

Optometrists

6.29.2020

NAICS CODES: 621320

SIC CODES: 8042

Industry Overview

Companies in this industry perform routine eye exams, write prescriptions for corrective lenses, and diagnose and treat eye conditions. No major companies dominate the industry.

About 200,000 optometrists practice worldwide, according to the World Council of Optometry. As middle class populations expand in developing economies such as China and India, demand for optometrists' services is expected to increase significantly.

The US optometrists industry includes about 22,000 offices with combined annual revenue of about \$15 billion. Companies that sell corrective lenses but do not provide eye exams or write prescriptions are covered in the Opticians industry profile.

Competitive Landscape

Demand is driven by demographics. The **aging of the US population** increases demand for eye exams and glasses. Eye diseases such as cataracts and glaucoma, which are often diagnosed by an optometrist but treated by an **ophthalmologist**, also increase with age. The profitability of optometrist practices depends on efficient operations and whether glasses and contact lenses are sold. Eyeglass purchases are mildly cyclical with the economy, as many consumers view extra glasses as an expense that can be deferred. The US industry is **highly fragmented**: the 50 largest US companies account for less than 10% of revenue.

Products, Operations & Technology

Optometrists perform routine **eye examinations**, diagnose conditions including nearsightedness and farsightedness, and write prescriptions for glasses, contact lenses, and medications. Optometrists also may provide vision therapy, postoperative and preoperative care, and disease diagnosis. Complicated conditions like glaucoma, cataracts, and retinal detachments generally are referred to ophthalmologists. Optometrists hold doctor of optometry (OD) degrees. Only ophthalmologists are allowed to perform LASIK surgery (laser-assisted in-situ keratomileusis) to correct vision defects.

Optometric eye examinations usually take about an hour and are billed at a flat fee. During the visit, assistants often conduct initial vision tests and the patient spends less than 20 minutes with the optometrist.

Optometrists often sell glasses and contact lenses directly from an **office dispensary**. Dispensaries typically take up about 25% of total office space. Sales of glasses and contact lenses typically account for about 40% of a practice's revenue.

Contact lenses come in hard or soft varieties, may be colored, and may allow extended wear or be disposable. The lenses for glasses also come in various colors and with various coatings and may contain areas of different correction (bi- or tri-focals). **"Progressive" lenses** are bifocals with the corrective areas smoothly blended into each other. Simple conditions such as near- or far-sightedness can be corrected with either contact lenses or glasses, while some can best be corrected with glasses.

Lenses for glasses are made of plastic and are bought from a few large manufacturers. Frames are usually bought from about a dozen manufacturers but carry a large number of **brand names**. Contact lenses are made mainly by a few large companies. Imports of ophthalmic goods, including contact lenses and eyeglasses, come primarily from China and Italy.

Technology

Diagnostic optometric and ophthalmic equipment includes tonometers (pressure gauges), phoropters (refractors), keratometers (cornea measurements), fundus (retinal) cameras, and ultrasound devices. **Professionals looking to upgrade** to new devices or expand services are seeking digital diagnostic cameras, corneal pachymeters, automated refraction systems, optical coherence tomographers (OCTs), and visual field analyzers for glaucoma detection.

Optometrists may lease or share equipment or buy refurbished equipment to keep capital expenses low. A new visual field analyzer may retail for \$26,000 but a refurbished instrument may sell for \$16,000, for example. A majority of practices investing in technology report higher profitability and patient satisfaction, according to the *Review of Optometry*.

Eye care professionals are upgrading **information technology systems** to better manage patient data. About 65% to 75% of optometrists have adopted electronic health records (EHRs) under guidelines established by the Health Information Technology for Economic and Clinical Health (HITECH) Act. Some physicians have received financial incentives under the HITECH Act for meaningful use of EHRs. Optometrists are also investing in patient education programs and patient callback and reminder systems.

