



***Allergan***

**Financial Benchmarking**

# Allergan Leading the Way to Help Optometrists Throughout Their Careers

- As the #1 therapeutic company in Optometry, Allergan is ready to help Optometrists treat the primary therapeutic diseases and conditions that exist in their practice – Glaucoma, Dry Eye & Allergy
- Allergan's commitment is to support Optometrists throughout their careers with innovative programs such as:



Teaching Institutions



New Graduates



Optometric Groups



Medical Management Boot Camps



Technicians



# Allergan Academic Partnership Provides:

## Students

Travel Grants to *Optometry's Meeting*®

3D Patient Counseling App for *iPad*®

Practice Management Support

Guest Lecturers / Lunch and Learns

## Faculty and Administration

ASCO Benefactor Level Supporter

Product Education and Samples  
for Patients

Advisory Boards

Faculty Retreats



## Residents

Resident Day Programs

Travel Fellowships

Interviewing Skills Workshop

Resident-Practitioner Networking Event

## Institutions

Support for Orientations, White Coat  
Ceremonies, Graduations, and Alumni  
Events

Inspirational Programs Featuring  
*InfantSEE* and Tom Sullivan

Educational Grants/Sponsorships

# Allergan's Optometric Professional Relations Team



**Dave Gibson**  
Director,  
*Optometric Professional  
Relations and Strategies*



**Mark Risher**  
Senior Manager,  
*Optometric Academic  
Development*



**Elisha Wykoff**  
Manager,  
*Optometric Marketing*

## Key Account Managers Leading engagement with key accounts, state affiliates, and regional conferences



**Marcy DeWalt**  
NORTHEAST

Connecticut	New Jersey
Delaware	New York
Indiana	Ohio
Maine	Pennsylvania
Massachusetts	Rhode Island
Michigan	Vermont
New Hampshire	West Virginia



**Jared Latham**  
CENTRAL

Arkansas	Minnesota
Illinois	Nebraska
Iowa	North Dakota
Kansas	South Dakota
Louisiana	Texas
Missouri	Wisconsin



**John McNally**  
SOUTHEAST

Alabama	North Carolina
Florida	South Carolina
Georgia	Tennessee
Kentucky	Virginia
Maryland	Washington, DC
Mississippi	



**Aaron Strobe**  
WEST

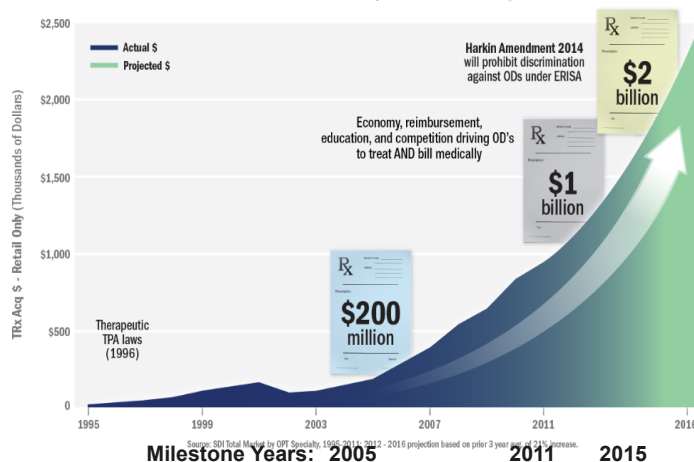
Alaska	Nevada
Arizona	New Mexico
California	Oklahoma
Colorado	Oregon
Hawaii	Utah
Idaho	Washington
Montana	Wyoming

# Dramatic Increase in Therapeutic Care by ODs

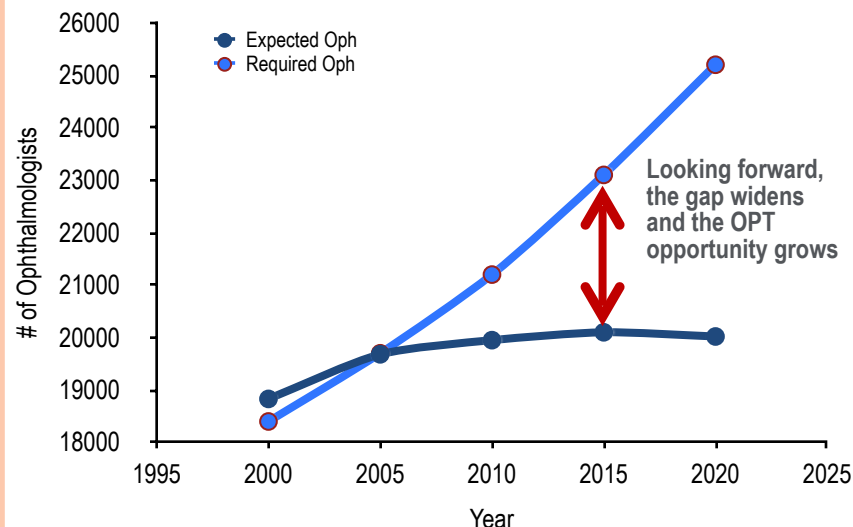
ODs are essential in eye care disease management  
OD therapeutic prescribing reached \$2B in 2015<sup>1</sup>

