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KEY METRICS:

Assessing Optometric Practice Performance

2015 EDITION

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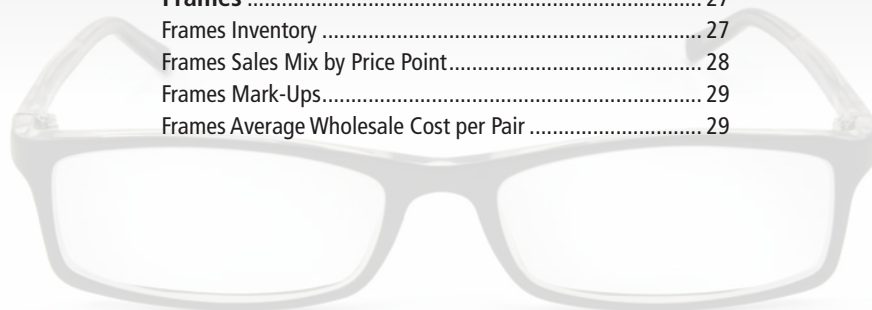
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Introduction

“Whatever You Measure Improves”

In every large corporation, a significant share of the white collar labor force is engaged in gathering, analyzing and reporting key business metrics. Measurement of key performance variables during a business cycle enables management to diagnose the state of the business objectively and continuously, leading to prompt, mid-course corrective action. Without a steady flow of metrics, the basis of decision making is reduced to anecdotal evidence and subjective judgments. Mistakes in decisions can be so costly that large companies are willing invest heavily to generate a constant stream of numbers to objectify analysis.

Although optometrists are taught the quantitative science of optics and spend most of their workday taking measurements of visual acuity, most do not invest much time to measure the state of their business. More often they form intuitive impressions about business issues. Then they make decisions without a solid, metrics-based understanding of their actual situation and without any quantitative norms against which to compare their performance.

The Management & Business Academy™ (MBA) is a metrics-based approach to optometric practice management with a basic philosophy: “Whatever you measure improves.” The act of measurement forces attention on office processes. Measurement facilitates realistic goal-setting, which prompts positive change. Tracking key metrics increases an optometrist’s control over what happens in the office.

What an organization chooses to measure shapes its attitudes and behavior. Metrics define what a company will become because they focus attention on specific goals. To adequately control a complex business such as an eyecare practice, a number of performance metrics are required to assess the full spectrum of business activity. Each practice should develop a simple hierarchy of metrics that it tracks consistently. The key metrics discussed in this report are among those most useful in diagnosing the health of a practice. Each has the benefit of being easy to calculate from readily available information already collected by most practices.



MBA Practice Profile Research

Since 2005, MBA has gathered comprehensive information on the characteristics and financial performance of over 1,900 private optometric practices in the U.S. When registering for an MBA educational seminar, participants complete a detailed questionnaire about office processes, revenue sources and expenses during the most recent calendar year. From the specificity of the responses (absence of rounding), it is clear that many MBA respondents refer to financial records to report revenue by source, number of exams performed by type, expenses and other quantitative production variables. Thus the data is of higher quality than some other surveys that rely primarily on respondent memory or guesses.

The MBA metrics database is believed to be the largest of its kind ever assembled. It includes practices across the entire spectrum of sizes and characteristics and both new and established practices. Unless specifically noted, however, the benchmarks in this report are for established practices.

The median annual gross revenue of MBA respondents is approximately \$950,000 – 50% higher than the median revenue for all U.S. independent ODs. Because many key metrics do not correlate with practice size, MBA benchmarks reliably reflect overall industry norms. For those key metrics that are highly correlated with practice size, norms are reported by practice size, usually based on more than 100 respondents in each size category.

After years of continuous measurement, it is apparent that there is year-to-year stability in most of the basic productivity ratios of optometric practice. Knowing this, to assure maximum reliability of the benchmarks, most of the normative data in this report, unless specifically noted, is based on the aggregate response of all previous participants in the Practice Profile research.

The source of all data in this report, unless otherwise noted, is the MBA Practice Profile database.



Using This Report

This report is organized to facilitate a thorough assessment of practice performance. It will explain which key metrics are most revealing of the state of the business and how to calculate them. It will present the spectrum of performance for these key metrics across all U.S. practices, enabling accurate rating of a practice's performance on specific variables. It will provide guidelines for interpreting performance metrics and suggest action steps for deeper analysis or for improvement.

To make the best use of the report, follow these steps:

1. Using the worksheet at the middle of this report, calculate your own practice performance for the latest fiscal year for each of the key metrics, using the definitions in the report.
2. Calculate your performance index for each measure by dividing your performance value on each measure by the median value for practices of comparable size or by the overall MBA median. Make a deficiency list of each of the measures in which your practice performance index is 85 or less, compared to your practice size group or the MBA performance median. If your practice performance is consistently at or above the median for all practices, develop a list of metrics for which your practice is no better than mid-range performance.
3. Taking into account any unusual conditions of your practice, compile a rank ordered priority list of those areas you wish to concentrate on first as you develop improvement plans. With the staff, develop an action plan to improve each priority area.

Independent OD Performance in Primary Eyecare Market

This section describes the market context in which independent ODs operate, providing background on the growth rate in primary eyecare demand and independents' market share and capture rate of patients' device purchases.

Based on AOA estimates, of the 40,000 ODs practicing in the U.S., 22,800 work in practices owned by independent ODs with no corporate affiliation. Practice Advancement Associates estimate that there are approximately 14,000-16,000 independent OD practices in operation in the U.S.

The Vision Council conducts on-going consumer research monitoring demand for eye exams and vision correction devices, called VisionWatch. These surveys provide the best available monitor of primary eyecare consumption trends.

Following two years of sluggish growth during the recent economic recession, revenue of independent ECPs began to accelerate during 2011. For the year ending June 2013, VisionWatch estimates that primary eyecare revenue of independents increased by 5.1% and eyewear sales grew by 6.4%. These average growth rates provide benchmarks for independents to compare with their own revenue performance.

Independent ECP Revenue Trends

(% change versus year ago)

	Year ending December				Year ending
	2009	2010	2011	2012	June 2013
Total Gross Revenue	+2.3%	+2.1%	+3.8%	+5.9%	+5.1%
Eyewear Sales	-0.1%	+1.9%	+7.0%	+7.0%	+6.4%

Source: VisionWatch

Note: Independent ECPs include optometrists, ophthalmologists and independent optician-owned offices. It is estimated that OD-owned practices account for approximately 75-80% of total independent primary eyecare revenue.

Independent ECP revenue growth has exceeded overall market growth in recent years and as a result, independents' market share has grown. For the year ending June 2013, independents captured 54.2% of primary eyecare revenue and 51.6% of eyewear sales.

Independent ECP Market Share

	Year ending December				Year ending
	2009	2010	2011	2012	June 2013
Total Gross Revenue	51.6%	52.7%	53.5%	53.7%	54.2%
Eyewear Sales	49.0%	49.9%	50.5%	51.0%	51.6%

Source: VisionWatch

Jobson Medical Information estimates that independent ODs command a 53% share of primary eyecare patients and a 42% share of revenue. Independent ODs' share of revenue is lower than their share of patients because their capture rate of patients purchases of vision correction devices is much less than 100%.

It is estimated that independent ECPs' (including ODs, MDs and optician-owned offices) capture rate of their patients' spectacle lens unit purchases is 68%, is 64% of frames units and is 76% of soft contact lens units.

Inasmuch as the number of independent MDs and optician-owned practices is not increasing, it is likely that independent ODs' share of the primary optical market is growing.

Independent ECP Market Share and Capture Rate

Independents perform 68.0% of comprehensive eye exams, and...

Sell 46.0% of spectacle lens units	→	68% capture rate
Sell 43.6% of frames units	→	64% capture rate
Sell 52% of soft lens units	→	76% capture rate

Sources: VisionWatch year ending December 2012, PAA estimates

Total Practice Productivity Metrics

This section discusses key metrics that reveal the overall productivity of the practice. Use the worksheet at the center of the report to calculate your own practice performance for each metric and compare to the benchmarks shown. If your performance on any of these productivity metrics is sub-standard, you will need to dig deeper to uncover the variables responsible for the deficiency, as directed in the text. This will allow you to identify concrete corrective actions to improve performance.

Gross Revenue per Exam

This is perhaps the single most useful measure of practice productivity, calculated simply by dividing your gross receipts by the number of exams you provide in any time frame.

Gross revenue per comprehensive exam is directly dependent on the internal processes of your practice, and can be immediately and significantly improved by your actions. Every well-managed practice should track this productivity measure monthly, and if not already well above median performance, should set aggressive goals for improvement.

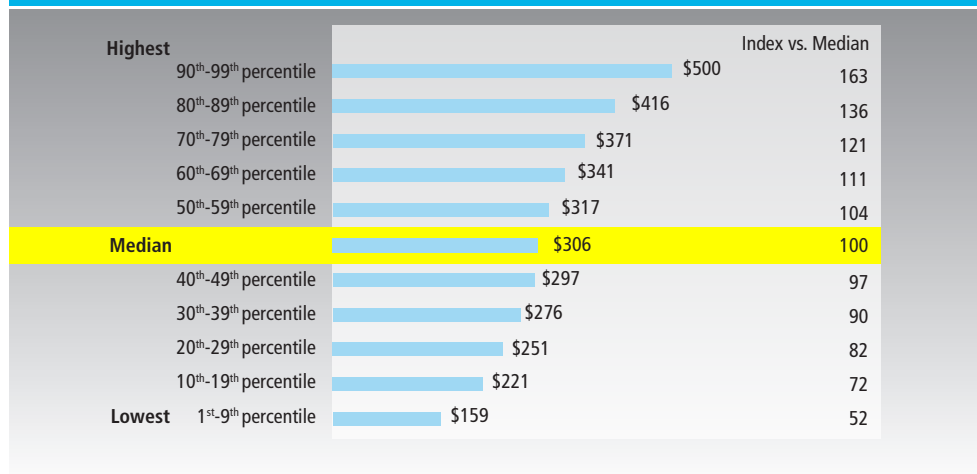
For all MBA practices, the median gross revenue per exam is \$306. The top decile of practices achieved a median gross per exam of \$500, the bottom decile just \$159 — a very large range of productivity. The 5% of practices that generate the very highest revenue per patient produce \$529 per complete exam. This production value represents the upper limit of what is feasible to achieve. There is only a weak positive correlation between practice size and revenue per exam, so the best comparative benchmark is that for all practices.

Variables which favorably impact revenue per exam include:

- Greater than average usage of high-performance spectacle lenses, high-end frames and higher value contact lenses
- Above average professional fees
- Above average retail prices
- Higher than average capture rate of patients' device purchases
- Higher than average multiple pair sale ratio

Evaluate your performance on each of these variables to better understand your revenue per exam productivity.

Gross Revenue per Complete Exam Performance Deciles



Assessing Performance: Gross Revenue per Complete Exam

If Current Performance Is...

Actions Indicated

<p>Above Average: 60th percentile or higher, \$328+</p>	<ul style="list-style-type: none"> • Evaluate multiple pair sale ratio. If it does not exceed 12%, train staff to suggest prescription sunwear and special use lenses to appropriate patients. • Compare usage of PAL, AR, high-index and photochromic lenses to industry norms. Select one or two lens types and train staff to present to appropriate patients. • If sales of frames retailing for \$200 or more is less than 40% of units, increase inventory of higher end frames.
<p>Average: 40th-59th percentile, \$287-\$327</p>	<ul style="list-style-type: none"> • Compare eyewear gross profit margin to industry norms. If average or below, adjust pricing to increase profit margin. • Compare frames sales mix by price point to industry norms. If sales of frames retailing for \$200 or more is less than 40% of units, increase inventory of higher end frames. • Compare usage of PAL, AR, high-index and photochromic lenses to industry norms. Select one or two lens types and train staff to present to appropriate patients. • Compare exam fees to industry norms. If at or below industry median, consider fee increases.
<p>Below Average: 39th percentile or lower, \$286 or less</p>	<ul style="list-style-type: none"> • Evaluate eyewear capture rate. If below industry norms, consider upgrading optical dispensary. • Review average eyewear retail sale. If average or below, compare usage of PAL, AR, high-index and photochromic lenses to industry norms. Select one or two lens types and train staff to present to appropriate patients. Also compare frames sales mix by price point to industry norms. • Compare exam fees to industry norms. If at or below industry median, consider fee increases.

Exams per OD Hour

The number of complete eye exams performed during each hour an optometrist works is a key productivity metric that correlates highly with the revenue produced each OD hour. For all MBA practices, the median exams per OD hour is 1.10, comparable to the median reported by the AOA for all practicing ODs. It is also comparable to the average hourly production of corporate optometrists, based on surveys by Practice Advancement Associates. Inasmuch as doctors say they spend an average of 15-20 minutes with patients during eye exams, it's apparent that there is much excess capacity in typical optometric offices.

Exams per OD hour shows a weak positive correlation with practice size. The largest 10% of MBA practices conducted 26% more exams per hour than the overall median and the smallest 10% of practices conducted 35% fewer exams per OD hour than the MBA median. The smallest practices have more excess capacity, with many open appointment slots and many under-utilized OD hours. Smaller practices also devote a higher proportion of OD time to duties other than patient care.

Among practices with a single optometrist working, exams per OD hour is very highly correlated with practice revenue. ODs in solo practices with annual gross revenue of \$750,000 or more conduct 1.48 exams per hour, compared to just 0.76 exams per hour in solo practices with annual gross revenue below \$500,000. Apart from adding a new OD, the main way solo OD practices can grow is to increase patient traffic per hour.

There is wide variation in hourly exam productivity among practices. The 10% of practices with the highest exam productivity conducted 2.18 exams per OD hour, double the median practice. Key variables impacting this key metric are size of the patient base, recall effectiveness, extent of delegation of testing tasks to staff, exam process efficiency and appointment scheduling efficiency.

Complete Exams per OD Hour Performance Deciles

		Index vs. Median
Highest	90 th -99 th percentile	2.18
	80 th -89 th percentile	1.65
	70 th -79 th percentile	1.44
	60 th -69 th percentile	1.28
	50 th -59 th percentile	1.15
Median	1.10	100
Lowest	40 th -49 th percentile	0.96
	30 th -39 th percentile	0.84
	20 th -29 th percentile	0.71
	10 th -19 th percentile	0.50
	1 st -9 th percentile	0.50

Assessing Performance: Complete Exams per OD Hour

If Current Performance Is...

Actions Indicated

<p>Above Average: 60th percentile or higher, 1.21 or higher</p>	<ul style="list-style-type: none"> • Improve recall process to reduce number of months between patient exams and increase number of exams performed annually • Evaluate delegation opportunities in testing process • Identify exam process bottlenecks and correct • If two or more ODs work in the practice, examine scheduling to minimize idle OD minutes on the appointment calendar
<p>Average: 40th-59th percentile, 1.01-1.20</p>	<ul style="list-style-type: none"> • Same as above
<p>Below Average: 39th percentile or lower, 1.00 or less</p>	<ul style="list-style-type: none"> • If active patient base is 4,500+ and ODs average 80% or more of office hours engaged in patient care, evaluate the exam process to identify ways to reduce average time ODs spend with patients. • If active patient base is less than 3,500, increase marketing activity to attract new patients • Reduce total hours worked by ODs and staff to increase productivity of hours worked

Gross Revenue per Staff Hour

This is a measure of how efficiently patients are managed by the staff. It can also signal if the office is over or under staffed. Gross revenue per staff hour is calculated by dividing the gross revenue for any specified time by the total number of non-lab staff hours worked during the period.

The median revenue per staff hour for all MBA practices is \$83. Hourly staff revenue production is weakly correlated with practice size. The largest 10% of practices have 17% higher hourly staff productivity than the overall median and in the smallest 10% of practices staff productivity was 12% below the median. No change in the median practice value for this ratio has been observed over six years of measurement. The hourly staff revenue production of most practices falls within a narrow range, indicating that as patient traffic increases, most offices add staff to maintain patient flow.

Variables impacting staff revenue production per hour include number of staff members, exams performed per hour and gross revenue generated per exam.

Gross Revenue per Non-OD Staff Hour Performance Deciles

		Index vs. Median
Highest	90 th -99 th percentile	\$147 177
	80 th -89 th percentile	\$118 142
	70 th -79 th percentile	\$102 123
	60 th -69 th percentile	\$93 112
	50 th -59 th percentile	\$86 104
Median	\$83	100
Lowest	40 th -49 th percentile	\$81 98
	30 th -39 th percentile	\$75 90
	20 th -29 th percentile	\$69 83
	10 th -19 th percentile	\$63 76
	1 st -9 th percentile	\$52 63

Assessing Performance: Gross Revenue per Non-OD Staff Hour

If Current Performance Is...

