

Will 'Pay as You Go' optometry need to GO post lockdown?

The recent crisis has brought into sharp focus (excuse the pun) the inadequacy of the current optical business model, i.e. No patients = No revenue. But that's the same for the all bricks and mortar retail during lockdown, I hear you all cry. That is, of course, true for most retailers, and it's certainly true for the optical businesses that are heavily focussed on spectacles to generate their revenue.

The question we all continually grapple with is whether optics a retail or a service industry? Well it depends which side of the fence you sit. Most independent optometry practices believe they're primarily a service industry, but the patient/consumer predominantly sees opticians as suppliers of glasses and, occasionally, contact lenses - don't get me started on the low penetration of the latter. They see what they get for their hard-earned cash and I'm sorry but for the vast majority, it isn't eye/health care. And it is little wonder because it's the goods they primarily remember paying for, either because the eye test is 'free', or the exam fee is so inconsequential against the cost of the appliance purchase.

Another significant development during lockdown is that people have almost totally relied on the internet for buying things outside of the weekly shop. If the genie wasn't completely out of the bottle for optics before lockdown, then I think it's fair to say he (or she) is now as free as... well a genie. Many patients, perhaps believing their practice to be closed, have searched online for fresh supplies of contact lenses, eye drops or supplements and discovered that, in addition to the convenience of home delivery, many brands seem much cheaper than on the high street. As an aside it still puzzles me why so many practices still support manufacturers who flood the internet and, for that matter supermarkets and pharmacies with their products, when in most cases there are perfectly good and often better alternatives from suppliers who don't. Anyway, I digress, something that anyone who has ever listened to me knows I'm prone to.

Okay back to the point of this piece. It is interesting that those practices with a decent percentage of contact lens patients are now, more than ever, realising the cashflow benefit of the regular monthly direct debit payments from their patient base. So, it begs the question as to why we don't fit more contact lenses and why this business model is rarely something practices expand beyond contact lenses?

Of course, the professional fee debate has raged for decades. Back as far as 2007 I was involved in making professional fee charging the theme for our Independents Day conference and, whilst we had a record attendance that year, based on the uptake of practices converting to a fee-based model, I guess you could argue that the conference was an epic fail!

Many experts have advocated this model as a way for independent practices to differentiate themselves from those of the multiple and thus break away from the "No Glasses" = No Profit - actually that should read 'No Glasses = Make Loss' - business model. Apart from the inherent unfairness of this cross-subsidy model, it also leads the apparent and much maligned inflated price of eyewear.

But those practices who have adopted a higher professional fee, and more specifically those who did so using a monthly payment model, are probably feeling somewhat pleased with themselves as well as a little less anxious about their future, compared to those whose income has literally disappeared overnight. Thus, it is interesting to postulate as to whether this will become the 'new normal' (still not sure if I like that phrase...) for independent optometry post lockdown.

What is for sure is that the majority of practices will be seeing fewer patients per hour than before, partly due to new COVID19 focussed health and safety policies and partly due to the inevitable lower volumes of patients for the first few months at least, post lockdown. Let's say a practice can now realistically only see one patient an hour rather than 3; that has trebled the cost of that patient being in the chair pre-lockdown. What if a conservative one-third then have no change in Rx and do not purchase anything? That means you might have 5 patients a day (assuming an 8-hour day and 1 consulting room) who are generating revenue.

The good news is you'll have time to do all the tests/checks you want, but the question is who is going to pay for that? The NHS fee certainly doesn't. You could do it as a loss leader? Oh, sorry you already do – my mistake.

How do you go about charging for professional time then? Well first you need to have the "because I'm worth it" moment. If you don't think your patients will pay more for your service then, frankly, I'd have to agree with you. Because if you don't think you're worth it - why should they? Once you realise that like dentists, lawyers and plumbers, you are valuable enough to charge appropriately for your time, you are on your way. Well at least you've taken the first step...

It is interesting to consider the businesses doing well during lockdown. Those providing subscription services are generally bucking the trend. Ignoring the fact that the likes of Netflix and Sky are in particular demand at this time, we need to acknowledge that the use of these services will always fluctuate across a year for a variety of reasons. One thing remains constant however - the monthly fee that rolls in month after month regardless. Similarly, in the mobile phone industry, Pay as You Go still exists but is a small part of the business model, it's now all about the monthly payment contract.

Now I'm not saying that this is a perfect solution because clearly some people may have to cancel their subscription, even if they'd prefer not to. The point is that the majority won't and the revenue continues to roll in even when the doors are closed. Now there's a lovely thought...

Some practices might argue that they do charge a respectable fee for their time, only they choose to take it in a lump sum at the point of care. That is certainly a better place to be than most but again, No Patients = No Revenue. You might also argue that charging a monthly fee is deferring revenue, well for those getting high levels of cash on delivery, that is somewhat true. However, a little short-term cash-flow pain might be worth the long-term gain. For those currently losing money on every eye examination they carry out – there is certainly nothing to lose and absolutely everything to gain.

The Pay as You Go model was past its sell-by date before lockdown and I suggest is largely unsustainable post lockdown with lower patient volumes taking longer in the chair. Without significantly increasing average dispensing values to cover this cost, practices are going to be less financially viable. Of course, that is one perfectly legitimate way to rebalance the books, but if your average sales value has been at largely flat (allowing for inflation) for the last 5 years or more, what makes you think you can significantly improve it by the required amount now?

Alternatively you can sell your value and clinical expertise better and then offer a monthly payment plan to pay for it – say £10/month or £2.50 a week, which is less than a small skinny latte. Include as many interim/unexpected appointments as needed to provide complete reassurance and ‘hey presto’ - you’ve just significantly differentiated yourself from your competitors and become a little less reliant on product sales. But what about those entitled to an NHS test I hear you cry. Well as you’ll presumably be claiming the GOS fee, simply credit the £20-odd back against the 2-year fee price and divide by 24.

Finally, while I’m on the subject of generating regular income, why not apply this thinking to patients with chronic conditions, such as your Dry Eye or AMD patients? Understanding their continuous need for drops or supplements, why are they regularly sold 1 pack at a time? Another opportunity then to make life easier for your patient and sign them up to regularly receiving supplies direct to their home and paying monthly for this service. You could incorporate your professional fees for their regular check-ups to boot.

Now, I know that many of you reading this are already doing some of these things and there are suppliers out there – my company included – who are already able to support many of the services outlined. So, I’m acutely aware that I’m teaching some of you to ‘suck eggs’. However how many of those who have adopted some or all of these practices, can hand on heart, say they’re a core part of their business from a revenue perspective? By that I mean over 50%. Not may I’m sure.

So, I suggest Pay as You Go optometry needs to get up and GO! The profession needs to wake-up to another new normal (sorry) - reducing its continued reliance on one-off and unpredictable product sales cross-subsidising the service side of the business. It is unfair and ultimately probably unsustainable. Instead get your patients to subscribe to regular and ongoing eyecare – because you’re worth it!