Sales & Marketing

Typical customers are consumers in need of eye exams and corrective lenses. Optometrist offices, like those of physicians and dentists, get new patients by referral or affiliations with insurers. Some optometrists increase patient volume by marketing via direct mail, phone calls, print, and online advertisements, as well as community sponsorships and screenings. Much of their revenue is generated by repeat visits from patients.

Many US health insurance plans (but not Medicare) cover routine eye exams and corrective lenses. Optometrists enter into agreements with insurers to provide services and products at rates often lower than their regular rates. **Vision care plans** are also common, which often provide for a pair of glasses at a reduced price from participating offices. Consumers covered under vision care plans are two or three times more likely to have an eye exam than patients who have vision coverage in their health plan, according to the National Association of Vision Care Plans.

Internet sales of contact lenses and glasses have become common in recent years, because they can be ordered exactly according to prescription and don't require fitting. Many optometrists get substantial revenue from product sales and could be adversely impacted by this trend.

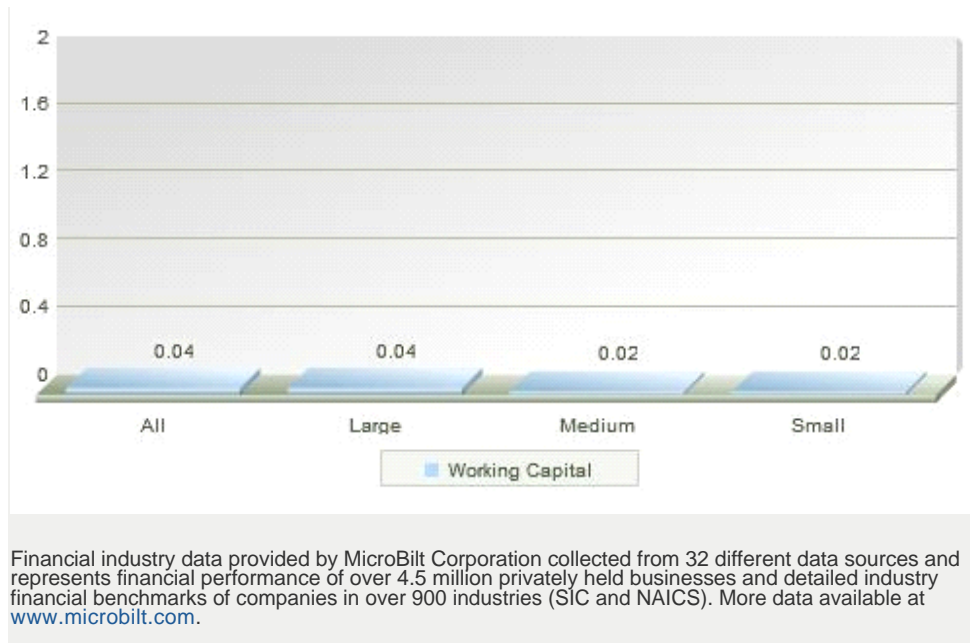
Finance & Regulation

Major expenses include cost of goods (about 30% of practice revenue), staffing (20%), occupancy, and general overhead. Optometrists have long-term investments in standard examination equipment. The US industry is **labor-intensive**: average annual revenue per employee is about \$110,000.

Out-of-pocket fees for eye exams range from around \$50 to around \$150 depending on insurance coverage. Most patients pay at the time of service, though insurers are paying a larger portion of exam costs as eye care becomes a more common feature of health insurance plans. Health plans and supplemental vision plans typically have fee schedules or discount plans specifying how much the insurer will pay for a particular service or product. Reimbursement rates are often non-negotiable.

Working Capital Turnover by Company Size

The working capital turnover ratio, also known as working capital to sales, is a measure of how efficiently a company uses its capital to generate sales. Companies should be compared to others in their industry.