Actions Indicated

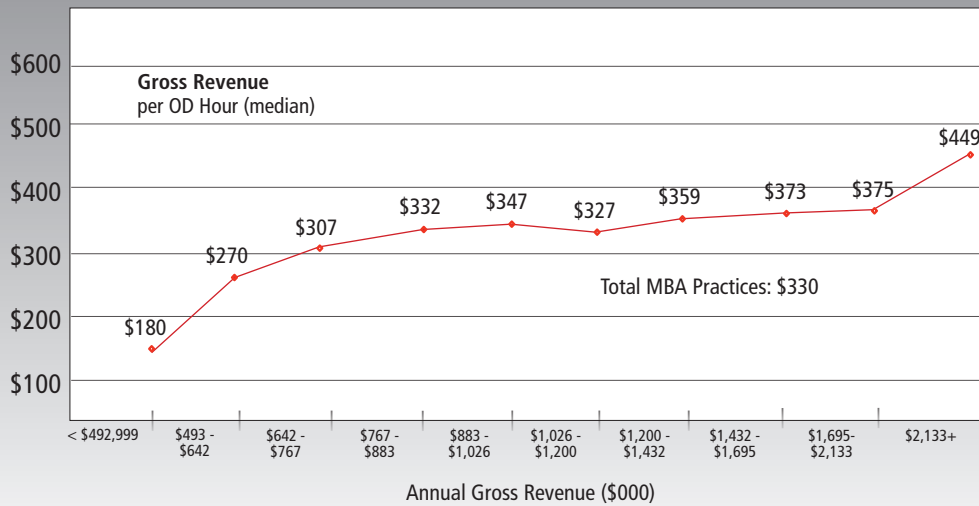
<p>Above Average: 70th percentile or higher, \$97 or more</p>	<ul style="list-style-type: none"> • If gross revenue is less than \$1 million and ratio of staff to OD hours is less than 3.0, or if gross revenue is \$1 million or more and staff to OD hour ratio is below 3.5, evaluate increasing staff to improve patient service. Symptoms of under-staffing include low staff morale, administrative tasks frequently unattended, frequent patient waits of 5 minutes or more during office visits, doctor assumes some of staff's testing or administrative duties to keep process flowing.
<p>Average: 30th-69th percentile, \$72-\$96</p>	<ul style="list-style-type: none"> • If gross revenue per exam at \$286 or below, compare usage of PAL, AR, high-index and photochromic lenses to industry norms. Select one or two lens types and train staff to present to appropriate patients. • If gross revenue per exam \$287 or higher, staffing level is likely adequate, unless practice is above \$1.5 million gross revenue.
<p>Below Average: 29th percentile or lower, \$71 or lower</p>	<ul style="list-style-type: none"> • If staff to OD hour ratio is 5 or above, evaluate staff reduction or reduce number of hours staff works weekly. • If active patient base is less than 3,500, increase marketing activity to attract new patients. • If gross revenue per exam at \$286 or below, compare usage of PAL, AR, high-index and photochromic lenses to industry norms. Select one or two lens types and train staff to present to appropriate patients.

Gross Revenue per OD Hour

Gross revenue per OD hour reveals how effectively ODs use their time and how well they delegate tasks to the staff. It is calculated by dividing gross revenue for any specified period by the total number of OD hours worked during the same period. As with staff productivity this ratio can be positively affected by the success of your practice in generating high revenue from each patient served. As might be expected, gross revenue per OD hour is highly correlated with the complete exams per OD hour.

The median gross revenue per OD hour for MBA practices is \$330 – four times the hourly staff revenue production median. There is a strong positive correlation between revenue per OD hour and practice size. The largest 10% of practices have hourly OD productivity 36% above the overall median, and the smallest 10% of practices have OD productivity 45% below the overall norm. There appears to be a practice size threshold above \$650,000 annual revenue at which OD productivity per hour plateaus, until practice size grows to exceed \$2 million. Very large practices achieve the greatest efficiency in OD time utilization, able to spend a higher proportion of OD time on patient care. Practices with less than \$650,000 gross revenue tend to have many open exam slots on their appointment calendars, resulting in many under-utilized OD hours that generate little or no revenue.

Gross Revenue per OD Hour by Practice Size



There is a wide range of OD productivity with the top decile of performers reporting a median of \$610 of revenue per hour and the lowest decile just \$157. If your practice is \$2 million gross revenue or larger, compare yourself to the median for practices of your size. If your practice is below \$650,000 gross revenue, compare yourself to norms for practices of similar size. If your practice is between \$650,000 and \$2 million gross revenue, use the median for all practices for comparison.

Gross Revenue per OD Hour Performance Deciles

Highest		Index vs. Median	
90 th -99 th percentile	\$610	185	
80 th -89 th percentile	\$486	147	
70 th -79 th percentile	\$426	129	
60 th -69 th percentile	\$383	116	
50 th -59 th percentile	\$345	105	
Median	\$330	100	
40 th -49 th percentile	\$316	96	
30 th -39 th percentile	\$286	87	
20 th -29 th percentile	\$255	77	
10 th -19 th percentile	\$219	66	
Lowest 1 st -9 th percentile	\$157	48	

Assessing Performance: Gross Revenue per OD Hour

If Current Performance Is...

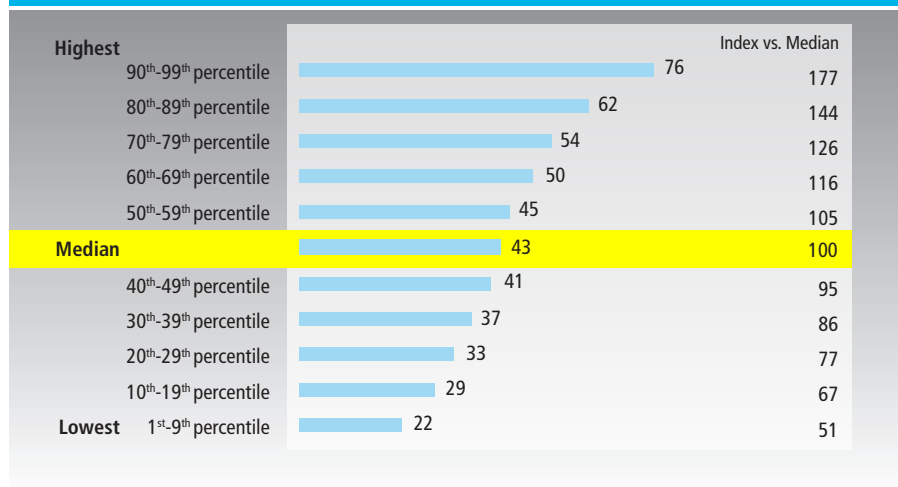
Actions Indicated

Above Average: 70th percentile or higher, \$398 or more	<ul style="list-style-type: none"> • No action indicated
Average: 30th-69th percentile, \$273-\$397	<ul style="list-style-type: none"> • Same as below
Below Average: 29th percentile or lower, \$272 or less	<ul style="list-style-type: none"> • If gross revenue per exam at \$286 or below, compare usage of PAL, AR, high-index and photochromic lenses to industry norms. Select one or two lens types and train staff to present to appropriate patients. • If active patient base is less than 3,500, increase marketing activity to attract new patients • If active patient base is 4,500+, ODs average 80%+ of office hours engaged in patient care, and exams per OD hour is below 1.0, then review exam process to identify ways to reduce average time ODs spend with patients. • Compare exam fees to industry norms. If at or below industry median, consider fee increases.

Complete Exams per 100 Active Patients

Complete exams per 100 active patients is a gross indicator of recall success. The median MBA practice conducts 43 complete eye exams per 100 active patients. If each active patient had an exam every year, then the exams per 100 active patients would be 100. A ratio of 43 exams per 100 active patients translates to an average interval between exam visits of 2.3 years, or 28 months. There is no correlation between this ratio and practice size and the ratio has not changed over six years of measurement. Practices conducting 60 or more exams per 100 active patients are primarily new practices with small active patient bases, composed mainly of patients who have completed their first exam cycle. Among established practices, a ratio above 50 exams per 100 active patients is above average and indicative of high recall effectiveness.

Complete Exams per 100 Active Patients



Assessing Performance: Complete Exams per 100 Active Patients

If Current Performance Is...

Actions Indicated

Above Average: 70th percentile or higher, 51 or higher	<ul style="list-style-type: none"> No action indicated
Average: 30th-69th percentile, 35-50	<ul style="list-style-type: none"> Improve recall process to reduce number of months between patient exams. Provide patients a medical rationale for yearly exams. Begin pre-appointing patients if currently not doing so.
Below Average: 29th percentile or lower, 34 or less	<ul style="list-style-type: none"> Improve recall process to reduce number of months between patient exams. Begin pre-appointing patients. Reactivate patients who have not visited practice in three years or more with contact by telephone or letter increases.

Annual Gross Revenue per Active Patient

This is a composite metric that reflects both recall success and revenue generation per exam. The median MBA practice generates gross revenue of \$133 per active patient annually. The low values for this benchmark reflect the fact that a majority of active patients do not visit the office in a given year. This productivity metric is weakly correlated with practice size. Many of the practices in the high performance deciles on this measure are new practices with most patients having just completed the first exam cycle.

If your practice has below average performance on this metric, trace the shortfall to either recall inefficiency or low revenue per exam. Take actions indicated in the sections discussing exams per 100 active patients or gross revenue per complete exam.

Annual Gross Revenue per Active Patient

		Index vs. Median
Highest		
90 th -99 th percentile	\$270	203
80 th -89 th percentile	\$204	153
70 th -79 th percentile	\$176	132
60 th -69 th percentile	\$157	118
50 th -59 th percentile	\$140	105
Median	\$133	100
40 th -49 th percentile	\$125	94
30 th -39 th percentile	\$112	84
20 th -29 th percentile	\$99	74
10 th -19 th percentile	\$83	62
Lowest		
1 st -9 th percentile	\$60	45

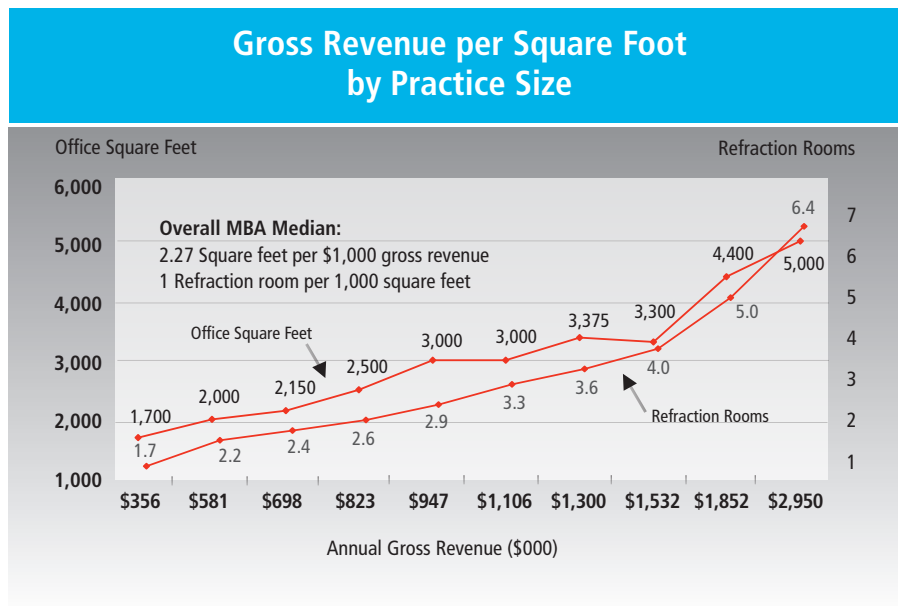
Gross Revenue per Square Foot of Office Space

Sales per square foot is a key productivity measure for most retail businesses. It reveals the efficiency of space utilization and indicates if facility overhead is under control. It can also be an indicator of foot traffic at a location and sales per transaction. It is a particularly relevant consideration for optometric practices considering relocation or space expansion.

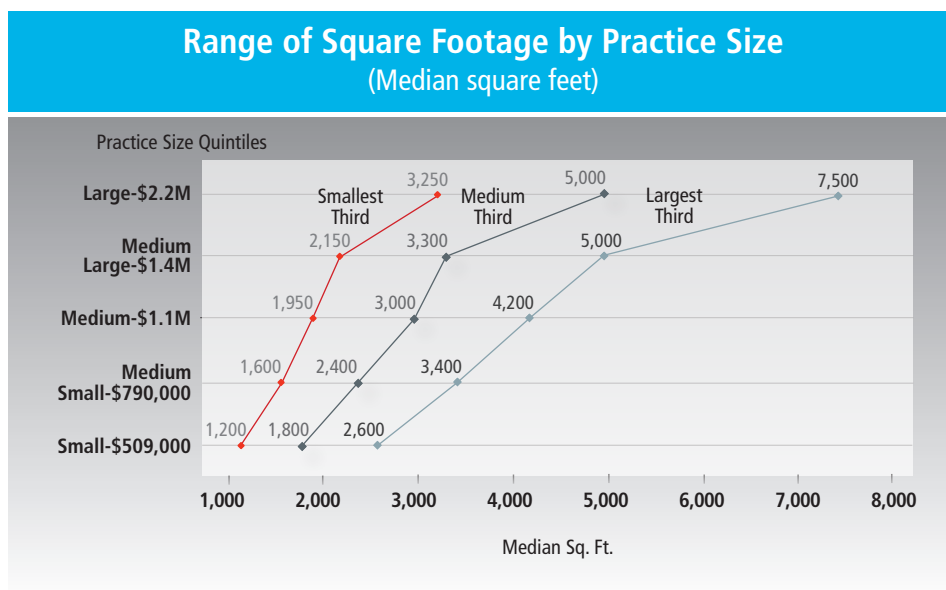
The median gross revenue per square foot for all MBA practices is \$357 with a median of 2,850 square feet of office space, including 3.6 refraction rooms. There is very wide variation in this measure among practices, and it is correlated with practice size. Large

practices generate more revenue per unit of space by seeing more patients, earning more from each patient seen, and more efficient space utilization. Patient traffic and revenue are able to grow substantially in many practices with no addition to office space, yielding large economies of scale. Occupancy cost ratios tend to decline as practice size increases. For this productivity metric, compare your revenue per square foot to the median for practices of your size.

These benchmarks are extremely useful when constructing a new facility or expanding an existing one. To determine the square footage you need in the new or expanded facility, first project revenue for year five after the renovation. Next, from the following table, determine the median revenue per square foot guideline for the practice revenue you project. Then divide your projected revenue by the median per square foot derived in step two. This will give you a rough guideline for the square footage you need.



The following table shows the range of office square footage by practice size. While generalizations may not apply to every situation, the median square footage shown in the "largest third" column could be used a guideline defining an excessive amount of office space for each size of practice.

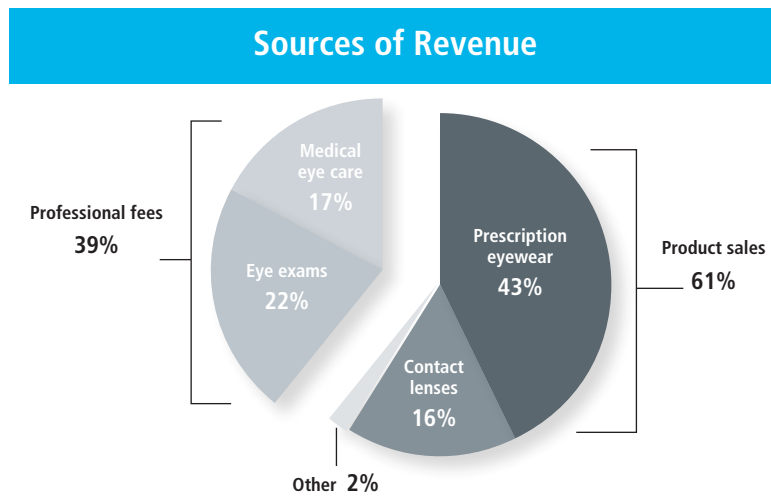


Revenue Sources

This section examines the revenue mix of independent optometric practices, revenue growth during 2009 and 2010, composition of services rendered, revenue payers and exam fees. Use these benchmarks to compare with the revenue sources of your practice.

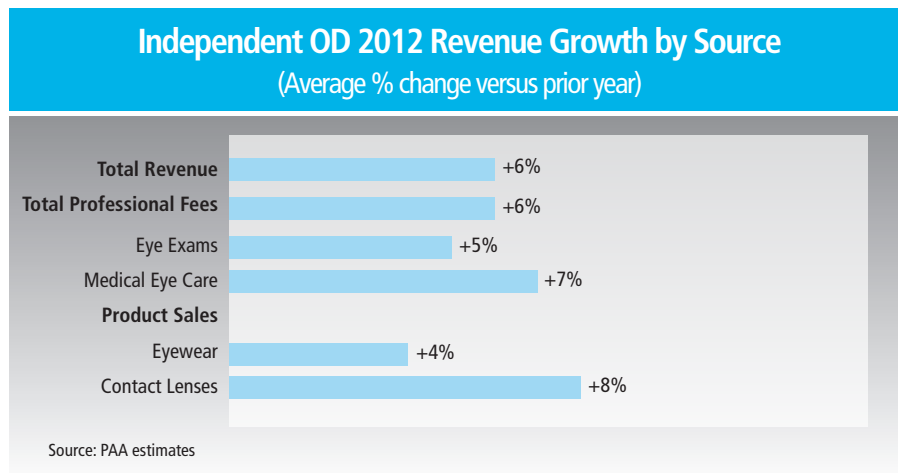
Revenue Sources

Independent optometric practices derive 39% of revenue from professional fees and 61% from product sales, including 43% from eyewear and 16% from contact lens sales. Average revenue mix has changed little over six years of measurement. Medical eye care revenue has not been consistently measured in MBA surveys, but there are indications that it is slowly gaining share of optometric practice revenue.



