Adding a New Device to Your Practice: Cost vs Benefit Considerations

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Disclosures

RTI Surgical - Advisor
Suneva Medical - Instructor
Angiotech/Surgical Specialties - 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!
You’ll make big $$$ off this laser!

I’m going to 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!

Maybe

You

Laser Rep
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
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
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Total $100K

- Surgical $70K
- Nonsurgical $20K
- Product Sales $10K
Grow the Pie or Re-Slice the Pie?

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- Need to bring in NEW patients

Nonsurgical

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

Total $100K

Surgical $50K
New Device $20K
Product Sales $10K

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

**Nonsurgical**
- $20K

**Surgical**
- $50K

**Product Sales**
- $10K

**New Device**
- $20K

**Total** $100K

**Pay off device**
- Total $150K

**Surgical**
- $75K

**New Device**
- $30K

**Product Sales**
- $15K

**Nonsurgical**
- $30K

**Total** $100K
Projected Revenue ≠ Profit

You just worked 12.5 months to make the device manufacturer money

- 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

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
Additional Costs

Marketing Costs

Lost Procedure Costs

Staff Costs

Revision Costs

Space & Overhead Costs
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)
Examples

Synergy One
888-899-1860
your rental solution

FORTEC Medical

Laser Service Solutions
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

[Images of various websites and logos including Sentient, MedPro, Inc., DOTmed, MEDLaserTRADER, and Rock Bottom Lasers]
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

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Zerona
Average cost: $1,650
141 reviews

CO2 Laser
Average cost: $2,650
292 reviews
Think & Have a Plan

• Energy devices can grow a practice if done in a logical way with a business plan
• Otherwise,
Adding a New Device to Your Practice: Cost vs Benefit Considerations

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