Regulation

Optometrists must obtain a doctor of optometry (O.D.) degree and pass the National Board of Examiners in Optometry tests to be licensed by states. After obtaining a bachelor's degree and attending four years of optometry school, some optometrists complete a one-year residency training program in a specialized area of emphasis such as pediatric or geriatric optometry. Optometrists may choose to take additional exams to become certified by the American Board of Optometry.

Federal and state regulation of the optical industry focuses on patients' rights and treatments. The Federal Trade Commission's Contacts and Eyeglasses Rules require optometrists to give patients their vision prescriptions immediately after an exam so they can buy them wherever they want. The law prevents optometrists from requiring patients to buy their lenses from the prescribing doctor. Optometrists may also be subject to regulations under the Drug Enforcement Administration's controlled substance laws, as well as reimbursement and patient privacy regulations under the Affordable Care Act and the Health Insurance Portability and Accountability Act (HIPAA).

International Insights

About 200,000 optometrists practice worldwide, according to the World Council of Optometry. The World Health Organization (WHO) estimates that 189 million people have mild distance vision impairment, 217 million people suffer from moderate to severe distance vision impairment, and some 36 million are blind. Another 826 million people live with a near vision impairment. More than 80% of impairments can be cured or prevented.

As the middle class grows in developing nations such as China and India, demand for optometrists to treat vision impairments is expected to increase significantly. Funding for eye exams and glasses in developing countries often comes from government agencies and from **charitable contributions** made by international aid organizations. A majority of visually impaired individuals live in low- and middle-income countries where access to eye care is limited, according to the WHO, and 81% of impairments are in people age 50 or older.

Increased availability of eye care, public education, and socioeconomic development has reduced global visual impairments in recent decades. The WHO works with the World Council of Optometry, Lions Club International, Sightsavers International, Hellen Keller International and other organizations to set up clinics and provide exams and glasses in underdeveloped nations around the world. Governments in developing nations including Brazil, China, India, Morocco, and Oman have launched public programs to provide eye care services to citizens.

In affluent countries with growing elderly populations, the need for optometrists and other eye care specialists is rising. Older people suffer from presbyopia, or an age-related hardening of the lens, that can be treated with **reading glasses**. Other diseases, such as glaucoma, cataracts, and age-related **macular degeneration**, require medical treatment by ophthalmologists after first being diagnosed by optometrists.

Regional Highlights

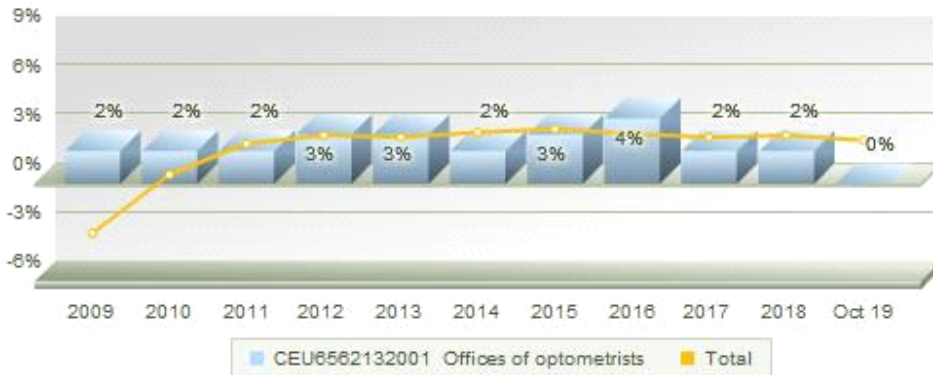
In the US, [California](#), [Texas](#), [Florida](#), [Pennsylvania](#), and [Ohio](#) have the most optometrist offices. Health professionals

gravitate to regions experiencing population growth. The states that gained the most people between 2017 and 2018 include Texas, Florida, California, Arizona, and North Carolina.