2012 Revenue Growth by Source

Based on VisionWatch, industry audits and MBA surveys, it is estimated that revenue from medical eye care and contact lens sales during 2012 grew at a faster rate than overall revenue among independent OD practices.



Percent of Complete Eye Exams by Type

Typical independent optometric practices conduct twice as many complete eye exams for patients wearing eyeglasses-only than for contact lens patients. An average of 12% of exams are performed for patients not requiring vision correction. A contact lens exam ratio below 22% usually indicates that a practice does not routinely recommend contact lenses to candidates, unless patients initiate a request for a trial fitting.

Percent of Complete Eye Exams by Type				
Well Below Average 1 st -19 th percentile	Below Average 20 th -39 th percentile	Median 40 th -59 th percentile	Above Average 60 th -79 th percentile	Well Above Average 80 th -99 th percentile
Eyeglass Exams				
42%	52%	58%	62%	72%
Contact Lens Exams				
18%	28%	30%	38%	43%
Healthy Eye Exams				
4%	7%	12%	17%	22%

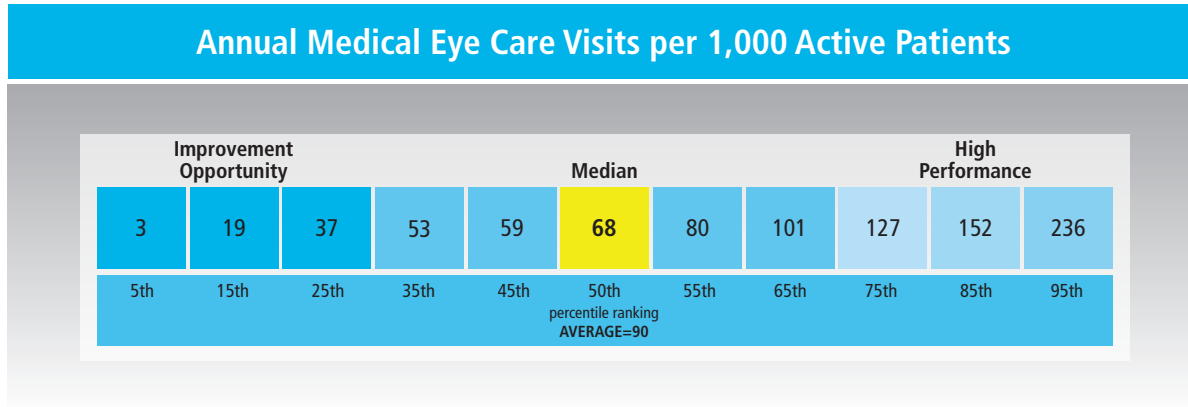
Medical Eye Care Visits % of Total Patient Visits

Medical eye care visits as a percentage of total patient visits is an indicator of the extent to which a practice is engaged in medical eye care. Medical eye care visits account for a median of 17% of total office visits in independent optometric practices. This ratio is believed to be slowly increasing, but no time series is available to substantiate the growth. The range of engagement in medical eye care among private optometric practices is wide and is bi-polar. In many practices, less than 10% of patient visits involve medical treatment; in others more than one third of visits.

Medical Eye Care Visits % of Total Patient Visits										
Improvement Opportunity				Median			High Performance			
0%	5%	10%	12%	15%	17%	18%	21%	26%	30%	41%
5th	15th	25th	35th	45th	50th percentile ranking AVERAGE=19%	55th	65th	75th	85th	95th

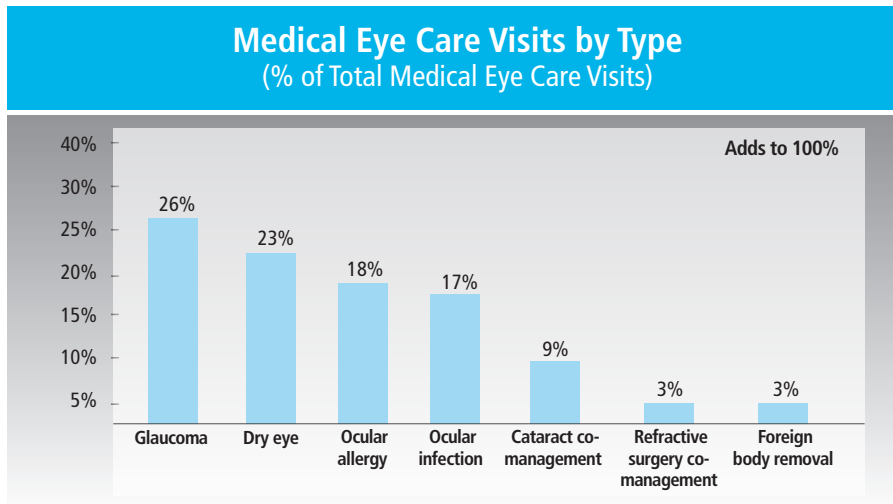
Annual Medical Eye Care Visits per 1,000 Active Patients

Another indicator of engagement with medical eye care is annual medical eye care visits per 1,000 active patients. The median medical visits per 1,000 active patients is 68 among independent optometric practices — or about 7% of active patients. Highly engaged practices report 127 or more visits per 1,000 patients (13% of active patients), and the least engaged less than 40 visits (less than 4% of active patients).



Medical Eye Care Visits by Type

The following tables show the typical distribution of medical eye care visits by treatment provided. Glaucoma and dry eye treatments are most prevalent overall. Many offices do not treat glaucoma, and most glaucoma visits occur in offices which specialize in glaucoma treatment. A comparison of estimates of the incidence of ocular conditions in the population to MBA data on medical eye care visits per thousand active patients indicated that the conditions of many patients of private optometrists remain undetected or untreated.



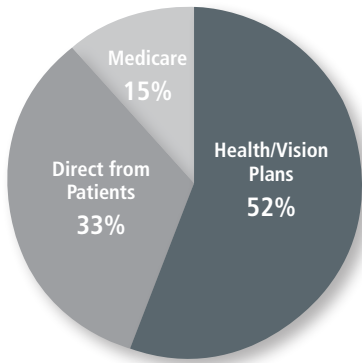
Annual Medical Eye Care Visits by Type per 1,000 Active Patients

	Median	Average
Dry eye	15	24
Ocular infection	13	21
Ocular allergy	12	18
Glaucoma	8	24
Cataract co-management	3	9
Refractive surgery co-management	2	3
Foreign body removal	2	4
Total	68	104

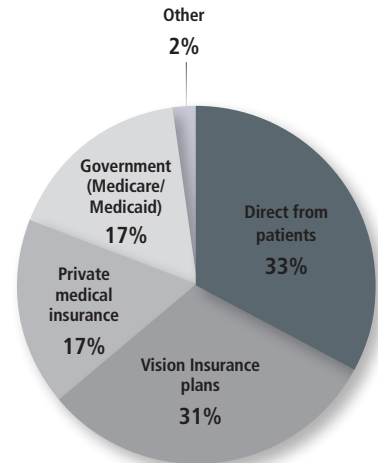
Managed Care

Independent optometric practices receive 52% of revenue payments from health and vision insurance plans, 15% from Medicare and 33% directly from patients. The sources of payments vary widely across practices.

MBA Participant Source of Payments



Total OD Source of Revenue: 2011



Source: AOA, 2012 Survey of Optometric Practice

Percent of Exams Provided with Managed Care Discount

MBA OD participants reported that a median of 65% of the exams they performed in 2010 had a managed care discount. For 2011, the AOA reported that, on average, ODs discounted eye exam fees for 61% of patients. In 2001, 47% of OD exams were discounted, as reported by the AOA.

Percent of Exams Provided with Managed Care Discount

Low		Median						High		
9%	25%	35%	50%	62%	65%	70%	80%	82%	90%	95%
5th	15th	25th	35th	45th	50th percentile ranking AVERAGE=52%	55th	65th	75th	85th	95th

Percent of Gross Revenue from Direct Patient Payments

Low		Median						High		
5%	10%	12%	18%	24%	25%	30%	40%	55%	65%	80%
5th	15th	25th	35th	45th	50th percentile ranking AVERAGE=33%	55th	65th	75th	85th	95th

Percent of Gross Revenue from All Health/Vision Plans

Low					Median		High			
15%	29%	34%	40%	50%	51%	55%	63%	70%	75%	90%
5th	15th	25th	35th	45th	50th	55th	65th	75th	85th	95th
					percentile ranking					
					AVERAGE=52%					

Percent of Gross Revenue from VSP Payments (included in total above)

Low					Median		High			
0%	7%	10%	15%	15%	20%	20%	25%	30%	40%	58%
5th	15th	25th	35th	45th	50th	55th	65th	75th	85th	95th
					percentile ranking					
					AVERAGE=21%					

Percent of Gross Revenue from Medicare Payments

Low					Median		High			
0%	2%	5%	7%	10%	10%	12%	19%	23%	30%	46%
5th	15th	25th	35th	45th	50th	55th	65th	75th	85th	95th
					percentile ranking					
					AVERAGE=15%					

Vision Insurance Utilization

Based on research by the National Association of Vision Plans, in standalone vision plans which offer both eye exam and materials benefits, 35% of covered adults have an exam in a typical year. Most plans provide for a yearly eye exam, but two-thirds of the plans offer an allowance for eyewear only every other year. Over a two-year period, 57% of covered adults had one or more exams, and over a three-year period, an estimated 70% had at least one exam. The utilization data also reveal an opportunity for practitioners to increase the frequency of vision plan patient office visits by encouraging annual use of exam benefits.

Gross Revenue per Non-OD Staff Hour Performance Deciles

Cumulative % of Adult Patients in Standalone Plans Having One or More Eye Exams

	Total Members
Year 1	35%
Year 2	57%
Year 3	70%

Source: National Association of Vision Plans, Vision Exam Utilization Study 2009. Data is for stand alone vision plans offering both exam and materials benefits. It is estimated that 89% of adult standalone plan members require vision correction. Year 3 net cumulative utilization is estimated by Practice Advancement Associates.

Eye Exam Professional Fees

The fees that independent optometric practices charge direct-pay patients vary widely across practices, with the decile of practices with the highest fees charging roughly three times what the decile with the lowest fees charges.

It is estimated that the weighted average fee for all eye exams performed for direct-pay patients during 2010 was \$134 (median = \$127). For patients with insurance, the average collected exam fee was \$66, less than half of the direct-pay fee amount. The overall collected revenue per eye exam (direct pay plus managed care) was \$90, inasmuch as 65% of exams were discounted by insurance. Direct-pay patient exam fees accounted for 52% of total exam fees collected, or about 14% of total practice revenue in typical practices.

Practices generally charge the lowest direct-pay exam fee for non-contact lens patients, for which the median fee was \$115 in 2010. The median fee has increased about 3% annually from 2005-2010. Fees for contact lens exams when no refitting is done are generally about 20% higher than basic exams. Fees for contact lens new fits are higher, with additional amounts charged for specialty lenses.

Average Direct-Pay Exam Fee (weighted average of all exam types)

Low					Median						High
\$68	\$85	\$101	\$111	\$120	\$127	\$129	\$137	\$146	\$166	\$205	
5th	15th	25th	35th	45th	50th	55th	65th	75th	85th	95th	
percentile ranking AVERAGE=\$134											

Average Collected Exam Revenue per Complete Exam (direct-pay and managed care)

Low					Median						High
\$36	\$50	\$66	\$73	\$78	\$79	\$82	\$95	\$112	\$132	\$155	
5th	15th	25th	35th	45th	50th	55th	65th	75th	85th	95th	
percentile ranking AVERAGE=\$90											

Non-Contact Lens Exam (direct-pay)

Low			Median					High		
\$65	\$80	\$89	\$95	\$108	\$115	\$120	\$129	\$139	\$159	\$195
5th	15th	25th	35th	45th	50th percentile ranking	55th	65th	75th	85th	95th

Contact Lens New Fit Exam – Sphere (direct-pay)

Low			Median					High		
\$99	\$128	\$148	\$164	\$179	\$185	\$190	\$209	\$235	\$268	\$314
5th	15th	25th	35th	45th	50th percentile ranking	55th	65th	75th	85th	95th

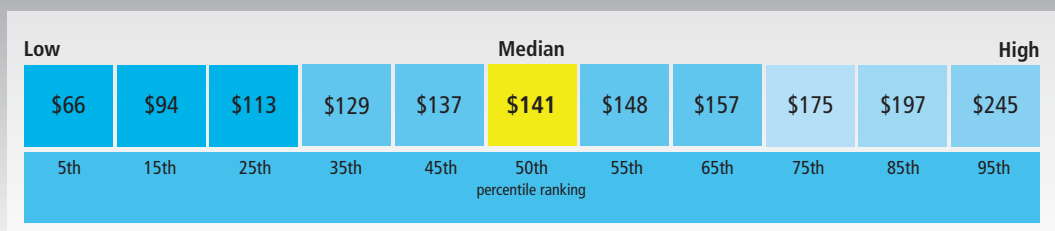
Contact Lens New Fit Exam – Soft Toric (direct-pay)

Low			Median					High		
\$114	\$139	\$168	\$179	\$199	\$205	\$209	\$234	\$251	\$284	\$349
5th	15th	25th	35th	45th	50th percentile ranking	55th	65th	75th	85th	95th

Contact Lens New Fit Exam – Soft Multifocal (direct-pay)

Low			Median					High		
\$124	\$155	\$179	\$197	\$210	\$216	\$226	\$250	\$276	\$314	\$369
5th	15th	25th	35th	45th	50th percentile ranking	55th	65th	75th	85th	95th

Contact Lens Exam – No Refitting (direct-pay)



Product Management

This section provides performance benchmarks for eyewear and contact lens retail management that will enable you to evaluate your success at capturing the revenue potential of device purchases by your patients. Use the worksheet in the middle of the report to calculate your current performance on each metric and compare to industry norms.

Eyewear

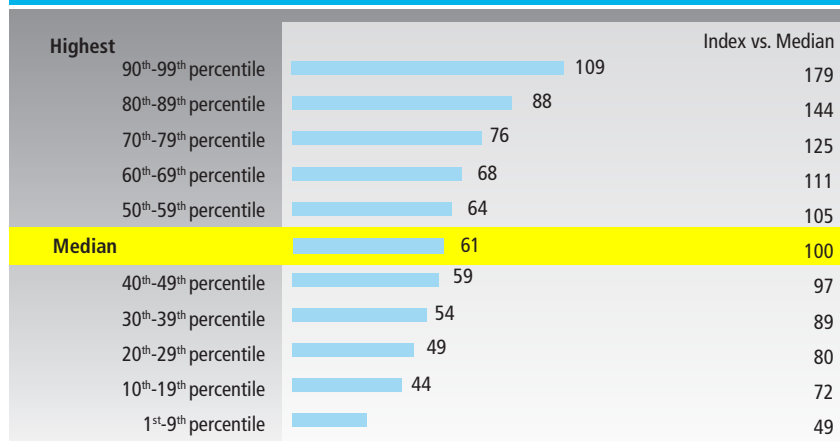
Eyewear Rxes per 100 Complete Exams

The number of pairs of eyeglasses dispensed as a proportion of the number of exams conducted provides a rough measure of a practice's eyewear sales "capture rate." Industry data show that one-third of the eyewear purchases of patients of independent eyecare professionals are made with other providers, usually optical retailers whose main focus is selling eyeglasses. While "walk-out" represents enormous revenue loss to independent eye doctors, just 23% of MBA practices ever track their eyewear sales "capture rate."

Eyewear Rxes per 100 complete exams is calculated by dividing the total number of eyewear Rxes delivered to patients in any time period (including both complete Rxes and new lenses in old frames) by the number of complete eye exams performed during the same period, then multiplying this value by 100.

For all MBA practices the median eyewear Rxes per 100 complete exams is 61. The ratio has been stable between 2005 and 2010. The ratio does not vary significantly by practice size. The 10% of practices with the highest eyewear Rxes per 100 complete exams dispense 109 Rxes; the 10% of practices with the lowest ratio produce just 30 eyewear Rxes per 100 exams.

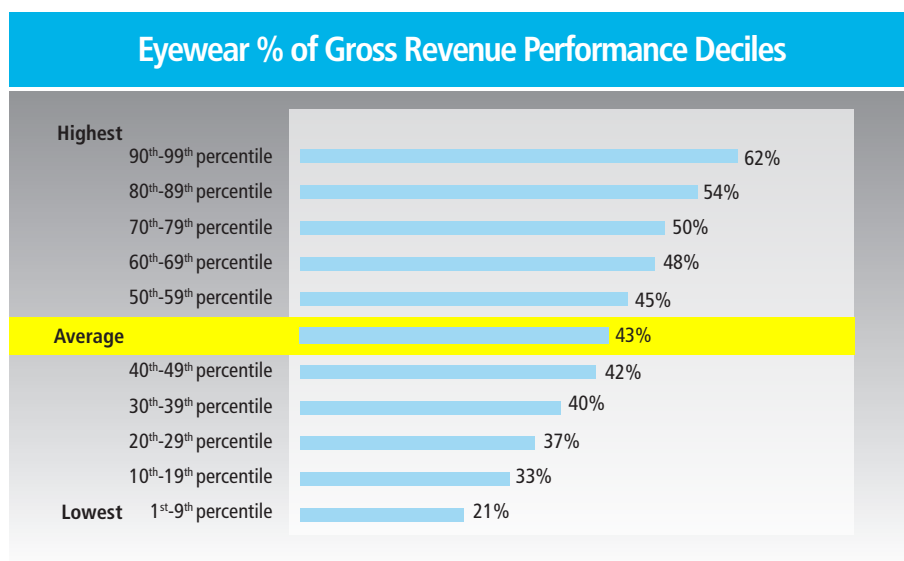
Eyewear Rxes per 100 Complete Exams Performance Deciles



A low eyewear Rxes per complete exam ratio (below 45) may indicate that a practice has a very high share of contact lens exams – 40% or more of total exams, compared to a more typical 30%. But usually, a low eyewear Rxes per 100 exam ratio reveals a low eyewear capture rate. Practices with below average eyewear Rxes per 100 exams tend to carry a lower number of frames in inventory than other practices of comparable size. Practices with a ratio below 45 should conduct a thorough assessment of their optical merchandising, frames mix and internal processes for recommending and dispensing eyewear.

