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FINANCIAL DISCLOSURES

Dr. Helmus has no relevant financial relationships to disclose. The content and format of this course is presented without commercial bias and does not claim superiority of any commercial product or service.

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LEARNING OBJECTIVES:

1. Inspire private practice owners to scrutinize and revamp their practice systems
2. Review several valuation methods
3. Empower Owner-ODs to make the best choice for their future

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INTRODUCTION: SNAPSHOT

- Both Parents Retired ODs
- OD > CEO



	DR. JULIE HELMUS
LOCATION	Northern CA
YRS IN PRIVATE PRACTICE	8
# OF LOCATIONS	1
2022 GROSS	\$3.5M
# ASSOCIATES	4 O.D.s
# FTE STAFF	22
OTHER	Extreme practice make-over 2019-2022

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DISCLAIMERS: PERSONAL FACTORS

- OD-Owner's:
 - Age
 - Physical and Mental Health
 - Support systems
 - Appetite for patient care
 - Practice management competence
 - Tolerance: change, stress, risk
 - Access to capital
 - Financial savvy
 - Goals

EACH
SITUATION IS
UNIQUE

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DISCLAIMERS: PRACTICE FACTORS

- State laws
- Tax implications
- Business structure
- Partners
- Real Estate
- Quality of Patient Base
- Local market/competition
- Payor mix
- Staff
- Age of practice
- Associate(s)
- Cash flow
- Debts, etc., etc., etc.

EACH
SITUATION IS
UNIQUE

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ASSEMBLE A TEAM OF ADVISORS

- | | |
|-------------------------|---|
| • Financial Advisors: | • Non-Financial Advisors: |
| • CPA/Tax Advisor | • Lawyer |
| • Financial Advisor | • HR consultant |
| • Lender | • Optometry Practice Management Consultants |
| • Broker | • Contractor |
| • Realtor | • Equipment Vendors |
| • Real Estate Appraiser | |

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Practice Sale Execution

1. Practice Valuation
2. Agree on Price
3. Due Diligence
4. Seller stays to transition?
 - Define role/timeline/pay
 - Contractual considerations
5. Real Estate?
6. Terms/Financing



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Practice Valuation Method 2: Percent of 3-Year **Average** Annual Weighted Net \$\$

Definitions:

- Average Net = [Net Income] + [Total Costs for all ODs working in practice, incl. Owner(s)]
- Weighted Avg. Net = (Avg. Net for 3 most recent years)/3
- Goodwill = 3 x Free Cash Flow (i.e. Net Income)?

3-yr. Avg. Net Income	+ Total Costs for Doctors	+ Current Market Value Assets	+ Adjusted A/R or "Goodwill"	Sum of Columns 1-4 x multiplying factor	= Practice Valuation
\$100,000	\$300,000	\$150,000	\$90,000 A/R	120%	\$768,000
\$100,000	\$300,000	\$150,000	\$300,000 Goodwill	n/a	\$800,000

(assuming real estate is NOT part of sale)

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6 Practice Valuation Methods \$\$

- % of 3-yr Avg. Annual Gross Top-Line Revenue (i.e. collections)
- % of 3 yr. Avg. Weighted Net
 - 2A. [(Weighted average net) + (Assets) + (Adjusted A/R)] x (Multiplier up to 120%)
 - 2B. (Weighted average net) + (Assets) + (Goodwill)
- Weighted EBITDA**
- EBITDA Multiplier (Increasing revenue)**
- EBITDA Multiplier (Decreasing revenue)**

EBITDA-BASED
VALUATION
METHODS

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WHAT IS "EBITDA"? \$\$

DEFINITION: Earnings Before Interest, Taxes, Depreciation, & Amortization

NET REVENUE	+	INTEREST	+	TAXES	+	DEPRECIATION	+	AMORTI-ZATION	+	PERSONAL OWNER EXPENSES THRU BIZ
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PRACTICE VALUE	=	EBITDA	x	MULTIPLIER
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- A measure of a practice's ability to generate cash
- EBITDA is generally ~20% (+/-4%) of income
- Multiplier to be negotiated, typically **5x-10x**

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Practice Valuation Method 3: 3-Yr **Average** EBITDA with 5x Multiplier \$\$

Net Revenue	+ Interest/Tax/ Depreciation/ Amortization Expenses	+ Addbacks for Owner(s) Expenses	= EBITDA	Practice Valuation with 5x Multiplier
\$100,000	\$55,000	\$45,000	\$200,000	\$1,000,000
If: \$150,000	\$55,000	\$45,000	\$250,000	\$1,250,000
If: \$200,000	\$55,000	\$45,000	\$300,000	\$1,500,000

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\$\$

Practice Valuation Methods 4 & 5: **Weighted** EBITDA

- Weighted EBITDA =

$$\frac{[(\text{EBITDA from 3 yrs ago} \times 1) + (\text{EBITDA from 2 yrs ago} \times 2) + (\text{EBITDA from last year} \times 3)]}{6}$$

PRACTICE VALUE	=	WEIGHTED EBITDA	x	MULTIPLIER OF 4.25
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Review of Optometric Business, Mark Wright & Carole Burns, "How to do a Practice Valuation", Aug. 8, 2018, <https://www.reviewob.com/how-to-do-a-practice-valuation-2/>

