

Looking at the Practice Ownership Model

New Financial Options for Independents



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NEW YORK – Having the wherewithal to successfully compete as an eyecare professional and a business person can be a daunting challenge, particularly for independents. In today's lightning-fast changing competitive climate, health care system requirements, new digital technologies and a host of other financial issues and operational concerns are spurring new levels of investment now within the optometry and ECP communities, very visibly, from private-equity-backed groups, who are moving to put together regional groups along with single offices in some markets. They are reshaping the delivery of vision care to millions of patients.

But the same competitive conditions are now fostering other business model proposals and practice options for independent optometrists, specifically. These programs also involve helping independent ODs with the business-demands of practice. The mechanisms and support programs are not always involving a so-called traditional private equity aggregation of independents within a larger framework.

They are new programs, emerging from companies within the vision care/optical space, many of which are debuting this year. These programs offer new practice alternatives to the single-office optometric practice and create new models that can appeal to new practices who are just start-

ing out, two-to-five-year practices who are looking for ways to keep going while minimizing risk, and active practices with five or 10 or even 15 years under their belts that have established a presence with patients in their community but still need operational and financial support. Even the group of older ODs who are starting to examine practice transition or exit options and want to plan those can consider these new programs.

Vision Monday presents here interviews with five such programs that are likely to become more visible as they revisit traditional individual practice ownership structures to offer options for ODs across the country. ■

Vision Source

'Next' Program Offers Services To Support Private Practice ODs

KINGWOOD, Texas—Perhaps lost in the initial response to Vision Source's launch of its Vision Source Next program was just how broad and comprehensive the program intends to be, and how it has a range of offerings for optometrist practitioners across all stages of their career.

As Vision Source executives unveiled the details of Vision Source Next in May at the annual Exchange meeting, the attention fell upon the group's plan to support the opening of up to 10 new practices in the Dallas/Fort Worth area by year's end. In the three months since Exchange, Vision Source has been able to showcase new marketing initiatives around Vision Source Next and to provide more details around the breadth of the program that go beyond Dallas-Fort Worth.

"We've progressed very positively since we kicked [this] off at Exchange," chief operating officer Jeff Duncan said in a recent interview with Vision Monday. He noted that a dedicated website and marketing program for "Next" have provided a more holistic context to the initiative. "Opening practices in a specific market is just one component, or one piece, of Vision Source Next," Duncan said.

He added, "The entire initiative is [about] how can we help this next generation of private practitioners." This might be through finding a position as an employee of a Vision Source member practice, or it might be helping an existing member navigate expansion plans that would add a location or add an exam lane, or, potentially, helping a doctor start a new practice or acquire an existing location.

About 10 percent of the ECPs across Vision Source's 3,300-plus locations have expressed interest in some form of the Vision Source Next program, president and chief executive officer Jim Greenwood told VM.



(L to R) Vision Source's Jeff Duncan, founder Glenn D. Ellisor, OD, and Jim Greenwood.

Greenwood said the "Next" program is designed so that it can touch upon the four milestones in an optometrist's roughly 40-year career. These are: first, deciding to open a new practice and having to make the decision of where it's going to be. "There's nothing more important, arguably, than where your practice is located," he said. The next milestone is hiring an associate, followed by deciding either to expand the existing footprint or add a new, second location.

"The final milestone is how do I realize or monetize the value of the practice that I have built," he said. "It's that whole spectrum that we are trying to solve for with this. The DNA of our membership is so grounded in private practice, this is something that we really had to do. We have to reduce the barriers in the minds of the young doctors about going in and owning a practice, whether it's in an urban setting or a rural setting," he said.

Another of the motivations for Vision Source Next, according to Greenwood, was feedback received from members in the context of current industry dynamics. "For the last five or six years, our outbound marketing was really focused on the private practice ODs who were not part of Vision Source," he said. "We wanted [these non-members] to understand who we are, and we invested very little in the younger ODs who were either getting out of school or just starting down their career path."

He also noted that Vision Source has roughly 700 members operating practices in rural markets, and addressing the career stage of those doctors is "a very important element" of Vision Source Next.