Eyewear % of Gross Revenue

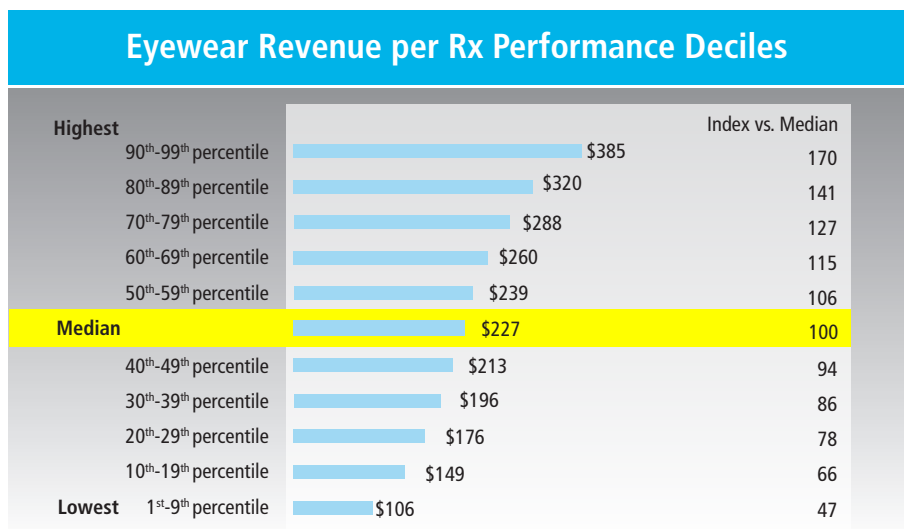
Eyewear sales produce an average of 43% of gross revenue in independent optometric practices. This ratio has not changed significantly over the past six years. The range in eyewear’s share of revenue across practices is fairly narrow. In few practices does eyewear generate less than one third or more than 55% of revenue.



If eyewear sales are less than 35% of your revenue, it’s likely that either your practice specializes in medical eye care or contact lenses, or that you are paying insufficient attention to your optical dispensary.

Eyewear Revenue per Pair

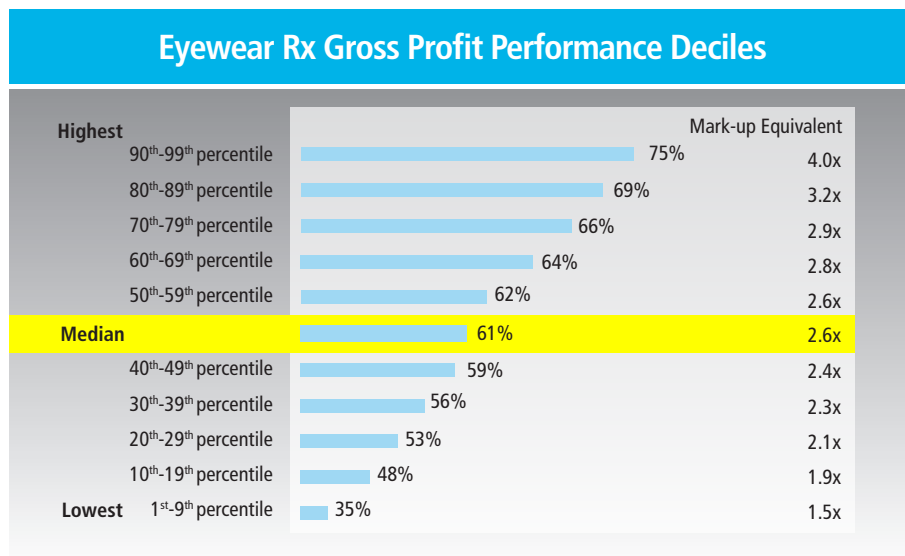
The median retail sale for a pair of eyeglasses among independent optometric practices is \$227, including both complete spectacle Rxes (frames and lenses) and Rxes re-using an existing pair of frames. The 10% of practices realizing the highest retail sales per pair achieve an average sale of \$385, which is 70% higher than the median.



If your practice's average eyewear sale is at or below the median of \$227, improvement of this metric should almost certainly be a top priority of your practice. This is because eyewear is the leading source of revenue in nearly all practices and improving the average sale will have a dramatic favorable impact on financial performance.

Eyewear Gross Profit Margin %

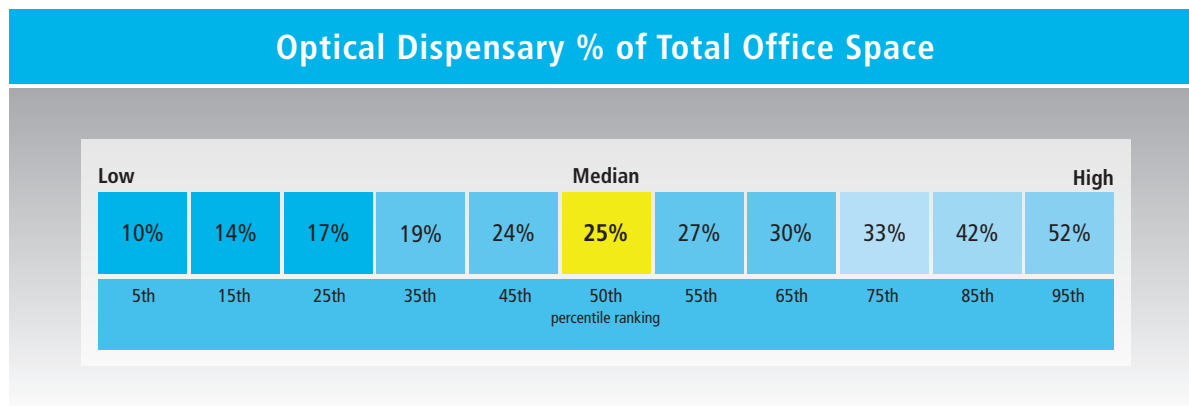
The average eyewear Rx generates a gross profit of \$138 and a gross profit margin of 61% -- equivalent to a mark-up of 2.6 times cost-of-goods. The range in gross profit margin % across practices is fairly narrow with most in the 50-67% range. Practices that achieve above average gross profit per eyewear Rx do so primarily by selling higher value products rather than by taking significantly higher mark-ups, although both variables contribute.



Optical Dispensary % of Total Office Space

One reason that patients of independent practice ODs choose to take their prescription elsewhere to be filled is that they perceive that a practice does not specialize in dispensing eyeglasses and has a limited selection of frames. This message is unintentionally conveyed when the amount of space devoted to the dispensary is small. It's easy for ECPs to overlook the fact that down the street from the practice there is an optical superstore that devotes 3,000 square feet to a sophisticated display of eyeglasses. Most patients have browsed these superstores and know about the range of choice available. When patients unconsciously compare the small space in a practice devoted to the dispensary with what they have seen in the superstores, they are tempted to delay purchase and shop around.

MBA surveys show that independent optometric practices typically devote about 25% of their total office space to the optical dispensary. Smaller practices have a higher proportion of office space devoted to the dispensary (typically 30% or more), compared to larger practices (\$1.5 million+ with 22% of space devoted to the dispensary). Any practice with a dispensary of less than 500 square feet runs the risk of being perceived as offering a limited selection of frames.

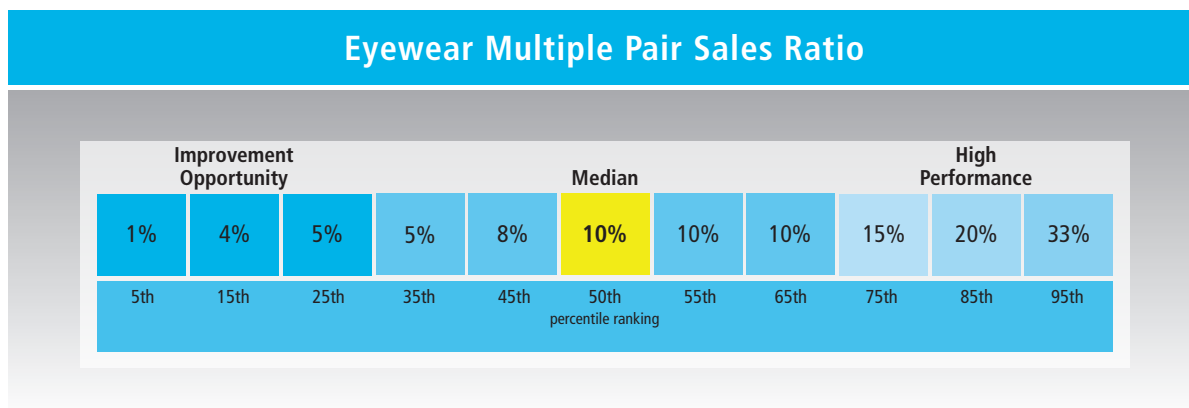


Eyewear Multiple Pair Sales Ratio

A median of 10% of patients who purchase eyewear in independent optometric offices buy more than a single pair during an exam visit. Only one-third of eyeglass wearers report using more than a single pair of eyeglasses. Most second pairs sold today are prescription sunwear.

Achieving a second pair sales ratio of 15% or more is within the reach of most practices. Practice management consultants state that offering discounts on second pairs increases the sales ratio. Most ECPs currently offer second-pair discounts, but the discounts average just 20%, which consultants claim is too low to create an immediate call-to-action.

The effect of increasing the multiple pair sales ratio from 10% to 15% is likely to be a 1-2% increase in practice revenue, depending on the discount offered.



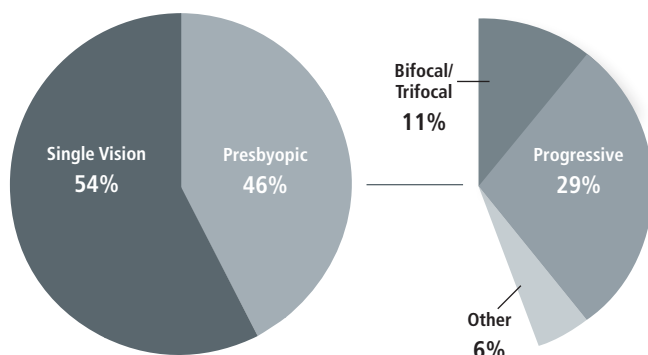
Spectacle Lenses

Spectacle Lens Usage

Eyewear sales account for 43% of gross revenue in typical practices and the spectacle lens component of eyeglasses accounts for 24% of total practice revenue. Upgrading patients from mature technology to higher performance lenses results in large increases in practice revenue, because most upgrades increase sales per eyewear Rx by 20% or more.

Single vision lenses account for an average of 54% of spectacle lens Rxes and presbyopic lenses for 46%.

Spectacle Lens Rxes (% of total eyewear Rxes)



Compare your usage of high performance lenses to the benchmarks for independent optometric practices. In most practices, there are many opportunities to upgrade patients. Focus first on categories for which your usage is at or below the industry median.

Progressive Lenses (% of presbyopic Rxes)

Improvement Opportunity			Median				High Performance			
35%	50%	53%	60%	63%	65%	67%	70%	75%	80%	89%
5th	15th	25th	35th	45th	50th	55th	65th	75th	85th	95th
percentile ranking AOA 2008 AVERAGE=63%										

No-Glare (anti-reflective) Lenses (% of Eyewear Rxes)

Improvement Opportunity			Median				High Performance			
10%	20%	35%	40%	48%	50%	56%	62%	70%	80%	90%
5th	15th	25th	35th	45th	50th	55th	65th	75th	85th	95th
percentile ranking AOA 2008 AVERAGE=40%										

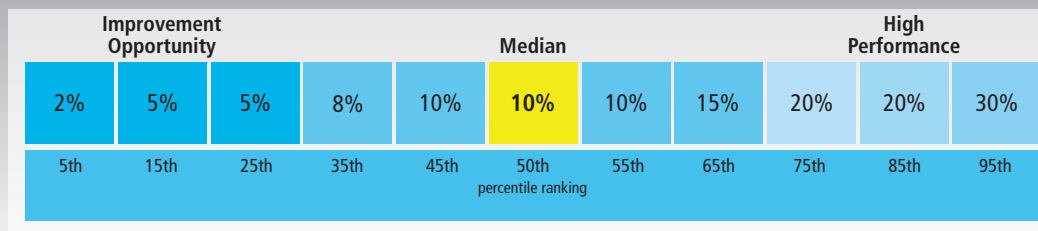
High Index Lenses (% of eyewear Rxes)

Improvement Opportunity			Median				High Performance			
2%	3%	5%	6%	10%	10%	11%	16%	20%	30%	50%
5th	15th	25th	35th	45th	50th	55th	65th	75th	85th	95th
percentile ranking										

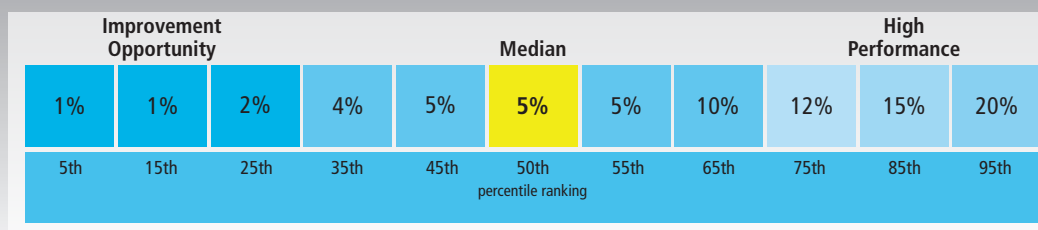
Photochromic Lenses (% of eyewear Rxes)

Improvement Opportunity			Median				High Performance			
5%	11%	15%	18%	20%	20%	20%	25%	30%	35%	50%
5th	15th	25th	35th	45th	50th	55th	65th	75th	85th	95th
percentile ranking AOA 2008 AVERAGE=21%										

Prescription Sunwear (% of Eyewear Rxes)



Computer Lenses (% of eyewear Rxes)



Spectacle Lens Mark-Ups

Independent optometric practices mark-up single vision lenses more than progressive lenses and mark-up Rxes with fewer lens features more than advanced lens types. Average mark-ups provide guidelines for planning spectacle lens retail pricing strategy.

Spectacle Lens Mark-Ups



Frames

The frames component of eyeglass sales accounts for 20% of total practice revenue. Upgrading patients from lower cost frames to branded, designer frames results in large increases in practice revenue.

Frames Inventory

The median MBA practice had 850 frames in inventory, valued at \$49,240, and reported dispensing 1,634 complete pairs of spectacles (including new frames) during the previous calendar year. This translates to a median frames turnover of 1.8 annually. Larger practices enjoy much higher frames turnover than do smaller practices. Compare the number of frames you inventory to the median for practices of your size.

Frames Inventory and Turnover

Price Size Decile	Frames in Inventory	Annual Complete Spec. Rxes	Annual Frames Turnover	Value of Frames Inventory
\$2,133,000 or more	1,250	3,950	2.8	\$70,550
\$1,695,000-\$2,132,999	1,125	2,781	2.4	\$66,035
\$1,432,000-\$1,694,999	1,025	2,370	2.2	\$54,450
\$1,200,000-\$1,431,999	905	1,893	2.0	\$55,020
\$1,026,000-\$1,199,999	915	1,673	1.9	\$58,630
\$883,000-\$1,025,999	852	1,467	1.7	\$50,095
\$767,000-\$882,999	750	1,212	1.7	\$43,500
\$642,000-\$766,999	750	1,052	1.6	\$38,000
\$493,000-\$641,999	650	897	1.3	\$35,090
\$492,999 or less	600	639	1.1	\$32,175
Total MBA Practices	850	1,634	1.8	\$49,240

Larger practices have larger frames inventories than do smaller practices, but inventory requirements do not grow in a linear fashion as practice size expands. For example, the smallest 10% of MBA practices, with median annual gross revenue of less than \$493,000, carried a median of 600 frames, while the largest 10% of practices (\$2,133,000 or higher gross revenue) inventoried just twice as many frames (1,250 median).

The MBA database provides a quantitative basis to estimate the ideal number of frames that practices of different sizes should carry in inventory to achieve the right balance between achieving a high annual frames turnover and a high ratio of complete eyeglass sales to complete exams performed.

As might be expected, the MBA data show that annual frames inventory turn is greatest when the amount of frames inventory is kept low. But the data also show that when inventory is minimized, annual eyewear Rxes per complete exam are lower. When frames selection is insufficient, patients are more likely to shop elsewhere for eyewear. It is a false savings to minimize inventory cost, when the result is a lower capture rate of eyeglass sales.