## Optometric Prescribing Acquisition \$<sup>1,2</sup>

Optometric Therapeutic Prescribing Reached \$1B In 2012  
Reached \$2B In 2015



## Ophthalmologist supply/ demand trends<sup>3</sup>



- SDI Health LLC. *Vector One®: National (VONA): Total Therapeutic Acquisition Dollars for Optometry*. Plymouth Meeting, PA: SDI Health LLC; 2012.
- IMS NPA Monthly Acquisition dollars, 52 weeks through Dec 2015

3. DHHS Physician Supply and Demand Projections to 2020.

# Drivers of Optometric Therapeutic Trends



Increasing demand for eye care services



Optometric adoption of medical management



Increasing number of therapeutically trained ODs



Engagement/Education by pharmaceutical companies

# Optometry Is Under Financial Pressure From A Variety Of Sources

## OPTERNATIVE

Eye Exams from the Comfort of Home

Cost: \$40

Eligible: 18-40yo

Reach: 27 states



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NEWS

## WARBY PARKER LAUNCHES 1ST NATIONAL RETAIL PARTNERSHIP WITH NORDSTROM



## Accountable Care Organizations

## EyeMed

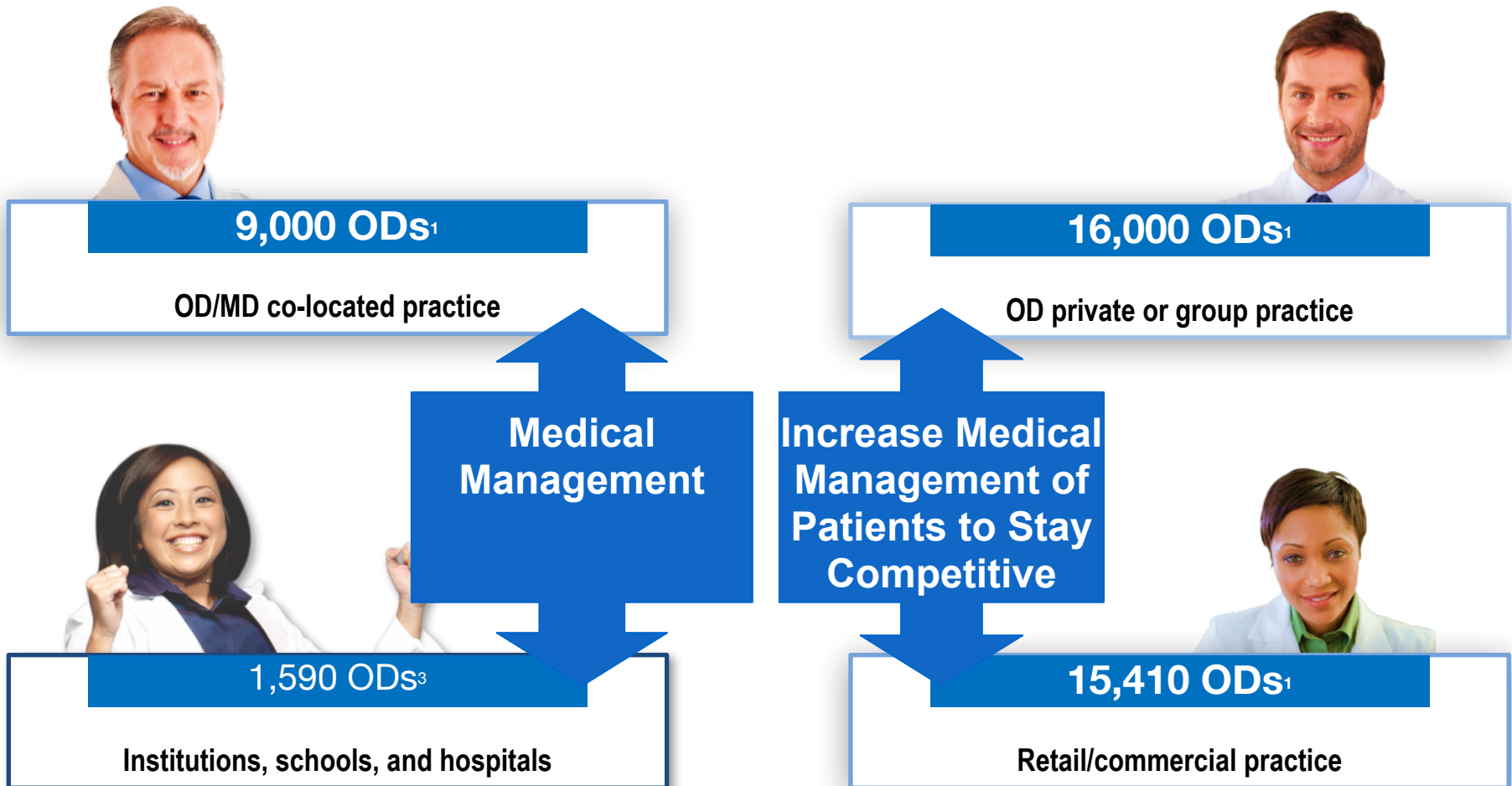
VISION CARE®



## CVS pharmacy Optical

## Allergan

# Risk of Downward Pressure on The Optical Side of the Business



1. Number of ODs and volume per practice type are estimated based on 2010 Kaiser Association Research.
2. Optometry Eye Care Market Analysis (data through 4/04/2014)
3. Numbers are estimated based on ASCO 2013-2014 student data.

- Am I making as much as I should?
- Is my overhead too high?
- Are there better ways to see more patients?
- Should I be a participating provider for a specific vision or health plan?
- How do I know when to hire more staff?  
Another doctor?
- Do I have too many or too few staff?
- Are my staff as productive as they should be?
- Should I invest in a specific piece of equipment?
- How do I get more patients into my practice?



Sound business decisions  
cannot be made without  
“good” information.



Operating results are available on a timely basis.



Information is summarized in a clear and concise manner.



Results are reported with comparisons to prior periods and/or budget.



Trends are clearly indicated.

The process of  