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Practice Valuation Method 4: **Weighted** EBITDA Multiplier (Increasing revenue)

Net Revenue	+ Interest/Tax/ Depreciation/ Amortization Expenses	+ Addbacks for Owner(s) Expenses	= EBITDA by Year	Weighted EBITDA Practice Valuation @ 4.25x multiplier
Yr 1: \$90,000	\$55,000	\$45,000	\$190,000	
Yr 2: \$100,000	\$55,000	\$45,000	\$200,000	
Yr 3: \$110,000	\$55,000	\$45,000	\$210,000	\$864,167

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Practice Valuation Method 5: **Weighted** EBITDA Multiplier (Decreasing revenue)

Net Revenue	+ Interest/Tax/ Depreciation/ Amortization Expenses	+ Addbacks for Owner(s) Expenses	= EBITDA by Year	Weighted EBITDA Practice Valuation @ 4.25x multiplier
Yr 1: \$110,000	\$55,000	\$45,000	\$210,000	
Yr 2: \$100,000	\$55,000	\$45,000	\$200,000	
Yr 3: \$90,000	\$55,000	\$45,000	\$190,000	\$835,833

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Comparison of All 6 Valuations

70% of 3-yr Avg. Gross Revenue	3-yr Weighted Avg. Net Revenue	EBITDA #1 (3-Yr. Avg. EBITDA with 5x Multiplier)	EBITDA #2 (3-Yr. Weighted Avg. EBITDA with 4.25x Multiplier & ↑ Revenue)	EBITDA #2 (3-Yr. Weighted Avg. EBITDA with 4.25x Multiplier & ↓ Revenue)
\$700,000	\$768,000 (AR & 120%) \$800,000 (goodwill)	\$1,000,000	\$864,167	\$835,833
\$300,000 Swing: \$700,000 to \$1,000,000				

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CASE STUDIES

1. Luna Family Optometry
2. Midwest Eye Professionals
3. Happy Valley Optometry



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UNDERSTAND INDUSTRY NORMS

COGS	20-28%
Non-OD Staff: Wages + Benefits	25-30%
OD Wages + Benefits	15%
Occupancy (rent, utilities, janitorial, security)	7%
Other (supplies, marketing, legal, insurance, IT, subscriptions, etc)	12%
Owner Net	8-21%

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SWOT ANALYSIS

- Strengths
 - Weaknesses
 - Opportunities
 - Threats
- Internal** to Organization
 (result of things we do
 & can *directly* control)
- External** to Organization
 (pressures from
 profession/marketplace
 but which we can
 influence)

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LOVE IT OR LIST IT

CASE STUDY #1:
Luna Family Optometry

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CASE STUDY #1: LUNA FAMILY OPTOMETRY

Year Founded	1978
Square Footage	4,000 sq ft, 5 lanes
Location	Adjacent to OMD & Retina, nearby trails
Year Built	2004
Occupancy	2-yr lease, family members own 1/3 of building
EHR	Maxim-Eyes
FTE ODs	1.5
Equipment	IPL, OCT, Optos, 1 Marco auto-phoropter
Payor Mix	70% VCP, 30% Medical

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CASE STUDY #1: LUNA FAMILY OPTOMETRY

STRENGTHS	History, reputation, facility
WEAKNESSES	Location (rural), owner appetite, OMD arrangement, high no-show rate (>10%), marketing, metrics tracking, manager
OPPORTUNITIES	IPL, increase exams/OD hour, capture more reviews, marketing
THREATS	Cash flow/bankruptcy, labor pool, OD pool

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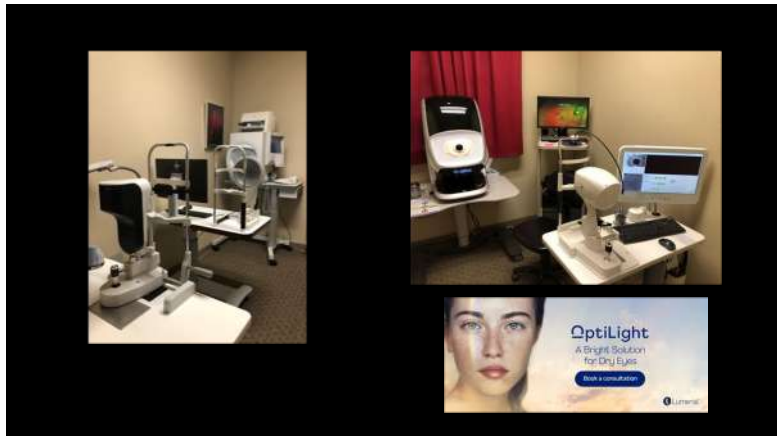
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CASE STUDY #1: LUNA FAMILY OPTOMETRY

“LOVE IT” BUDGET?