The following table provides guidelines for frames inventory by practice size. The ideal frames inventory guideline assumes average frames turnover for each practice size but brackets the inventory range for practices achieving above average eyewear Rxes per exam.

Frames Inventory Guidelines

	Annual Gross Revenue				
	\$500,000	\$800,000	\$1.1 million	\$1.4 million	\$2 million+
Median annual frames inventory turnover	1.2-1.4	1.6-1.8	1.8-2.0	2.2-2.4	2.0-2.7
Ideal frames inventory	700-800	750-850	900-1,050	950-1,050	1,250-1,400
Excessive inventory	1,000+	1,100+	1,400+	1,600+	2,000+
Insufficient inventory	<600	<675	<800	<900	<1,100

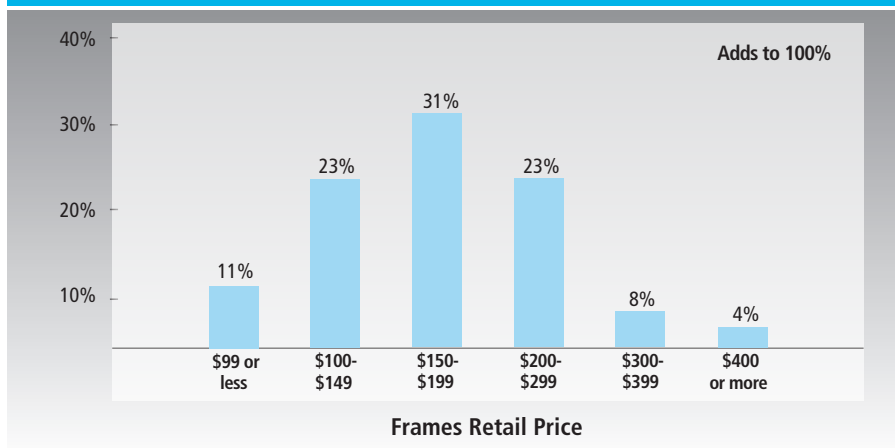
Frames Sales Mix by Price Point

Independent optometric practices report that high end frames (above \$300 retail) account for 12% of their unit sales mix, about the same proportion of sales as accounted for by frames retailing under \$100. MBA surveys show that the distribution of frames unit inventory is virtually the same as unit sales mix, except that high end frames account for a slightly larger share of inventory than of unit sales – 13% of inventory versus 11% of unit sales.

If your software system can generate your latest year frames sales mix by price point, compare it to the industry norms. Another method of mix analysis by price point is to have your lead optician do a count of the frames you stock by the retail price point categories shown here and do a comparison to industry norms.

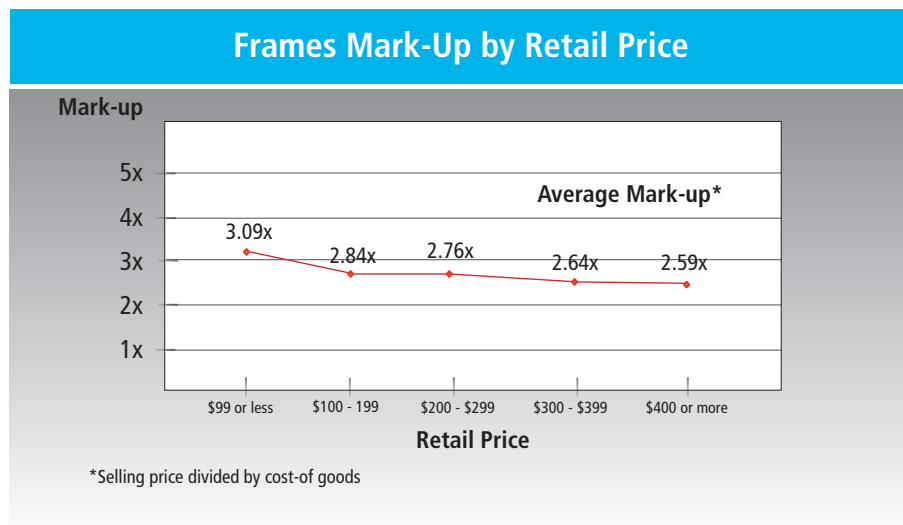
If your goal is to have 15% of your unit sales in frames of \$300 or more retail price, then your inventory will need to be 18-20% of these high end frames. Even though the turnover of high end frames will likely be lower than your overall average, if you do not display an array of high end frames, it's unlikely you will sell as many. Similarly you may want to stock a somewhat higher ratio of frames in the \$200-\$299 retail price category, if your goal is to trade-up people from frames in the \$150-\$199 range.

Frames Unit Sales Mix by Price Point

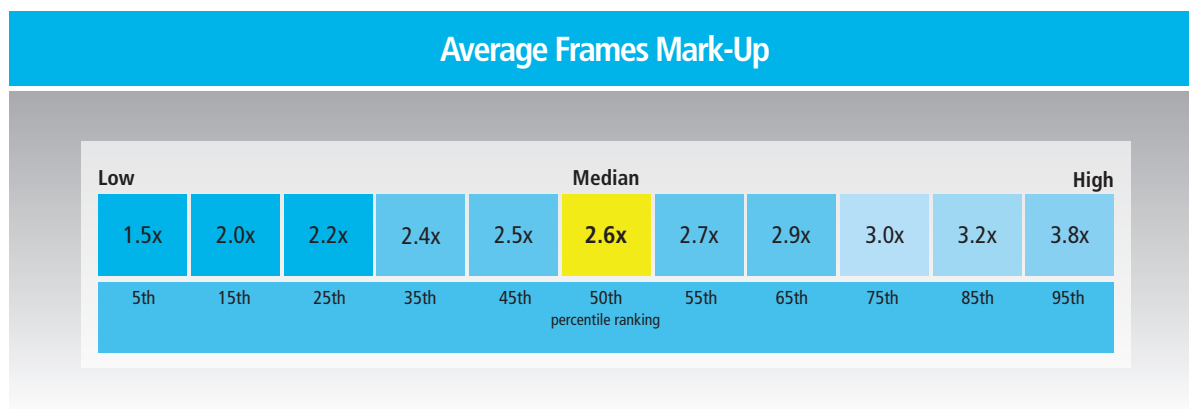


Frames Mark-Ups

Independent optometric practices mark-up lower cost frames more than high-end frames. The average mark-ups provide guidelines for planning frames retail pricing strategy.



The average retail mark-up multiplier for frames sold by independent practice ODs was 2.6 times the wholesale frames cost during 2010, based on OD estimates of their retail sales mix by price point and average frames wholesale cost. This is the same median mark-up multiple calculated for total eyewear sales by ODs, based on their estimates of eyewear sales and cost-of-goods. A 2.6x mark-up yields a 61% gross profit margin percentage.



Frames Average Wholesale Cost per Pair

The median independent practice OD estimated in 2010 that the average wholesale cost of the frames they held in inventory was \$65. The median wholesale frames cost has increased about 2% annually in recent years. Practices with an average frames wholesale cost of \$50 or below are likely to have an opportunity to improve sales of higher end frames and increase the average eyewear sale.

Frames Average Wholesale Cost per Pair

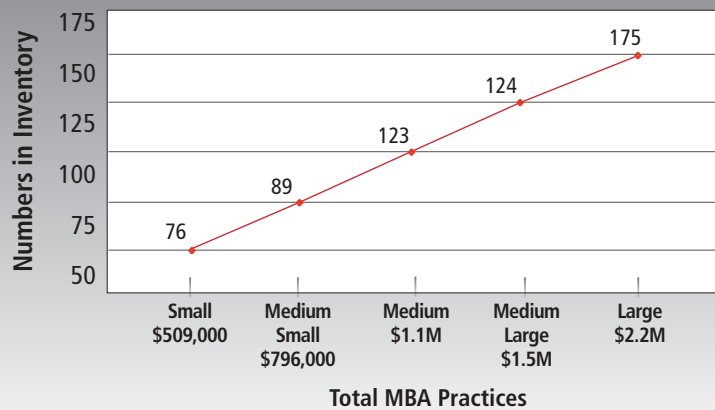
Low			Median					High		
\$36	\$47	\$50	\$60	\$62	\$65	\$65	\$70	\$75	\$90	\$130
5th	15th	25th	35th	45th	50th percentile ranking	55th	65th	75th	85th	95th

Plano Sunglasses

Plano Sunglass Inventory

Some 46% of MBA practices report stocking plano sunglasses. Larger practices are no more likely to stock plano sunglasses than were small practices. The average number of plano sunglass pairs in stock among those with any inventory was 129. Even the largest practices tended to maintain relatively small inventories of plano sunglasses.

Plano Sunglass Inventory* by Practice Size



*Among practices with any plano sunglass inventory

Contact Lenses

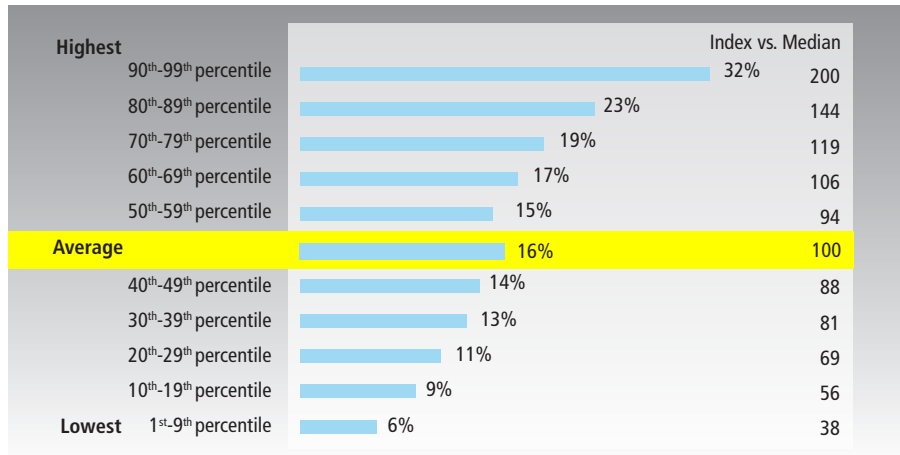
Contact Lens % of Gross Revenue

Contact lens materials generated 16% of the total gross revenue in the average independent optometric practice, with little variation by practice size. A contact lens sales ratio below 12% is symptomatic of one or more of the following conditions:

- A patient population with 50% or more who are 55 years of age or higher
- A failure to consistently offer contact lens trial to candidates currently wearing eyeglasses-only
- A low capture rate of contact lens purchases by patients (under 80%)
- Low retail pricing
- Aggregate usage of specialty lenses (soft torics, soft multifocals, colors, RGPs) with less than 25% of contact lens patients
- A low number of boxes sold per transaction (less than 2.8)

Assess your current performance on each of the variables impacting contact lens sales.

Contact Lens % of Gross Revenue Performance Deciles



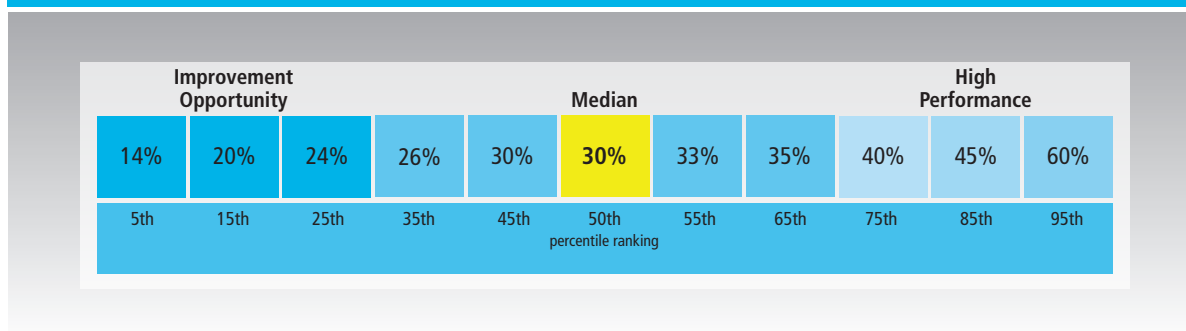
Percent of Active Patients Wearing Contact Lenses

A median of 30% of active patients in independent optometric practices wear contact lenses either full-time or part-time. Jobson Optical Research consumer survey data suggest that 18% of adult contact lens wearers are part-time wearers, or 5% of the typical patient base.

If 40% or more of a practice's active patients are 45 years of age or younger and the percentage of active patients wearing contact lenses is 25% or below, it is likely that too little emphasis has been placed on presenting contact lenses to all suitable candidates.

Increasing the percentage of patients wearing contact lenses typically increases annual revenue per active patient. This occurs because contact lens patients visit the practice more frequently than do glasses-only wearers, pay higher exam fees, purchase contact lenses at least once a year, and purchase both eyeglasses and contact lenses.

Percent of Active Patients Wearing Contact Lenses



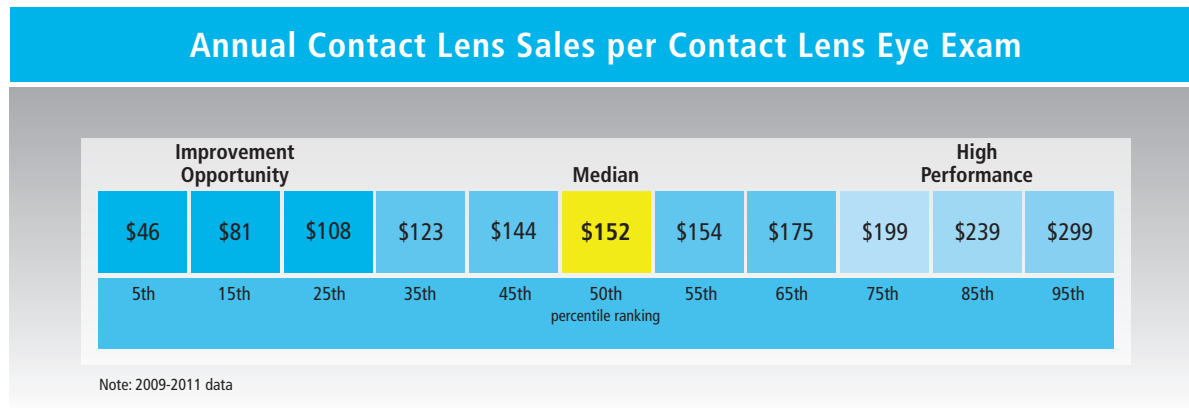
Annual Contact Lens Sales per Contact Lens Eye Exam

Annual contact lens sales per contact lens exam is calculated by dividing the total collected revenue from contact lens sales for the latest 12 months by the number of contact lens exams performed during the same period. This metric is a useful indicator of the capture rate of patients' soft lens purchases, sales mix of higher value lenses, effectiveness at selling annual supplies and to a lesser extent, effectiveness of the retail pricing strategy.

The median contact lens sales per contact lens exam for MBA practices was \$152 between 2009 and 2011. The average retail price of soft lens boxes sold by independent ECPs is \$42, so \$152 is equivalent to 3.6 average-priced boxes.

If annual contact lens sales per exam is below \$120, first examine your office process to present annual supply packages to patients. If you sell annual supplies to less than 20% of two-week lens patients, or less than 40% of monthly lens patients, you have a great opportunity

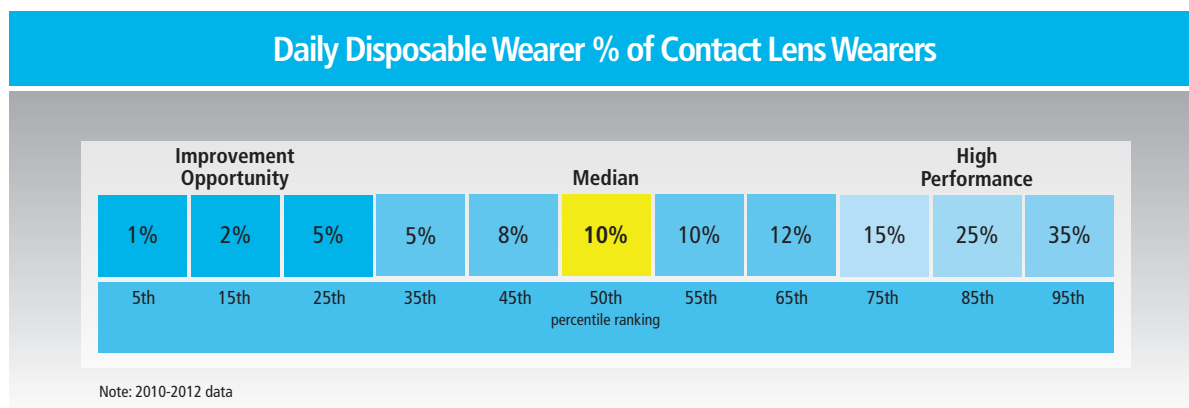
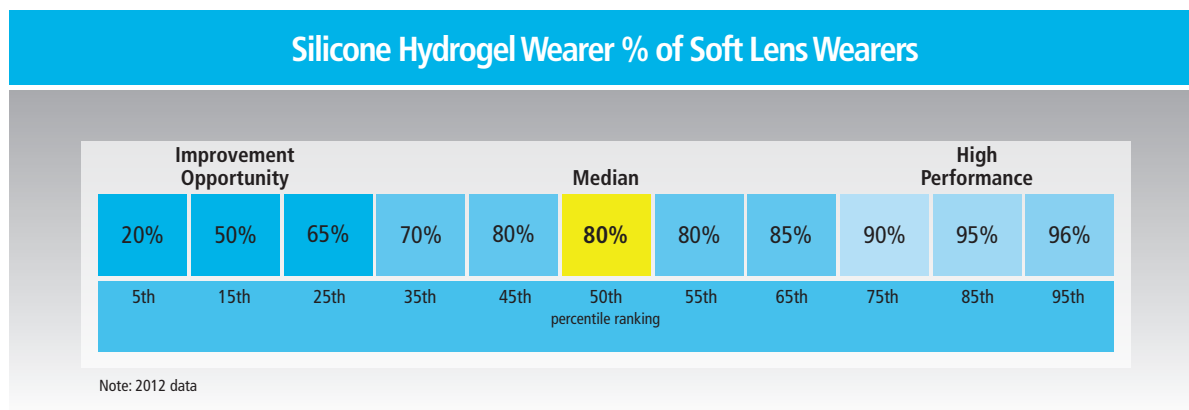
to increase your sales per patient. A second useful analysis is the composition of your sales mix. Compare usage of higher value lenses such as silicone hydrogels, monthly lenses, soft torics, soft multifocals and daily disposables to industry norms shown in the next section.



