

**LET THEM PAY**  
Outsourcing cataract services saves startup cash that would have been devoted to purchasing expensive equipment.

*Kent Steinriede*

# How to Get the Most Out of Cataract Outsourcing

Understanding your costs is the key to a profitable fee-per-case scenario.

**Kent Steinriede | Associate Editor**

**C**ataract outsourcing services have been around for several years now. Originally created to fill a niche in rural areas with slight but steady demand for cataract surgery, these outsourcing firms have expanded their focus to offer a practical solution in a few different situations: low-volume rural facilities, centers interested in testing the local market for cataract surgery and start-ups looking for ways to extend the life of their start-up capital.

To get the most out of your relationship with a cataract outsourcing firm, you'll have to have a good grasp of your needs as well as a sense of your projected growth. With proper planning, it's possible

to create a profitable fee-per-case scenario with an outsourcing firm.

That's what's happening in Lancaster, Pa., where 32 physicians got together with Lancaster General Hospital to launch the multi-specialty Physicians' Surgery Center.

Before the facility opened in October 2007, the group had planned to purchase its own cataract equipment for the six ophthalmologists who would operate there. Francis Manning, MD, one of the founding physicians in charge of choosing equipment, had worked with an ophthalmic surgery outsourcing firm for LASIK surgery services at another center. The arrangement worked well. So he looked into outsourcing for cataract surgery.

## Know yourself

The first step in deciding whether outsourcing is right for your center is to have a good idea of your costs and reimbursements per cataract case. “You have to do your own cost accounting,” says Dr. Manning, who created a spreadsheet with the cost

## Does Outsourcing Make Financial Sense? Per-case Cost vs. Per-case Outsourcing Fee

### Information you’ll need:

#### Equipment costs (loan principal plus interest)

Phaco machine (1 per room)	<input type="text"/>
Microscope (1 per room)	<input type="text"/>
Instrument sets (4 per room)	<input type="text"/>
Phaco handpieces (4 per room)	<input type="text"/>

+

#### Personnel costs

Annual salaries	<input type="text"/>
Benefits cost per year	<input type="text"/>

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#### Caseload

How many cataract cases you plan to do per year	<input type="text"/>
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### How to figure it out:

#### Calculate fixed costs

Annual cost of equipment + personnel cost per year	<input type="text"/>
÷ number of cases per year = fixed cost per case	

+

#### Calculate supply costs

Cost of eye pack (disposables, drapes, etc.)	<input type="text"/>
+ IOL cost = supply cost per case	

=

#### Calculate total cost per case

Fixed cost per case + supply cost per case	<input type="text"/>
= total cost per case	

### Compare with per-case fee from cataract services provider

#### Note costs not included

- Upgrades
- Equipment supplies/repair
- Maintenance contracts
- Increased cost for complex/complicated cases

of purchasing the phacoemulsifier, the ophthalmic microscope, the phaco handpieces and all the instruments needed. The total was more than \$150,000 per OR. After adding the cost of interest on loans for purchasing equipment and monthly maintenance fees, hiring a cataract outsourcing service started to make sense. “We didn’t have to put any money down,” says Dr. Manning. As a result, the center was able to use that money to purchase equipment for retinal surgery.

The center signed a three-year contract with one of the two national firms that supply equipment, instruments, disposables and IOLs needed for cataract surgery. The firm also furnishes a tech who sets up the equipment, orders supplies and works four days a week as a scrub tech during cataract surgery.

### Who you know

In a rural situation, outsourcing lets a multi-specialty facility add cataract surgery to its list of services without having to invest between \$110,000 and \$160,000 in equipment. In rural areas where cataract cases are scheduled two to four times a month, a center would have a hard time justifying the investment. “These companies fill a niche, although a small one aimed primarily at small rural hospitals,” says Kevin Corcoran, COE, CPC, FNAO, president of the Corcoran Consulting Group in San Bernardino, Calif.

For a low-volume facility, it’s important to have a relationship with an ophthalmologist as well as an optometrist who can refer cases to the ophthalmologist. Sometimes the ophthalmologist is instrumental in getting the outsourcing deal nailed down. In northeastern North Carolina and the Outer Banks, Jitendra Swarup, MD, has grown his eye surgery practice by operating out of five different facilities within a 65-mile radius of his office in Elizabeth City, N.C. As his practice expands geographically, he has brought the outsourcing firm into new facilities. In fact, using the outsourcing firm was a condition of him bringing cases to the facilities, says Dr. Swarup.

Dr. Swarup usually operates with the same outsourced technicians at the different facilities. “If

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## The outsourcing firm's fixed fee-per-case arrangement means that the center doesn't have to worry about the cost of expensive IOL inventory sitting on the shelves.

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there's a different tech, I'll be notified before the date of surgery," says Dr. Swarup. "The tech is usually very competent and well-informed [and] instructed as to my technique and preferences."

