

Growing

a Successful Dispensing Practice

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(Editor's note: This is the second of a two-part series. The first part appeared in the November/December 2000 issue.)

The first installment of this article touched on such issues as better hearing for better life, the benefits of one-stop shopping, and "selling up by selling down." This final segment will address the package deal, saving the sale, the bottom line, and other observations that we hope will be useful to those whose practice is still a work in progress.

We begin with the suggestion that you cover all the bases. Have quality products for every pocketbook. Make patients feel good about their purchasing decision, regardless of price. Help them avoid buyer's remorse.

We're currently promoting entry-level amplifiers for a select group of first-time users who are baby boomers with mild hearing loss. These "reading glasses for your ears" are useful in breaking down purchase barriers and tapping that huge 80 percent unserved population that everyone talks about. We offer these consumers the opportunity to upgrade to custom products within three months with 100 percent credit for their entry-level amplifier.

Next, consider the package deal. It is difficult to convince a patient who has just written a check for \$3,000 to \$5,000 to pay even more for an extended warranty, a lifetime supply of batteries, loss and damage coverage,

and routine maintenance. Rather than put the patient in the position of having to purchase something more, we prefer to allow the option of buying less if they wish.

We structure our hearing instrument pricing to include these extras. If the patient balks at the package, they can opt out. If they accept the package deal, the practice retains a bit more up-front margin. By carefully studying the true costs for providing these value-added services and adding a reasonable mark-up, the practice can claim an additional 3 percent to 5 percent of gross margin on most transactions.

Some of this income for prepaid services will be used to uphold your end of the contract, of course, but the bulk of this bonus revenue will be retained by the practice. One caveat is to be sure that the deductible for loss and damage is at least as high as 50

percent of your cost for a replacement aid.

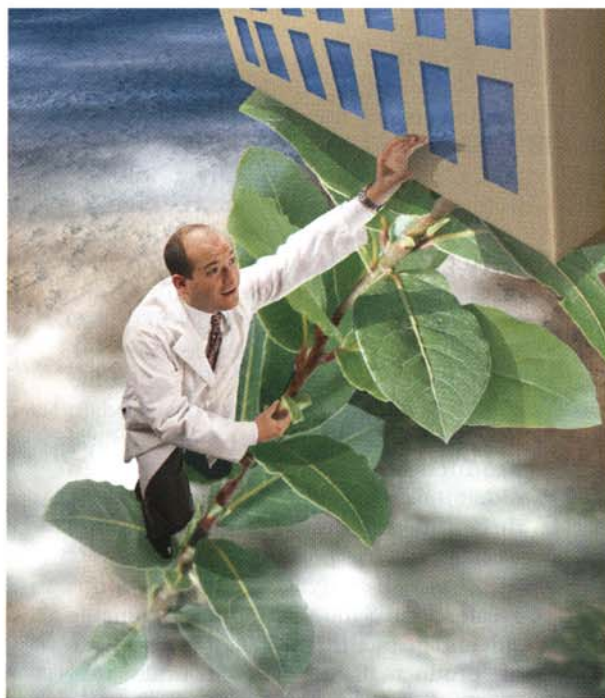
Remember the adage, "A penny saved is a penny earned." Arrange your retail price book by hearing aid style. Within each style category arrange products by circuit type beginning with the best: digital, programmable analog and non-programmable hearing aids. Within these categories arrange each product in order of gross margin (the difference between your cost of product and the retail price), beginning with the highest margin. Be mindful of the reality that the retail price spread might be quite narrow within a particular category, but the actual gross margins on these products could differ by tens of dollars.

When you and the patient have determined the selling price range and several aids in that range would work equally well for the patient, choose the model that yields the practice the highest gross margin. Done consistently, this strategy will yield thousands of dollars of additional margin by year's end.

It is imperative at today's prices that the practice offer several time-purchase options.

We recently did an extensive study of all our costs, reimbursement rates and revenue. It will come as no surprise to you that third-party payments for traditional diagnostic services are at an all-time low. This fact of life has caused everyone to focus much more carefully on the cash segment of our work. We would have to perform 15 ABRs to equal the margin on the sale of one binaural set of programmable analog hearing aids. We would have to do nine ENGs to realize the same margin.

If you are bogged down in performing diagnostics and can't pay full attention to dispensing, hire someone to help you. Create a hearing aid ▸



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PHOTOILLUSTRATION BY CHRISTOPHER WOFFORD

clinic within your busy diagnostic practice. You must make the time and hire the personnel to make this a reality.