Contact Lens Product Usage

Upgrading patients from first generation materials and from spherical to specialty lenses results in large increases in practice revenue. Prescribing monthly and daily disposable lenses can also increase revenue per contact lens patient because of the higher patient compliance with replacement regimen and the higher retail price per box of these modalities, compared to two-week lenses.

Compare your usage of high value contact lenses to the benchmarks for independent optometric practices. In most practices there are many opportunities to upgrade patients. Focus first on categories for which your usage is at or below the industry median. Multifocal lenses remain a category that is underutilized in a majority of practices, as are daily disposable lenses.



Soft Toric Lens Wearer % of Contact Lens Wearers

Improvement Opportunity			Median				High Performance			
12%	16%	20%	20%	21%	23%	24%	25%	26%	30%	35%
5th	15th	25th	35th	45th	50th percentile ranking	55th	65th	75th	85th	95th

Note: 2010-2012 data

Soft Multi-focal Lens Wearer % of Contact Lens Wearers

Improvement Opportunity			Median				High Performance			
3%	5%	7%	9%	10%	10%	12%	15%	18%	20%	25%
5th	15th	25th	35th	45th	50th percentile ranking	55th	65th	75th	85th	95th

Note: 2010-2012 data

RGP Lens Wearer % of Contact Lens Wearers

Low			Median				High			
1%	2%	3%	5%	5%	5%	5%	6%	10%	10%	20%
5th	15th	25th	35th	45th	50th percentile ranking	55th	65th	75th	85th	95th

Note: Data on product usage are from the MBA Contact Lens Management Survey, December 2011.

Soft Lens Patient Refit Ratio

A median of 30% of soft lens patients having an eye exam are refitted with a new brand, material or lens type during their eye exam visit. Because soft lens technology continues to advance rapidly, a refit ratio under 18% reveals an "if it ain't broke, don't fix it" mindset that, over time, will undermine patient satisfaction and produce sub-optimal contact lens revenue.

Soft Lens Patient Refit Ratio

Improvement Opportunity			Median					High Performance			
10%	15%	20%	25%	30%	30%	33%	40%	50%	60%	70%	
5th	15th	25th	35th	45th	50th percentile ranking	55th	65th	75th	85th	95th	

Soft Lens New Fits per 100 Contact Lens Exams

A median of 16 of every 100 patients having a contact lens exam are fitted with contact lenses for the first time by independent optometric practices. A new fit ratio under 10 per 100 contact lens exams reveals a tendency of a practice to avoid discussion of contact lenses unless patients express interest. This passive approach to contact lens fitting lowers the percentage of active patients wearing contacts and reduces annual revenue per patient.

Soft Lens New Fits per 100 Contact Lens Exams

Improvement Opportunity			Median					High Performance			
5	8	10	13	15	16	18	22	25	37	49	
5th	15th	25th	35th	45th	50th percentile ranking	55th	65th	75th	85th	95th	

Soft Lens Gross Profit Margin %

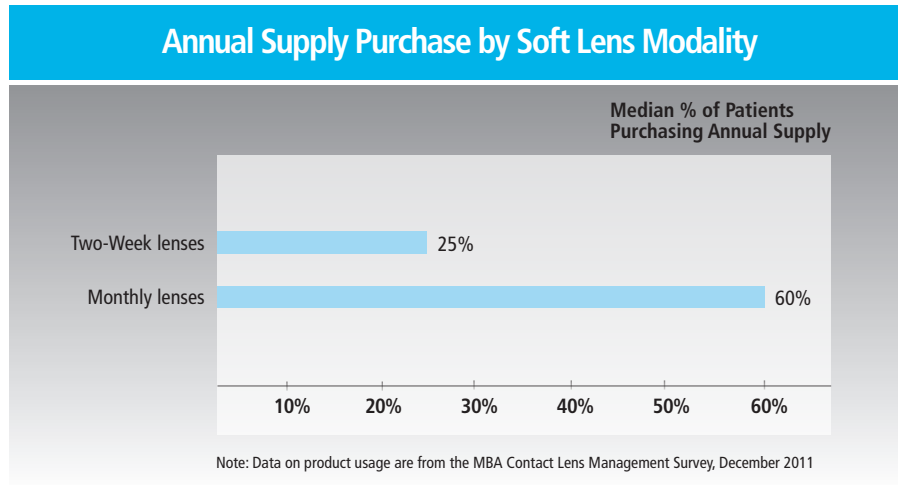
The median gross profit margin from sales of soft lenses is 46% among independent ECPs. The range in gross profit margin is fairly narrow with 60% of practices achieving margins in the 37-56% range.

Soft Lens Gross Profit Margin %

Low			Median					High		
31%	35%	40%	44%	45%	46%	47%	51%	54%	59%	67%
5th	15th	25th	35th	45th	50th percentile ranking AVERAGE=47%	55th	65th	75th	85th	95th

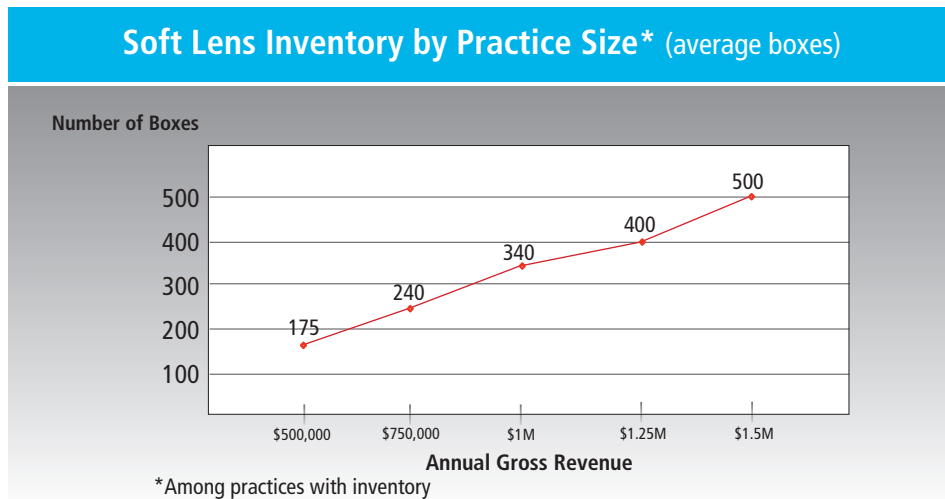
Annual Supply Purchasing

MBA practices report that a median of 25% of their soft lens patients purchasing two-week lenses purchase an annual supply of lenses during their eye exam visit. Monthly soft lens patients are more than twice as likely to purchase an annual supply, presumably because the number of boxes purchased is just four and not eight. Few daily disposable wearers purchase an annual supply.



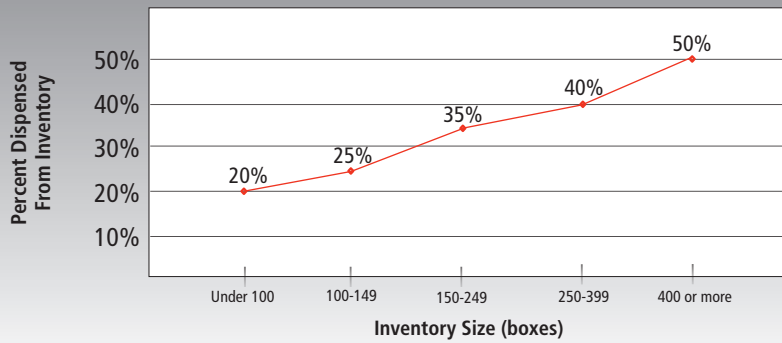
Soft Lens Inventory

An estimated 70% of independent optometric practices stock soft lenses in inventory. Some 85% of \$1 million+ practices do. The average inventory in-stock increases with practice size.



Many optometric practices carry too little inventory to achieve a high fill rate of patient Rxes on exam day. Typical offices dispense to just 33% of soft lens patients on exam day. Fill rates of 45-50% of patients are feasible when offices stock a sufficient quantity of the spherical lens brands they prescribe most frequently.

Percent of Patients Dispensed from Inventory by Inventory Size (median)



The table below provides guidelines for soft lens inventory by practice size. For all optometric practices, average soft lens inventory is only about 65% of the recommended quantity, resulting in the lower than desirable fill-rate.

Soft Lens Inventory Requirements

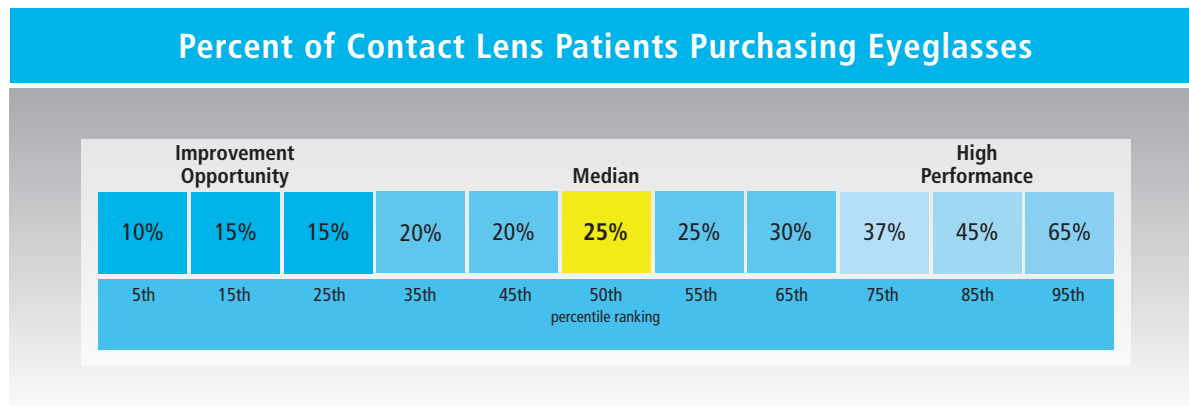
Practice Annual Gross Revenue	Median Monthly Contact Lens Exams	Soft Lens Inventory Requirement (boxes)
\$350,000	31	109
\$500,000	44	155
\$650,000	58	202
\$800,000	71	249
\$1,000,000	89	311
\$1,200,000	107	373



Percent of Contact Lens Patients Purchasing Eyeglasses

Independent practice ODs estimate that a median of 25% of contact lens wearers purchase a pair of eyeglasses during their exam visit. Nearly all contact lens patients wear eyeglasses during a normal week and need a pair in their current prescription.

Increasing the proportion of contact lens patients who purchase eyewear on exam day from 25% to 35% will increase practice revenue by about 1%, with no investment.



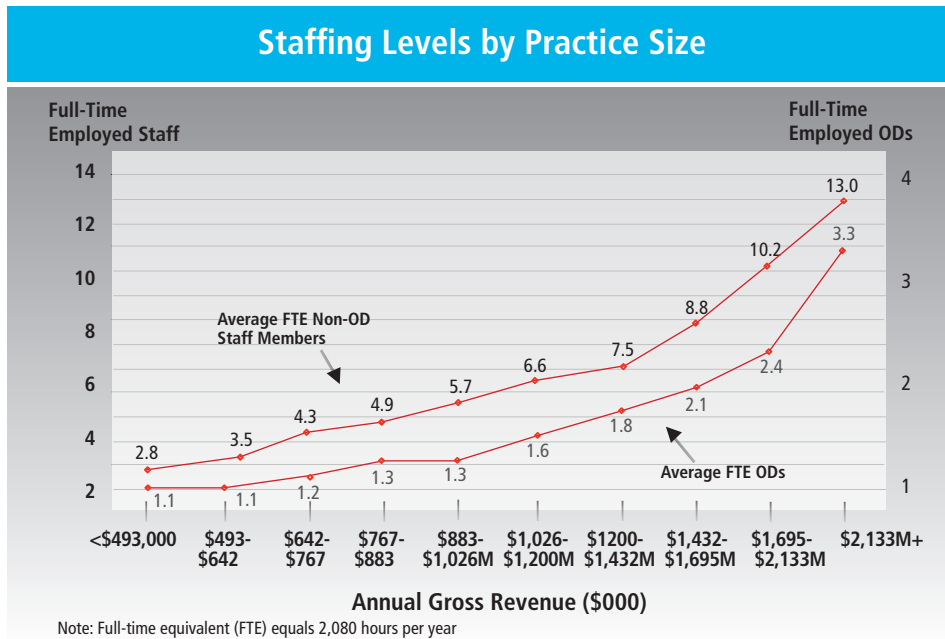
Contact Lens Management Best Practices

% of practices implementing	
Discount annual supply purchases	65%
Have practice website contact lens re-order functionality	41%
Achieve exam day dispense-from-inventory ratio of 35%+ of patients	24%

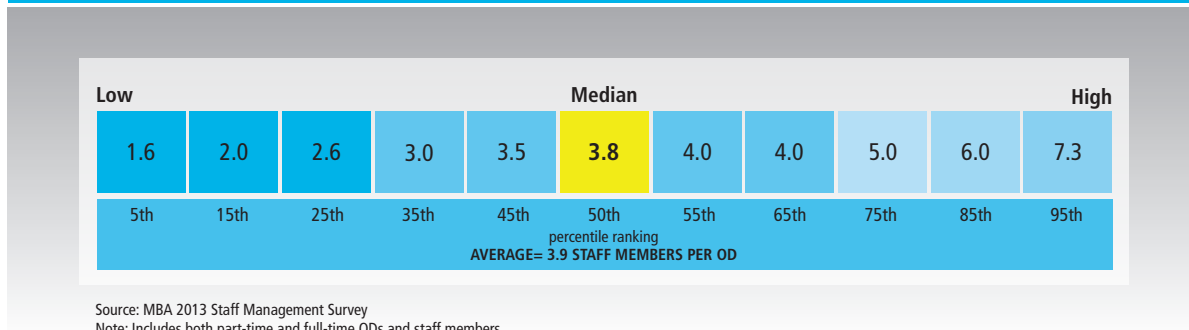
Staffing

Staffing Levels by Practice Size

In typical independent OD offices there are four staff members for every optometrist working. The ratio of staff hours to OD hours increases as practice size increases. This reflects the fact that in many small practices, to save expenses, ODs perform some testing and administrative tasks normally done by staff in larger practices. The savings are often false because the value of an OD's time is four to five times greater than staff time.

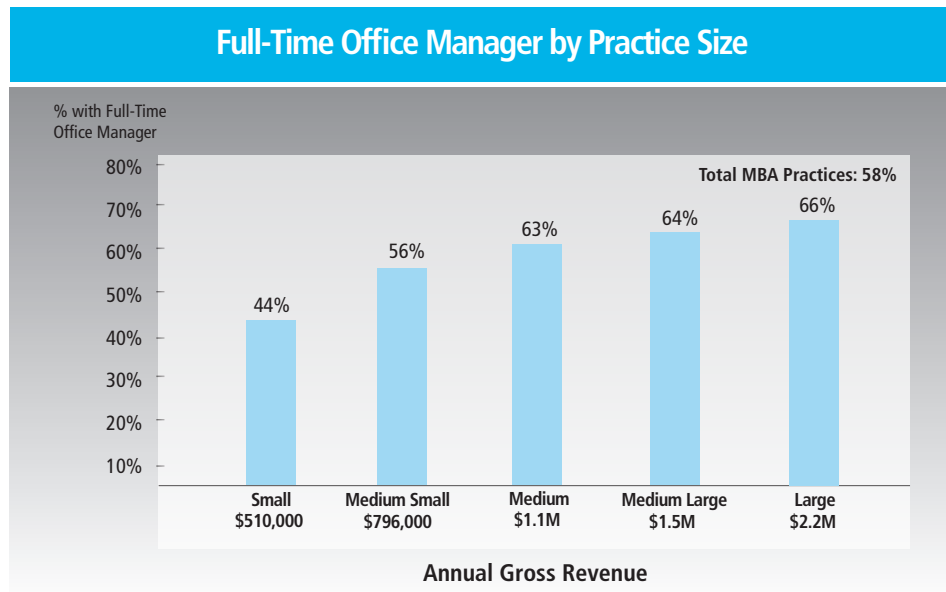


Staff Members per OD (By Decile)



Full-Time Office Managers

Some 58% of MBA practices have a full-time office manager. A majority of practices with ten or more staff members have office managers.



