ADD A LOW-COST HEARING AID OPTION INTO YOUR PRICING STRUCTURE

Jun 22, 2016 | Expert Center | 5️⃣ | ★★★★★

What is the best way to set up a price structure that can accommodate a low-cost hearing aid without endangering your net profits? How low can your hearing aid prices go before you risk damaging business solvency or giving away your services for free? This is the question on the minds of many hearing care professionals as they consider how to make hearing healthcare more affordable for a larger population of patients.
According to audiologist Dan Quall, MS, who recently presented the webinar "How Low Can You Go? Practical Considerations When Offering a Low-priced Hearing Aid" for The Hearing Review courtesy of CareCredit, there are many practical considerations. Quall is director of Managed Health Services at Fuel Medical Group, and has decades of experience in the hearing care industry that include building a successful hearing aid chain. Here are some key considerations Quall suggests:

Learn when & how to offer a low-cost option.
Offering several low-cost products is not necessarily the best scenario for every hearing care business owner at all times, according to Quall. However, it’s helpful to understand how to use a “cost-plus” pricing model. What is a “cost-plus” pricing model? This is a pricing model based on the cost of services per clinical hour that Quall advises using in your hearing health business. The model is simple:

- **The “Cost” Plus Model at $200 PCH**

  \[
  \text{Product + Clinic Time + Service Package = Total Cost}
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<thead>
<tr>
<th>Test, Fit and 1 Year of Service, 1 Year War. - 4.5 hrs</th>
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<td>Product 1</td>
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<th>Test, Fit and Follow up only, 1 Year War. - 3 hrs</th>
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<td>Product 1</td>
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HearingReview

**to make** = COST PLUS PRICING

**COST**
(of acquiring a product) + PROFIT (that you want)

No-interest Payment Plans Help Your Practice

Ask an Expert: How Important Are Hearables or PSAPs to My Practice?

CareCredit Helps Patients Pay for Hearing Aids

How to Increase Your Hearing Aid Sales by 24%

READER COMMENTS

Anonymous on Ask an Expert: Is the Future Bright or Dark for Hearing Care Practices?

Elissa on Ask an Expert: How Can I Differentiate My Practice from Costco?

Thanks so much for your kind words, Rachel! I love being your hearing care provider, and am also happy to help out the hearing care community as a contributor to this "Ask an Expert" column.
The total COST is: Product + clinical time to take care of the patient + service package (eg, 2-year warranty, office visits, etc)

This calculation helps you create a price-set for all of your customers. It is based on an “unbundling” scenario. Quall does not advocate unbundling as a primary piece of your practice; however, he advocates unbundling in specific situations in order to be more competitive in the marketplace...and to help you offer more affordable options to those patients who are price sensitive.

Figure out revenue per clinical hour. “There’s more pressure on pricing at the clinical level,” says Quall. “We need to be sensitive to the fact that prospective patients have seen certain ‘anchors’ or price points when searching online for hearing aid products.”

To handle more cost-sensitive patients, here are some product “Do’s & Don’ts” to follow:

- Do pick a good quality product that’s not on your everyday list;

- Do talk to your manufacturer to get pricing for special programs;

- Don’t use your “everyday” product lines for your low-cost option;

- Do research and adopt those products that are good lower-cost options for your price-sensitive patients. (Talk to your manufacturers and ask if you can get a product at lower cost.)

- Don’t pick a product that is unreliable. Simply recommending a low-cost product does not necessarily translate into good value. The patient who uses a poorly performing product won’t be...
satisfied with it and, therefore, may pass along negative feedback about the low-quality products you are recommending.

According to Quall, the whole idea of offering a low-cost hearing aid or other hearing device is to offer the most budget-conscious patients a way to get an affordable hearing device and get it fitted by a professional. If those patients want additional professional services, they will have to pay for those as they go. Communicate this clearly to your customers so you don’t give away your professional time for no return in revenue.

