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FEATURE****Refractive surgery****As targeted refractive patients fade, both older, younger groups rise****by David Laber EyeWorld Staff Writer***The recession is keeping Generation X patients from spending money, but Baby Boomers and Generation Y are picking up some of the slack*

The recession has been detrimental to refractive practices reducing volume by as much as 50% in some of the more dramatic situations. One reason the recession has been so damaging is that the traditional market-carrying patient has been the hardest hit by the recession, said Daniel S. Durrie, M.D., clinical professor of ophthalmology, University of Kansas, Overland Park, Kan. But he said that while the 30- to 45-year-old patient demographic has been more reluctant, increases in the number of 18- to 24-year-old patients and older-than-45 crowd give him reason to be optimistic about the future of refractive volume.

Where are my patients?

"I remember at last ASCRS Symposium [Chicago, April 2008], it was bad because everybody was down 10%, and everyone was nervous, but now many are down at least 20, 30%," recalled Paul M. Stubenbordt, president, Stubenbordt Consulting, Roanoke, Texas.

Michael Lachman, president, Lachman Consulting, San Francisco, added that according to Market Scope (St. Louis), procedures were down about 25% for 2008 and more than 40% in the fourth quarter. At some centers, procedures were down as much as 50%.

At the heart of the problem is the recession, and the 30- to 45-year old patients have been affected the most by the economic downturn, Dr. Durrie said. This group, comprising Generation X, has traditionally been the targeted age demographic for refractive surgery. And while some from this group still are having surgery, their numbers have dropped.

"It's the same people that aren't buying cars," Dr. Durrie said. "The car market is down 50% and some of the commercial center's refractive surgery procedures are down 50%. So if you look at who's driving that same car another year, they are a lot of the same people that are wearing their contacts or glasses another year until the economy turns around."

Mr. Stubenbordt said that recent surveys of his clients confirm that the recession is at the top of wary refractive consumers' minds.

The economy is the No. 1 reason why patients are not having surgery, he found, and the second most common reason is that the-would-be-patients said they currently are happy with their glasses, though Mr. Stubenbordt said that also may be influenced by the economy.

But while Dr. Durrie said he has seen fewer sign-ups on the day of the exam than he has ever seen before, it is not due to the patients' lack of interest. Instead, he said his clinic has been busier than ever with the number of people checking to see if they are candidates for LASIK.

"A lot of them are taking a wait-and-see attitude," Dr. Durrie said. "They want to know if they are candidates. They are going to go save the money first before they spend it rather than putting it on financing, so they are being a lot more conservative about taking on debt ... A lot of

people do not want to take on debt. And if you look at the financing companies, they're struggling right now."

Mr. Stubenbordt also said the credit crisis has hit ophthalmology adding that he is concerned the number of patients being approved for financing will not return to the pre-recession days.

Current refractive patients

While all three men said refractive volume is down, patients are still coming for surgery. In fact, Mr. Stubenbordt said some practices even have grown.

Successful practices are spending more in advertising than they used to while some of their competitors are dropping out of the market or ceasing to advertise, he said.

According to the 1980 McGraw-Hill study, companies that advertised during a recession greatly outperformed companies that did not spend on advertising after the recession ended (300% sales growth compared to about 20% sales growth).

On top of that, there is an extra benefit in that media is cheap right now, so there are bargains to be had in advertising. For example, he said in one of his markets, a television ad was selling for 90% less than it was the year before. A more typical market, however, is about a 30% reduction.

"It is almost foolish not to try to negotiate some really, really good cable deals or radio deals," Mr. Stubenbordt said. "It's truly amazing; we'll never see these prices again for quite some time."

Even though Generation X is not carrying the refractive volume as it used to—Mr. Stubenbordt estimated this group comprises about 60% of his clients' practices—they remain the target group.

Mr. Stubenbordt said he recommends to his clients to continue with cable and radio campaigns to reach Generation X, and then they include a Web site address in those ads to attract Generation Y. He said a good advertising message will play to the recession with a discounted offer noting that now is the best time to get a deal on refractive surgery.

Dr. Durrie said his practice takes a different approach by reaching out to the Baby Boomers and promoting presbyopia-correcting intraocular lenses (IOLs) and refractive lens exchanges.

Whereas with LASIK, most people are familiar with the procedure and aware that his practice offers it, but most people do not know they can dispose of reading glasses and bifocals.

Consequently, Dr. Durrie said he has more patients older than 45 years of age coming for refractive surgery than before. Also, the average age of his refractive lens exchange patients has dropped to 54 whereas it used to be in the 60s and 70s.