Staff Compensation

The median hourly salary paid to staff members for all MBA practices in 2009 was \$15.29. Since 2005 the median hourly salary has increased at a compound annual rate of +1.9%. Office managers are the highest paid staff members, receptionists the lowest. There is little variation in hourly rates paid by practice size, except that the smallest practices typically pay about 10% lower salaries.

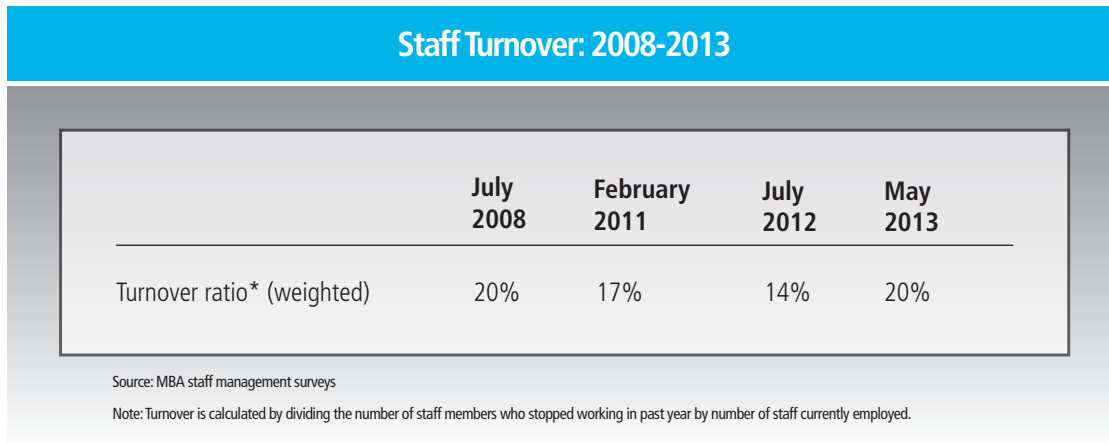
Staff Hourly and Annual Salaries by Position: 2009

Position	Average Hourly Salary*	Median Hourly Salary*	Median Annual Salary*
Office Manager	\$22.33	\$20.48	\$42,598
Optometric Assistant	\$13.21	\$12.71	\$26,437
Contact Lens Technician	\$14.73	\$14.40	\$29,952
Optician/Frames Stylist	\$16.80	\$16.29	\$33,883
Lab Manager/Technician	\$17.73	\$17.25	\$35,880
Receptionist	\$13.13	\$12.64	\$26,291
Bookkeeper	\$17.19	\$16.12	\$33,350
Insurance Clerk	\$15.15	\$15.00	\$31,200

Note: To estimate salary levels for 2015, assume a 10% increase over 2009 levels.

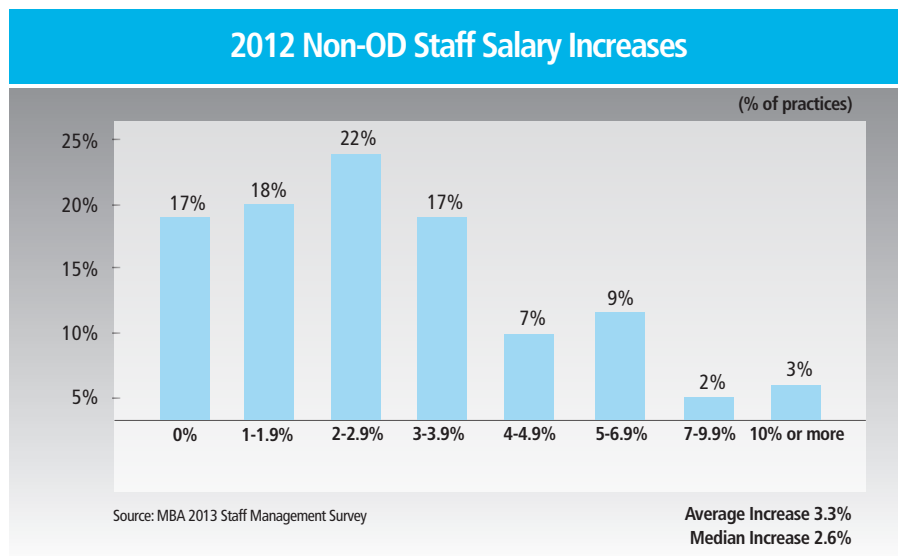
Staff Turnover

Average staff turnover in independent OD practices was 20% over twelve months ending in May 2013, an increase from the turnover ratio experienced during the recession. Presumably, in a high unemployment economy, staff is less likely to seek new positions. Sixty-five percent of practices experienced some turnover during the past year. Turnover is lower in larger practices, in which average staff turnover is 16% annually.



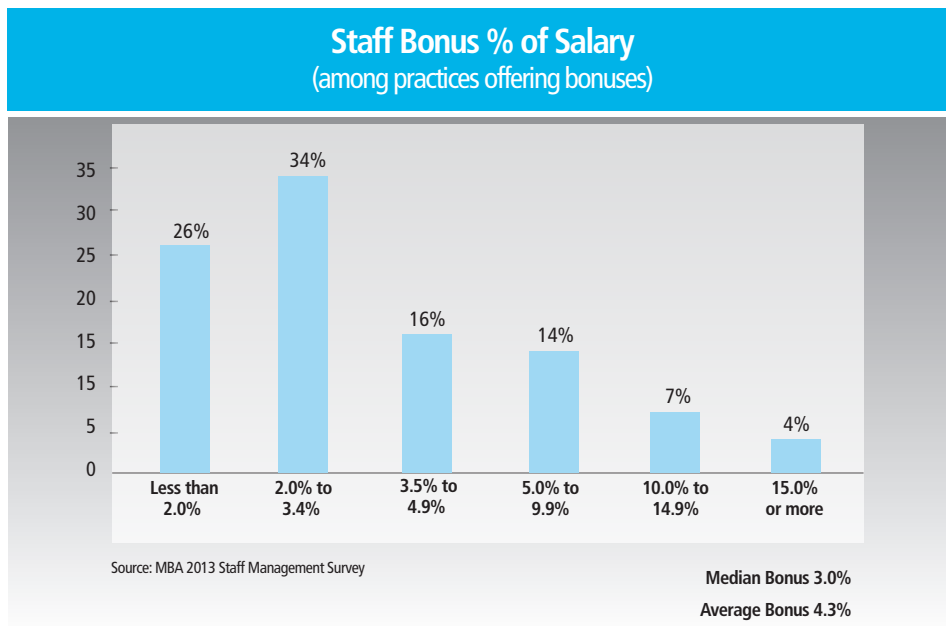
2012 Staff Salary Increases

"The average salary increase during 2012 for non-OD staff members among independent ODs was 3.3% and the median increase was 2.6%.



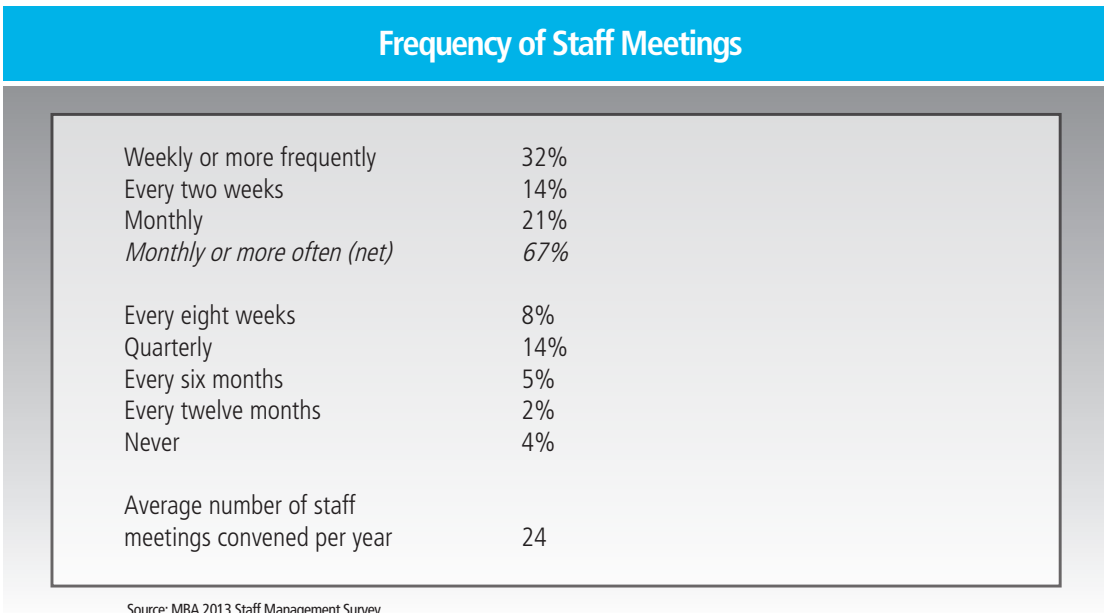
Staff Bonuses

Some 56% of independent ODs offer incentive bonuses to staff – a proportion that is declining. Most staff bonus plans pay less than 5% of salary.



Frequency of Staff Meetings

Two-thirds in independent OD practices conduct staff meetings monthly or more frequently.



Expenses and Net Income

Ultimately, the performance metric that looms largest for most independent optometrists is net income – the amount of money left after all expenses are paid that goes into ODs’ pockets. The MBA database provides detailed statistics on expenses by category and net income, which are useful in assessing a practice’s financial health.

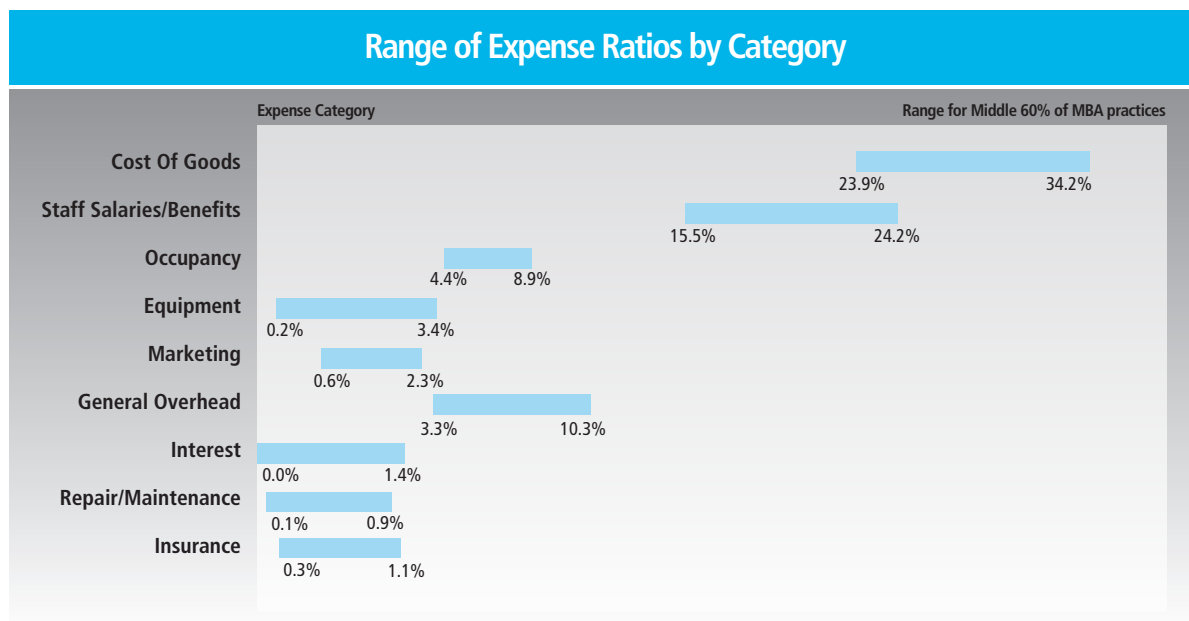
Expense Category % of Gross Revenue by Practice Size

Compare your expense ratios to the averages for practices of comparable size to yours. Larger practices enjoy somewhat lower cost-of-goods ratios, on average, offset by somewhat higher staffing costs. Occupancy, equipment, general overhead and interest cost ratios tend to decline as practice size increases. It is these lower fixed cost ratios enjoyed by larger practices that makes them somewhat more profitable, on average. Marketing expense ratio does not vary by practice size, except that the smaller practices tend to spend a slightly higher share of revenue in this area.

Expense Category % of Gross Revenue by Practice Size					
\$537,000 1 st -19 th percentile	\$803,000 20 th -39 th percentile	\$1.1 MILLION 40 th -59 th percentile	\$1.5 MILLION 60 th -79 th percentile	\$2.1 MILLION 80 th -99 th percentile	TOTAL (median)
Cost-of Goods (% of gross revenue)					
30.3%	30.3%	29.3%	29.0%	27.2%	28.8%
Non-OD Staff (% of gross revenue)					
18.8%	18.9%	19.8%	20.4%	21.4%	19.7%
General Overhead (% of gross revenue)					
8.1%	7.8%	7.3%	6.7%	6.0%	7.1%
Occupancy (% of gross revenue)					
8.5%	7.2%	6.9%	6.0%	6.1%	6.9%
Equipment (% of gross revenue)					
2.4%	2.3%	2.0%	2.0%	1.6%	2.0%
Marketing (% of gross revenue)					
1.5%	1.2%	1.1%	1.1%	1.1%	1.2%
Interest (% of gross revenue)					
1.4%	1.3%	0.9%	0.7%	0.7%	1.0%

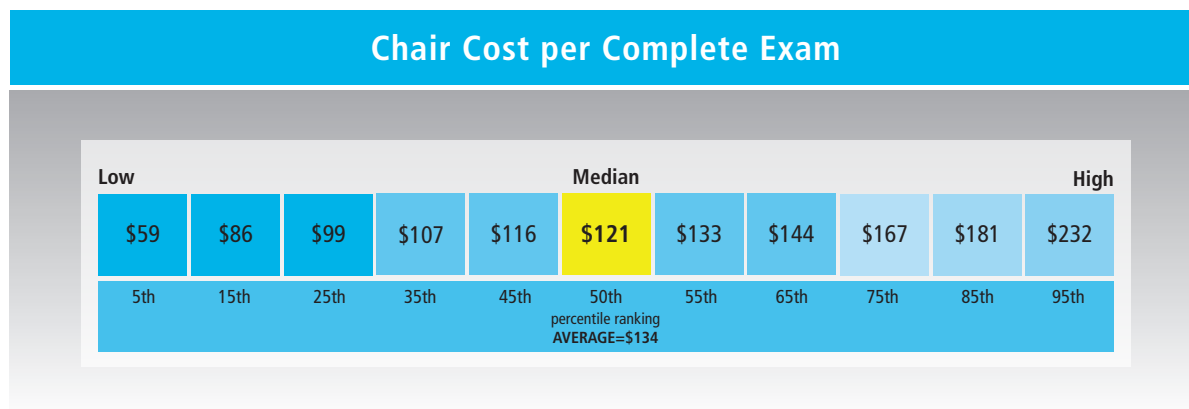
Expense Ratio Ranges

The following table provides the range of expense ratios for the 60% of MBA practices in the middle three quintiles of the overall range within each expense category. This range in expense ratios for this group falls within one standard deviation of the overall average for MBA practices. If your practice expense ratios are above or below these ranges for any category, you should investigate further to determine the source of the variance.



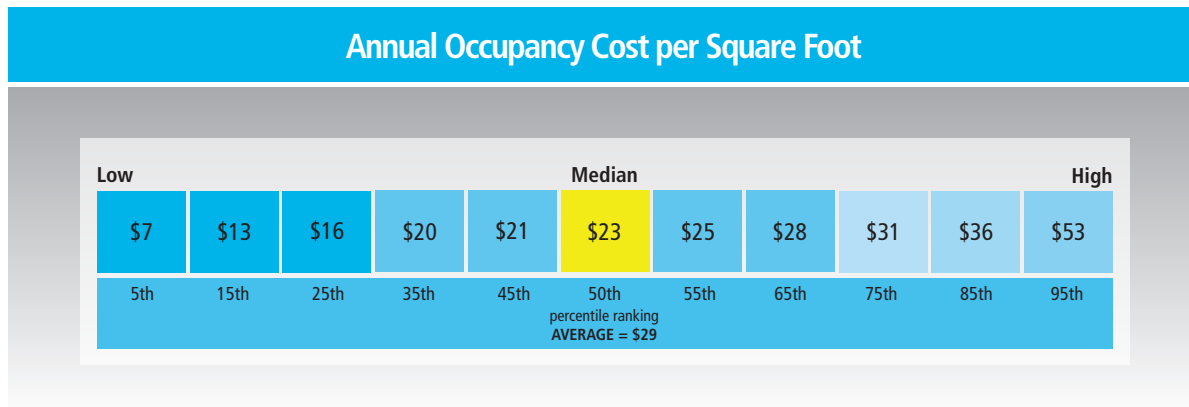
Chair Cost per Complete Exam

Chair cost per exam is calculated by dividing total practice expenses less cost-of-goods and OD compensation/retained profit divided by the number of complete exams performed. The median chair cost for independent ODs is \$121.