A dedicated website for "Next" has helped provide a more holistic context to the program.

These are doctors in smaller towns who might be nearing the end of their careers, and who may not have a succession plan in mind.

One way to address this is to help younger ODs and new graduates to better understand and appreciate the value of working and living in smaller towns, the executives said. New graduates today tend to prefer practicing in larger metropolitan areas.

Another element Vision Source Next addresses is highlighting the virtues and advantages of private practice optometry. "There is a belief within Vision Source, both here at the support center and among our membership, that the private practice story has not been told to the student population and to folks who have ended up in corporate-affiliated settings," Duncan said.

Greenwood also noted that few Vision Source practices have been acquired by outside investors. "Most of the private equity groups are going to be more interested in aggregating some mass. To go into a market and buy 10, 15 or 20 separate doctor practices is .. hard to manage," he said.

Duncan added, "When you boil it all down, what we're trying to do as the leader of private practice optometry is to make sure that private practice optometry can be successful for the long term. This was not just our idea at the member support center, but this was our members coming to us and saying that we have needs in these particular areas." ■



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Rev360

RevAdvance Program Designed To Sustain a Practice's Legacy

MADISON, Wis.—Five months into the launch of a new practice ownership structure for independent eyecare professionals, Rev360 executives are pleased with the response the new RevAdvance “partnership model” has received and the operational progress the initial OD practices in the program have experienced.

“Things are going very well and RevAdvance is officially on the map,” Rev360 chief executive officer Scott Jens, OD, said in an interview.

Rev360, a software and business services company that delivers the RevolutionEHR platform, publicly debuted the RevAdvance model in March. One of its objectives is to provide optometrists who want to remain independent – or have their practice remain independent – a means to do this while retaining a minority ownership stake. As such, RevAdvance is an option for independents who want to continue the legacy of their practice.

RevAdvance began with an incubator group of practices that were the first in the program in late 2017, and RevAdvance is on track to achieve planned 2018 growth objectives, he said.

rev360

The RevAdvance program is an alternative concept designed around “an extended partnership” that calls for RevAdvance to invest in practices by purchasing between 60 percent and 80 percent of the equity (with valuation based upon a financial multiple that provides fair-market value). The doctor (or practice owners) retains the remainder of the ownership. In this way, the OD remains engaged with the practice for a defined term and assists RevAdvance in optimizing and growing the business. At the appropriate time, associate doctors at the practice (or outside ODs) can transi-



Rev360 chairman Gunnar Bjorklund (l) and chief executive officer Scott Jens, OD, say one long-term objective of RevAdvance is to create a “compelling service and an opportunity for partnership with our customers.”

tion into equity partners of the practice as a way of bringing along the next generation of leaders and providing the original practice owner an exit strategy.

“Our goal is to sustain the practice’s legacy in its community,” Jens explained. “The doctor keeps seeing his or her patients [and] patients don’t see any change and the practice has an enduring quality about it.”

Rev360, which is approaching 6,000 optometrists in its RevolutionEHR user base, operates RevAdvance as a separate company under its corporate umbrella. Rev360 chairman Gunnar Bjorklund and Dr. Evan Pritchett, Rev360’s senior executive involved with the RevAdvance, are overseeing the initial aspects of the program.

“We will always have a doctor in 20 to 40 percent ownership of the practice,” Jens said. “So if a doctor was interested in 100 percent opportunity, which some of the offerings in the market give them, then we would have to take a slower approach with them and work with them to find a doctor who is willing to take at least a 20 percent stake. We will always hold our [maximum] level at 80 percent so the practice has always got that doctor-owner perspective in the community.”

According to Bjorklund, the long-term objective or RevAdvance is to create a “compelling service and opportunity for partnership with our customers.” The key criteria Rev360 is using to review RevolutionEHR users who may want to participate in the RevAdvance program are philosophy, direction and outlook on the optometry profession. “We’re looking for doctors who want to ensure the quality of their practice, who want to continue to make sure that their patients are served well and

who bring scale, acumen and resources to their business,” he added. “The first thing we would do with any customer who raises his or her hand to [show interest], is we would make sure that we have a good philosophical alignment..... We are looking more for customers who ‘lean in’ and want to do this and who want to continue to ensure that legacy. That’s by far No. 1 for us.”