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CASE STUDY #1: LUNA FAMILY OPTOMETRY

YEAR	GROSS REVENUE	NET	NET %	COGS %	STAFF %	OD %
2018	\$1,113,000	\$111,000	10%	29%	26%	8%
2019	\$1,113,000	\$29,000	2%	24%	32%	13%
2021	\$1,227,000	-\$121,000	0	23%	29%	14.5%

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CASE STUDY #1: LUNA FAMILY OPTOMETRY

- REDUCE EXPENSES:
 - Lens Lab
 - Credit Card Merchant Fees
 - Contact Lens Rebates
 - Buying groups for frames

OOP COST: TIME

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CASE STUDY #1: LUNA FAMILY OPTOMETRY

- Dismiss Office Manager (\$24/hr FT plus benefits & payroll taxes = approx. \$60,000)
 - Severance and Release Agreement
- Empower Team Leads: (1) Optical (2) Tech (3) Front Desk
- Hire Remote help:
 - Examples: EyeHelpYou, Hello Rache, DATAppointment
 - \$9.50/hr x 40 hrs/wk x 48 wks = \$18,240/year
 - Job Duties:
 - Texts, emails, voicemails
 - Appointment confirmation calls, recalls/overdue list
 - Misc. billing
 - Misc. owner admin: metrics, etc.

SAVINGS: \$41,760
 + PLUS INCREASE REVENUE BY
 REDUCING NO-SHOW RATE

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CASE STUDY #1: LUNA FAMILY OPTOMETRY

- End OMD relationship
 - Not profitable
 - Focus on core business operations: comp exams, glasses sales, contact lens sales
 - Less staff stress > higher retention
 - OMD Tech available to support ODs
- Schedule:
 - Comp exams: down from 45 min to 30 mins. Health checks: 15 min
 - Will necessitate the hire of 1 more optician Separate scheduling column for medical testing
 - Increase comp exams from avg 10/day to avg 14/day
 - $[(48 \text{ wks/yr} * 7.5 \text{ doc days/wk} * 4 \text{ more pts/day}) - (\text{no shows } 6\%)] * \text{RPP} \$350 = \$473,760$

ANNUAL REVENUE: \$474,000

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CASE STUDY #1: LUNA FAMILY OPTOMETRY

- Cheap/Free Improvements:
 - Solicit Online Reviews
 - Owner and Staff (incentive?)
 - 29 Google (4.9 Star Average), 22 Yelp (4 Star Average)
 - Social Media (Facebook, Instagram, TikTok, Google, Nextdoor)
 - Patient testimonials
 - "Meet the Associate"
 - Boots on the Ground Marketing efforts
 - Frame Show
 - Lecturing in Community/Zoom
 - Email blasts
 - Strategic relationships



OOP COST: TIME

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CASE STUDY #1: LUNA FAMILY OPTOMETRY

RECURRING INVESTMENTS		ONE-TIME INVESTMENTS	
YELP Ads	\$270/mo.	Associate Facebook Campaign	\$500
Consulting	\$450/mo.	IPL "Open House" Events	\$2,000
New Bookkeeper	\$200 more/mo.	Hire newbie videographer	\$750
TOTAL	\$920/mo.	TOTAL	\$3,250

TOTAL EXPENSES: Yr 1 = \$14,290
Yrs 2+ = \$11,040 (i.e. \$920/mo)

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CASE STUDY #1: LUNA FAMILY OPTOMETRY

Valuation Method	Multiplier	Valuation	Assumption(s)
#1: 70% of 3 Yr Avg Annual Gross Revenue =	0.70	\$805,816	No real estate for any option
#2: % of 3 Yr. Avg. Wtd. Net (+ Assets + Adj. A/R x multiplier)=	1.20	\$475,558	Adj. A/R=\$110K; Assets=\$200K
#3: % of 3 Yr. Avg. Wtd. Net + Assets + Goodwill =	n/a	\$685,298	Adj. A/R=\$110K; Assets=\$200K
#4: 3 Yr Avg. EBITDA with Multiplier Option A =	5.00	\$902,124	
#5: Wtd. EBITDA Option B (x multiplier) =	4.25	\$725,010	

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VOTE: WHAT WOULD YOU DO?

1. Luna Family Optometry
2. Midwest Eye Professionals
3. Happy Valley Optometry

LOVE IT OR LIST IT

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WHOM TO TARGET FOR PRACTICE PURCHASE?

- New/Recent Grad vs. Seasoned OD
- Associate/Partner
- Competitor
- List on job board/with broker
- Private Equity
- Corporate Entity



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PRIVATE EQUITY (PE)

- An investment class consisting of capital not listed on a public exchange
- Mainly from institutional & accredited investors who can dedicate large sums of capital for extended time periods to:
 - Fund new technology;
 - **Make acquisitions;**
 - Expand working capital; &/or
 - Bolster/solidify balance sheets

<https://www.investopedia.com/terms/p/privateequity.asp> Private Equity, Chen, J. March 2022

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Private Equity

- Dentistry (stable 20% market share)
- Mainly larger practices: > \$1,000,000 gross revenue
- Examples:
 - My Eye Doctor
 - Keplr Vision
 - Waud Capital
 - VSP Ventures
 - Medical Optometry America, etc.



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PRIVATE EQUITY (PE)



2021 www.focuspartners.com PE in Ophthalmology

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PRIVATE EQUITY (PE)

Pros:

- Established formulas/process
- High valuation
- Name recognition?
- Keep most staff
- Strong HR/benefits?
- Relatively fast transaction

Cons:

- Seller stays as employee
- Letting go
- Practice changes
- Re-sale?