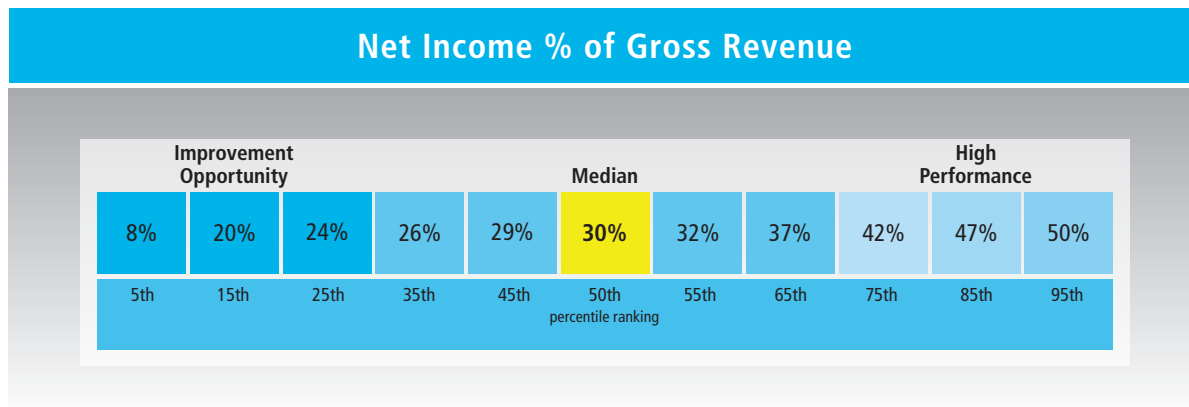
Occupancy Cost

The median annual occupancy cost per square foot of office space reported by MBA participants during 2010 was \$23. Sixty percent of practices experience occupancy costs between \$15 and \$33.



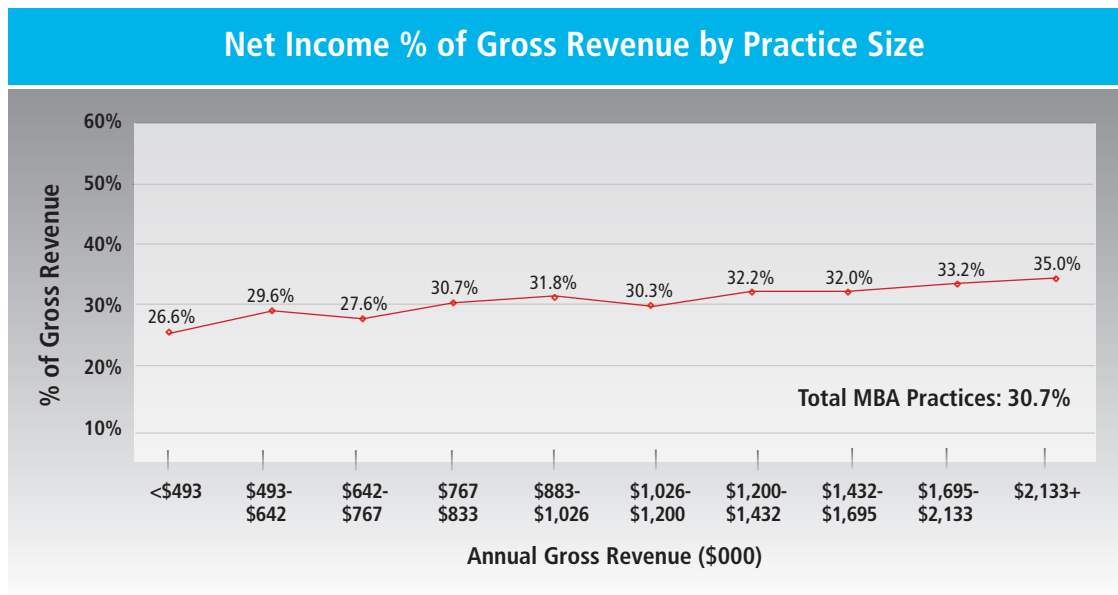
Net Income % of Gross Revenue

The median net income as a percentage of gross revenue is 30% for independent ODs. At the 75th performance percentile, net income percent is 42%.



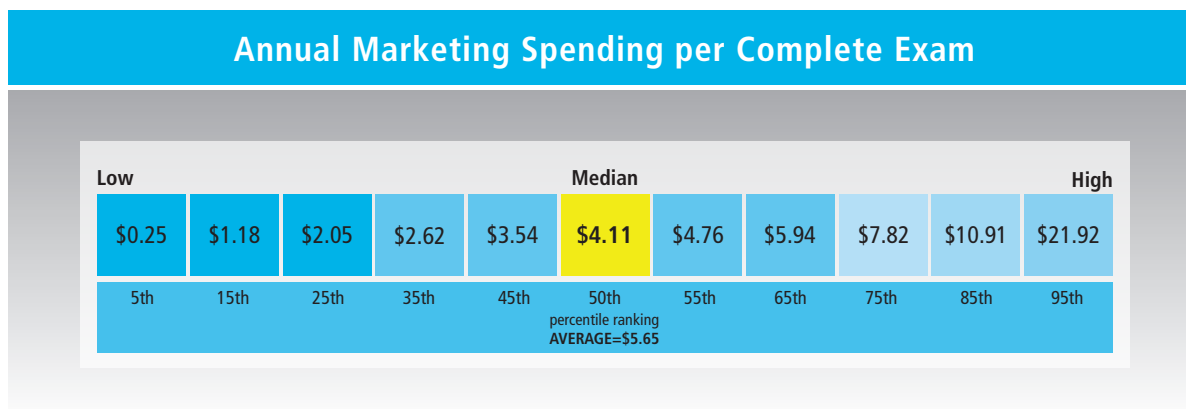
Net Income % of Gross Revenue by Practice Size

The unweighted average net income % of gross revenue for all MBA practices is 30.7%. Larger practices enjoy somewhat higher net returns, on average, but there is wide variation in profitability within each size group. Smaller practices achieved lower net profit ratios, primarily because they did not enjoy the economies of scale in facilities and general overhead expenses.



Annual Marketing Spending per Complete Exam

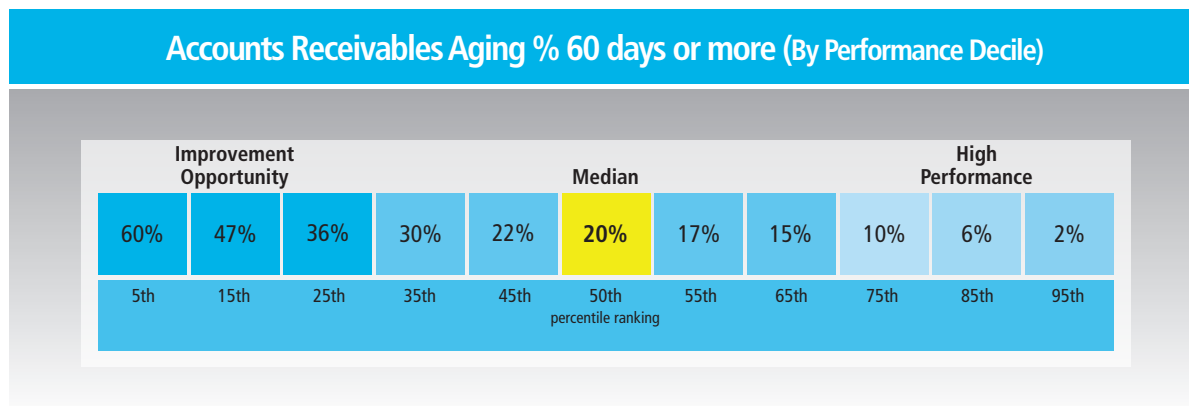
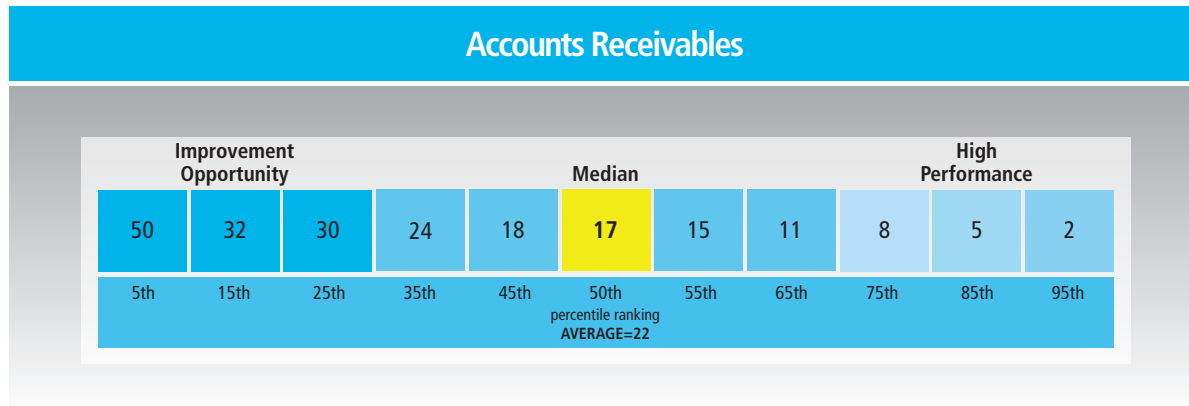
Independent ODs spend a median of \$4.11 annually for marketing per complete exam they conduct. Marketing investment per exam varies widely across practices, but in nearly all practices marketing spending per patient is less than 5% of revenue collected per patient.



Accounts Receivables

Accounts receivable days outstanding is calculated by dividing total accounts receivable by annual gross revenue, divided by 365. The median practice had 17 days accounts receivable in 2010.

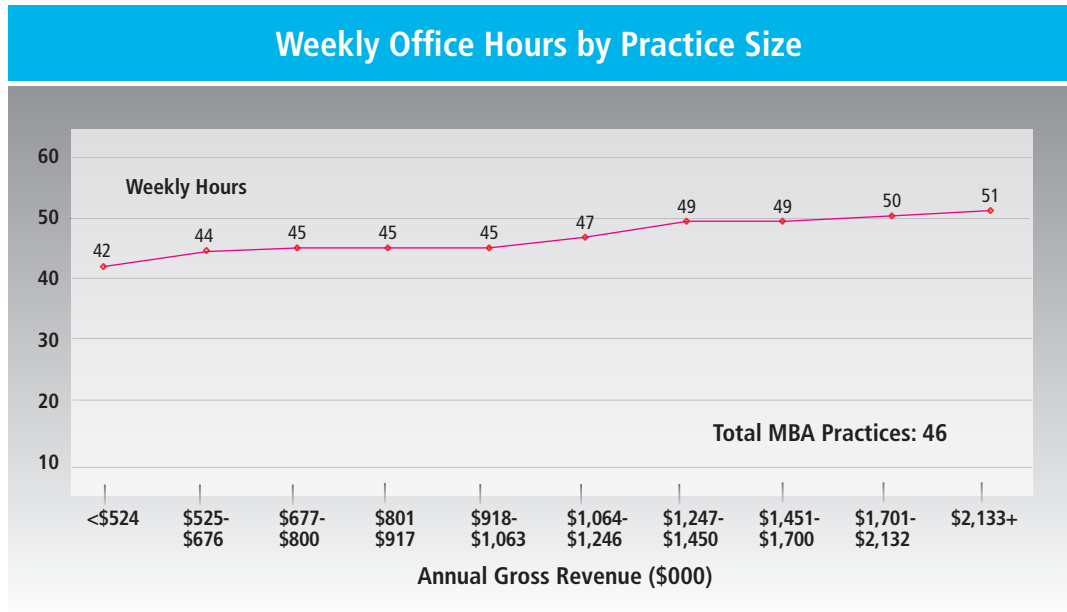
Another key metric related to receivables is the aging of the uncollected amounts due. A universally true rule is that there is an inverse correlation between the probability of collection and the number of days a bill remains unpaid. In typical optometric practices during 2010, some 80% of receivables were aged less than 60 days, and 20% were 60 days or longer. MBA data suggest that having one-third or more of receivables aged 60 days or longer indicates a deficient collections process.



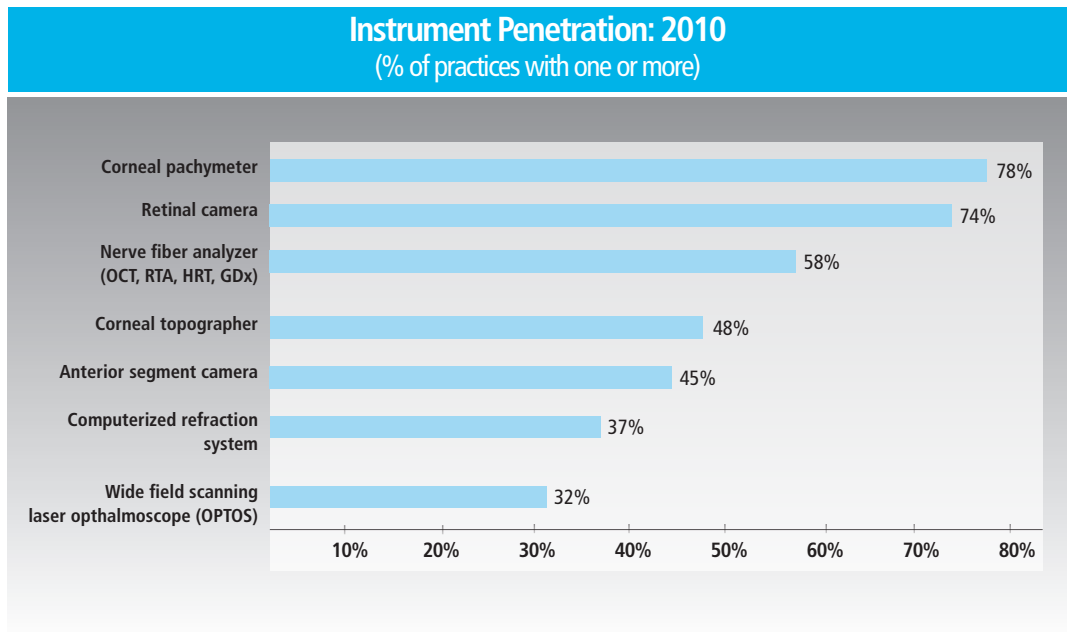
Other Practice Characteristics

Office Hours

Independent optometric offices are open a median of 46 hours weekly. Larger practices, most of which have multiple ODs, are typically open for more hours. Very few offices are open on Sundays, and 59% are open on Saturdays, typically for five hours.



Instrument Penetration



Appendix

Key Metrics by Practice Type

	Solo ODs			Two or more ODs					
	<\$500M	\$550- \$749M	\$750M+	1 Location			2+ Locations		
				<\$750M	\$750- \$1,499M	\$1,500M+	<\$1,000M	\$1,000- \$1,499M	\$1,500M+
% of MBA Practices	5.8%	8.6%	9.0%	8.7%	26.9%	14.2%	7.8%	7.0%	11.8%
Characteristics									
Number of ODs (A)	1	1	1	2.1	2.4	3.2	2.7	2.8	4.1
Number of non-OD staff (A)	3.3	4.8	6.8	5.3	8.5	12.9	6.3	8.8	13.9
Gross rev. (M \$000)	\$375	\$617	\$917	\$620	\$1,088	\$1,804	\$675	\$1,289	\$2,245
Office square feet (M)	1,650	2,000	2,575	1,950	3,000	4,150	2,000	3,100	5,000
OD hours (M)	1,920	2,000	1,920	2,616	3,430	4,875	2,013	3,655	5,628
Staff hours (M)	4,817	7,563	10,885	7,557	12,580	20,641	8,788	14,555	23,645
Complete exams (M)	1,296	2,049	2,828	2,172	3,536	5,548	2,500	4,002	7,446
Active patients (M)	2,793	4,717	7,000	5,000	8,000	13,005	6,000	10,000	18,762
Productivity Ratios (median)									
Gross per exam	\$260	\$297	\$327	\$285	\$307	\$327	\$285	\$304	\$309
Gross per OD hour	\$197	\$302	\$476	\$223	\$314	\$395	\$278	\$336	\$404
Gross per sq. ft.	\$227	\$306	\$355	\$293	\$364	\$450	\$321	\$423	\$455
Gross per staff hour	\$76	\$82	\$85	\$76	\$82	\$90	\$75	\$85	\$92
Gross per FTE OD (\$000)	\$404	\$629	\$990	\$468	\$652	\$819	\$576	\$700	\$846
Exams per OD hour	0.76	1.04	1.48	0.78	1.05	1.15	1.09	1.13	1.28
Revenue per active patient	\$126	\$133	\$143	\$123	\$137	\$140	\$121	\$120	\$147
Exams per active patient	0.44	0.32	0.42	0.45	0.46	0.45	0.39	0.39	0.40

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Practice Advancement Associates (PAA), a unit of Jobson Medical Information, is a professional education company that creates and manages business education programs for health care professionals. PAA developed the Management & Business Academy™ (MBA) on behalf of Essilor, as well as the First Practice Academy™ (FPA), a program for optometrists new to practice ownership or partnership. PAA developed the analytical text in this report, while preserving the confidentiality of the responses of individual practitioners. To reach PAA, contact Al Greco at agreco@jobson.com.





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