Jens said in the early stages of RevAdvance the program is most interested in moderately performing practices since these will be the practices that become part of the early set used to guide the vision of Dr. Pritchett. In addition, RevAdvance is looking at regions that are more urban than rural and where RevolutionEHR users have a strong presence.

RevAdvance has “gotten more than ample interest” for 2019 among practices familiar with RevolutionEHR software. “The more are customers align with how we operate and use our services, the easier it is for us to assimilate a new partner [within RevAdvance],” Bjorklund said.

“Long term, obviously, we are looking to do something that is pretty broad,” Bjorklund added. “Here and now the answer, we think, is that you should crawl and then walk and then run. So we are going to be somewhat careful about how many specific locations and regions that we service ... [and] that will expand over time.”

He added, “It’s paramount to us that we maintain patient satisfaction and doctor and staff satisfaction. That’s the right approach, as opposed to the maximum approach in terms of driving the business side. It is clearly something that we are looking to do [drive the business], but we are looking to do it in a thoughtful way that is compatible with good patient care.” ■



Associates in Eyecare

A Unique Acquisition Model, Where Local ODs Keep a Stake

ASHBURN, Va. – Growing organically and with well-chosen local partners, Associates in Eyecare (AIE), a business group of optometrists in the D.C./Northern Virginia area, has been carefully building its presence, augmenting its doctors' talents and equity stakes with professional operations managers in an approach that has enabled the group to grow to 10 practices today.

To hear some of the founding partners tell the story, AIE's expansion has been fueled by a combination of factors. One is a common entrepreneurial spirit among its founding doctors, who brought their prior experiences to shape a new idea of how to run the business side of their practices while focusing on patient care. After establishing a broader foundation of offices was the vision to identify other optometrists in their nearby market area – some serving different demographics and patient bases – and with those office acquisitions give each optometrist a significant equity to work together with the executive partners to maximize systems and support with the flexibility to focus on their own practice specialties.

Drs. Rob Allen, Tiffany Lione and Hieu Vu-Gia all studied at Pennsylvania College of Optometry, and were friends in school, although graduating in different years. Dr. Allen in 1998, Vu-Gia in 1996 and Lione in 1997.

Each began to practice on separate paths. Dr. Allen, who today is CEO of Associates in Eyecare, originally bought a small practice, in Chantilly, Va. And then a second office in Ashburn, “working constantly,” he recalls.

Dr. Lione had been working as an associate at another practice in the area. Dr. Vu-Gia was a clinic director at a TLC laser center in Tyson's Corner. Drs. Lione and Vu-Gia had talked about options with Dr. Allen of Ashburn Eyecare Associates, and they started the Stone Ridge office in 2004. Dr. Paul



(L to R) Dr. Paul Colbourne, Secretary; Dr. Robert Allen, CEO; Dr. Tiffany Lione, President; Dr. Hieu Vu-Gia, Vice President.

Colbourne joined Stone Ridge in 2005 and became a partner in 2007. The team then opened the Oakton location in 2010. In 2015, another doctor approached the team to start a new office. And just after that, in December 2015, was when the group started office acquisitions. Those doctors were not offered equity in the total group, but they would be acquired and keep a stake in their office. Today AIE has four executive partners, Dr. Allen as CEO, Dr. Lione as president, Dr. Vu-Gia as vice president and Dr. Colbourne as secretary.

“We envisioned additional offices where each had an optometrist who would be an equity partner, so that everyone's commitment was not only professional but personal, with a financial incentive to succeed,” Lione explained. “As executive partners, the four of us make decisions together. But the other offices' equity partner/doctor also each have a voice.”