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CASE STUDY #2

1. Luna Family Optometry
2. **Midwest Eye Professionals**
3. Happy Valley Optometry



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LOVE IT OR LIST IT

CASE STUDY #2:
Midwest Eye Professionals

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CASE STUDY #2: MIDWEST EYE PROFESSIONALS

Year Founded	2004
Square Footage	6,000 sq ft, 9 lanes
Location	Stand-alone, poor visibility & signage, condos
Year Built	2004
Occupancy	lease
Docs	2 FT O.D.s, 1 PT OMD
Equipment	Manual phoropters, Optos, OCT, ERG, etc
EHR	Revolution
Payor Mix	75% Medical, 25% VCP

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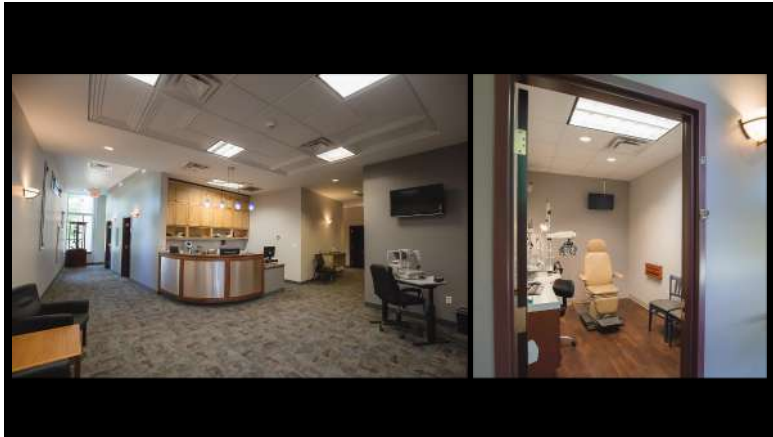
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CASE STUDY #2: MIDWEST EYE PROFESSIONALS

STRENGTHS	History/reputation, high medical, large clinic size, tenured staff, scribes, whip-smart OD
WEAKNESSES	OD pool, OMD arrangement, optical capture rate, owner burn-out, owner limited savings/investments
OPPORTUNITIES	Associate, real estate, population increase, colleges nearby
THREATS	Landlord, previous manager (laid-off)

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CASE STUDY #2: MIDWEST EYE PROFESSIONALS

"LOVE IT" BUDGET?

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CASE STUDY #2: MIDWEST EYE PROFESSIONALS

YEAR	GROSS REVENUE	NET*	NET %	COGS %	STAFF %	OD %**
Yr 1	\$2,206,000	\$198,000*	9%	22%	35%	17%**
Yr 2	\$2,168,000	\$181,000*	8.4%	21%	32%	18%
Yr 3	\$2,481,000	\$151,826	6%	21%	32%	15.4%

*NET includes rent income paid by hospital for OMD

**OD includes: "Salaries-optometrist" plus "salaries-officers"

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CASE STUDY #2: MIDWEST EYE PROFESSIONALS

#1 Priority: Owner Burn-out □ Find Associate

ONE-TIME INVESTMENT	COST (RANGE)
Video to Recruit Associate	\$6,000 - \$8,000

Quote from Moxley Studios:

- Co-create a script
- script professionally voiced
- Owner to list the tech, features, and city attractions you find most compelling
- 1-2 days of filming at practice and features in the city
 - Doctors/staff must be available
 - Clients/models/actors
- About 2 weeks of post production (editing)
- 1-2 rounds of revisions

Example:

<https://www.dropbox.com/s/twcmbr56psv005e/OptometricOpportunity2018.mp4?dl=0>

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CASE STUDY #2: MIDWEST EYE PROFESSIONALS

#1 Priority: Owner Burn-out □ Find Associate

ONE-TIME INVESTMENT	COST (RANGE)
Firm to Acquire Associate	\$16,000-25,000/OD

Firms:

- ATS Vision Recruiter
- KMK careers

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CASE STUDY #2: MIDWEST EYE PROFESSIONALS

#2 Priority: Optical

ONE-TIME INVESTMENT	COST (est)
On-Site Consultant to help with Capture Rate	\$4,000
Optical Business cards	\$200
ABO licensure, reference materials, for optical staff	\$1,175
Uniform allowance	\$1,500
Paging system?	\$3,000
TOTAL	\$9,875

Re-open during lunch hour

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CASE STUDY #2: MIDWEST EYE PROFESSIONALS

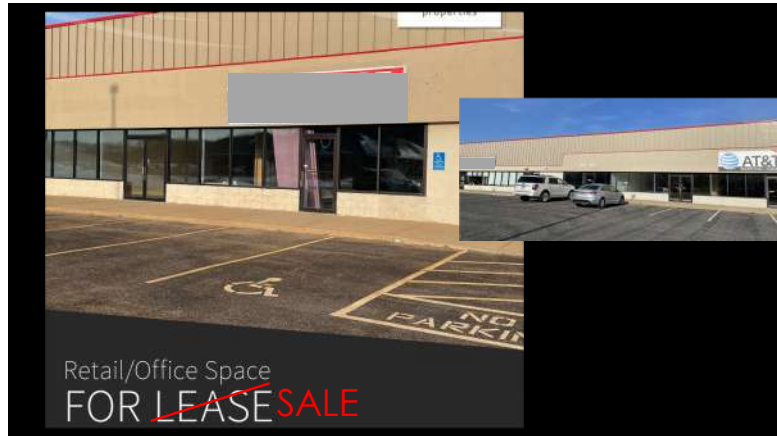
#3 PRIORITY: LEASE VS. OWN

- Occupancy > 7%, no option of full-ownership
- Build out (expensive, stressful)
- Purchase existing commercial real-estate: limited options □ Broker

One Site Identified:

- Same street, 2 miles away
- Extremely visible location, lots of traffic, easy access to Highways
- Ample off-street parking
- 20,189sf, 6 units:
 - Two avail for clinic build-out: 5,000 SF
 - Four tenants: (1) AT&T (2) Dialysis (3) Pediatric autism therapy (4) Plumbing parts

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DO YOU WANT TO BE A LANDLORD?

