



# *Trends-in-Medicine*

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## *Quick Pulse*

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### **Trends-in-Medicine**

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### **LASIK UPDATE**

Fourteen refractive surgeons and the CEO of a refractive surgery company with multiple centers were interviewed to get a look at LASIK volume for the end of 2006 and early 2007. They reported that LASIK procedure volume stalled in 2006, but volume is picking up in early 2007, though the first quarter of this year is expected to end up flat to only slightly better than last year's strong first quarter.

LASIK volume in 4Q06 was flat to slightly down from 3Q06. Compared to 4Q05, procedure volume was down an average of 3%. Overall, 2006 LASIK volume for these doctors was nearly flat compared to 2005, down an average of 1%. There was no agreement among these surgeons about why procedure volume softened, but changes in medical flex spending patterns was the most commonly cited reason. Among their comments were:

- *Missouri:* "4Q06 was down about 10% compared to 4Q05. November was the slowest month compared to 2005. We think it had something to do with \$3/gallon gas, but we also no longer see that huge end of the year rush to spend medical flex account money. The use-it-or-lose-it rules have been relaxed by the IRS. Instead of losing the money at year end, employees have until March 15 of the next year to spend it."
- *Midwest:* "Maybe it was a decline in consumer confidence."
- *Florida:* "Many December patients postponed until January 2007."
- *Illinois:* "There is more competition from centers that are discounting, and there is less interest in the procedure."
- *Michigan:* "It's probably related to the poor (local) economy."

The good news is that bookings for LASIK procedures in 1Q07 are up an average of 8% over 4Q06, but they are up only an average of 2% compared to 1Q06. However, the first quarter of last year was unusually strong. Many people made the mistake of annualizing 2006 based on the first quarter of that year, and this year, doctors said they are not making that same assumption. Surgeons with strong bookings in 1Q07 expressed relief and pleasure at their numbers, but they remain cautious and are not extrapolating their early figures into projections for the entire 2007 year. Comments included:

- *Minnesota:* "We projected a flat January, but it looks up 5%-10%."
- *Florida:* "Our January bookings are already 60% ahead of the entire last (4<sup>th</sup>) quarter."
- *Tennessee:* "January volume is always more than December – by 30% – due to the year-end flex spending."

- *New York*: “The first quarter is better, likely because of early flex spending...I’ve also been able to capitalize on new technology, including the Alcon LV6000 and an IntraLase femtosecond laser.”
- “We are seeing the same January rise as in January of past years.”

Two experts are concerned that LASIK volume will not pick up substantially in the near future.

- A Tennessee doctor explained, “The U.S. is experiencing the beginning of a ‘depletion of the pool,’ since before LASIK, there was no viable keratorefractive treatment. LASIK was the ‘first kid on the block,’ having the benefit of the entire untapped population of people age 20-60. Now, 10 years into LASIK, the accumulated pool (accumulated by all these years prior to when LASIK came onto the scene) will begin to dry up. In other words, from 2007 onward, we are going to see a plateauing, and then some drop (to a lower steady state), in terms of annual LASIK volume nationally. So, 2006 was the first year of the beginning of the depletion of the pool...For this reason, overall, I predict that the total number of U.S. LASIK centers in the years to come will decrease, *not* increase.”
- Another source said, “The number of patients in the baby boomer bucket (78 million born between 1946 and 1964) who are candidates for LASIK is decreasing. In 1996, the average age of a baby boomer was 40. In 2006 it is 50. A 40-year-old is a great candidate for LASIK. A 50-year-old is not so great due to being presbyopic. This is the major reason for a decline in procedures. We’ve never been able to penetrate more than 5% of the potential candidates. As the pool of candidates shrinks, so will volumes. If you want to increase your market share and compete with LCA-Vision, you need to cater more to consumers with evening and Saturday appointments and Saturday surgery.”

Over the past three to six months, the price sources charge for LASIK has been relatively unchanged, with the exception of new IntraLase users raising their fees because of that. A Midwest doctor said, “We raised our fees because we got an IntraLase.” Another surgeon said, “We plan to increase our price by \$100 because we are adding an IntraLase.” A Missouri doctor said, “Our price has not changed. The market will not allow for a price increase. The extra fee for custom ablation and, especially, for IntraLase cannot be passed on. Consumers are not willing to pay extra for the technology. It is very similar to the path desktop computers have taken, with prices coming down and stabilizing even though the technology is more advanced. It’s the same path for LASIK.”