*measuring and comparing*  
your practice with *historical results*  
or *other practices* in your specialty.

Provide ***practical information***



Offer ***useful tools*** to facilitate data reporting and interpretation



***Sound Business Decisions***

# What should you measure?

Profitability and overhead management.

Productivity, capacity utilization and staffing measures.

Cash flow management efficiencies.

Patient and employee satisfaction.

Success is measured in a variety of ways.

Avoid overreaction to monthly fluctuations.

Standards should be considered “soft” and deviation within limited measures does not necessarily indicate a problem.

Ratios will vary, depending on practice service offerings.

Adjustments must be made for exceptional financial arrangements.

“Healthy range” benchmarks are based on results from practices in the 25th to 75th percentile.

## Presentation Resources:

- Information gathered from a variety of practices
- Journal of AOA
- Presentations shared at AOA
- Optometric Management Magazine
- Our experience and review of industry data, including “Key Metrics Assessing Optometric Practice Performance 2012,” by the Management and Business Academy

- Net Income Ratio
- Operating Expense Ratio
- Non-OD Payroll Ratio
- Cost of Goods Ratio
- Net Collections per OD Hours Worked
- Net Collections per Support Staff Hours
- Net Collections per Patient Exam
- Contact Lens Revenue per Contact Lens Exams
- Patient Exams per OD Hours Worked
- Contact Lens Exams as % of Total Exams
- Accounts Receivable Analysis
- Optical Benchmarks

# Financial and Production Benchmarks

## Formula:

Total net income divided by net collections.

## Data:

- Net income (net collections minus expenses)
- Net collections

## Used For:

Identification of practice efficiency in converting collections into professional compensation.

## Be Aware:

Compensation and benefits for non-owner doctors should ***not*** be included in expenses.

## Healthy Range:

**27% – 35%**

Net Collections:

\$625,000

Overhead Expenses:

\$450,000

~~\$175,000~~

Net Income:

$\$175,000 \text{ divided by } \$625,000 = .28$

## Formula:

Total operating expenses divided by net collections.

