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Benchmarking helps ophthalmologist track performance of optical shop

Take the guesswork out of managing this aspect of your business, expert says

By Julia Talsma
Senior Editor

Dorado, Puerto Rico—Optical benchmarking is a key tool that allows ophthalmologists to track the performance of their optical shops on a quarterly basis, according to James A. Rienzo, a practice management consultant, who spoke during the Current Concepts in Ophthalmology meeting here, sponsored by Johns Hopkins University School of Medicine and Ophthalmology Times.

It is important to have more than a “gut feel” for how this aspect of your business is doing. “Optical benchmarking is not nearly as onerous a task as benchmarking in the practice,” Rienzo emphasized. “There are just a few key statistics to look at on a regular basis.”

These include gross revenue, cost of goods, staff payroll, net profit, inventory turns, number of remakes, number of vendors, frames in inventory, average sell price, and capture rate.

“This allows you to see the trends and where you are going so that you can maximize the opportunity,” he continued.

Of all practicing ophthalmologists, about 75% are offering some form of optical dispensing in their practices. As far as eyewear dollars are concerned, ophthalmologists only have 13% marketshare whereas optometrists have captured 31% of the market and chains about 35%, according to Rienzo.

If you were wondering how many frames to have on display, anywhere between 300 and 500 should be the target. About 42% of ophthalmologists are just about at the benchmark, displaying between 201 and 499 frames, he said.

Turnaround time may not be as important an issue to patients as ophthalmologists think, Rienzo noted. “Almost 50% of patients said they would wait more than 3 days for their glasses,” he said. “So if you feel that you may need to compete with the local chain that is advertising heavily on 1-hour turnaround, you may want to ask your patients what they prefer. You can see (on this survey) that only about one out of 10 preferred a 1-hour timeframe.”

Most ophthalmologists (79%) have an optician manage their optical dispensing shop. About 10% rely on their office manager and 5% are managed by the physician. Neither of these latter options is recommended, based on the number of responsibilities already undertaken by the office manager and doctor, Rienzo noted.

Most viable optical shops have a full-time optician with a retail background. “If you can bring in a managing optician who previously worked for a chain in your area, it will probably give you the best head start,” Rienzo said. “The reason is that most physicians are not really good sales people.
Managing opticians, on the other hand, have been trained in a retail setting.”

**Operating benchmarks**

Take a look at the average sales price per completed job or product, which is $210, and see how your optical shop compares. You take the total revenue and divide by your total number of jobs to compare to the national average, Rienzo said.

You need to determine the costs of goods, operating expenses, and then your net profit. Costs of goods include your frame inventory, any equipment used for upgrades such as tinting or coating, and ancillary hardware. Operating expenses is your overhead—anything except the costs of goods that are needed to run the business. And then your net profit is determined after subtracting the costs of goods and overhead.

“So for every dollar you bring in, we like to see about one-third go to costs of goods, one-third to operating expenses, and the last third should be net profit,” Rienzo emphasized.

How well is your full-time optician performing? Gross revenue per full-time equivalent optician is usually $150,000. So if you have more than one optician, you will need to divide the number opticians into the gross revenue to reach this number, he noted.

“If the gross revenue number is much higher, you could reason that the person is a really good salesperson and hustles for the add-ons. If the number is significantly higher, you may need another optician because this person is overworked.”

However, if the number is really low, there may be too many individuals selling.

Capture rate is also important to track and should be about 65% of all the prescriptions the physician writes. This can be easily tracked each day by using an NCR prescription pad. The white prescription is given to the patient and the yellow prescription written underneath goes to the optical shop.

“At the end of the day, the optician puts them together and adds them up to determine the capture rate,” Rienzo said.

Inventory turnover is also tracked and usually occurs twice, maybe three times, a year. Some practices have determined that “just-in-time” sales are the most efficient way to handle frames inventory. Patients are able to select the frame that they want off the board and that is the one they receive. The optician is responsible fortracking what comes off the board that day and ordering new frames to replace the ones sold that day.

