



The ABCs of opening an MD optical dispensary

Market research, location, financial assessment, design and construction all must be considered

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More ophthalmologists are opening, or planning to open, optical dispensaries within the next several years. It's not surprising. Patient satisfaction, decreases in medical reimbursements, and the desire to provide comprehensive vision care all are making ophthalmologists lean toward dispensing in their practices.

In addition, ophthalmologists are hearing from fellow practitioners that a successful dispensary can contribute as much as 25% to 30% of total practice revenues, which makes the concept very appealing.

The key here is successful optical dispensing. How does a medically oriented ophthalmology practice get into the mindset of running the retail-based business of optical dispensing? What follows is a basic game plan, based upon my experiences with numerous ophthalmology practices. It is an overview, because each opening and practice has many unique situations that cannot be covered in one article or one cookie-cutter plan.

First, I am going to assume that you have already made the psychological commitment to the concept of operating a successful, profitable optical dispensary. This means that:

- A. All doctors involved in the practice subscribe to a commitment to the dispensary, which includes "selling from the chair."
- B. You will provide the means to facilitate your patient's prescription into your dispensary.
- C. You will provide a dispensing facility that will excel in both products and professional services.

Without the commitment to all of these ABCs, your dispensary will not achieve the optimal level of success.

Do your researchThe very first thing to do is some research. How many prescriptions are you writing per week? How many is each doctor writing? Your goal for the dispensary should be to capture 80% to 90% of these prescriptions. While an industry benchmark of 100 prescriptions per month has been suggested as the minimum number to justify opening an optical dispensary, remember that opening an optical dispensary may include increasing the number of prescriptions written by adding more doctors, particularly optometrists.

It is critical to have a consistent flow of prescriptions into the dispensary. Ideally, the dispensary should be open Monday through Saturday with hours on one evening. When the ophthalmologists are not available, an optometrist is invaluable to keep the patient flow to the dispensary consistent.

Some market research is very helpful. What are the demographics of your patient base? What are your market area demographics? Who is your competition and what are their products and services? Answers to these questions will help you position your dispensary with the best marketing plans and products offered.

Do you have adequate space for an optical dispensary within the existing practice space? Depending upon the number of doctors writing prescriptions, a minimum of 300 square feet can be really tight. Combining the waiting area with easy access and egress to the dispensary can be achieved with about 800 square feet. I also recommend that space be allocated for a finishing lab, even if one will not be put in when the dispensary first opens.

It is important not to position your dispensary with too little space and low visibility. This will result in poor performance. Patients will perceive that they need to go to the "big" optical stores to get good product selection. Patient flow considerations are essential. If patients find it difficult to get into your dispensary because of logistics or lack of waiting area, they may leave with the intention of "I'll be back tomorrow." You will most likely lose them to the competition.

Financing the project Adding on or remodeling an existing space to an already established practice may be a relatively easy process for the ophthalmologist. I have found, especially with a new location, that it is helpful to prepare a business plan for the financing institution. The ability to show the need for the dispensary in the market place and the projected revenues that the dispensary will generate will give you and the financier a more concrete picture of the dispensary's ability to contribute to the financing.

In the financial area, it is important to establish the dispensary in its own name as its own "optical store." This will give you a clear picture of the dispensary finances, gross sales, cost of goods, fixed expenses, and net profit. This separates the medical practice (which is run on a cash basis) from the retail optical (which is run on an accrual basis). Be sure to allocate any financing payments for dispensary construction to the fixed expenses of the dispensary. Be sure to check with your attorney on the legal name set-up of the dispensary, because I have found that state laws vary. Some ophthalmologists run their optical dispensary as a division of their professional corporation, while others form separate corporations.

Building the dispensary Actually building the dispensary is the biggest expense, outside of inventory and additional staffing. You will need a good architect, contractor, and absolutely essential, a good optical design company. Be sure to choose an optical design company that is familiar with the practice's medical patient flow needs as well as the optical dispensary set-up. A total medical/optical package design firm is the answer.

Be sure that your architect, contractor, and design company communicate and work well together. Make sure that each agrees and adheres to the time-line you have set for the project. Be sure to review all plans

thoroughly and see that permits or other area paperwork have been completed correctly. Obviously, have your attorney review all contracts.

One of the important considerations I have run into is how to keep the practice running smoothly while renovations or additions for the dispensary are under way. This may necessitate setting up a temporary access and egress to the practice until the optical dispensary and main entrance are completed. If possible, have both the temporary entrance and the dispensary construction running simultaneously. Otherwise, your optical dispensary opening may be greatly delayed.

The next "Dispensing Solutions" column will address issues associated with hiring staff and setting up vendor accounts, as well as ways to market the dispensary.