Kyle Bigos, now COO for the group, said there were a total of nine office locations in 2017, seven in Northern Virginia and two in Washington, D.C. Even though there are seven different legal entities for these nine locations, they all operate under the “Associates in Eyecare – Optometrists” framework. “There is an onboarding process and timeline specifically designed for each new M&A office and we devote our resources to the items that require the

most immediate attention and can have the biggest impact on the practice's organic growth. This might be helping improve operational efficiencies, COG analysis and economies of scale, removing operational items from the managing partners' plate so they can focus on seeing patients and generating more revenue,” Bigos said.

In calendar year 2017, AIE's group revenue was \$14.5 million. A 10th office was brought into the group in March. Dr. Allen noted, “At one time in our field, the traditional thinking for a private practice OD was to expand to another office, hire a great manager, hire a doctor and run from there. But that approach doesn't always work today. A doctor with a meaningful equity stake has every incentive to get things done.”

Associates in Eyecare offices don't emphasize common branding, per se. The offices operate in diverse areas, and the doctors have their own focuses. There are some co-logo-ing on business cards and some in-office signage and on the website. But there are, behind the scenes, other activities to help offices operate more efficiently. “It's a goal to use a common EHR and this will be put into place gradually,” Lione said. “It's important to note that we have a strong medical model in all our practices. Our doctors are highly trained, focusing on specialty contacts, ortho-K, glaucoma, great

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technology in their offices for comprehensive care. This is their choice, we can be flexible in that way.”

Associates in Eyecare has been moving forward steadily and carefully. One observer is Wolfgang Tolle, now on AIE’s board, a long-time ophthalmic executive with such firms as Alcon, Wavelight and, currently, Vision Care Technologies. “Dr. Allen has been my eye doctor for more than 10 years, and, aside from being a very satisfied patient, I’d been seeing what he and his partners had done with the group. He spoke to me to join them on their board and advise them on acquisitions, financing and operational or strategic issues.”

“Generally,” Tolle observed, “there’s a lot of consolidation going on in the OD space, in the MD space. There is a lot of money chasing opportunities out there, and much of it is private equity-driven – not just in vision care, but in all fields. We’ve seen this group become centered, with optometry offices coming on in a more methodical way, with each becoming an equity partner, giving

each partner some of the latitude that they’d like to practice, but each one having a voice. Dr. Allen and his group are taking a patient-centric focus. They have a clear view of a medically-driven approach to patient care, while being sensitive to what each office needs, and offering flexibility to the operation, along with economies of scale.”

Dr. Allen told VM, “When we started out, in the late ‘90s and early 2000’s, the penetration of managed care was pretty complete, but online selling wasn’t as pronounced as it is today, online selling really didn’t exist – 1-800 CONTACTS existed mostly on the phone. But regulations out of Washington changed, credit was harder to get and optometry students’ loans and debt are now double what they were when we graduated.

“So-called cold starts are much more difficult for sure,” he continued. “Today, the best independent docs, with the best support, can still have a tough time especially in metro areas, or, even in rural areas, where the economics can be different.”

Said Dr. Lione, “We had some ideas for our goals, but we didn’t sit here and sketch this all out. We’re taking things in and changing as we need to. We’re looking to partner with the best practices in the DC Metro, continue to grow in the Mid-Atlantic and take our time. We’ve been approached by people with practices as far away as Massachusetts and Georgia, but we want to do what makes sense, seek like-minded doctors and build as we go.”

Dr. Allen also noted that the group holds monthly doctor meetings. “All the doctors from each practice take part. It’s fun [and] we’re friends, but we know why we’re there. As executive partners, we make sure these are well run and informative. I’m extremely lucky. I’ve got the best partners in the world, we’re like-minded.”

He added, “We can work with ODs at any phase of their career who are looking for the support and infrastructure of a larger group. That’s what we bring. Throughout it all, we see our approach as one that preserves independent optometry practice.” ■

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Pearle Vision

'Ignite' Offers Franchising Option for Independents Under Pearle Vision Banner

For independent optometrists who own their practice, Pearle Vision recently added a new option for these ECPs to consider as they plan for future growth and success. In June, at the American Optometric Association event in Denver, Pearle officially launched the "Pearle Vision Ignite" program as a "strategic independent optometrist conversion program."