		Current Rent	CAM	Property Tax	Total Rent Income per Month					
	Suite Warehouse				2022	2023	2024	2025	2026	2027
Plumbing Products		\$718	291	\$295	\$1,304	\$1,304	\$1,304			
AT&T	100	\$3,768	793	\$397		\$4,958	\$5,071	\$5,188	\$5,307	\$5,430
Suite 200 estim. OPTOMETRY CLINIC	200	\$2,084	834	\$417		\$1,667	\$3,435	\$3,538	\$3,644	\$3,753
Suite 300 estim. OPTOMETRY CLINIC	300	\$2,099	840	\$420		\$1,679	\$3,459	\$3,563	\$3,670	\$3,780
Dialysis	400	\$6,981	928	\$1,148	\$9,057	\$9,197	\$8,744	\$8,880	\$9,010	
Pediatric Autism Therapy	500	\$1,006	794	Incl. in CAM	1,800					
Total Monthly					\$12,161	\$18,806	\$22,013	\$21,169	\$21,632	\$12,964
Total Annual					\$145,933	\$225,668	\$264,155	\$254,030	\$259,579	\$155,565
Estim CAP Rate Based on Purch Price										
Annual Property Tax Estim.										
Annual CAM Estim. - assumes 8% COL										
Annual Increase Estim.										

9.4%

\$40,000

\$43,200

3%

*Cap rate 2018: 7.7% based on \$108,000 NOI and \$1.41 sale

*Assumes 1/2 Year Occupancy for Stes. 200 and 300 in 2023

*Assumes 5 Year Lease

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DO YOU WANT TO BE A LANDLORD?

Headaches/Barriers:

1. Down payment
2. Financing
3. Build-out
4. Moving

Will it cash-flow?

CAP Rate:

- Property's Net Operating Income (NOI) divided by its asset value
- An assessment of the yield of a property over one year
- Example:
 - A property worth \$2 million, generating \$150,000 of NOI, would have a cap rate of: $150,000/2,000,000 = 7.5\%$

	Estimated		
	Jan - Dec 22	Jan - Dec 23	Jan - Dec 24
Operating Income Expense			
Total Income	104,504	200,100	170,000 Tenant left
Expense			
Business Meeting Meals Expense	402	140	400
Carpeting and Maintenance	12,748	29,748	11,519 Roof repairs
Insurance Expense	5,565	5,480	4,800
Miscellaneous Expense	607	810	182
Office Supplies	18	58	55
Property Management Expense	8,775	7,487	4,700
Repairs and Maintenance	206	277	3,200 Door repair
Taxes - Property	38,000	38,814	38,000
Tools, Equipment and Machinery	115	-	-
Tenant Expense	524	274	670
Utilities	1,560	3,120	4,000 Tenant left
Total Expense	69,740	85,351	72,000
Net Operating Income	34,764	114,749	98,000

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CASE STUDY #2: MIDWEST EYE PROFESSIONALS

Valuation Method	Multiplier	Valuation	Assumption(s)
#1: 70% of 3 Yr Avg Annual Gross Revenue =	0.70	\$1,536,328	No real estate for any option
#2: % of 3 Yr. Avg. Wtd. Net (+ Assets + Adj. A/R x multiplier)=	1.20	\$1,170,560	Adj. A/R=\$220K; Assets=\$500K
#3: % of 3 Yr. Avg. Wtd. Net + Assets + Goodwill =	n/a	\$1,055,467	Goodwill=\$300K; Assets=\$500K
#4: 3 Yr Avg. EBITDA with Multiplier Option A =	5.00	\$2,607,098	
#5: Wtd. EBITDA Option B (x multiplier) =	4.25	\$2,467,241	

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VOTE: WHAT WOULD YOU DO?

1. Luna Family Optometry
2. **Midwest Eye Professionals**
3. Happy Valley Optometry

LOVE IT OR LIST IT

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LEASING PROS

Rent is tax deductible
Doesn't affect personal credit score
Greater flexibility if move needed
Shorter terms than mortgage
Rent \$\$ less than mortgage \$\$:
improved cash flow
Deposit less than down payment
Entry into desirable RE market
Less responsibility/headaches
Less risk?
Easier for practice transition?

