

An In-house Lab: To Have or Not to Have?

Craig Nelson

You've designed an optical shop with all the bells and whistles, filled it with the most popular frames, and hired a seasoned optician. Will an in-office lab help grow your practice? Perhaps you've read that an in-office lab can do many things such as provide faster service and greater control over quality, save patients the hassle of shipping frames to an outside lab, and reduce the cost of optical materials to your practice. But is this true?

In 1984, the battle cry was, "Glasses in one hour or less!" We honestly thought that patients needed to have their glasses made in an hour. If we'd used our crystal ball, we'd have known that independents would still hold 65% of the optical market share 13 years later. Why? Because the patient wants and expects personal service and product education. True, a few patients need immediate turnaround, such as those who cannot purchase another frame but require glasses to function. However, with today's technology and know-how, an optician can easily service that rare need.

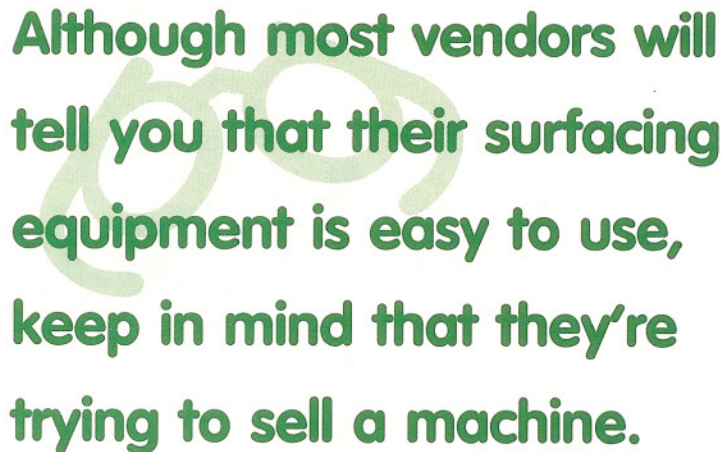
So, does an ophthalmic practice need to have a surfacing lab or an edging lab on site? In my opinion, no.

We survived the one-hour war. In 1998, the optical industry is entrenched in a new struggle: the battle of third party. Nationwide surveys show that managed care patients make up nearly 80% of all ophthalmic practices. On average, most practices have already joined at least six third-party plans. To counteract the pressure of third party, you must process more patients per hour through the practice.

In the new battle zone, it is expedient to take the time to educate patients about what they are buying. But other areas of care and service are as important. This poses a dilemma when you throw managed care into the mix. Most practices report that managed care doesn't let them spend enough time with their patients now. Where will they find time to talk about lifestyle needs, lenses, tints, and coatings? If we must spend more time with each patient, offering premium products, when would we have time to surface or edge lenses?

Lens Surfacing

Surfacing, or lens fabrication, is the process that adds the patient's pre-



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scription to the lens material. To determine equipment needs, you must know what materials and power ranges you want to dispense. The major problem with surfacing lenses is locating a technician who can consistently deliver a quality product. Although most vendors will tell you that their surfacing equipment is easy to use, keep in mind that they're trying to sell a machine.

The total cost involved in surfacing lenses includes not only machinery and labor, but also breakage, utilities, liability, and square footage. These are the figures manufacturers usually exclude when calculating how fast you'll be able to recoup your initial investment.

In most cases, eyecare practices that have a surfacing lab can only process 75 to 85% of their prescriptions. Thus, it is still necessary to maintain relationships with specialty labs. Some examples for which you would require specialized processing are spectacles with high powers (plus and minus), or a high index, or those of polycarbonate or glass.

Cost of Installing a Surfacing Lab

A reasonable estimate of start-up costs for installing a surfacing lab is between \$85,000 and \$400,000. You'll also need running water and a dust-free area. A small surfacing lab requires at least 150 to 200 square feet. Be sure to ask about environmental regulations for waste disposal.

Equipment is only part of the equation. You'll also need to stock lenses in your lab, which requires \$5,000 to \$30,000 worth of inventory just to start.

Before making a decision, talk to colleagues in other practices who have had a lab in operation for two or three years. Avoid talking to those who have just opened a lab; they are apt to be enthusiastic about a piece of newly purchased equipment even though in many cases, they'll find out within a year they really didn't need it. Ask the optician who runs the lab whether he or she believes the practice made a wise decision in opening a lab. Find out what the learning curve was and how much maintenance the equipment needs.

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Often, practices involved in surfacing tend to limit what they offer to their patients to the lens styles they inventory, as retail chains do. With more than 110 progressive options available on the market today, this seriously restricts the patient's choice range. Such practices run the risk of losing patients to retail chains because they think the chains offer a more diversified line of products.

Conversely, a good independent, not in surfacing, and therefore not governed by inventory limitations, designs each pair of lenses to the patient's individual needs.

Do I Need an Edging Lab?