"Ignite" comes under the umbrella of Pearle's commitment to grow the brand in new communities across the nation, according to an announcement at the time. (Pearle Vision is a division of Luxottica Retail.)

"We launched Ignite with the intention of providing additional alternatives to optometrists who may be thinking about private equity as an exit," Pearle Vision senior vice president and general manager Alex Wilkes said in an interview. "Ultimately, as the market is consolidating and the pressures on independents continue to grow, we have a huge amount of capability at Pearle Vision, and within Luxottica, to allow optometrists and opticians to remain independent while strengthening their business."

There are currently 527 Pearle Vision locations in North America, which includes 413 franchise offices and 114 corporate-owned locations.

Under the Ignite program, practice owners convert their existing location to a Pearle Vision. This is unlike the traditional Pearle franchise model, where new owners buy and/or build a de novo start-up location. The Ignite franchisee pays a royalty and marketing contribution (similar to traditional franchisees), but the royalties don't begin until the practice owner has eclipsed the pre-franchise baseline revenue number. Also, Pearle Vision's royalties are charged solely on dispensing fees, and do not take into account any professional fees, according to Wilkes.

"We think it is a pretty strong value proposi-



Pearle Vision general manager/SVP Alex Wilkes.



tion," he said. The Ignite royalty fee is "in line with our traditional royalty percentage," he added.

At the outset, franchisees in the Ignite program are required to have some Pearle Vision branding on the inside of the store and Pearle Vision signage on the outside. They also are required to move to Pearle's POS solution (AcuityLogic by Eyefinity) and Pearle will assist in transitioning to the "product assortment that we supply as Pearle Vision" and buy back existing inventory from the new franchisee, Wilkes said.

"In year five, there is a requirement to do a full refresh according to the then-brand standards. So we are making it easy for them to ease into the Pearle Vision model even from a capital perspective," he said.

On the managed care side of the business, Pearle Vision is "in network" nationally with EyeMed and UnitedHealthcare, and in network with VSP across a "large majority of our stores in the U.S.," Wilkes said.

To date, Wilkes said the prospective Ignite franchisees appear to be practice owners who already are in good real estate locations, such as power strip centers with strong co-tenancy, and who are facing increased pressure from some of the other national retail brands that might be coming into their current space. "They view their affiliation with Pearle as a way to strengthen their position. And

their patient base probably skews a bit more to the premium and higher-end frame brands and lens choices," he said.

Wilkes added, "It might be a little early to call that a trend, but anecdotally those are the shared characteristics of the first individuals that ... we are in conversations with."

Wilkes said the first two Ignite franchises will open either in late August or early September in Orange County, California.

"The one area that we certainly know we need to focus on is educating optometrists and opticians on the franchise model and the benefits that come with that," Wilkes said. "It's not something that is very well known in the market. ... And really it's still your practice and you still control it. You can practice how you see fit, but now you have the advantage of a national brand behind your practice."

Separately, for newly licensed ODs and ophthalmologists, Pearle Vision has created a financing program that enables them to take out a loan for up to 100 percent of the start-up costs of a new Pearle Vision franchise, Wilkes said. The loan can be used to cover inventory, equipment, tenant improvements, pre-paid rents and opening marketing expenses, among other items. "We had a number of younger optometrists [meeting us at AOA in Denver] who were really interested in being part of this national brand and they see this as a way to get out of the gate potentially stronger than they could on their own," Wilkes said.

He added, "What we're trying to do, in its simplest form, is to have options for every life stage of optometry. We're trying to have financing options for when you are five years out of school, we're building the Ignite option ideally for the practitioner in the middle of their career but looking to simplify and/or expand their business, and we also are thinking about Ignite in terms of ... pairing doctors with investors, be it smaller investors or potentially a private equity investor. Ironically, we believe not only is [Ignite] an alternative to private equity, but we believe that it can be leveraged for private equity, as well." ■



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Vision One Credit Union

Working with OptometryMatch.com And ODs To Navigate the Sale Process

SACRAMENTO, Calif.—With interest by firms outside the traditional vision care market on the rise, these are interesting, and challenging, times for independent eyecare practices. Indeed, private equity firms looking for prospective new investments, and even corporate-operated eyecare groups, are looking at optometry as a market ready for growth and consolidation.

