Incentive Plans for Opticians

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Some Compensation Facts

- Facts:
  - Nearly all ophthalmologists are paid on production.
  - Nearly all employed optometrists are paid on production.
  - All opticians in the commercial optical world receive incentives of some kind.
  - The substantial majority of opticians in the ophthalmology world do not receive an incentive of some kind.

Ethical Considerations

- Are incentive programs for opticians ethical?
  - Create ‘pushy’ salespeople?
  - Alienate the practice’s patients?

- Are incentive programs for doctors ethical?
“What’s in it for me?”

- The most basic question; the most often asked question.
- Why should I improve, only creating more work for myself?
- “If someone puts money into ‘the pot’ they should be allowed to take something out of the pot.”

Definitions

- An **bonus** is *premium pay*, paid to employees for work performed at or above the established **work standard**.
- What are the **work standards** for your dispensary?
- A **commission** is an incentive that is paid every time a particular act is committed.
- Intended as **tangible rewards** for achieving **success**.
- Assumes sufficient intangible rewards are in place.

Most Common Incentive Plans

- Salary or wages only, (no plan)
- Discretionary bonus.
- Defined bonus.
- Commissions (spiffs, PM’s).
Art’s 80/20 Bonus Rule

- The value of an optician’s incentive should be 20% or more of their non-benefit compensation.
- The incentive must be substantial enough to motivate the employee.
- Those employees who cannot succeed under the plan will quit.

Plans That Are Not Recommended

- Salary or wages only.
  - “Why should I improve, it only creates more work for me.”
- Discretionary bonus.
  - Is not a motivator because it is not tied to the attainment of specific goals.

Defined Bonus

- Defined bonus.
  - Defined amounts of money are paid when certain benchmarks are achieved.
  - All or nothing system.
Commissions (Spiffs, PM’s)

- Most often used method.
- Primary computation methods:
  - Sales
  - Profits

Incentives Based On Sales

- Percentage of sales.
  - From dollar 1?
  - Over last year?
  - Over a particular target or budgeted figure?
- Define which sales qualify (net sales)
- Are you incentivizing sales or collections?

Profit Incentives

- Percentage of profits.
  - From dollar 1?
  - Over last year?
  - Over a particular target or budgeted figure?
- Define which costs will be included in the profit computation (what is controllable profit)
- Are you incentivizing profits from sales or collections?
**Per Item Sold**

- Sometimes known as spiffs or PM’s.
- Most effective program for non-managers.
- A defined amount is paid each time the optician sells a particular item.
- Best when tied to a sales training program.
- Most complicated to administrate.

**Other Considerations**

- Capped or uncapped?
  - Is the incentive's upside potential limitless or limited?
- Incentive guarantees?
  - What if I don’t hit the target?
  - "I’m not an owner."

**Caveats**

- The bonus program must be based on elements of the business that the optician can control.
  - Non-management opticians cannot control profits.
  - Managers can control sales and profits.
  - OR...
  - You sign a new managed care contract; everyone gets a 'raise.'
  - You lose a managed care contract; everyone gets a pay cut.
Caveats

- Be certain that the bonus program is consistent with the goals of the practice.
- Good patient care should be the primary goal; the result is increased sales and profits.

Thank You For Your Time And Attention

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