## Data:

- Total operating expenses minus OD comp/benefits
- Net collections

## Used For:

Identifying practice efficiency in converting revenue into professional compensation. A cost control indicator.

## Be Aware:

COGS and staff are typically the largest expense items. Including employed ODs in the expenses will increase the operating expense ratio.

## Healthy Range:

**65% – 73%**

# Operating Expense Ratio Example



Net Collections:

\$625,000

Operating Expenses:

\$450,000

~~\$175,000~~

Net Income:

$\$450,000 \text{ divided by } \$625,000 = .72$

# Impact of Controlling Expenses



Net Collections

\$700,000

\$700,000

\$700,000

\$700,000

Operating  
Expenses

\$630,000

\$560,000

\$490,000

\$420,000

Operating  
Expense Ratio

90%

80%

70%

60%

Net Income

\$70,000

\$140,000

\$210,000

\$280,000

Net Income Ratio

10%

20%

30%

40%

## Formula:

Gross staff payroll divided by net collections.

## Data:

- Gross staff payroll (exclusive of benefits)
- Net collections

## Used For:

Assessing practice efficiency in utilization of personnel.

## Be Aware:

A low payroll ratio could indicate high turnover and low morale. Metropolitan areas usually require higher wages which can result in a higher ratio.

## Healthy Range:

**16% – 24%**

Formula:

Cost of goods divided by net collections.

Data:

- Cost of goods (frames, lenses, contact lenses, accessories, lab staff and space)
- Net collections

Used For:

Evaluating patient fees, collections, vendor contracts and purchasing methods.

Be Aware:

This is often the largest expense of any optometric practice

Healthy Range:

**24% – 34%**

# Net Collections per OD Hours Worked



## Formula:

Net collections divided by total OD hours.

## Data:

- Net collections
- Total OD hours worked for the year for all ODs

## Used For:

Assessing provider productivity and effectiveness of delegating tasks to staff.

## Be Aware:

Area norms for patient fees may affect this ratio. Be sure to compare to prior years and between doctors.

## Healthy Range:

**\$273 - \$397 per hour**

## Formula:

Net collections divided by total employee paid hours.

## Data:

- Total collections (including optical)
- Total paid hours of all support staff (including, vacation, sick, holiday or other paid time off)

## Used For:

Assessment of how efficiently patients are managed by staff.

## Be Aware:

A low ratio may indicate low fees, volume, optical sales, capture rate, or excess staff. A high ratio may indicate high efficiency, but could also indicate insufficient staff.

## Healthy Range:

**\$72 – \$96 per hour**

# Patient Exam Benchmarks

## Formula:

Net collections divided by total complete eye exams.

## Data:

- Net collections
- Total patient exams

## Used For:

Understanding potential revenue per exam, practice efficiency, and capture rate.

## Be Aware:

Low results may indicate the need to assess other benchmarks, (i.e., capture rate). Staff sales training may improve results.

## Healthy Range:

**\$287 – \$327**

## Formula:

Contact lens sales revenue divided by total contact lens exams.

## Data:

- Contact lens sales
- Total contact lens exams performed in the year

## Used For:

Understanding capture rate of patients' lens purchases and sales mix of higher value lenses.

## Be Aware:

A low ratio may indicate a low lens sale capture rate or a sales mix low in sales of annual supply packages or higher value lenses.

## Healthy Range:

**TBD**

## Formula:

Total patient exams divided by total doctors hours.

## Data:

- Total exams (new and established patients for eyeglass, contact lens, and medical exams)
- Total hours worked for all ODs for the year

## Used For:

Assessing doctor productivity; tracking and following monthly trends and variances between doctors.

## Be Aware:

The benchmark range does not include brief patient visits such as follow-up, eyeglass checks, etc.

## Healthy Range:

**1.1 – 2.2 per hour**

## Formula:

Total contact lens exams divided by total patient exams.

## Data:

- Total contact lens exams performed in the year
- Total patient exams performed in the year

## Used For:

Understanding service mix and revenue sources for the practice.

## Be Aware:

A low ratio may indicate a large percentage of patients are >55, or potential contact lens patients are not identified and educated.

## Healthy Range:

**TBD**

# Accounts Receivable Analysis

Data:

Monthly Accounts Receivable Summary Aging Reports

Used For:

Understanding effectiveness of billing and collecting.

Be Aware:

Including optical sales will affect the percentages.  
Payer mix will also impact the percentages.