The average patient returns to our clinic just 2.6 times in the first post-fitting year. These visits cost us \$84 total, including the cost of the clinician's time and general overhead. A typical follow-up appointment for free hearing aid adjustments or modifications costs us about \$32, or \$84 divided by 2.6. How many \$32 visits would you be willing to provide to save a \$4,000 fitting?

The point is this: Do whatever it takes to preserve this transaction and satisfy the patient. Another point is don't focus on the trial period and use this as an escape clause; to do so only sets up an expectation of failure. Condition patients to believe that no matter how long it takes, you will find solutions to their problems. This may entail switching to another product. No matter—the few dollars you lose in follow-up care is insignificant relative to the cost of losing the transaction altogether. No one can sustain a practice on cancellation fees.

One of the most effective tools we have purchased in a very long time is the MedRx OtoWizard, which allows us to perform audiometry, ANSI tests, probe microphone measurements, hearing aid programming and video-otoscopy. Two of the most important functions of this instrument, from a business standpoint, are hearing loss simulation and real-time speech mapping. We use the simulation function to allow significant others to hear what the patient is missing. This is a powerful motivator and inducement to purchase appropriate amplification.

Real-time speech mapping takes traditional probe mic measurements to new heights. Instead of using tonal or noise stimuli, the stimulus is actual speech amplified into the patient's supra-threshold "speech canoe." We use live speech to optimize the fitting by programming the aid while the patient witnesses the process on a 17-inch color monitor. The OtoWizard has paid for itself many times over in offering more precise fittings in less time and in saving several sales. We don't know what we would do without it.

Anytime you are doing clerical or technical-level functions, you are losing money. You are a skilled clinician, not a secretary. Off-load as many of these tasks as possible. We have trained support staff to do basic troubleshooting, cleanings and checks, simple repairs, history/interviews and more.

The audiologist jumps into the transaction when his or her expertise is required. The model is the physician assistant, nurse practitioner or the dental hygienist. By the time the physician or dentist sees the pa-

tient, the clinician has been supplied with 95 percent of the information necessary to begin treatment. This is a huge time saver.

A final recommendation is to get a dictation machine and learn to use it. You can talk 15 times faster than you can write or type. Keep letters to referral sources brief and factual—no one wants to read a thesis on the patient's condition!

One of the most effective techniques for creating traffic to your practice is to speak personally to highly targeted groups of potential buyers. Most hospitals have seniors clubs or self-help groups that meet regularly to hear about the latest treatment options from experienced practitioners. We have partnered with local hospitals to provide this sort of information. The hospital uses its extensive mailing lists (and pays the postage) and places large newspaper ads to announce our seminars.

We make a 30-minute presentation prior to a luncheon and a question-and-answer session. We bring hand-outs, product literature and a screening audiometer. If 50 people attend our program, 10 will book ap-

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pointments, and five will purchase products. For little or no cost, we capitalize on the hospital's "hallow effect." Be certain to bring your appointment book to these sessions!

As mentioned above, we recently did a careful analysis of our costs, margins and prices. Our data confirmed most of our preconceptions regarding profitability. We'll give a few examples. Aside from doubling the cost of goods sold, the cost of the audiologist's time and general overhead do not increase substantially when binaural products are dispensed rather than monaurals. Indeed, the margin is nearly three times greater with binaurals than monaurals across product types.

In our self-study we realized a bonus greater than \$400 for nonprogrammable aids and greater than \$800 for programmable products that were fit binaurally, relative to dispensing the same number and type of aids monaurally. The margin-to-audiologist's cost ratios for monaural and binaural fittings were 4.4:1 and 10.8:1, respectively. That is, for every dollar we spent on

the clinician, we realized margins of \$4.40 and \$10.80 for monaural and binaural fitting respectively. Our net margins were some 4 percent higher for programmables than for nonprogrammables, despite the fact that the cost of goods sold is higher for programmables.

Choosing binaural programmable instruments is nearly always beneficial to the patient and the practice alike. Uncouple the second aid from any cancellation fee during the trial period as an inducement for the patient to experience binaural sound. You and the patient will appreciate the results!

Is there more to the profit story? Of course there is. For every hour that a good manager spends implementing new processes or procedures, he or she probably spends 10 hours planning and ruminating about those decisions. There is no easy path through the minefield of business. There is a lot of trial and error, disappointment and re-evaluation that accompanies the joy of self-determination and relative autonomy.

Any clinician with 30 years of business experience could have written this paper. The trick is to have the wisdom of your elders when you still have a long career ahead of you. Any colleague who has comments or questions about this article is welcome to contact the senior author.

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