American Optometric Association

2002 State Of The Profession

The State of the Profession: 2002

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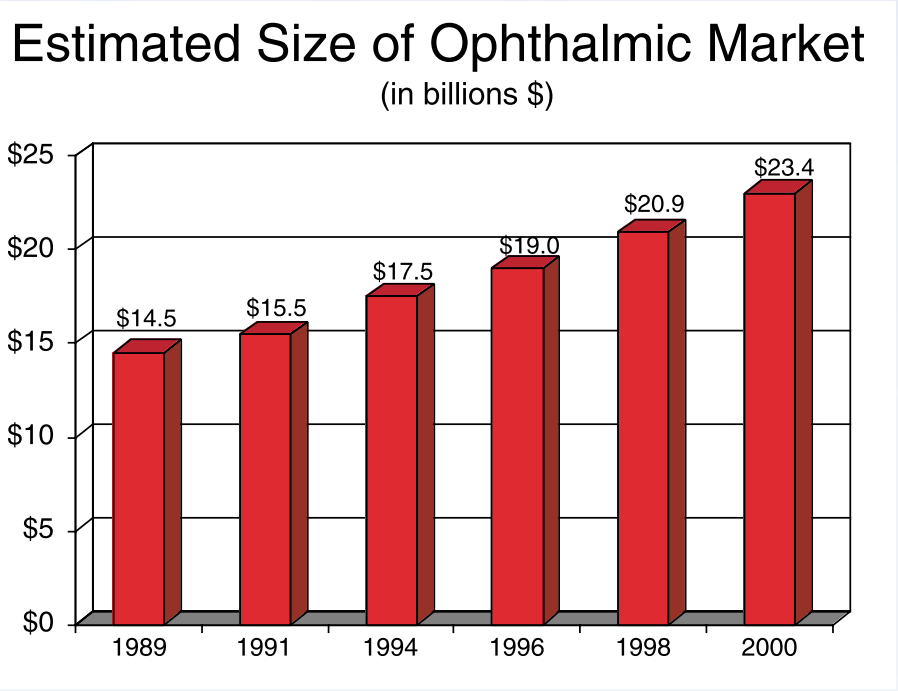
The AOA Committee on Information and Data regularly conducts a variety of membership and other surveys to collect, analyze, and disseminate information about the optometric profession and the ophthalmic industry. During the past two years, the Committee conducted or otherwise commissioned the following studies: the 2000 AOA Third-Party/Managed Care Survey, the 2001 AOA Economic Survey, the 2001 AOA Scope of Practice Survey, the 2001 AOA Optical Dispensing Survey, the 2001 AOA Optical Laboratory Survey, and the 2001 AOA Public Image Survey. This report on the State of the Profession consists of factual snapshots gleaned from the results of these surveys.



AOA's major biannual report on the state of optometry finds the American ophthalmic market growing, more patients adhering to recommended schedules of regular eye care, and practitioners' incomes increasing much faster than inflation.

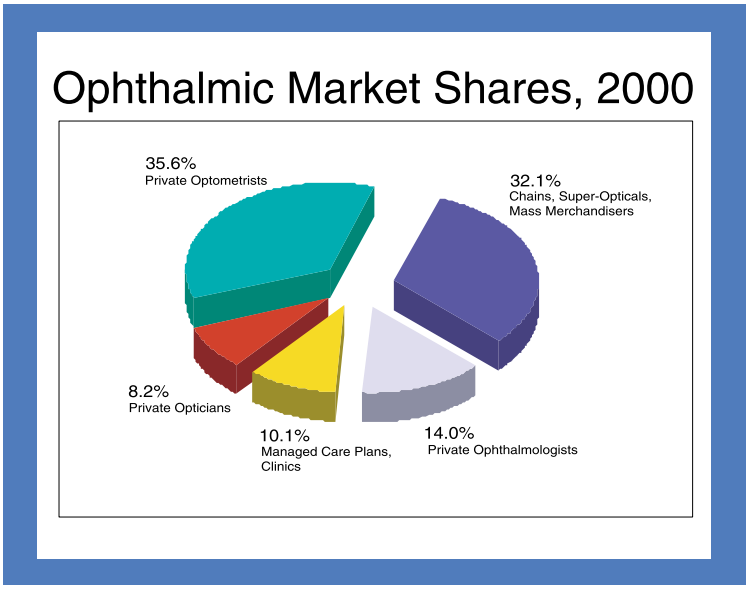
Richard C. Edlow, O.D., is chair of the AOA Information and Data Committee. Glenn R. Markus is a consultant to the committee. For a more-comprehensive look at the state of the optometric profession, see AOA's Caring for the Eyes of America, to be published later this year.