Healthy Range:

<u>A/R Aging Category</u>	<u>Percent of A/R Total</u>
0 – 30 days	50% – 70%
31 – 60 days	15% – 25%
61 – 90 days	5% – 10%
91 – 120 days	5% – 10%
Over 120 days	5% – 10%

# Optical Benchmarks

Optical Sales Ratio

40% - 48%

Average Selling Price

\$227 - \$260

Capture Rate

65% - 70%

Complete Pairs  
as a % of Jobs Sold

80% - 85%

Remake Percentage

<5%

# Benchmarking the Data

- Collect previous three years data, develop a yearly report to track production growth vs. previous years.
- Going forward, set up **monthly** reporting worksheet(s).
- Monthly reports can be rolled up to yearly reports.
- Compare like periods of time, e.g. quarter this year to same quarter last year.
- Review report(s) along with financial statements within **15-20 days** following month end.
- Develop plans to make improvements and **implement**.

# Sample Benchmarking Report



## Sample Practice

### Historical Benchmarking Report

#### Practice Benchmarking Results

#### Financial and Production Data

Net Collections  
Operating Expenses Less OD  
Compensation & Benefits

Net Income

Gross Non-OD Payroll

Cost of Goods Sold

Total OD Hours Worked

Total Support Staff Hours Worked

Total Patient Exams

Total Contact Lens Exams

Contact Lens Sales Revenue

#### Dollars in A/R

0 - 30 Days  
31 - 60 Days  
61 - 90 Days  
91 - 120 Days  
Over 120 Days  
Total A/R Balance

#### Financial and Production Ratios

Net Income Ratio

Operating Expense Ratio

Non-OD Payroll Ratio

Cost of Goods Ratio

Net Collections per OD Hours Worked

Net Collections per Support Staff Hours

#### Patient Exam Ratios

Net Collections per Patient Exam

Contact Lens Rev per Contact Lens Exams

Patient Exams per OD Hrs Worked

Contact Lens Exams as % of Total Exams

#### Percent of Total A/R

0 - 30 Days

31 - 60 Days

61 - 90 Days

91 - 120 Days

Over 120 Days

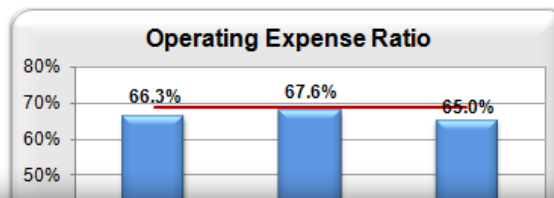
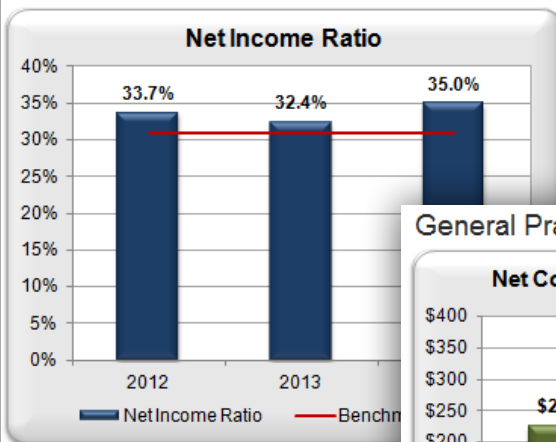
Total

	2012	2013	2014	% Change 2013 to 2014	Benchmark Range <sup>1</sup>
Net Income Ratio	33.7%	32.4%	35.0%	8.0%	27% to 35%
Operating Expense Ratio	66.3%	67.6%	65.0%	-3.8%	65% - 73%
Non-OD Payroll Ratio	20.4%	20.4%	18.5%	-9.4%	16% to 24%
Cost of Goods Ratio	25.9%	27.4%	26.0%	-5.3%	24% to 34%
Net Collections per OD Hours Worked	\$226	\$245	\$250	1.9%	\$273 - \$397 per hour
Net Collections per Support Staff Hours	\$78	\$85	\$100	17.7%	\$72-\$96 per hour
Net Collections per Patient Exam	\$272	\$295	\$357	21.3%	\$287 to \$327
Contact Lens Rev per Contact Lens Exams	\$180	\$170	\$179	5.2%	
Patient Exams per OD Hrs Worked	0.8	0.8	0.7	-16.0%	1.1 - 2.2 per hour
Contact Lens Exams as % of Total Exams	18.3%	20.1%	20.0%	-0.3%	
0 - 30 Days	75.6%	69.6%	58.6%	-15.9%	50% - 70%
31 - 60 Days	14.3%	19.3%	24.4%	26.1%	15% - 25%
61 - 90 Days	6.8%	3.2%	1.5%	-53.0%	5% - 10%
91 - 120 Days	3.3%	7.5%	14.5%	93.4%	5% - 10%
Over 120 Days	0.0%	0.3%	1.1%	211.1%	5% - 10%
Total	100.0%	100.0%	100.0%		