Most surgeons said they have not seen any LASIK centers becoming more aggressive in discounting the LASIK prices. Comments included:

- *New York*: “Every so often a new MD advertiser appears and markets discounted LASIK. It doesn’t last, and we ignore it. Correctly or not, patients are very suspect of the quality of services that the discounters provide.”
- *Texas*: “We have avoided price discounting by representing ourselves as the quality/technology provider.”
- *Midwest*: “Price is now the leader, with experience second, and the individual doctor’s name third. IntraLase Custom at a value price seems to resonate – with good financing terms.”
- *Florida*: “We will give discounts on an as-needed basis, but we are not going after the bargain hunters. We are portrayed as a premium center giving great care not bargain prices.”

However, two sources said LCA-Vision’s LasikPlus has been more aggressive with both pricing and direct mail advertising. One explained, “We have LCA-Vision in our market, and they have gone to more direct mail, direct-to-consumer marketing. I haven’t seen any discounting from them, but they are very competitive on price. You have to be within 10% of their price, or you will lose market share.” Another said, “Lasik-Plus is offering the same 9% financing and no payments for a year...They continue to do well here.”

Several sources also pointed out that TLC Vision is also getting more aggressive. A surgeon said TLC Vision has introduced sharply reduced rates in his market, “They are offering LASIK for \$895-\$1,295 per eye. To do this, the surgeon’s fee has been cut, and the optometric co-management fee was reduced to \$150. I think it is a mistake and won’t increase volume but will cut the profitability of the center and will reduce optometric referrals.” Another commented, “TLC is coming in with a new pricing strategy to compete with LCA-Vision, lower than their previous price of \$1,995 for IntraLase Custom.” TLC also reportedly has a new discounted price for managed care plans.

Surgeons pointed to several new trends they believe are developing:

- **Femtosecond lasers.** IntraLase appears to be gaining a little ground, with more doctors deciding to add a femtosecond laser. A doctor said, “I think IntraLase (ownership) will increase. Custom ablation is fully saturated.” Another surgeon said, “A big selling point for us is ‘all laser LASIK.’ Since we acquired the IntraLase, we haven’t done any microkeratome procedures. I think all LASIK surgeons will be pushed into using a laser to make the flap because of safety and accuracy. The acquisition of IntraLase by AMO (Advanced Medical Optics) makes this more likely.”

- **Phakic and multifocal IOLs.** There is slightly more interest in phakic IOLs and refractive lens exchange. A New York surgeon said, “We are seeing more patients who were and still are poor candidates for LASIK but who are more interested in phakic IOLs as the procedure achieves a longer track record.” Another doctor said, “We are seeing more patients wanting refractive lens exchange (RLE).” Another doctor said, “More people who are coming in for LASIK evaluations are proving to be better refractive lens exchange candidates.”
- **Financing.** Financing has become a critical issue for LASIK patients. A Texas doctor said, “We are seeing fewer patients with cash.” Another said, “Financing is very important. Eighteen months with no interest is the gold standard now.”
- **Increased internet advertising.** Only one source mentioned this, but he said, “I have been interested in internet referrals. I’ve done several podcasts on LASIK and have put a book of 500+ Q&As about LASIK on the internet.”
- **Decreased optometric referrals.** Only one source mentioned this, but if the new TLC pricing strategy spreads, it may become more of a trend.

Doctors are not very optimistic about the long-term prospects for presbyopic LASIK. Comments included:

- “It will help some, but hyperopic presbyopes are much rarer than myopic pre-presbyopes in our centers.”
- “The vision is *not* good. I think that patients will not like the quality of their near or far vision.”
- “The downside is a drop in uncorrected distance vision (UCDVA) and potentially best corrected distance vision (BCDVA) which will make this a difficult sell in a demanding marketplace like ours.”
- “I don’t believe we have a good procedure for presbyopia yet, but when we do have a laser procedure for presbyopia, I believe there will be a stampede.”
- “If it meets their (patients’) expectations, it will be very popular.”
- “It depends on the safety and effectiveness. If it is both safe (minimal risk) and effective (good distance and near visual acuity), then it is likely to be very popular.”
- “It’s a partial solution to the problem since it works 80% well, at both ends (distance and near), but *not* 100%.”