Size and Share of the Ophthalmic Market

The American Optometric Association has provided its best estimates of the size and share of the ophthalmic market for more than a decade. For purposes of these estimates, the ophthalmic market includes consumer expenditures for professional examinations and eye care, excluding ophthalmic surgery, treatment of eye disease other than anterior-segment conditions, low vision devices, and vision therapy.

On the basis of its analysis, the AOA estimates that the size of the ophthalmic market in 2000 was about $23.4 billion—about 12% larger than the estimated size of that market in 1998. (AOA's first published estimate of the size of the ophthalmic market was for 1989.) AOA further estimates that about $5.4 billion of the $23.4 billion ophthalmic market represents expenditures for comprehensive eye examinations, follow-up eye care visits, and the treatment of anterior-segment conditions by eye doctors. The growth in the market

between 1998 and 2000 is due to many factors, including the exceptional growth in the economy during this time frame, increases in the range and volume of services provided by optometrists, expansion in the coverage of vision and eye care services, and the public's enhanced awareness of the importance of good eye health.

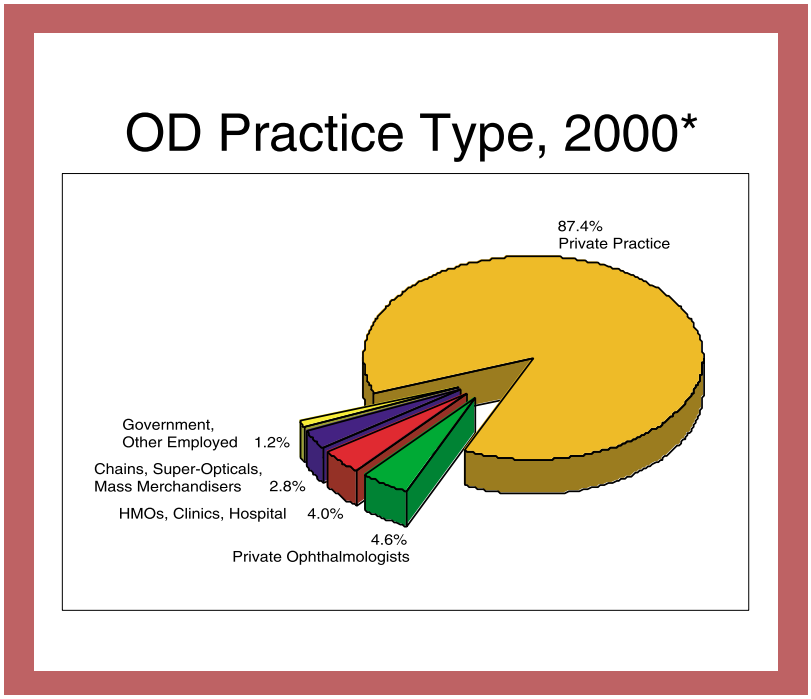


AOA further estimates that the shares of the ophthalmic market in 2000 were not too dissimilar from those reported in the last report on The State of the Profession (see *AOA News*, January 17, 2000). Private optometrists continue to account for the largest share of the ophthalmic market. The steady shift in the type of private optometric practice—away from solo practice toward participation in groups and partnerships—is also continuing. In general, since 1998, there have been no significant changes in the respective shares among the major market participants, though the share represented by private opticians continues to decline, dropping from about 8.6% in 1998 to 8.2% in 2000. The market share attributable to private opticians has declined in large measure because the demand for and utilization of opticians as employees by optical chains, optometrists, and ophthalmologists continues to grow. AOA's market share estimates include a category for managed care plans, since a significant number of managed care organizations themselves, such as health maintenance organizations, supply the eyewear required by their enrollees.

