

In-house labs: should you get on the bandwagon?

Return on investment, volume, variety of offerings are some considerations.

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With the reductions in surgical dollars through Medicare and third-party plans, ophthalmologists in private or group practices have looked at different means to create additional revenues. Refractive surgery is certainly a viable solution; however, those dollars have shrunk as well, mainly due to competition.

To generate additional profits, many ophthalmologists around the country have made the choice to add an optical dispensary. Some of those who have established a profitable dispensary now are contemplating their own in-house laboratories.

There are many factors to consider before venturing into in-house labs, such as calculating your savings, tech training, calculating your return on investment (ROI), leasing versus buying, outsourcing your work, and, perhaps most importantly, is it right for your patients?

Let's examine these areas to see if this is a viable decision for your practice.

Calculating savings There are several factors to take into consideration in calculating your savings.

- **Equipment costs:** Your initial investment may vary from one equipment company to another. It is always a good idea to talk to several companies before making your decision, not only to get a good selection of equipment cost quotes, but also to get as much input as possible.

Equipment costs will likely run \$25,000 to \$30,000 or more for the patternless edger and an additional \$3,000 to \$5,000 more for tinting equipment, hand stones, lens groover, and other finishing lab essentials.

- **Volume:** Take a look at your current volume and your expected growth over the next 3 years. According to the Optical Laboratories Association, one should at the very least

produce 10 jobs per day to consider a finishing lab and more than 30 jobs per day to consider a surfacing lab.

- **Inventory:** This is an area that must not be taken lightly. Today, most in-house labs keep only plastic lenses in inventory. However, with more versatile edgers, offices can now manage a variety of lenses and edge treatments.

The amount of the initial inventory you stock should be determined by your current prescription mix per week.

Consult your wholesale laboratory to help you determine the number of lenses and the correct mix of powers.

Monitor your inventory on a regular basis, because this will affect your profitability.

An inventory should turn over 10 to 12 times per year.

In tech training, should you promote from within or hire from outside? Whether you are finishing or surfacing lenses and the number you have calculated you will produce per day will determine which is the better way to go.

In a finishing laboratory producing 10 jobs per day, you should be able to promote within. In a larger laboratory, producing 25 to 30 jobs per day, you may want to look at hiring a qualified bench optician.

Look to the equipment company and your wholesale lab for assistance in this area.

How quickly will your lab pay for itself? There are certain variables such as the type of lenses you plan to use primarily, your volume, and the brand of equipment you purchase.

Even though different people will calculate your ROI differently, you can expect to reduce your current lab bill by one-third by putting in a finishing lab.

However, you should keep in mind that you may sacrifice quality and product availability for your patients by limiting your lens material to what you stock. Breakage is another consideration. When you choose to edge your own lenses you also absorb that cost, which will prolong your ROI.

Either your wholesale lab or the equipment company should have ROI worksheets to assist you.

Leasing or buying Either leasing or buying will produce the same result. Leasing to buy is one of the most popular methods.

This allows you several different benefits. You are able to write off some of the lease payments, shelter some of your income, and upgrade your equipment.

This can be extremely important with the new technologies in today's in-house labs. It is always a good idea to consult with your accountant for the best method for your practice.

Outsourcing If a practice puts in its own lab, it still needs a quality wholesale lab to produce lenses and coatings that create the most profit for the optical dispensary.

Certainly an in-house lab will reduce your costs and decrease your turnaround time.

However, the majority of the profits in any dispensary are from high-end products, such as high-index lenses, transitions lenses, anti-reflective coatings, and polarized lenses.

Don't forfeit this profit center by selling plastic lenses to your patients.

I think it is safe to say that your patients visit your office for customer service, not fast service.

They look to you for the latest in surgical procedures, medication, personal care, refractive procedures, and the general health and welfare of their eyes.

So before you decide to move forward, look at the people in your examining chair—is this the best for them?