An edging lab will sometimes allow you to deliver to the patient one day earlier. Most of the time, however, one day is not reason enough for a patient to go to another dispensary. Will a day make a difference to your patient population? Ask them in exit surveys, or call them at random.

An edging lab costs between \$12,000 and \$15,000 for low or average technology to between

\$35,000 and \$50,000 for high-tech equipment. The space needed to accommodate an edging lab is approximately 100 square feet. When comparing features and equipment, find out about ventilation requirements and how neat (or messy) the equipment is. Some equipment, particularly that using older technology, is noisy. Some tints and coatings can give off strong odors. You may want to locate the lab away from patient areas.

As with surfacing, finding a technician to provide quality edging is not easy.

Ask the managed or vision care plans in which you participate whether you must use their contract labs. If so, having your own lab might not make sense.

Usually, you can edge approximately 85 to 90% of all prescriptions. The remaining 10 to 15% will have to be resourced out. The revenue saved by having an edging lab averages about \$6.50 per prescription. To determine what your savings would be, multiply \$6.50 by the number of jobs per day.

The Perfect Optician

The perfect optician is very people oriented, has a charismatic personality, can effectively relate to patients' needs, and can put patients at ease. He or she is a great salesperson and is very knowledgeable about all products. This paragon can also edge 20 to 30 jobs per day with a very high level of quality.

In reality, this combination of people, sales, and technical skills is hard to find. For example, edging technicians tend to be introverted and precise. This is suited to their field but not to intense patient interaction. On the other hand, many opticians are outgoing and enjoy talking with patients. Trying to combine the two roles can lead to poor patient education and a low sales-per-job average.

At what point do opticians pay for themselves? In the wholesale optical environment, a rule of thumb is that it takes 30 jobs a day for opticians to support themselves.

In a practice setting, an eyewear consultant should be able to sell four times his or her salary. Before asking whether an in-office surfacing/edging lab would be profitable, identify your practice philosophy toward patients. Many practices have discovered that they would rather have a qualified optician spending an extra two hours per day on the dispensing floor, promoting the practice and educating patients. This extra patient care and attention provide the best way to build your reputation in the community.

The Perfect Practice

The perfect practice is the most successful combination of components that contribute to the highest level of profitability. Three key areas in determining profitability are utilization of space, ability, and time.

Even though sales tax is not charged on the sale of eyewear because it's a vision enhancement aid prescribed by a doctor, most pa-

tients view eyewear as fashion—and fashion is spelled r-e-t-a-i-l. To be successful, you must not ignore the retail aspect of the dispensary.

In the eyecare industry, profit margins are tighter than ever. Thus, should you open a dispensary, you must use your square footage by maximizing optical sales. In any retail environment, sales are figured per square foot. If you have 800 square feet allocated for a dispensary and you are considering installing a surfacing/edging lab that requires 300 square feet, you first need to determine whether that space is more valuable as a lab. If you don't, it will end up costing you dollars that could be used to enhance your dispensary for higher retail sales. If that is the case, you are losing money on that space.

Time is more precious than ever. We must expend sufficient time and energy in the patient process, educating every patient who walks through your dispensary. If you do,

patients who buy your premium products won't think they paid too much. They will know they bought the latest technology and will share their new-found knowledge with friends and family members.

The most profitable practice will have an optician with sales expertise. The most important facet of this expertise is patient education. A personable, sales-minded optician with the ability to educate patients is a valuable resource. These characteristics will benefit the practice when the optician helps patients select eyewear, explains lens technology, and dispenses a quality product. It's not worth the sacrifice to add an optical dispensary if it decreases the amount and quality of the time the optician spends with patients. One person truly can't do it all.

Success Stories

We can all learn from the success of other ventures, even when they are

not in the medical field. The stories of two very successful companies—Boeing and Nike—in two very different industries might give some perspective.

Boeing manufactures only 10% of its planes; 90% is outsourced to suppliers who make the parts and send them to Boeing for final assembly and inspection. If it were more profitable for Boeing to fabricate all components at all phases, I don't think we could afford to fly!

And did you know that Nike does not manufacture shoes? They merely market the name.

Back to Basics

No matter what fads we have outlasted and changes we have experienced, business management goes in cycles. And, it always comes back to the basics.

The independents have held onto the greater market share in optical sales because of their attention to the patient and their belief that the best advertising is word of mouth. That's why, whether you're a long-established or a fledgling practice, you must give each patient a reason to tell a friend or family member about the great experience he or she had, not only in your dispensary but throughout the practice. Patients need to be impressed, even wowed, with care, frame selection, and the dispensing process. They need to feel that there isn't anywhere else they could go that would have a nicer environment, a better selection of frames, or a more competent, upbeat staff.

The decision is yours: Where do you want to expend the energy and hours of your staff? Is it in surfacing and edging lenses or taking care of patients, who in turn build the practice? æ

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