Optometric Workforce

On the basis of its projections, the American Optometric Association estimates there were about 32,485 optometrists in the workforce during the year 2000 (Workforce Study of Optometrists, 2000). AOA studies indicate that most surveyed optometrists describe themselves as self-employed in private practice. For example, nearly nine of ten ODs responding to the 2001 Economic Survey reported that they were self-employed (or were ODs employed in private optometric practices). The remainder designated themselves primarily in the employ of others. Seventy percent of all the respondents were in private solo practices or in private two-member partnerships or groups. While the proportion of ODs in solo practice has steadily declined during the previous decade, private practice arrangements still dominate the optometric workforce.

Approximately one third of the ODs participating in the 2001 Economic Survey (31.6%) practiced in urban or suburban communities with populations of 100,000 or more. Nearly two of five (38.9%) optometrists (38.9%) practiced in communities of less than 25,000.



The demographic characteristics of optometrists entering practice today are very different from those of older optometrists. It is estimated that slightly more than one in four practicing ODs in 2000 were female. In 1973, only 3% of practicing ODs were women.

Since more than half of new optometry graduates are also female, the gender composition of the profession will continue to radically alter in the years ahead.

There are 17 schools of optometry in the United States. Adjusting for foreign students who do not establish practice in the U.S., approximately 1,125 new optometrists enter practice each year, and the number of projected retirees steadily increases from 525-to-550 to more than 800 by the year 2015. Thus, the net supply of optometrists is expected to steadily increase through the same period and beyond. At the same time, the population of those who most frequently require optometric services continues to grow. Analysis of the 2000 census data indicates that emerging presbyopes (ages 40 to 49 years) and the older population (ages 65 and older) will steadily increase, placing ever-greater demands on the optometric workforce.

Eye Examinations and Other Professional Services

On average, doctors of optometry engaged in practice 49.0 weeks during 2000 and were available to see patients an average of 38.3 hours each week. The mean (average) number of complete eye examinations performed in 1990 was 1,867. By 2000, the average number of complete examinations performed by ODs annually had risen to 2,168—an increase of 16.1% over the decade. Between 1990 and 2000, the average number of complete examinations performed by all ODs per hour also increased from fewer than one (0.94) to more than one (1.16) per hour. The mean number of all other visits performed by optometrists (excluding complete examinations and visits for eyewear dispensing adjustments) rose again in 2000, to 1,073—up nearly 8% when compared to 1998 and continuing the upward trend in the annual OD output of such visits. This trend appears to be secondary to optometry's increased involvement in the management of various anterior- and posterior-segment eye disorders.

Optometrists are very active in the provision of medical eye care for their patients. During 2000, optometrists diagnosed (on average) 28 patients with glaucoma and 165 with other anterior-segment disorders. ODs with appropriate prescribing authority treated or co-managed more than three fourths of the patients they diagnosed with glaucoma (78.4%) and more than 4 of every 5 of the patients diagnosed with anterior-segment disorders (83.9%).

Nearly all ODs surveyed in 2000 (96.7%) were authorized to prescribe and use legend drugs in the treatment and/or management of eye conditions and diseases. Not surprisingly, the most widely prescribed medications were those utilized in connection with the clinical care most commonly provided in optometric offices. Among these are anti-microbial drugs, anti-inflammatory drugs, drugs for the treatment of glaucoma, anti-allergy drugs, and medications for dry eye.

In 2000, one in five of optometrists surveyed (19.6%) provided on-site services to residents of nursing facilities (nursing homes)—approximately the same percentage as in 1998. Of those ODs who provide such services, most visit nursing facilities at least every 90 days. Optometrists who serve nursing home residents indicate that, on average, they provide services in more than three separate facilities. Most ODs (74.2%) report that they see fewer than 100 nursing home residents annually.

In 2000, optometrists conducted (on average) an initial discussion or screening with about 12 patients each month with regard to laser vision correction. About one fourth of these patients proceeded to have a preoperative evaluation in the OD's office. Roughly the same percentage of patients received postoperative care by the optometrist. ODs reported that nearly half of the co-managed patients were first seen in their offices on the first day after surgery; nearly the same percentage saw co-managed patients between 2 and 7 days after surgery.

On average, 87% of the patients' optometrists referred for refractive surgery returned to the ODs for routine care. Of all refractive surgical patients, optometrists prescribed (on average) spectacle lenses for 28% of those patients; contact lenses for nearly 9%; and nonprescription sunglasses for about 30% of all refractive patients. ODs provided medical treatment related to the surgery for about 28% of their refractive surgery patients.

