SETTING AND USING EFFECTIVE BENCHMARKING STANDARDS FOR YOUR OPTICAL DISPENSARY
PRESENTER

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WHERE TO BEGIN...

• YOU HAVE AN OPTICAL DISPENSARY WITHIN YOUR PRACTICE

• YOU WANT TO MEASURE THE PERFORMANCE OF YOUR DISPENSARY
WHY?

• DETERMINE EFFICIENCIES OR INEFFICIENCIES

• DETERMINE THE LEVEL OF PROFITABILITY

• IDENTIFY UNDER PERFORMING AREAS WITHIN DISPENSARY SO CORRECTIVE ACTIONS CAN BE IMPLEMENTED
AS YOU BEGIN YOUR SEARCH FOR BENCHMARKING DATA YOU FIND...

• NO SPECIFIC DATA EXISTS FOR THE M.D. OPHTHALMOLOGY SPACE

• MOST DATA CURRENTLY AVAILABLE IS GENERIC FOR ALL ECP’S (JOBSON) (ESSILOR) OR

• GENERIC DATA AVAILABLE FOR OPTOMETRY ONLY. THIS IS GENERALLY SKEWED
THIS PRESENTATION WILL FOCUS ON SPECIFIC BENCHMARKING STANDARDS FOR THE OPHTHALMOLOGY SPACE
LET’S START BY LOOKING AT PRODUCTIVITY BENCHMARKS

QUESTION?
HOW MUCH TOP LINE RETAIL SALES DOLLARS CAN YOU EXPECT FROM ONE PRODUCTIVE OPTICIAN?
ANSWER...(BENCHMARK)
ON AVERAGE YOU CAN EXPECT UP TO 225K OF REVENUE PER OPTICIAN. BEYOND THIS YOU WILL NEED TO CONSIDER ADDING ADDITIONAL STAFF ON AN INCREMENTAL BASIS.

1 FTE = 225K
BEST IN CLASS 1 FTE = 240K
CAPTURE RATE

THIS IMPORTANT BENCHMARK ALLOWS YOU TO FORECAST THE REVENUE VOLUME FOR YOUR DISPENSARY

ARON’S CAPTURE RATE DEFINITION...

ALL EXAMS THAT GENERATE AN RX INCLUDING ALL REFRACTIONS, 30 DAY POST OPS AND ALL RX’S WITH OR WITHOUT NO CHANGE DIVIDED BY CAPTURED DAILY RX’S PLUS RETURNING PATIENTS (BE-BACKS) PLUS OUTSIDE RX EQUALS DAILY CAPTURE RATE.
INITIAL BENCHMARK 50%
TARGET BENCHMARK 65%
BEST IN CLASS 85%

THE KEY IS TO TRACK CAPTURE RATE WITH ANALYTICAL METHODS
FINANCIAL (PROFIT/LOSS) BENCHMARKS

• PAYROLL BENCHMARK AS A PERCENT OF TOTAL COST OF GOODS

• PAYROLL IS A CONTROLLABLE EXPENSE ITEM. IT CAN GO UP AS OPTICAL DOLLAR VOLUME INCREASES OR DECREASES AS OPTICAL DOLLAR VOLUME DROPS
• FOR OPHTHALMOLOGY THE TARGET BENCHMARK FOR PAYROLL IS...
  18% OF TOTAL EXPENSES
  15% BEST IN CLASS

IN SOME CASES PAYROLL MAY INCREASE TO 23% BUT SHOULD NOT BE HIGHER
TOTAL PROFIT PRE-TAX BENCHMARK

PROFIT MARGINS FOR AN EFFICIENTLY RUN DISPENSARY SHOULD BE IN THE FOLLOWING RANGES...

25% LOW TO 35% HIGH

NET PRE-TAX CONTRIBUTION
COST OF GOODS (P&L)

KEY BENCHMARKS FOR FRAME AND LENS EXPENDITURES

38% COG’S IDEAL TARGET
35% BEST IN CLASS
38-42% ACCEPTABLE RANGE
IF YOUR PRACTICE IS RUNNING A HIGHER COST OF GOODS THAN BENCHMARKS ABOVE, HERE ARE SOME FOLLOW UP STRATEGIES...

LAB

• BID OUT ALL LABORATORY WORK – ALLOW 3 - 5 BIDDERS TO BID USING AN RFP PROCESS
FRAME

• CONSIDER REDUCING THE NUMBER OF FRAME VENDORS
  IDEAL NUMBER 10 – 12 VENDORS

• LOOK FOR DISCOUNTS THAT AVERAGE 20% OR HIGHER
MANAGED CARE

THE BENCHMARK STANDARD FOR TOTAL ROUTINE MANAGED CARE PENETRATION SHOULD BE AT...

33% OR LESS OF TOTAL REFRACTIONS FOR YOUR PRACTICE

THE BENCHMARK ABOVE LIMITS YOUR NEGATIVE EXPOSURE AND MINIMIZES REDUCED FEE IMPACT
## KEY BENCHMARK STANDARDS FOR OPTICAL SALE CATEGORIES

<table>
<thead>
<tr>
<th>ITEM</th>
<th>NORMAL</th>
<th>BEST IN CLASS</th>
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</thead>
<tbody>
<tr>
<td>ANTI-REFLECTIVE(A/R)</td>
<td>65%</td>
<td>85%</td>
</tr>
<tr>
<td>SECOND PAIR SALES</td>
<td>12%</td>
<td>25-30%</td>
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<tr>
<td>TRANSITIONS</td>
<td>40-50%</td>
<td>70%</td>
</tr>
<tr>
<td>DIGITAL SINGLE VISION</td>
<td>5-8%</td>
<td>10-15%</td>
</tr>
<tr>
<td>ITEM</td>
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<tr>
<td>------------------------------------</td>
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</tr>
<tr>
<td>DIGITAL FLAT TOPS</td>
<td>5-8%</td>
<td>10-15%</td>
</tr>
<tr>
<td>DIGITAL PROGRESSIVES (AS A PERCENT OF ALL PROGRESSIVES SOLD)</td>
<td>60%</td>
<td>80%</td>
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<tr>
<td>TRIVEX/POLY</td>
<td>50%</td>
<td>75%</td>
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BENCHMARK AVERAGE SALE EYEGLASSES (FRAME AND LENSES)

FORMULA...
TOTAL REVENUE EYEGLASSES ÷ TOTAL NUMBER OF COMPLETE PAIRS SOLD = AVERAGE SALE EYEGLASSES

BENCHMARK $380 AVERAGE SALE
BEST IN CLASS $500
NOW THAT WE KNOW WHAT OUR BENCHMARKS ARE IN EACH CATEGORY

WHAT ARE THE NEXT STEPS?

FIRST – BEGIN TO GATHER ANALYTICAL DATA

- FROM YOUR I/S PLATFORM OR

- MANUALLY
SECOND – COMPARE YOUR DATA TO BENCHMARK STANDARDS

THIRD – IDENTIFY IMPROVEMENT AREAS

FOURTH – DEVELOP AN ACTION PLAN

FIFTH – MONITOR IMPROVEMENTS THROUGH TIME