Dr. Durrie, Mr. Lachman, and Mr. Stubenbordt all recognized that the average age of LASIK patients has dropped from about 40 years of age into the low 30s.

Another group that is increasing its role of refractive volume is the 18 to 24 year olds, or Generation Y, he said. "We have a group of 18- to 24-year-old patients that are very interested in refractive surgery now because they want to replace their contact lenses," Dr. Durrie said.

"These are people who have been familiar with LASIK since the day the first got contact lenses; they've been asking their parents when they can get it, and for a lot of them, their parents have had refractive surgery."

Even though his practice does not actively advertise to Generation Y, he said this group has grown from 4% to 14% of his refractive patients.

Dr. Durrie also reported that the results have been better than expected. Whereas he had expected this younger group to have a higher

enhancement rate because the eye still is developing, he said he is finding that this group actually had the lowest enhancement rate. Some contributing factors could be that these patients have excellent tear films and heal well.

"Really, it looks as though this is an ideal age group to do as long as they are good candidates," he said.

Compared to other age groups, younger patients also have higher rates of surface ablation (25% to 30%), Dr. Durrie said because typically their corneas are thinner; they are more at risk of developing keratoconus; and trying to avoid cutting more fibers than necessary.

Gauging post-recession volume

"One of the positives of this market is that the 18- and 20-year-olds entering the market are more comfortable with LASIK than the people who are leaving the market at the opposite end of the age spectrum," Mr. Lachman said. "The 18- to 20-year-olds that are coming into the market now have always lived in a world with laser vision correction. That is a positive, but that is a gradual positive to replenish the patient pool." When the recession ends, Mr. Lachman said he expects a bounce, but there is nothing in this market to indicate to him that it would reach and stay at 1.4 million procedures annually for any length of time. He said 1.4 million annual procedures represent the high-water mark achieved in 2000 and from 2004 through 2007.

Mr. Stubenbordt also said he does not believe LASIK procedures will return to the same pre-recession volume. Looking at the 2001 decline and the rebound in 2003-2004, he made some observations that point to a lower increase after this recession ends.

One factor in the 2001 decline is that there were patients waiting for a newer technology to become available, which eventually did in 2003 with all-laser surgery, he said.

Another factor in the rebound was free advertising from news programs and talk shows. "We literally had \$100 million of free pr from the networks," Mr. Stubenbordt said. In addition to the free advertising, practices also invested more into advertising.

The fourth factor was the pent-up demand from people who were waiting for the economy to recover, he said.

So when this recession is over, advertising and pent-up demand will contribute to a bump in LASIK procedures, but the lack of free advertising and newer technology indicate the bump will not be as significant as the post-2001 bump.

And that bump should occur almost simultaneously with the end of the recession, Mr. Lachman said. In the January 2009 issue of Medtech Insight, he documented the correlation among consumer confidence, stock market and the number of LASIK procedures performed. If this holds, there should not be much of a lag from the time the economy recovers until the number of procedures rebounds as well.

Mr. Lachman also said a reason to temper post-recession expectations is that no one really knows how many potential patients are available.

"You do have new people entering the market, but the market is not an unlimited pie," Mr. Lachman said. "And then after you account for the number of patients that have already had refractive surgery, which is a significant number, then the number of possible patients is dwindling."

He points to the classic bell curve known as the adoption curve developed by Everett Rogers. The curve displays bumps as different groups of people adopt new technology. For example, there are people who are more inclined to buy the newest cellular phone or digital music player even

though their old one is only six months old.

But unlike other technologies, the market for elective surgeries is different in that not everyone will eventually buy the technology.

“Even though there are millions and millions of myopes and hyperopes in the 18-to-55 age range in the U.S. that are candidates for LASIK, the fact is a lot of people, for whatever reason—but predominantly fear, that would just never consider having laser eye surgery,” Mr. Lachman said. In other words, while there are may be large numbers of untreated candidates, it is impossible to know how many of them will never consider surgery, even if the economy was better.

Dr. Durrie, however, sees a brighter future for refractive procedures.

With the growing number of Generation Y turning to refractive surgery at a younger age and Baby Boomers wanting a refractive lens exchange, Dr. Durrie said that when the economy recovers and returns the targeted Generation X back to capacity, he thinks the number of refractive procedures performed annually will surpass levels seen before the recession.

Editors’ note: Dr. Durrie has no financial interests related to his comments. Mr. Stubenbordt is president of Stubenbordt Consulting (Roanoke, Texas). Mr. Lachman is president of Lachman Consulting (San Francisco).

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