializes in unisex models and give other vendors traditional men's space.

Different groups of people tend to have different tastes and needs when it comes to eyewear. Knowing and buying for your patients and your community is a key to maintaining the proper frame inventory. Your optical department must be everything to everyone. If I have a large face and wear a lot of silver, don't show me an enamel oval unisex frame just because it's the top seller of all your vendors.

Less is best. A good rule of thumb is to limit yourself to 800 frames from eight vendors. A vendor may

represent up to eight frame companies, so limiting your buyer to eight vendors shouldn't restrict his or her ability to make good buys for your optical dispensary. In addition, your buyer will be able to establish good relationships with your sales representatives and get a real commitment from each one.

Do you think 800 frames is far too few to meet the needs of 8,100 patients? Many practices share your fear. However, serving 8,100 patients averages out to a very manageable 32.4 sales per day. With frame boards filled according to patient demographics, being down by 32 or 33 frames a day isn't a crisis. You'll still be able to show a patient three frames that fit his or her face shape and lifestyle needs.

Good management also means that your vendor visits are staggered so that new merchandise is constantly arriving. If you want to reorder the same frame, it will take from three to ten working days to receive the new shipment. Patternless edgers make it possible for you to order the lenses and place the frame back on the board. But, the secret to serving 8,100 patients with 800 frames is holding your staff accountable for every single frame purchase.

You can't hold vendors accountable for slow-moving frames or poor department performance.



Your department manager and frame buyer should determine the right frame mix based on the needs and wants of your patients, not according to the taste of you and your staff. Demographic information helps determine frame sizes, styles, colors, and price points.

There are two ways to price frames. The first is to mark up each piece a specific percentage; the other is to set specific price points. The price point system means less confusion and easier decision making for the patient. For example, the wholesale price may be \$60. Under a percentage mark-up system, the 2½ times wholesale is \$150. With a price point system, you would consider the frame's style, quality, and potential and price the frame up or down (\$146 or \$158).

Your manager must also know your patient mix. For example, if you have a large contact lens practice, you might want to carry a selection of reasonably priced, stylish frames to encourage patients to also purchase backup glasses or sunwear. Figure 1 shows the national average of sales by sex and category.

When purchasing frames, look at patient and area demographics. You may not treat children in your prac-

tice but do have a large percentage of women patients older than 55 years. If so, reduce the number of children's frames to 2% and add a small line of no more than 10 high-fashion women's frames not carried by nearby practices. Or, consider reducing the number of unisex frames if you don't see many 20 to 40 year olds. Deal only with sales representatives who have the practice's best interests in mind.

Consider your frame board expensive real estate and stock it with winners. If a frame isn't selling, your buyer should not display it longer than 3 months. Your lab cost of goods should be between 25 and 33%, with 27% being your goal.

Limiting the number of frames also helps meet your overhead expense goals. If your average frame costs you \$38, going from 800 to 1,000 frames adds \$7,600 in overhead. Setting quarterly buying budgets is another way to keep the cost of goods under control. As an example, our typical, three-doctor practice would spend approximately \$307,800 (8,100 frames sold) purchasing one year's inventory. The maximum spent on frames in any one quarter would be \$76,950. Each vendor could share equally and receive \$9,618.75 in quarterly sales;

or your yearly budget with a vendor could be the percentage of sales the vendor's frames represented in last year's total sales.

Again, don't worry that you won't have enough frames if you limit your boards to 800. The 80/20 rule applies in optical sales. Track sales by frame. You'll discover that 160 pieces, 20% of your frames, make up 80% of all sales.

You should be turning over your inventory a minimum of three to six times per year. That means if you have 800 pieces in inventory, you should be selling 2,400 to 4,800 frames a year. Our prototype dispensary turns over 10.1 times each year. To find out how many times your inventory turns over, divide the frames sold by total frame inventory: 2,400 frames sold/800 total inventory = 3.

Power Listening

Eyewear consultants are in a unique position. They handle the only health aid that is both useful and fashionable. The successful eyewear consultant must have expert knowledge about your products. Most important, he or she must be able to put patients at ease, earn their trust, educate them, and help them make good choices. The successful prac-

tice converts a patient to an eyewear purchaser through “power” listening. Practice-wide power listening means saving time by identifying what each patient wants and needs from his or her eyewear.

In some practices, the doctor escorts patients to the optical dispensary. In other practices, back-office personnel walk patients to the dispensary to verbally convey to the eyewear consultant the doctor’s recommendations. Either way, the turnover from back office to eyewear consultant should be comfortable, informative, and prompt. The consultant again uses power-listening skills when a back office employee introduces a patient and gives the eyewear consultant information about the patient’s needs, concerns, and preferences. This feedback from

from your dispensary because I trust the practice.

The continued emphasis of the doctor’s examination should continue to be the health of the eye. Good vision is the byproduct. Encourage your doctors to make lens material recommendations using “Lensguide,” a syndicated educational brochure that explains different lens materials, designs, and options in an understandable fashion. Telling me I have presbyopia and not recommending that the optician demonstrate progressive lenses for me is like a dentist pointing out my son’s overbite without discussing braces.

Because the emphasis of your practice is on the health of the eye, the first product discussed in your dispensary should be the lens and

are being cut daily, and many practices are looking toward other avenues of revenue. Competition for managed care programs, which are becoming a stronger force in the medical marketplace, also plays a part in the move to dispense. Dispensing adds a flexibility and quality of care that provider panels find attractive.

Ultimately, a successful optical dispensary is not just the one with the best credentialed staff and merchandise that matches its community’s demographics. Success is no different from the code of customer relations that has made Nordstrom department stores so highly regarded: People come first. The loyal patient is what makes a dispensary succeed. The patient is to be cherished, valued, and nurtured. Each employee should be empowered to ensure that

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should be comfortable, informative, and prompt.

doctor and technicians will enable your consultant to zero in on options and features that will give patients the benefits they are seeking.

For example, if your technician listens during pretesting and notes how I spend my work and free time, the doctor and chairside assistant focus on me as I explain how certain light conditions hamper my vision, and the frame consultant pays attention when I explain what I don’t like about my current eyewear, I’ll be prepared to purchase my new glasses

lens options. This is the vision aid that will enable patients to see more clearly in a variety of situations. It can also be the material (polycarbonate) that protects the eyes of patients whose lifestyle puts them at risk for eye injury.

Change for the Better

The time and effort involved in running a dispensary operation are well worth it in light of the significant changes occurring in medical practices today. Medical reimbursements

the needs of the patient are truly met.

Make sure that the policy underlying your optical department fully translates into the reality experienced by staff and patients on a day-to-day basis. If you do, you will be living up to the highest standards of your profession and creating a climate in which your practice, staff, and patients will thrive. æ

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