Evaluating New Technology: Cost vs Benefit Considerations

Karol A Gutowski, MD, FACS

24th State-of-the-Art in Facial Aesthetics
Hilton Riverside, New Orleans, LA
March 23-26, 2017
Disclosures

Suneva Medical - Instructor
AxcelRx Pharmaceuticals - Advisory Board

May use brand names due to lack of distinguishing generic names
Levels of Evidence and Qualifying Studies (Therapeutic Studies):

I  High-quality, multi-centered or single-centered, randomized controlled trial with adequate power (N \geq 100); or a systematic review of these studies

II Lesser-quality, randomized controlled trial; prospective cohort study; or systematic review of these studies

III Retrospective comparative study; case-control study; or a systematic review of these studies

IV Case series

V  Expert opinion; case report or clinical example; or evidence based on physiology, bench research or "first principles"
What is the best way to get a laser rep to stay out of your office?
Buy their laser!
I’m going to make big $$$ off this laser!

You’ll make big $$$ off this laser!

I’ll make big $$$ off this laser!
I’m going to make big $$$ off this laser!

You’ll make big $$$ off this laser!

I’ll make big $$$ off this laser!
My Doc is making big $$$ on this!

Your Staff
My Doc is making big $$$ on this!

Too bad it doesn’t work... But I have to make the sale.

Your Staff
Questions to Ask Yourself

- How does this fit into my strategic plan?
  - Do I have a plan?
- Adding a new service or just refining a current one?
- Can I do this a different way
  - Chemical peel vs laser
- Am I offering non-invasive & minimal downtime options?
  - Not all devices have minimal downtime
- Can I get out of this if I don’t like it?
  - Easy for skin care products & injectables
  - Hard for devices
Who is Driving the Demand?

Is this a response to my patient needs or to marketing hype?

Does your plastic surgeon do the LaserLift Breast Augmentation© I just saw on Dr Oz?
What is Good to Have?

- Something that few others have
  - Laser hair removal is a commodity
- Facial skin rejuvenation
  - Multiuse platform
- Fat reduction
- Skin tightening
- Staff delegated & operated
  - Expand revenue sources
Local Market Issues

• Underserved or saturated?

• Ride someone else’s marketing wave?

• Losing patients to other providers?
Source of Additional Procedures

• Patients willing to come in for a nonsurgical “Laser Eyelid Lift” consultation
• May be more open to a surgical procedure
Source of Additional Procedures

• May come for the “LaserLipo” but be more open to surgical procedures (Mommy-Makeover) after getting educated about options

Don’t do “Bait & Switch”
Source of Additional Procedures

- Success with non-surgical procedures builds trust for a surgical procedure

Happy with results of fillers, then Ultherapy

Demands I do her tummy tuck!
Procedure Spillover

• Non-invasive to invasive
• CoolSculpting
  – Liposuction
  – Tummy tuck
• Invasive to non-invasive adjuncts
  – Laser resurfacing after blepharoplasty
• Injectables & energy-based devices
  – Total nonsurgical facial rejuvenation
“Fix my Neck, but Surgery is NOT an Option”
“Fix my Neck, but Surgery is NOT an Option”
But Laser-Assisted Lipo is an Option
What Else can You Do for Me? Fillers
Not a Necklift, but Happy Enough to Have More Treatments...
...Like Laser Eyelid Tightening

Now a Practice Promoter
Grow the Pie or Re-Slice the Pie?

- Grow your practice or just change it
- Patients may have a fixed budget for services
- Need to bring in NEW patients
Grow the Pie or Re-Slice the Pie?

• Grow your practice or just change it
• Patients may have a fixed budget for services
• Need to bring in NEW patients

Total $100K

- Surgical: $70K
- Nonsurgical: $20K
- Product Sales: $10K

---

- Grow your practice or just change it
- Patients may have a fixed budget for services
- Need to bring in NEW patients

---

- Surgical: $70K
- Nonsurgical: $20K
- Product Sales: $10K

---

Total $100K
Grow the Pie or Re-Slice the Pie?

- Grow your practice or just change it
- Patients may have a fixed budget for services
- Need to bring in NEW patients

<table>
<thead>
<tr>
<th>Nonsurgical</th>
<th>Surgical</th>
<th>Product Sales</th>
<th>New Device</th>
</tr>
</thead>
<tbody>
<tr>
<td>$20K</td>
<td>$50K</td>
<td>$10K</td>
<td>$20K</td>
</tr>
<tr>
<td>$20K</td>
<td>$70K</td>
<td>$10K</td>
<td>$20K</td>
</tr>
</tbody>
</table>

Total $100K + Device Payments
Grow the Pie or Re-Slice the Pie?

- Grow your practice or just change it
- Patients may have a fixed budget for services
- Need to bring in NEW patients

Re-Slice

**Total $100K**
- Product Sales $10K
- Nonsurgical $20K
- Surgical $70K

Grow

**Total $100K**
- New Device $20K
- Surgical $50K
- Product Sales $10K

Pay off device

**Total $150K**
- New Device $30K
- Surgical $75K
- Product Sales $15K
- Nonsurgical $30K
Projected Revenue ≠ Profit

You just worked 12.5 months to make the device manufacturer money

---

**Procedure Practice Economics**

**1 PATIENT PER WEEK**

- Average of 4 cycles per patient
- Average cycle cost to patient\(^*\) = $675
- Average cycle cost to practice\(^**\) = $125
- Average cycle revenue to practice = $550

