

CASE STUDY

Retaining Patients for Your Dispensary

Donna Suter

Turning around an underperforming dispensary begins with an analysis of the problem.

As a management consultant with a special interest in ophthalmologists' dispensaries, I'm often asked to revitalize an underperforming dispensary. Many of the cases I'm called in on begin just like the case described here: an ophthalmologist concerned that too many of his prescriptions were being filled at other dispensaries.

In my experience, a dispensary that doesn't live up to expectations can often be turned around without major revisions. The key is to start out with a careful analysis of the problem.

As obvious as it may sound, that is not always what is done. Like all good business people, ophthalmologists have a penchant for action. Some are tempted to act on

partial information. However, questions like: "Do I need more optical staff?" or "Should I put in a lab?" need answers based on facts. Therefore, step one in evaluating an underperforming dispensary is to gather data.

Two points I stress to all my clients are: 1) work from a basis of facts; and 2) before instituting expensive measures, look carefully at what can be done with existing staff and equipment. We'll see both points illustrated in the following case study.

Case Study: Flat Optical Sales

Dr. B is a partner in a two-person ophthalmology practice that installed an optical dispensary 5 years ago. I was called in last year, when the partners became concerned that optical sales had remained flat for the previous 18 months. Dr. B was particularly concerned that patients were having their prescriptions filled outside the practice.

My group began work on Dr. B's problem with a search for, and analysis of, facts.

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Exit Interviews

First, we asked the staff to gather precise data on the number of patients who ask for their prescription. We also wrote "scripts" so that the staff could ask these patients tactfully and politely why they wanted to go elsewhere. In marketing, this is referred to as an "exit interview."

Next, in order to determine whether the fraction of patients going elsewhere for their glasses was stable or increasing, we reviewed 200 randomly-selected charts of patients who had had a prescription change in the last year. We used the same chart review to gather data on the demographics of Dr. B's patient base.

We also reviewed the dispensary's profit and loss statements for all the years it had been in operation; and we spent a day in the dispensary "shadowing" staff to observe firsthand what patients were saying and how the staff responded.

AN EXIT INTERVIEW SCRIPT

"Mrs. Adams, since we spend so much time selecting our frame inventory, training our staff in product and fashion knowledge, and giving a prompt return on patient's glasses, would you be kind enough to tell me why you would take your prescription elsewhere? Your input would be so helpful in offering the best care possible to all of our patients."

changed little over the past 18 months. Two things had changed, however: the cost of goods had skyrocketed to 65% of sales, and the average fee collected had dropped from almost \$300 to \$158.

Based on these findings, an action plan was created. The goals were to reduce the cost of goods (as a fraction of revenue received) and increase the dollar value of the average sale. Since the 70% capture rate seemed to be somewhat below the practice's potential, the plan also called for an increase in the proportion of prescriptions filled in-house.

Implementing the Action Plan

As usual, there wasn't a single underlying problem but a series of problems to be addressed. To remedy them, the following steps were taken.

- Dr. B's dispensary carried over 2,000 frames, many of which were duplicate styles. We cut costs by reducing inventory to below 800 frames. This brought down overhead and increased turnover.
- From the chart review we determined the demographic makeup of Dr. B's patient base. The optical manager began using this information to select frames. (In the past, staff had selected frame styles based on personal taste, resulting in substantial waste.)
- Our exit interviews showed that some patients who had previously purchased from Dr. B's dispensary had complaints about the quality of the frames sold them. Other

patients said that they were continually returning for repairs or adjustments. We remedied this by removing the cheap, low-quality frames from the product mix, replacing them with frames of higher quality (and better profit margins).

- Using videos and on-site training, Dr. B's optical staff was re-trained in

patient interaction. Dr. B's staff now knows how to handle price objections and can deal effectively with managed-care patients.

POINTS TO REMEMBER

- ✓ Dispensary problems can be diagnosed
- ✓ Begin with a quantitative analysis of the problem
- ✓ Base solutions on demonstrated not supposed problems
- ✓ Look for solutions using existing staff and equipment
- ✓ Most dispensary patients are more concerned with quality than price

One Year Later

Gross sales in the optical dispensary have increased by 30% in the 12 months since changes were made. The practice owners are even more pleased to report that net proceeds from optical sales rose from 15% to 35% of gross dispensary revenues and that, for the first time since the dispensary opened its doors, there had been no staff turnover during a 12-month period.

Most pleasing to us as consultants has been that patient satisfaction surveys now show that the practice is doing a better job of meeting patients' needs. Even though the dispensary now sells more expensive frames and lenses, the patients are happier. Dr. B learned that many patients are quite willing—even happy—to pay more, if that will get them a better product.

This consultation resulted in a win/win situation. The practice is more profitable, and the patients are more satisfied with their eyewear and their ophthalmologist. An important lesson for Dr. B and his partner was that, in eyewear, low price doesn't necessarily equate with patient satisfaction. What patients want is eyewear that meets their needs. They will respond positively to a practice that cares enough to offer them the quality they want. ●

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