LEASING CONS

No control
No equity over time
Rent \$\$ goes into "black hole"
Less security: lease renewals
Building ownership could change hands
Less long-term security

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OWNING PROS	OWNING CONS
Equity	Large down payment
Independence	Higher monthly payments
Control	Risk of Property Value Depreciation
Tax Benefits	Responsible for Liability, Structure & Content Insurance
Stable mortgage payments	Responsible for Repairs/Maintenance
Additional Revenue Stream	Less mobility/flexibility: more difficult to move
Long-Term Security	Default → Neg Personal Credit Score
Practice Transition Appeal	Practice Transition Complexity

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Real Estate: Summary

- At the end of the day, the decision whether to lease or to buy office space should be a business decision, not an emotional one
- Utilize your CPA: analyze tax benefits and cash flow implications of each option.
- If you desire decision-making control, are willing to accept the risks of ownership, expect to be at the location for at least 7-10 years, and can afford the cash flow impact of the down payment and higher mortgage payments, then purchasing is a good option.
- If you favor mobility and flexibility, need to maximize cash flow (especially in a young practice), want to avoid the potential headaches of ownership responsibility, and/or have limited purchase options, then leasing is likely your best choice.

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Healthcare Real Estate Resource

Carr

- Free commercial lease or purchase evaluation
- Lease Analysis
- Lease Negotiation/Renegotiation
- Purchase vs. Lease Comparison
- Site Selection
- Demographics
- Heat Mapping

GET A FREE LEASE OR PURCHASE EVALUATION

Please fill out the form below and an expert agent will contact you for a free lease or purchase evaluation.

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CASE STUDY #3

1. Luna Family Optometry
2. Midwest Eye Professionals
3. **Happy Valley Optometry**



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LOVE IT OR LIST IT

CASE STUDY #3:
Happy Valley Optometry

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CASE STUDY #3: HAPPY VALLEY OPTOMETRY 2019

Year Founded	1986
Square Footage	2,500 sq ft, 3 lanes
Location	Downtown college town, 5/5 walkability
Year Built	2007
Occupancy	20-year lease, no purchase option
Docs	2.25 FTE
Equipment	Optos, auto phoropters
EHR	OfficeMate
Payor Mix	80% VCP, 20% Medical

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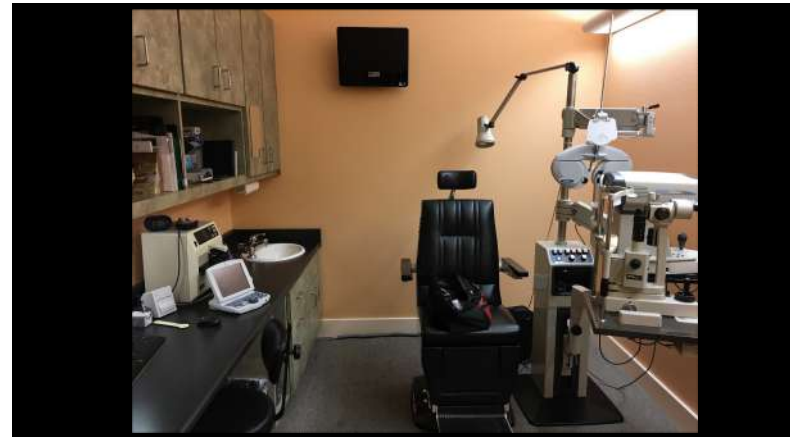
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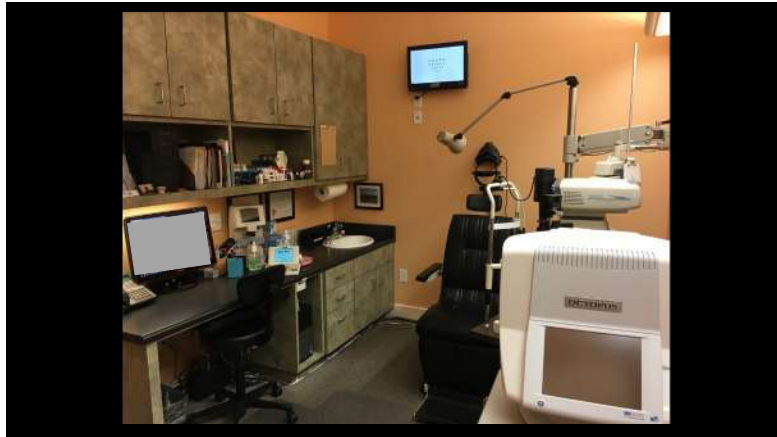
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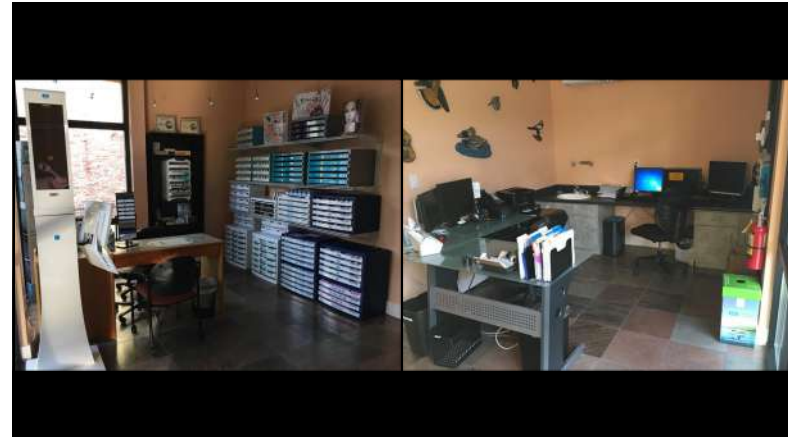
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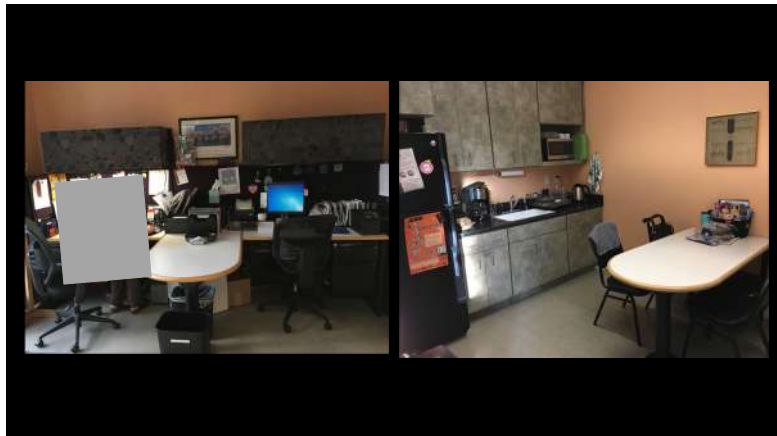
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CASE STUDY #3: HAPPY VALLEY OPTOMETRY 2019