# Sample Benchmarking Report



## General Practice Results

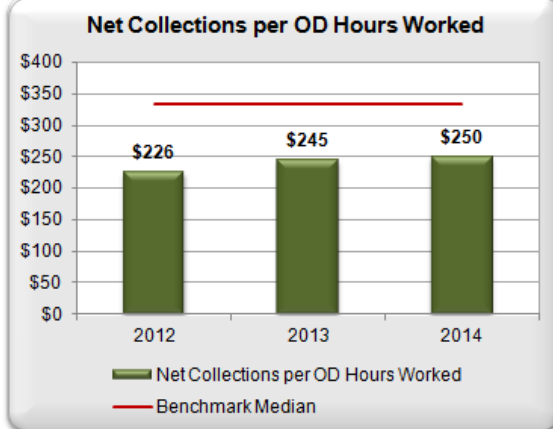


	2012	2013
Net Income	\$137,435	\$143,000
Net Collections	\$407,622	\$441,762
Net Income Ratio	33.7%	32.4%

**Benchmark Range:**

**Used For:** Identification of practice efficiency. When revenue is converted into professional compensation. When the ratio, it is also advisable to look at the overall performance of the optometrists.

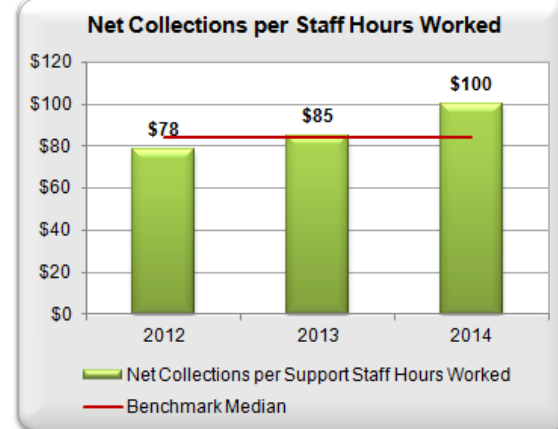
## General Practice Results



	2012	2013	2014
Net Collections	\$407,622	\$441,762	\$500,094
OD Hours	1,800	1,800	2,000
Rev / OD Hours	\$226	\$245	\$250

**Benchmark Range:** \$273 - \$397 / hr

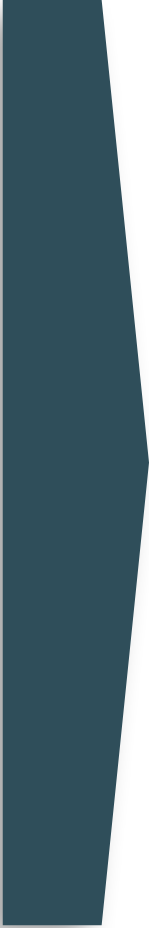
**Used For:** Assessment of provider productivity and effectiveness in delegating tasks to staff. Track results by year, as well as inter-doctor variances. Evaluate patient fees in comparison to area norms.



	2012	2013	2014
Net Collections	\$407,622	\$441,762	\$500,094
Supp Staff Hours	5,200	5,200	5,000
Rev / Staff Hours	\$78	\$85	\$100

**Benchmark Range:** \$72 - \$96 / hr

**Used For:** Assessment of how efficiently patients are managed by staff. Track by year and evaluate trends. (Include all practice collections - optical and professional fees).

- 
- A dark blue vertical bar with a notched top and bottom, positioned on the left side of the slide.
- Review data on a regular and timely basis
  - Determine the ratios most important to managing your practice.
  - One benchmark alone is not enough to make a decision; focus on the big picture.
  - Review other published information to find benchmarks for comparison.
  - Benchmark reports are ***road maps*** that uncover ***opportunities*** within the practice.

# ***Thank You!***



***The Leader in Optometric Therapeutics***

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