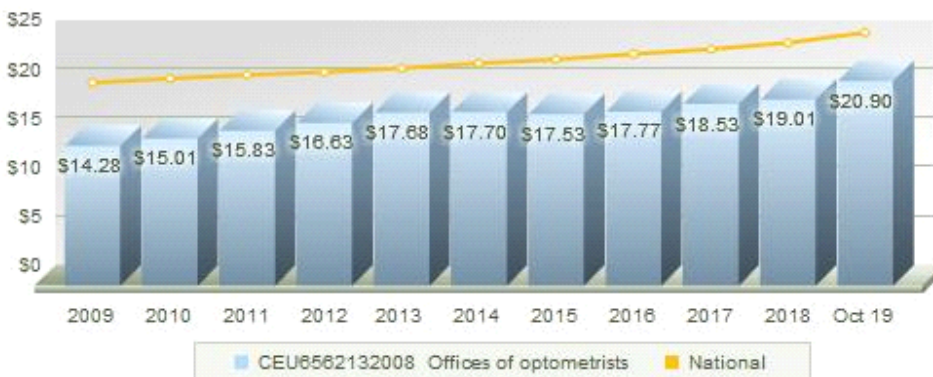
Human Resources

Median pay for US optometrists is **significantly above** the national average, but far below that of family practice physicians, general surgeons, and specialists such as pediatricians and OB/GYNs. Other workers in optometry practices include general office staff and optometrist assistants, who perform some tests and other duties relating to eye care. The average wage for all workers in US optometrist offices is moderately lower than the national average.

Industry Employment Growth Bureau of Labor Statistics



Average Hourly Earnings & Annual Wage Increase Bureau of Labor Statistics



Industry Growth Rating



Demand: Driven by demographics
 Profitability is determined by efficient operations and whether eyewear is sold
 Risk: Lower payments from insurers and increased competition

Industry Indicators

US consumer spending on services, an indicator of optical good sales, rose 1.8 percent in July 2020 compared to the same month in 2019.

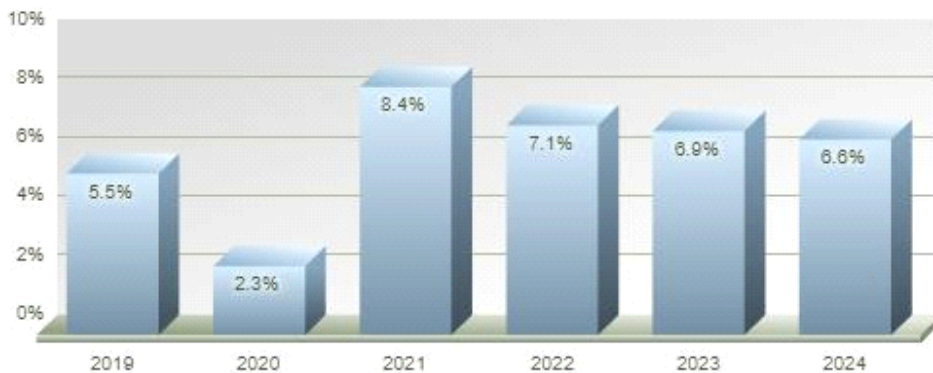
US consumer prices for medical care commodities, which may impact optometrists' operational costs for equipment and retail items, rose 0.8 percent in August 2020 compared to the same period in 2019.

US consumer prices for medical care services, an indicator of profitability for optometrists, rose 5.3 percent in August 2020 compared to the same month in 2019.

Total US revenue for offices of other health practitioners, which includes optometrists, rose 7.9 percent in the second quarter of 2020 compared to the same period in 2019.

Industry Forecast

Revenue (in current dollars) for US optometrists offices is forecast to grow at an annual compounded rate of 7% between 2020 and 2024. Data Published: July 2020



First Research forecasts are based on INFORUM forecasts that are licensed from the Interindustry Economic Research Fund, Inc. (IERF) in College Park, MD. INFORUM's "interindustry-macro" approach to modeling the economy captures the links between industries and the aggregate economy. [Forecast FAQs](#)

Industry Drivers

Changes in the economic environment that may positively or negatively affect industry growth.