STRENGTHS	History, reputation, location, pt population, owner age and enthusiasm
WEAKNESSES	Staffing, org chart, culture, IT, computers, phones, medical equipment, square footage, lanes, doctor clinical support
OPPORTUNITIES	Expansion, retiring O.D.s, O.D. pool, marketing, medical, OOP services
THREATS	VCPs, HMOs, adversarial competitor, climate change

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CASE STUDY #3: HAPPY VALLEY OPTOMETRY

YEAR	GROSS REVENUE	NET	NET %	COGS %	STAFF %	OD %
2016	\$2,723,610	\$669,704	24%	unavail	16%	13.5%
2017	\$2,791,000	\$680,000	24%	33%	17%	16.5%
2018	\$2,946,000	\$740,000	25%	33%	18%	17%

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CASE STUDY #2: MIDWEST EYE PROFESSIONALS

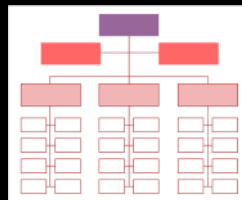
"LOVE IT" BUDGET?

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CASE STUDY #3: HAPPY VALLEY OPTOMETRY 2019

STAFFING SUGGESTIONS:

- Focus on Leadership
 - Hire Manager(s)
- Create org chart: silos
- Create Clinical Tech team
 - Hire 3 Techs to support Doctor Team
- Cost of Living Adjustments across-the-board
- Consider compensation strategy
- Review Benefits package
- "Career" page on website



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CASE STUDY #3: HAPPY VALLEY OPTOMETRY 2019

STAFFING SUGGESTIONS: SCHEDULE

- Ditch Saturdays (8:00 – 3:00)
 - Staff hate it
 - High no-shows
 - Quality of patients?
- No decrease in number of exam slots/week
 - Add weekday appointments:
 - 8:30-5:00 > 8:00-5:30
 - Add half-doctor more weekdays
- Less staff required for 5 day work-week vs 6 day work-week (Savings)
- Experiment with Alternative Work Week Schedule (4 ten-hour shifts)
 - Happier staff
 - Less over-time



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CASE STUDY #3: HAPPY VALLEY OPTOMETRY 2019

ONE-TIME INVESTMENT	COST	RECURRING INVESTMENTS	COST
New server	\$5,000	Legal Subscription	\$2,880/yr
Computers/scanners/printers/MO360	\$9,500	Practice Management Consulting	\$24,000/yr
Phones/wiring	\$10,000	HR subscription	\$750/yr
Website/branding	\$3,000	Second Optos lease	\$26,400/yr
Uniforms	\$6,000	Increased rent for Upstairs	\$31,200/yr
Expansion Upstairs (+1,800 sq ft)	\$15,000	Staff uniforms	\$3,000/yr
Security cameras/roll-down door	\$31,000	IT firm	\$13,000/yr
Clinic Remodel: architect, permit, construction, lost revenue	\$450,000	New Sick Pay staff benefit	\$27,500/yr
Upgrade Ophthalmic equipment	\$50,000	New QSHERA staff benefit	\$8,400/yr
3 New Lanes (oph equipment)	\$150,000	Staff Fun Committee	\$2,400/yr
Second pre-test room equipment	\$27,000	Off-site staff events quarterly	\$4,800
TOTAL	\$756,500	TOTAL	\$144,330/yr

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CASE STUDY #3: HAPPY VALLEY OPTOMETRY 2019

OTHER WAYS TO INCREASE REVENUE

1. Increase Optos Fees (\$18 > \$39)
2. Increase Optos acceptance rage
3. Increase CL fitting fees (Level 1 previously \$28!)
4. Decrease no-show rate (9.6%): confirmation calls
5. Add cash-pay services:
 - Myopia management
 - Ortho-K
 - Dry Eye
 - Migraine Center

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CASE STUDY #3: HAPPY VALLEY OPTOMETRY 2019

COG SUGGESTIONS

- Contact Lenses:
 - Focus on **one** vendor to maximize rebates
 - Update pricing to match 1-800 or ABB MSRP
- Frame inventory
 - Reduce # of frames: 2,020 → 800
 - Revamp frame pricing: 2.75-3x mark-up
 - Add In-House Frame Line
 - UNCO
 - YourBrandEyewear.com
 - Free shipping vs Static Frame Board
- Ophthalmic lenses
 - Reduce lens options
 - Raise lens prices