“This keeps your inventory low, there is turnover at the right level, and your net is a little bit higher,” Rienzo said.

Sometimes remaking glasses is the only option. This number should be no higher than 3% to 5% of the number of total prescriptions filled, he said.

In terms of number of vendors, ophthalmologists only have to deal with about five, because each vendor represents about 20 to 25 frame lines, Rienzo said. It is important really to know your customer base, so that you carry frames that they will buy, he said.

“If you look at your business in general and 25% of it is Medicaid and 60% is Medicare, you don’t want to have $10,000 worth of Gucci frames on the wall,” Rienzo noted.

Your payroll ratio should be in the range of 20% to 22% of every dollar that you collect. This includes staff salaries, bonuses, and any health benefits you might offer, he continued. Salaries for managing opticians are in the range from $30,000 to $45,000 with a 2% to 3% incentive based off of net collections.

“We want the managing optician to keep costs down and keep things in line for a higher net profit,” Rienzo said.

“Also, remember the 80/20 rule. Eighty percent of the sales are made on 20% of the frames, so consider who are the customers that are buying the frames and know what they can afford and like,” he said.

“You will find that 10 to 15 frame lines are most commonly chosen,” Rienzo concluded. “You may have some customers who will insist that you have some high-end frames, so you may want to have a small percentage of those frames on hand.”

Computerizing your dispensary is just a keystroke away

Systems provide improved tracking and management of daily business functions

By Liz Meszaros

Most ophthalmologists who have dispensaries within their practices have considered or even shopped around for software systems that allow for computerization of the dispensary. The benefits of computerizing this aspect of your practice are many and include better tracking of daily performance, better resolution of third-party reimbursements, and even better management of daily business functions throughout the office.

Although the process of computerizing a dispensary is not without a lot of work and forethought, many companies offer software systems geared specifically to the optical dispensary. Some of the leading stand-alone retail packages include C.C. Systems Computerized Optical Systems, Compulink’s Optical Advantage Software, First Insight’s maximEyes, Luxottica’s E-Z Frame, and OfficeMate’s OfficeMate Suite.

These systems offer easy solutions for ophthalmologists who want to keep closer tabs on such things as profit and loss, reimbursement, and daily record keeping. An overview of some of the many computerized systems available to dispensaries follows.

C.C. Systems, of Largo, FL, presents its Computerized Optical Systems (COS) for existing interface capabilities with several practice management software programs, including Next Gen, Medent, Misys, Millbrook, and GE Centricity. The system also has the capability to stand alone.

“COS was designed by optical professionals. It is very simple and straightforward and has the ability to standardize information throughout the system,” said Ron Kroll, sales manager for C.C. Systems.

Features of COS include customizable inventory numbers for all frames, contact lenses, stock lenses, sunglasses, professional services, solutions, and miscellaneous items, as well as perpetual tracking and updating, FRAMES data downloading information from individual suppliers, with instant SKU codes, descriptions, sizes, color, style, pricing, and cost.

Perhaps one of the best features of the system is its ability to do third-party adjudicating, Kroll said.

“COS will give you accurate numbers of what the optical prescription and frame cost, what the third party is going to contribute to that cost, and what the patient will pay you that day,” Kroll added.

COS can create up to 10,000 different coverage plans, as well as submit Centers for Medicare and Medicaid (CMS) and Ontario Health Insurance Plan (OHIP) claims.

Although the process of computerizing a dispensary is not without a lot of work and forethought, many companies offer software systems geared specifically to the optical dispensary.

Compulink Business Systems, of Westgate Village, CA, offers Optical Advantage Software that has the ability to handle more than 1,000 insurance reimbursement plans and direct electronic claims submissions.

Other features of Compulink’s system include bar coded capability, integratability with accounts payable, medical record screens that are completely integrated and customizable, and automated evaluation and management (E&M) determination and posting.