### Standardize

Keeping things simple will make life easier for you and the outsourcing company and may even translate into a better deal. So standardize as much as you can, says Dr. Manning. "We knew what we wanted beforehand," he explains.

Before the Physicians' Surgery Center opened, Dr. Manning sat down with all the ophthalmologists and representatives from equipment, instrument and disposables manufacturers in order to decide which microscopes, phacoemulsifiers and disposables they would use. Everything has been standardized except for phaco packs. Five out of the six surgeons use the same phaco pack. This makes ordering easier for the outsourcing tech and can help the outsourcing company get a better price on disposables.

Regardless of the price that the outsourcing firm is paying, make sure that you get the products that you want and that the outsourcing firm continues to provide what you want throughout your relationship. "All equipment and necessary supplies are usually provided by the firm along with a technician to operate the phacoemulsifier," says Mr. Corcoran. "If alternative arrangements are desired, it's important to reach agreement on the duties and responsibilities of both parties early on."

### Buy local

Just because you don't do the purchasing for cataract supplies, it doesn't mean that you should ignore the local vendors and distributors. In Lancaster, the outsourcing firm purchases through local reps in order to avoid alienating them, says Dr. Manning.

The tech, who does all the purchasing related to cataract surgery, works about a week in advance, ordering the lenses, phaco packs, drape packs and disposable instruments that will be needed in the coming days. In Lancaster, all the cataract supplies are stored in cabinets that the center bought and installed in a hallway. The inventory includes a wide variety of backup IOLs and expensive phaco packs, stored on consignment in the cabinets.



**STACKS OF MONEY** Expensive IOLs are stored on consignment in the hallway at the Physicians' Surgery Center. Outsourcing keeps the center from tying up its capital in inventory.

### Waste not your problem

The fixed fee-per-case arrangement means that the center doesn't have to worry about the cost of inventory sitting on the shelves, says Dr. Manning. Nor does it lose money when complications arise. For example, if the phaco tip becomes clogged or someone drops it, a new pack needs to be opened. Opening a second phaco tubing pack, which costs between \$50 and \$200, would normally eat away at the profitability of the case.



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**DOUBLE DUTY** As site manager and tech for a cataract outsourcing company, Cindy Eisenour, ST, orders the lenses, phaco packs, drape packs and disposable instruments needed for cataract surgery at the Physicians' Surgery Center in Lancaster, Pa. She also works as a scrub tech during surgery.

A ruptured capsule during surgery is another costly scenario. The cost of a vitrectomy pack ranges from \$150 to \$165 per case, and a vitreoretinal pack can cost up to \$650 per case. But with a flat cost-per-case outsourcing contract, there's no profit loss as a result of such complications. Outsourcing firms charge \$200 to \$700 per case depending on the situation, according to ambulatory surgery industry insiders.

### Seek guidance

Don't be afraid to take advantage of the outsourcing firm's expertise by asking for help, says Cheryl A. Wilson, RN, MBA, administrative director of the Madison Surgery Center in Madison, Wis. When the joint venture between the Wisconsin Medical Foundation, University of Wisconsin Hospital, Meriter Hospital and a group of physicians began taking cataract cases on a trial basis in 2005, the cen-

ter's administration worked with the outsourcing firm to get the cataract program up and running. Working with someone who knew how to choose the best-suited equipment and having a tech to operate the phaco machine and microscope were a great help, says Ms. Wilson. "Some of our staff had not done cataracts before and others hadn't done them for several years."

Now the Madison staff has strong cataract experience. Eight surgeons performed about 1,900

procedures in 2007. The outsourced tech is still in charge of equipment during the procedures. That way, says Ms. Wilson, "our nursing staff and techs can concentrate on their responsibilities."

### Renegotiate as you go

Since the Lancaster center opened in October 2007, its cataract surgery volume has grown to about 160 cases per month. To help meet the demand, the center now has three microscopes. In return for use of the additional equipment, the center has added another six months to its outsourcing contract.

As your contract comes close to expiring, you'll need to re-evaluate your costs against reimbursement again, says Dr. Manning. Based on your volume, you'll be able to renegotiate your contract with the outsourcing firm. Or you can end your relationship, sometimes with an option to purchase the equipment.

When to quit using an outsourcing firm depends on a center's volume, the price of disposables, reimbursement rates and the current interest rates for equipment loans. "Three thousand cases [per year] might make the case," says Dr. Manning, noting that the number is not set in stone because of all the variables. In the meantime, outsourcing cataracts is working at the Physicians' Surgery Center because it makes good sense. **OSM**

### A Sampling of Cataract Outsourcing Firms

**Sightpath Medical**  
Bloomington, Minn.  
(800) 728-9615  
[www.sightpathmedical.com](http://www.sightpathmedical.com)

**Vantage Technology**  
Effingham, Ill.  
(877) 564-3937  
[www.vantage-technology.com](http://www.vantage-technology.com)