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CASE STUDY #3: HAPPY VALLEY OPTOMETRY 2019

DECREASE EXPENSES

1. Credit Card Merchant fee: from 2.7% to 2.1%
2. Call Center

METRICS

- Not previously tracked
- Discuss with team
- Set goals
- Incentives
- Monitor regularly

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CASE STUDY #3: HAPPY VALLEY OPTOMETRY

Valuation Method	Multiplier	Valuation	Assumption(s)
#1: 70% of 3 Yr Avg Annual Gross Revenue =	0.70	\$1,974,142	No real estate for any option
#2: % of 3 Yr. Avg. Wtd. Net (+ Assets + Adj. A/R x multiplier)=	1.20	\$1,673,758	Adj. A/R=\$220K; Assets=\$500K
#3: % of 3 Yr. Avg. Wtd. Net + Assets + Goodwill =	n/a	\$1,674,798	Goodwill=\$300K; Assets=\$500K
#4: 3 Yr Avg. EBITDA with Multiplier Option A =	5.00	\$2,379,225	
#5: Wtd. EBITDA Option B (x multiplier) =	4.25	\$2,037,954	

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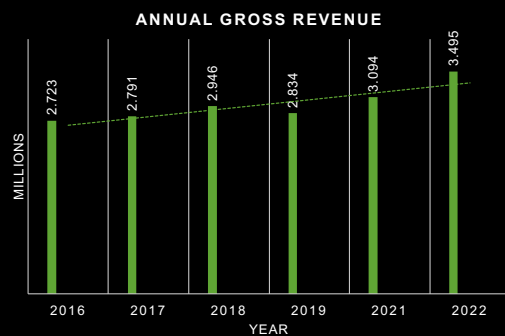
VOTE: WHAT WOULD YOU DO?

1. Luna Family Optometry
2. Midwest Eye Professionals
3. **Happy Valley Optometry**

LOVE IT OR LIST IT

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CASE STUDY #3: HAPPY VALLEY OPTOMETRY 2019



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CLOSING ARGUMENTS

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WHY "LIST IT"?

- NON-FINANCIAL REASONS (PULLS):
 - Clock in and out
 - Rest & relaxation!
 - More time with family/hobbies!!
- NON-FINANCIAL REASONS (PUSHES):
 - No more EHR/HR/etc.!!!
 - Target for lawsuits
 - Internet outages, IT, HIPAA, credentialling, authorizations, billing
 - Staff drama, demands, negotiation, turn-over
 - Professional isolation

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WHY "LIST IT"?

- FINANCIAL REASONS:
 - Cash out now for large lump sum or monthly payouts, which you can enjoy &/or invest
 - You can always buy or start another practice & flip it, too!
 - You're going to have to sell at some point (at least we hope so!!)

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WHY "LOVE IT"

- NON-FINANCIAL REASONS:
 - Pride and joy
 - Stimulation, challenge, reward; even the 1% matters
 - The opportunity to innovate and evolve
 - Wow patients; stand out
 - Easier to attract top talent; build your own team
 - Set up your practice so it works for you
 - Necessary steps to progress from OD > CEO > Business Owner
- FINANCIAL REASONS:
 - Higher annual income, compounded over a career
 - Higher practice resale value...

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OWNER VS EMPLOYED OD

Self-employed ODs
made an average of
\$215,634 in 2022

Employed ODs
made on average of
\$141,635 in 2022

Consider that difference over a 25-to-40-year career

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OWNER VS EMPLOYED OD



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"Practice ownership continues to be the path to greater financial gain for optometrists."
Review of Optometric Business

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OWNER VS EMPLOYED OD

Intangible Benefits

- Control
- Pride
- Power

Tangible Benefits

- American tax system rewards owners
 - Tax deductions:
 - Professional dues
 - Travel
 - Health & disability insurance
 - Eventual Sale of Practice



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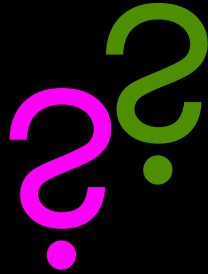
THE END!



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THANK YOU!

Dr. Julie Helmus, OD
Helmus Optometry
dr.julie.helmus@helmusoptometry.com



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Real Estate: Resources

Steward, Janet Kidd. "Leasing vs. buying medical office space" Medical Economics, Jun 14, 2018; Vol 95, Issue 12.

Fabian, Karina. "Outgrowing Your Office Space? Should You Lease or Buy?" <https://www.business.com/articles/leasing-vs-buying-office-space/>. Jan 08, 2018

"Deciding Whether to Lease or Buy a Business Facility." Wolters Kluwer - Office Management & HR. <https://www.bizfilings.com/toolkit/research-topics/office-hr/how-to-decide-whether-you-should-lease-or-buy-a-business-facility>

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**On behalf of Vision Expo, we sincerely thank
you for being with us this year.**

Vision Expo Has Gone Green!

We have eliminated all paper session evaluation forms. Please be sure to complete your electronic session evaluations online when you login to request your CE Letter for each course you attended! Your feedback is important to us as our Education Planning Committee considers content and speakers for future meetings to provide you with the best education possible.



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