Data provided by First Research analysts and reviewed annually



Consumer Spending Change in overall level of consumer spending on goods and services



Technology Innovation Advances in science and technology, including information technology



Government Regulations Changes in federal, state, or local government regulations or business-related policies

Critical Issues

Health Care Reform - The optometry profession benefits from health reform efforts that seek to improve access to care in nations around the globe. Public health actions have helped to reduce the prevalence of vision impairment since the 1990s. The World Health Organization's global eye health action initiative aims to reduce avoidable vision impairments by 25% between 2013 and 2019. In the US, the federal Affordable Care Act (ACA) defines children's vision care as an essential health service to be offered in school clinics and exempts eyewear and eye care insurance coverage from certain taxes. However, optometrists could be negatively impacted by reforms intended to curb health care expenses.

Insurance Plan Compliance - Navigating the changing insurance landscape continues to be a challenge for optometrists. Employer health care plans are beginning to include vision care, typically a yearly eye exam. Additionally, supplemental vision care plans provide some coverage, including a discount on glasses. However, to get business from members of managed care and vision plans, optometrists have little choice but to accept the discounted prices. Medical flexible spending accounts (FSA) and health spending accounts (HSA) allow consumers to use funds in those accounts on eye exams and expenses.

Business Challenges

Competition from Ophthalmologists and Opticians - Optometrists face competition from ophthalmologists (physicians who treat eye diseases and perform surgery as well as eye exams) and from opticians (who sell and fit glasses). The volume of competition may cause more optometrists to seek work with large companies rather than opening their own offices.

Competition from Internet Retailers - Online sales of contact lenses and frames continue to cut into the dispensary revenues of optometrists. Optometrists can win business by focusing on customer service and effective merchandising.

Industry Opportunities

Building on Patient Relationships - Independent optometrists benefit from long-term relationships with loyal patients, as they provide repeat business over the years. Patients of independent optometrists are far more likely to recommend their eye doctor to friends and relatives than patients who are treated at a chain or retail optometrist, according to the Review of Optometric Business. Optometrists can nurture this loyalty by making sure they provide personalized services to their customers.

Expanded Treatments by Optometrists - Some states are allowing optometrists, who already treat infections like conjunctivitis in many cases, to treat complex eye conditions like glaucoma. Other states have expanded the prescription formulary available to optometrists, including steroids and antihistamines.

Nutraceuticals for Eye Health - Some nutritional supplements have been shown to help prevent some forms of macular degeneration, a leading cause of age-related vision loss. Optometrists could add nutritional supplements to their product lines to meet patients' needs and boost revenues. Optometrists are in a good position to make recommendations to older patients who often are already taking vitamins and other supplements.

Patient Co-Management - Optometrists are increasingly consulting with colleagues to co-manage their patients' care, in much the same way that medical doctors do. Optometrists who have a general practice can refer patients to optometrists who have expertise in pediatric vision care, low vision, glaucoma, and other specialties. This allows the primary care optometrist to manage a patient's care without losing the patient to another eye doctor.

New Vision Correction Technologies - Optometrists are turning to new eyewear technology to replace the traditional glasses and contact lens sales that are being lost to new competition. New sensing technology that measures the specific vision deficiencies of an individual eye have resulted in customized eyeglasses that provide superior vision and artificial lenses that correct for natural aging of the eye. Orthokeratology is a new technique to help patients with low-level nearsightedness improve their vision. The latter treatment is not covered by insurance or vision plans, so motivated patients would pay full price.

