



# LEARNING MODULE 3

## *Introduction*

The Cosmetic Surgery Alliance (CSA)—a joint effort of the American Society of Plastic Surgeons® (ASPS) and the American Society for Aesthetic Plastic Surgery® (ASAPS)—is pleased to present this new guide to help member surgeons stand out as the cosmetic medicine and surgical care providers of choice in an increasingly competitive environment.

The CSA convened a task force in January 2007, chaired by ASPS President-elect Dr. Richard D'Amico and ASAPS Vice President Dr. Renato Saltz, to develop a unified, aggressive, and multiyear strategic communications campaign to address the growing trend of non-core doctors entering the field of cosmetic medicine and surgery.

The aim of this guide—and an associated public education brochure, *Beauty for Life™*—is to position



member surgeons at the core of the expanding cosmetic surgery field, fueled by the popularity of less invasive procedures like laser and light therapy, injection of toxins, and fillers and non-ablative skin rejuvenation. The task force is also developing additional tools that will reinforce this message.

The Societies' research found that the vast majority of member surgeons have incorporated minimally and moderately invasive procedures into their array of services. Physicians who want to take these aspects of their practices to the next level can use this guide to capture the large slice of patients opting for injection therapies and other nonsurgical procedures.

In addition to presenting the results of a member survey, the guide explains trends in the cosmetic care industry and anticipated growth areas that will fuel demand for certain procedures. Members can also use the guide to overcome the public perception that certain procedures are without risk and drive patients to select a qualified plastic surgeon for all their cosmetic medicine and surgical needs.

The guide addresses common challenges associated with broadening a practice into nonsurgical cosmetic medicine areas—from recruiting new employees and training them in the latest procedures to structuring an office to accommodate patients seeking other types of treatment. The guide offers tips on tracking inventory, evaluating profitability across procedures, purchasing and maintaining equipment, and assessing space needs. Information is also provided on how doctors can appraise the local market and formulate and promote services that meet current and emerging demands.

This guide, the Beauty for Life public education publication that will be provided to each office, and other tools will assist Aesthetic Society and ASPS members in their ongoing and important mission of providing high standards and quality care to the broadest possible audience.



## *Calculating Real Profitability*

The true profitability of a procedure depends on more than the direct revenue it generates. Even though a procedure may seem to generate only moderate revenue for a practice, a variety of factors could make the actual profit margin far higher. Liability costs, staff time, and equipment used are major factors that should be taken into account when evaluating the profits for any procedure offered in a practice. For some patients, less invasive procedures serve as “gateway procedures” to surgery. At the same time, many surgical patients add on less invasive procedures to enhance and sustain their results, which increases their long-term value to the practice. Developing ways to track patient data by procedure, and cross-check information on the number of patients who return for additional procedures, allows surgeons to evaluate the big-picture value of a procedure and determine which procedures are cross-pollinating their practice.



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By tracking procedure data, plastic surgeons can learn how to optimize the staff workflow, determine what services to ramp up or scale down, make informed decisions when purchasing equipment and supplies, and assess the overall health of their practices. The following chart outlines some of the factors to consider when measuring the profitability of a procedure:

Financial Considerations	Procedure
<b>REVENUE</b>	
Revenue per patient	_____
Number of patients	_____
<i>Total Revenue</i>	_____
<b>DIRECT COSTS (per year)</b>	
Cost of supplies	_____
Cost of equipment (amortized for the year)	_____
Incentive costs (1)	_____
Time of the physician (or other provider)	_____
<i>Total Direct Costs</i>	_____
<b>Total Gross Margin (Revenue—Direct Costs)</b>	
<b>INDIRECT COSTS</b>	
Overhead allocation (2)	_____
Financing start-up costs (3)	_____
Liability costs (pro-rata share of malpractice insurance) (4)	_____
Marketing	_____
<i>Total Indirect Costs</i>	_____
<b>TOTAL PROFIT</b>	
Profit margin	_____
Percentage of total profit	_____

*Notes:*

- 1) Incentive costs are the commission percentages offered to staff for cross marketing procedures. This also includes discounts given to patients for specific procedures.
- 2) Overhead allocation includes a percentage of facilities costs, electricity, shared personnel, shared administrative equipment, and other costs that are calculated based on the staff time and resources required for the procedure.
- 3) It is important to include the opportunity costs in your estimate of financing/start-up funds required. These are funds that could not be invested elsewhere.
- 4) When calculating liability costs, factor in a realistic estimate for liability insurance costs specific to the procedure you are evaluating.



## *The Best is Yet to Come*

This is not a static document; rather, this guide is intended to be a regularly updated, living compendium of information on the exciting and growing practice segment called cosmetic medicine.

Plastic surgeons are uniquely positioned to use their training and expertise to create responsive and comprehensive practices that meet the cosmetic medicine goals of all current and future patients. This new era is one of opportunity, reminding plastic surgeons that staying on the leading edge of patient care means constantly assessing, growing, and evolving a practice to offer legitimate, noninvasive procedures to patients.

ASPS and The Aesthetic Society hope this guide assists member surgeons looking to investigate the cosmetic medicine industry. It's also only the beginning—in the



coming year, the Societies will develop more research-based resources to support members, including Web-based tools, viral marketing, and peer-reviewed articles. And in the summer of 2008, ASPS and ASAPS will host the first Cosmetic Medicine Symposium, providing unprecedented opportunities for idea sharing and networking to help plastic surgeons build vibrant cosmetic medicine practices.

Be a part of the change—provide your feedback on this guide and tell the Societies about the information you need most. For comments and suggestions, please contact:

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