Consumer Survey Results

In 2001, the American Optometric Association completed its fourth independently conducted Public Image Survey. Previous surveys were conducted in 1992, 1996, and 1999. Among other things, consumers were asked why they obtained their last eye examination. The reasons most frequently cited were: (1) it was time for the respondent's regular eye examination and/or the respondent received notification (54.4%); (2) there were vision difficulties or problems (26.2%); and (3) the patient needed new lenses or lens prescription (10.8%).

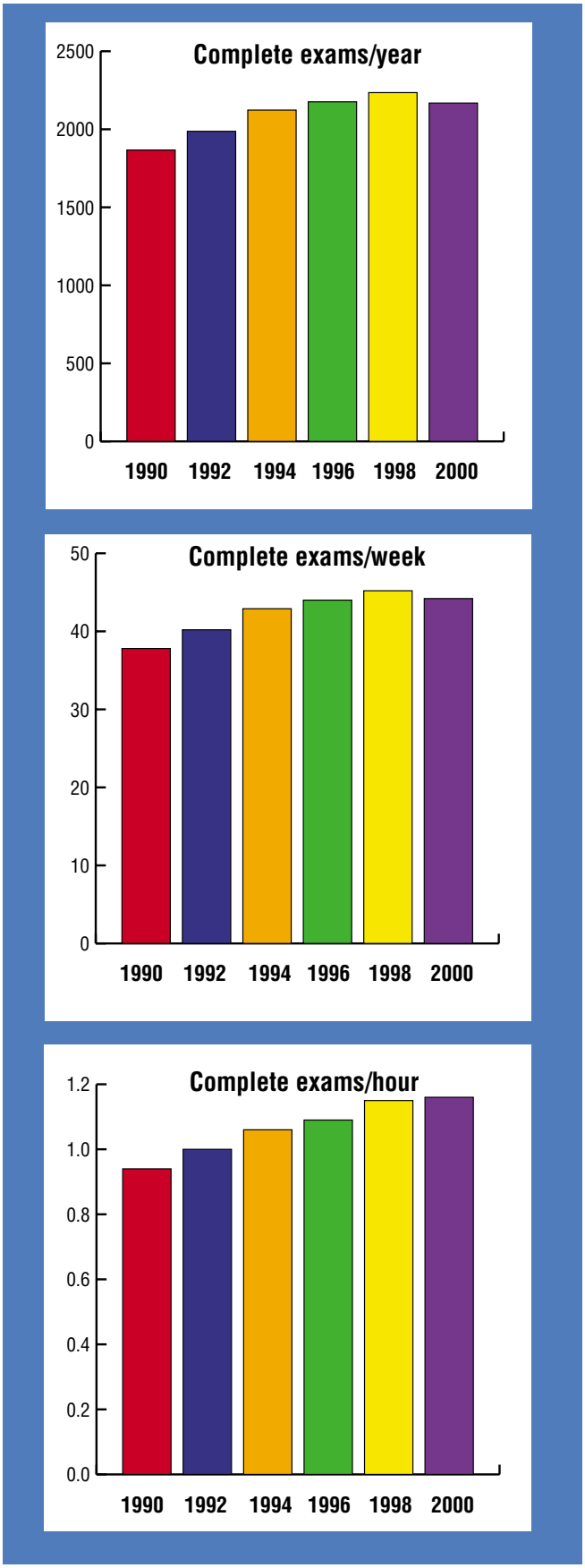
These reasons for an examination and their order of importance for patients are virtually the same as those reported in previous consumer surveys. However, need for a regular examination and/or notice about the patient's need for an examination is now, far and away, the most significant factor in influencing consumer demand for services. The survey results confirm

once again the importance of an effective patient recall system to ensure delivery of timely comprehensive eye care. Interest in laser vision correction is also now a measurable factor that shapes consumer demand for eye examinations.