Early Adoption of Diagnostic Technology - Although ophthalmic technology can be quite expensive, independent

optometrists tend to be early adopters of the latest in diagnostic equipment. Digital cameras are replacing older fundus cameras and extending capabilities in anterior segment documentation, for instance. Technology upgrades can give optometrists a competitive advantage over chain stores that only offer eye exams. As patents age and gain better insurance and more disposable income, patients are less likely to balk at higher exam prices if they believe they are getting better services. Investing in equipment to diagnose age-related maladies such as glaucoma helps optometrists serve an aging population.

Financial Information

COMPANY BENCHMARK TRENDS

Quick Ratio by Company Size

The quick ratio, also known as the acid test ratio, measures a company's ability to meet short-term obligations with liquid assets. The higher the ratio, the better; a number below 1 signals financial distress. Use the quick ratio to determine if companies in an industry are typically able to pay off their current liabilities.



Financial industry data provided by MicroBilt Corporation collected from 32 different data sources and represents financial performance of over 4.5 million privately held businesses and detailed industry financial benchmarks of companies in over 900 industries (SIC and NAICS). More data available at www.microbilt.com.

Current Liabilities to Net Worth by Company Size

The ratio of current liabilities to net worth, also called current liabilities to equity, indicates the amount due creditors within a year as a percentage of stockholders' equity in a company. A high ratio (above 80 percent) can indicate trouble.



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COMPANY BENCHMARK INFORMATION

NAICS: 621320

Data Period: 2018

Last Update February 2020

Table Data Format

Mean

Company Size	All	Large	Medium	Small
Size by Revenue		Over \$50M	\$5M - \$50M	Under \$5M
Company Count	16407	1	47	16359

Income Statement

	All	Large	Medium	Small
Net Sales	100%	100%	100%	100%
Gross Margin	100.0%	100.0%	100.0%	100.0%
Officer Compensation	4.8%	2.5%	2.8%	5.0%
Advertising & Sales	1.1%	0.9%	1.0%	1.1%
Other Operating Expenses	89.0%	90.2%	90.4%	88.9%
Operating Expenses	94.9%	93.5%	94.2%	95.0%
Operating Income	5.1%	6.5%	5.8%	5.1%
Net Income	2.3%	3.1%	2.5%	2.2%

Balance Sheet

	All	Large	Medium	Small
Cash	14.9%	11.8%	14.6%	15.0%
Accounts Receivable	15.3%	13.7%	11.1%	15.6%
Inventory	3.1%	2.0%	2.3%	3.2%

Total Current Assets	41.9%	36.2%	38.0%	42.3%
Property, Plant & Equipment	25.5%	32.1%	26.8%	25.3%
Other Non-Current Assets	32.6%	31.7%	35.2%	32.4%
Total Assets	100.0%	100.0%	100.0%	100.0%
Accounts Payable	4.6%	4.1%	4.1%	4.7%
Total Current Liabilities	31.9%	31.5%	32.4%	31.9%
Total Long Term Liabilities	31.5%	28.9%	30.5%	31.7%
Net Worth	36.5%	39.6%	37.1%	36.4%

Financial Ratios

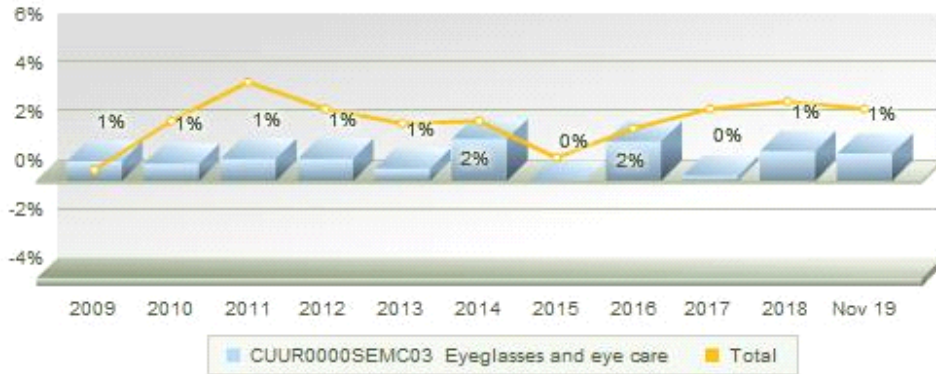
(Click on any ratio for comprehensive definitions)