Many independent ODs, faced with the challenges of new online competitors, changes to managed vision care programs, the threat/opportunity of telehealth and even growing competitive challenges, are taking a hard look at how best to compete in this dynamic market and take the right paths for their future. For longtime ODs, the key decision they face is retirement planning and ensuring their practices' legacy.

For many private practitioners ready to transition away from ownership, the favored option is to find a means to transition the practice to another independent eyecare professional, according to Bob Schultz, president and chief executive officer of Vision One Credit Union, which is based here. Vision One, founded in 1951 by a group of California optometrists, is a “banking institution dedicated to the specialized needs of independent optometrists,” according to the firm.

“Most of the doctors that we talk to would like to find a way of transitioning their practice to another private practitioner,” Schultz said, speaking of ODs who are considering an exit strategy. “They chose to be a private practitioner themselves, and they would like to pass that on, all things being relatively equal,” he told Vision Monday in an interview.

In addition to providing banking services to independent ODs, Vision One specializes in working with private eyecare practices considering the

sale of their existing practices as well as helping employed doctors to realize the dream of owning their own practice location. Schultz, who also is a member of the board of the Practice Management Center (PMC), said one of the goals is to take the “complexity out of the transaction” for those involved in any deal.

Most ODs want to sell their practice to other ODs to perpetuate independent optometry, Schultz explained, and selling to another private practice OD is the “predominant way of selling practices” in today’s market. “Private practice ODs did not get into ownership to sell out to commercial optometry,” he added.

In October 2017, Vision One teamed up with PMC and VSP Global via optometrymatch.com, a service designed to connect ECPs looking to buy or sell an optometry practice. The goal was to “make the overall experience a seamless transition,” according to an announcement at the time.

With a simplified and smooth process for both buyer and seller, the belief is that it will in turn help ensure the future success and growth of independent optometry. The service is founded upon practice management guidance from PMC and the resources of Vision One to provide the capital and financial expertise for pre-qualified optometrists to buy, grow and sell private practices.



Optometrymatch.com is “the starting point” for ECPs who are in the market to buy or sell part or all of a practice, the announcement noted. Doctors can utilize this new tool by registering on the secure website. PMC then implements its “Smart Match” model to match the doctor with a buyer, seller or practice that meets the specified criteria. “Once a match is made, PMC works closely with the doctors, providing support and consultation throughout the practice transition process,” the announce-

ment noted.

In addition to expert practice management guidance from PMC, Vision One Credit Union will provide the capital and financial expertise for pre-qualified optometrists to buy, grow and sell private practices, the announcement noted.

For independent practices in the sell-

ing mindset, the process of finding a buyer and negotiating the sale price and the sale process “got much easier with the help of the Practice Management Center and OptometryMatch.com,” Schultz told VM. He noted that the PMC is owned by a not-for-profit company and it has professional links to each optometric college.

“The PMC has resources that [enable it] to find buyers ready, willing and able to purchase your practice today,” he explained. “The PMC performs practice valuations and due diligence, and negotiates and arranges for legal services and financing.” Two additional services that PMC and Vision One can provide is to review whether the practice is fully valued, and if not the PMC can recommend changes to improve the practice’s future selling price, Schultz said. “The PMC will develop an appropriate transition plan for the practice, also,” he added.

In addition, Schultz said most ODs need the sale proceeds from the practice to help fund their retirement. “The only value upon sale are cash proceeds,” he said. “Stock without a market has no current value.” The private-to-private practice sales often result in cash proceeds equal to or greater than those proceeds generated in private practice-to-PE investor transactions. “It’s worth it for a seller to find out the value of a private-to-private OD sale,” Schultz added. ■



Bob Schultz, President and CEO of Vision One Credit Union