The most common consumer methods of finding an eye doctor have changed in recent years. Recommendations from friends, co-workers, and relatives (28.8%) still remain the most frequently cited source. "Always used this eye doctor" was second (16.8%) on the list of methods used to find an eye doctor, but there was a noticeable decline in the importance of this method when compared with 1999 (21.8%). Referrals from other health care professionals (14.8%), "walk-ins" (13.8%), and the *Yellow Pages* (5.8%) were also more frequently mentioned than in previous years among the methods for selecting an eye doctor. Some Consumer Survey respondents (7.2%) selected the name of an eye doctor from an insurance or provider panel list. An additional 5.4% selected an eye care doctor who was recommended/required by an insurance/health plan.

Measurement of the frequency of eye examinations was also part of the 2001 AOA Public Image Survey. More than one in seven consumers who received eye examinations (13.2%) reported getting examinations two or more times a year. More than half (51.2%) reported receiving an eye examination once a year, while more than a fourth of the respondents (28.6%) answered that they received an eye examination once every 2 or 3 years. A small percentage (6.2%) reported receiving an examination only after 4 years or more, or "whenever needed." As in the past, the frequency of eye examinations in 2001 did not appear to vary by annual household income. The scope of insurance coverage may be the most-important factor in determining the examination interval.

Consumers were asked to identify the eye care specialists who performed the last eye examination for a member of the household. Nearly four of five consumers (77.6 %) reported they have a family eye doctor whom they see regularly, or would see if the need arises. The 2001 Public Image Survey indicates that most consumers who received their last examination from an eye doctor saw an OD, as compared with an ophthalmologist, by a factor of 3 to 2.



Optometric Income

At a time when managed care and other economic pressures were expected to squeeze the finances of most health care providers, optometry continues to fare well when compared to the economy overall. In particular, mid-career optometrists and professionals

with lengthy practice experience have reported important economic gains between 1998 and 2000. Total individual net income takes into account estimates of both self-employed income and any income from employed arrangements in which professionals may practice.

Results from the 2001 Economic Survey indicate that median total individual net income for all ODs in 2000 reached $115,000 to $120,000 for private practitioners and $98,000 for practitioners primarily in corporate settings. (Survey respondents were engaged in professional practice 25 or more hours a week for at least 40 or more weeks per year.) Median income—the 50th percentile—is the level below and above which occur one half of all incomes. (Median—in contrast to mean or average—income probably better represents earnings of the "typical" optometrist. The incomes of individuals, of course, vary widely from the median. However, the distribution of incomes of professionals—including optometrists—tends to be skewed toward a small proportion of very large incomes and this is what, in most instances, causes mean—or average—income data to exceed the median.) One fourth of the optometrists surveyed had median incomes of $82,000 or less, while another fourth (in the highest quartile) had median individual net incomes of $162,000 or more.

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Optometrists who were self-employed in solo, group, or partnership arrangements, had median total individual incomes that were considerably higher than those enjoyed by their employed counterparts. For example, median net incomes for solo practitioners reached $115,000 in 2000, up 15% compared with 1998. ODs in two-person groups/partnerships had individual median incomes of $125,000; those in three-person groups/partnerships, $150,000. Median net incomes among employed optometrists also varied by employer, with ODs employed by ophthalmologists reporting the highest amount, $110,000.

As in previous years, the recent Economic Survey confirms that incomes for optometrists, as for most professionals, generally rise with years in practice and then decline in later years. Median individual net incomes reached their peak—$125,000—for those in practice between 21 to 25 years.

An examination of total individual net income by gender continues to show disparities between the earnings of male and female optometrists. In 2000, median total individual net income for male ODs was $116,000 compared with $87,000 for female optometrists. Women thus earned about 25% less than the men—about the same disparity reported for 1998. At least two factors help explain the imbalances in income by gender. First—and probably the more important factor—is the length of time male and female ODs (who responded to the survey) have been in practice. The median number of years in practice for the male respondents at the end of 2000 was 24 years; for female ODs, the median was 18.5 years. For example, a review of OD incomes for those in the practice cohort 21 to 25 years shows that the income gender gap closes to only 18%. A second factor that affects the gender gap is that female ODs are still more likely than their male counterparts to be employed by others and, as noted, employed ODs generally earn less than self-employed optometrists.