Quick Ratio	1.01	0.86	0.87	1.03
Current Ratio	1.31	1.15	1.17	1.32
Current Liabilities to Net Worth	87.5%	79.5%	87.3%	87.6%
Current Liabilities to Inventory	x10.34	x15.74	x14.33	x10.10
Total Debt to Net Worth	x1.74	x1.53	x1.69	x1.74
Fixed Assets to Net Worth	x0.70	x0.81	x0.72	x0.69
Days Accounts Receivable	21	18	14	22
Inventory Turnover	x0.00	x0.00	x0.00	x0.00
Total Assets to Sales	38.3%	36.6%	36.2%	38.5%
Working Capital to Sales	3.8%	1.7%	2.0%	4.0%
Accounts Payable to Sales	1.7%	1.5%	1.4%	1.8%
Pre-Tax Return on Sales	3.7%	5.0%	4.1%	3.6%
Pre-Tax Return on Assets	9.6%	13.7%	11.3%	9.4%
Pre-Tax Return on Net Worth	26.2%	34.5%	30.4%	25.8%
Interest Coverage	x3.41	x4.27	x3.31	x3.41
EBITDA to Sales	6.0%	7.0%	6.4%	5.9%
Capital Expenditures to Sales	1.5%	1.1%	1.2%	1.5%

Financial industry data provided by MicroBilt Corporation collected from 32 different data sources and represents financial performance of over 4.5 million privately held businesses and detailed industry financial benchmarks of companies in over 900 industries (SIC and NAICS). More data available at www.microbilt.com.

ECONOMIC STATISTICS AND INFORMATION

Change in Consumer Prices - Bureau of Labor Statistics



VALUATION MULTIPLES

Optometrists

Acquisition multiples below are calculated medians using at least 3 US private industry transactions completed between 1/2008 and 12/2019 and are based on middle-market transactions where the market value of invested capital (the selling price) was less than \$1B. Data updated annually. Last updated: December 2019.

Valuation Multiple	MVIC/Net Sales	MVIC/Gross Profit	MVIC/EBIT	MVIC/EBITDA
Median Value	0.6	0.8	4.1	4.1

MVIC (Market Value of Invested Capital) = Also known as the selling price, the MVIC is the total consideration paid to the seller and includes any cash, notes and/or securities that were used as a form of payment plus any interest-bearing liabilities assumed by the buyer.

Net Sales = Annual Gross Sales, net of returns and discounts allowed, if any.

Gross Profit = Net Sales - Cost of Goods Sold

EBIT = Operating Profit

EBITDA = Operating Profit + Noncash Charges



SOURCE: DealStats (formerly Pratt's Stats), 2019 (Portland, OR: Business Valuation Resources, LLC). Used with permission. DealStats is available at <https://www.bvresources.com/learn/dealstats>

Industry Websites

American Optometric Association

News and resources for optometrists.

Association of Schools and Colleges of Optometry

Optometry practice resources.

FDA LASIK website

Background information about LASIK eye surgery.

Optometric Management

News and events.

Optometry 20/20

Industry news, issues.

Optometry Times

Business trends and issues.

Review of Optometric Business

Practice management news and information.

Review of Optometry

Eye health and other issues.

The Canadian Association of Optometrists

Canadian organization for optometrists.

The Vision Council

Optical industry manufacturers and suppliers.

Vision Monday

Industry news and trends.

Glossary of Acronyms

AAO - American Academy of Ophthalmology

ACA - Affordable Care Act

AOA - American Optometric Association

COA - certified ophthalmic assistant

COT - certified ophthalmic assistant

ECP - eye care professional

LASIK - laser-assisted in situ keratomileusis