Advantage Software has a built-in word processor and the ability to integrate with Microsoft Word. All patient data can be merged with this system.
Count the many benefits of computerization

- Manage daily business functions.
- Track patients and demographics for more effective marketing.
- Follow-up on patients.
- Third-party participation and reimbursement.
- Increase staff productivity by eliminating repetitive paperwork.
- Track key performance indicators.
- Increase overall profitability.
- Eliminate the problem of lost files.
- Track and monitor inventory and turnover.

Compulink’s Advantage Software allows for complete integration of financial, clinical, and administrative components in order to maximize business efficiency and patient responsiveness. With the latest in communication technology, Advantage Software internally connects ophthalmic practices to third-party software and clinical instruments, and externally to patients, claims clearinghouses, labs, and other organizations.

Add-on components include Compulink’s Scan Advantage, which provides a direct interface into Advantage Software patient records. Designed to enhance Office Management Advantage Software, Scan Advantage provides direct scanning of documents to an individual patient record. Referring physician letters, patient registration forms, signature-on-file forms, patient correspondence, patient charts, or anything filed in a patient record. Documents are sequentially stored and automatically date and time stamped. Once scanned, they are available for viewing at all Compulink workstations across the network.

First Insight Corp., of Hillsboro, OR, in 1994 developed one of the first eye-care practice management software designed for Microsoft Windows and integrated with electronic medical records. Most recently, First Insight released maximEyes 6.0, as its newest practice management and electronic medical records’ software.

“MaximEyes software is a complete electronic medical record, scheduler, billing, patient demographics, recall, insurance billing, point of sale, as well as inventory management,” said Donna Lehmann, marketing communications manager for First Insight.

Perry S. Mollick, MD, FAAO, of Levittown, NY, is impressed with the efficiency of maximEyes.

“The maximEyes program has all the components I was looking for in a Windows format. The system was chosen after interviewing approximately 20 vendors,” Dr. Mollick said.

Richard J. Blocker, MD, of Framingham, MA, has used maximEyes since 1999.

“MaximEyes software has streamlined our office. We have eliminated the problem of "lost" records—we’ve stopped buying filing cabinets. Information is readily available at anytime and can be accessed off site. This has improved our ability to serve our patients on nights and weekends when the office is closed. We could not work without it," Dr. Blocker said.

“Getting information in and out of maximEyes is one of the major advantages,” he added. "We were able to customize our medical records screens to better serve our patient flow.”

Luxottica Group, of Port Washington, NY, features E-Z Frame Software for the dispensary. According to Beth Nicosia, Luxottica’s E-Z Frame Software manager, the benefits of computerization in the dispensary are many.

“[Computerization] cuts down on human error, which results in higher profits,” she said. “Our system enables [doctors] to set up lens pricing and other pre-defined pricing info, so the user need only select items from a list. The order will then be priced accordingly as defined in the pricing matrix.”

Other benefits of computerization include the ability to send, recall, and target marketing correspondence to patients encouraging them to come in, Nicosia said.

Luxottica’s E-Z frame system offers ophthalmologists a one-page layout for patient records, prescription processing with automatic pricing according to individual insurance plans, lab order and tray ticket printing, and quick prescription entry. Other features of Luxottica’s E-Z Frame Platinum System include perpetual inventory control, employee and provider productivity, detailed and summary sales transactions, stock valuation, and time management practice analysis.

OfficeMate Software Solutions, of Irvine, CA, offers the OfficeMate Suite, for patient demographics, recall, inventory, scheduling, billing, and financial reports. Also available are ReportWRITER that creates comprehensive patient and professional communications tools; and ExamWRITER that provides electronic medical records. These three products have the capability to stand alone or to be integrated seamlessly to create one of the industry’s most comprehensive and flexible practice management software programs.

According to data from Jobson Optical Research, OfficeMate is used in 34.5% of computerized eye-care practices. The software provides access to patient demographics, recalls and referrals, marketing, welcome letters, point-of-sale, fee slips, billing, insurance, prescriptions for frames and contacts, CMS forms, electronic claims, scheduling, inventory and dispensing, and comprehensive financial and marketing reports. OfficeMate also features FRAMEMate for importing frame inventory data directly from the FramesData CD-ROM.