The relative costs of running an optometric practice changed little since the last report on the State of the Profession. In 2000, the median percentages of gross income reported for each of the major cost components of a practice were: laboratory expenses—28.0%; wages paid to employees (other than employed ODs and officers)—16.4%; and rent—6.3%. The Economic Survey also confirms that full-time equivalent (FTE) office staff in OD offices continues to increase. In 2000, the median number of non-OD staff rose to four, doubling during the last decade.

Third-Party/Managed Care

In studies conducted by the American Optometric Association, optometrists estimate the percentage of their patients sponsored (covered) by, and the percentage of their practice revenues coming from, vari-

ous private and public third parties and managed care sources. In 2000, the "typical" OD patient profile consisted of nearly half (47.6%) of the patients covered by private plans, one fourth (25.7%) covered by public health care plans (e.g., Medicare, Medicaid, etc.), and the balance (26.7%) with no third-party coverage for optometric services. Public and private managed care plans (e.g., health maintenance organizations or preferred provider organizations, including vision service plans) covered 43.9% of the patients in the typical practice profile.

Revenue from private health plans accounted for 42.0% of total practice income; revenue from public health care plans accounted for 23.1%. Out-of-pocket payments (including cost-sharing amounts from patients covered by third-parties) represented 34.9% of total revenue. Revenue from all managed care type plans (HMOs, PPOs, including VSPs) was 37.5% of total practice revenue.

ODs participated in a variety of managed care and other medical/health plans and vision/optical plans during 1999. Optometrists who cared for patients enrolled in HMOs and PPOs furnished an extensive list of covered optometric services. Virtually all ODs (95.1%) provided routine eye examinations; most (89.3%) provided contact lens services; and most (87.2%) dispensed eyewear to managed care patients. Most optometrists (84.4%) also reported that in 1999 they could make direct referrals to specialists, up from 78.1% in 1997 and 75.8% in 1993. Three of five ODs co-managed refractive surgical patients under managed care, while two of five co-managed cataract surgical patients. Nearly seven of ten ODs who practice in states that allow treatment of glaucoma provide glaucoma services to managed care patients.

Increased participation by optometrists in managed care has yielded higher patient volumes for most ODs, but has enhanced gross income for only two out of five optometrists. One in four ODs in 1999 reported improved net income from managed care. One in three optometrists indicated they were denied panel status access to patients for at least one medical/health or vision/optical health plan during the year. About 8% of ODs had been involuntarily dropped (deselected) from participation in a health plan in 1999.

Ophthalmic Lenses and Frames

Ophthalmic lenses continue to drive the optical market, and consumer interest in unique lenses is on the rise. Results from the 2001 Optical Dispensing Survey (ODS) show that the previous trend toward greater utilization of sophisticated lens materials, designs, and treatments is steadily increasing. The survey also affirms that consumers will opt for more-sophisticated lenses, when advised of the many choices and special benefits available to them.

The percentage of glass lenses dispensed is declining rapidly, while shares of polycarbonate and high-index plastic lenses are steadily growing. Polycarbonate lenses, which in 1994 represented about 12% of lenses dispensed by ODs, accounted for more than one in four lenses (26.7%) dispensed by AOA members just six years later (in 2000). Market shares for single-vision and trifocal lenses dispensed by optometrists were virtually unchanged, while progressive lenses continue to gain share at the expense of bifocals. In 2000, approximately 58% of ODs reported they did some eyeglass finishing, compared to 60% in 1998. Lens tinting and lens edging remained the most commonly performed activities, while fewer optometrists performed lens-surfacing and lens-casting activities than in previous years.

The Optical Dispensing Survey points again to the fact that optometrists and their staffs still help patients decide which options best meet their individual needs. Patients by themselves do not decide most lens options. ODs reported that 14.8% of their display frames during 2000 were returned to suppliers—about the same rate as in 1998. Most frames were returned for style-related reasons.

The 2001 Optical Laboratory Survey also confirms the dramatic decline in the use of glass as an ophthalmic lens material. Only 8% of the lenses supplied by the laboratories are now glass. On the other hand, in the 18 years since lens material data have been gathered, polycarbonate lenses have increased more than tenfold—from 2.1% in 1983 to 22.7% in 2001. Data gathered from the survey on lens design show steadily increasing acceptance of progressive lenses—almost entirely at the expense of bifocals. In more than a decade and a half, the one-time large percentage point gap in favor of conventional bifocals has been eliminated altogether in favor of progressive lenses.