---

**12.5 MONTHS TO PAY OFF SYSTEM**

<table>
<thead>
<tr>
<th>Practice revenue per week:</th>
<th>$2,200.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Practice revenue per month (1 wk x 4):</td>
<td>$8,800.00</td>
</tr>
<tr>
<td><strong>PRACTICE REVENUE PER YEAR:</strong></td>
<td><strong>$105,600.00</strong></td>
</tr>
</tbody>
</table>
Additional Costs

Marketing Costs

Staff Costs

Revision Costs

Lost Procedure Costs

Space & Overhead Costs

Procedure Practice Economics

1 PATIENT PER WEEK

- Average of 4 cycles per patient
- Average cycle cost to patient = $675
- Average cycle cost to practice = $125
- Average cycle revenue to practice = $650

12.5 MONTHS TO PAY OFF SYSTEM

Practice revenue per week: $2,200.00
Practice revenue per month (1 wk x 4): $8,800.00
PRACTICE REVENUE PER YEAR: $105,600.00

16 cycles/month model
National average is 91 cycles/month
Increased Revenue ≠ ROI

• Consider for your **Return on Investment**
  – Initial capital outlay
  – Disposable costs
  – Service contract
  – Staff costs
  – Overhead
    • How many $$$ per hour will this room make?
  – Marketing
Marketing Costs

- Does device come with marketing material
  - Is it any good?
- Word of mouth is best
  - Initial reduced cost treatments
  - Select “promoter” patients
- Budget for marketing
  - Local media
  - Website changes
- GroupOn can lose YOU money
Internet Marketing + Conversion is Key

• **Budget** for your new device
• **Key word searches**
  – Expect $100 to $200 per lead
• **Convert** the *qualified* lead to a consultation…
• …then to a procedure
  – Need *staff training*
  – Good conversion rate is >70%
• Keep them coming back for more
• “Device Ambassador” to bring *new patients*
Deferred ROI

- Don’t expect a positive ROI in the 1\textsuperscript{st} year
  - Or 2\textsuperscript{nd} year...
- Track your costs & revenues
  - Assess regularly
- Don’t create a monster you don’t want to feed
Regulatory & Liability Issues

• Device operated by technician
  – Do you need to be on site?
• Notify medical liability carrier
  – May increase premiums
• Additional staff training
  – Laser safety officer
• Organizational challenges
Rent Per Use (Per Day)

- No worries about:
  - Capital investment
  - Long-term contracts
  - Maintenance
  - Obsolescence
  - Storage space
- Dedicated technician
- Many devices
- “Try before you buy”
- Scheduling issues
- Less revenue (split with owner)
Buy Pre-Owned on Secondary Market

• Tend to be older devices
• May not matter
  – Fractional CO2 laser
• After sale service
  – Not likely from manufacturer
  – May come from secondary seller
  – Independent service companies
  – May come with warranty
• May take a “trade-in”
Examples
Lease to Own

• Usually a purchase with initial payment + monthly payments for 2-3 years
• Financing may be through 3rd party
• Allows for small capital investment
• Hope monthly profit exceeds payments
• Don’t expect to return it
Buy Demo Model

- Tend to be current
- May be “worn”
- Usually “certified”
  - Warranty
- Still have manufacturer relationship
- Not many available
- Establish relationship with rep
Buy New

- Large capital investment
- Get it when you want it
- Less risk of device problems

Letter to the Editor

Counterfeit Medical Devices: The Money You Save Up Front Will Cost You Big in the End

W. Grant Stevens, MD, FACS; Michelle A. Spring, MD, FACS; and Luis H. Macias, MD
What is the Goal?

• Is there an option with less capital outlay & same result

• Submental contouring
  – Traditional Liposuction $ 
  – Laser-assisted SmartLipo $$$$$$$ +$ 
  – Kybella $$ 
  – CoolSculpting $$$$ +$ 
  – Ultherapy $$$$ +$
Multiple Treatment Areas?

• Can you use this in multiple areas?

• Submental contouring
  – Traditional Liposuction  ++++
  – Laser-assisted SmartLipo  ++++
  – Kybella  +
  – CoolSculpting  ++
Other Considerations

• Tax implications
• Depreciation
• Realistic use
• Base price of device
  – High cost but low consumable & service costs
  – Low cost but high consumable & service cost
What to Negotiate

- Extended service contract
- More disposables
- Return after 3 months if not satisfied
- Marketing budget
- Financing terms
- Additional staff training
Device Legal Limitations

• Price limitations
  – Not allowed to advertise services below a certain price per treatment

• Location limitations
  – Not allowed to move device to other locations
  – May void warrantee if moved
Practical Issues

• Ventilation
• Power sources
• Storage space
• Scheduling
• Staff training
New Business Model: **You** Pay the Device Company!

- **CoolSculpting**
  - Pay per application area

- **Ultherapy**
  - Pay $1 per line
  - Full face: 800 - 1000 lines
  - Necks: 300 - 400 lines

- Makes “touch-ups” expensive
Results not Great – Back Up Plan?

• Surgeons can “backstop” the device
• If results suboptimal, can still offer
  – Liposuction
  – Skin excision
  – Other modalities
• Reduced price
Talk Before You Buy....

• Talk to your staff
• Ask your patients
  – “We may be offering RadioFrequency Rhinoplasty ©, what do you think?”
• Discuss with your accountant
• Ask rep for 3 users to talk to...
• ...then also find others (Google)
• Talk to Hot Topics instructors
Think & Have a Plan

• Energy devices can grow a practice if done in a logical way with a business plan
• Otherwise,