**FAST FACT: 34% OF PATIENTS DIDN’T KNOW THERE WERE FINANCING OPTIONS AVAILABLE; 48%OF THEM SAID THEY’D USE THIS PAYMENT PLAN OPTION.**

<table>
<thead>
<tr>
<th>Figure out revenue per clinical hour.</th>
<th>How Much Time?</th>
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<tr>
<td><strong>Clinical Hours - Hearing Aid Fitting Year 1</strong></td>
<td><strong>Year 1</strong></td>
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<tr>
<td>Text</td>
<td>1hr</td>
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<tr>
<td>Fit</td>
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<tr>
<td>Follow-up 1</td>
<td>.5hr</td>
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<tr>
<td>Follow-up 2</td>
<td>.5hr</td>
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<tr>
<td>Six-month check</td>
<td>.5hr</td>
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<tr>
<td>Annual recheck</td>
<td>1hr</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>4.5hr</strong></td>
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First, you need to establish the amount of clinical time you will be providing to the patient. Then, you need to calculate how much to charge per clinical hour to meet the financial needs of your practice. Ask yourself: How much time is that? Does the low-cost option include a one-year service plan?

Experienced professionals know that there can be a great deal of variation in clinical time per individual patient. For example, consider these patients: Someone with mild hearing loss and good cognitive
skills needs limited rehab and counseling time, while someone with moderate to severe hearing loss and poorer cognitive skills may need 6 more hours of clinical time. Due to the amount of time you’ll need to spend with some patients, the “low-cost option” may not be in their (and your) best interest.

Here is an example of the average amount of clinical time in each patient’s journey through the first 6 years:

Year 1: 4.5 hours

Year 2: 1 hour

Year 3: 1 hour

Year 4: 1.5 hours (repair time plus clinical)

Year 6: 2+ hours (additional time for repurchasing hearing aid and additional testing, but less rehab time)

Establish a baseline hourly clinical charge. Look at the revenues and cost-of-goods for each dispensing professional in your practice and figure out how much revenue each one is generating. What you really want to look at is gross profit, not gross revenue (eg, if hearing aids sold for $2,000, and acquisition was $700, then the margin was $1,300). You can then divide the amount of the hearing care professional’s clinical time to calculate your gross profit, or margin (see below).

How many clinical hours do you and your staff put in? Examine the average clinical hours (based on their annual work schedule, including all time off and holidays) for each hearing care provider in your practice. The average for most providers based on an
8-hour day will be approximately 1,900 clinical hours of providing service to patients.

As discussed previously, Quall points out that it is important to understand that there are going to be variances in the amount of time spent with each patient—some require more than others. You will need to charge by the clinical hour and, possibly, create different pricing scenarios for each category of patient (i.e., those with mild hearing loss that require less rehab time vs those with severe hearing loss).

Calculate each provider’s cost per clinical hour. Divide your gross margin by the clinical hours to get a rough understanding of what your hearing care business needs to maintain its current profits.

Coping with low-cost options offered online, at Big Box retailers, and other sources. One cannot refute that the hearing care landscape is changing (in the form of Big Box retailers, as well as in the contracting and insurance areas of the industry), and dispensing practices are seeing more pressure on pricing. In this new landscape, some consumers seeking low-price options for hearing care may end up with products that don’t serve their hearing needs. “Tragedy comes when someone has been introduced to low-cost options on the Internet…” warns Quall. “About 1 out of 4 patients that come into your office have been exposed to such pricing.”

Quall advises hearing care providers be prepared to adopt these individuals as new patients who are turning to professionals after other low-cost options in the marketplace haven’t worked for them. He adds that the Internet also has created a price “anchor” in the market. You will need to be sensitive to the fact that people have seen different pricing scenarios in the marketplace, and they will expect you to offer
care and products that are competitive with those prices.

Paying for Hearing Healthcare

Cost and financing are highly researched topics and key considerations on patients' path to purchase. 63% of patients surveyed used credit-based payment methods.

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<tr>
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<th>Credit Based 81%</th>
<th>No Credit Based 19%</th>
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<tbody>
<tr>
<td>General</td>
<td>45%</td>
<td>55%</td>
</tr>
<tr>
<td>Medical</td>
<td>14%</td>
<td>86%</td>
</tr>
<tr>
<td>Provider/Other</td>
<td>14%</td>
<td>86%</td>
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<tr>
<td>Cash, Check or Debit Card or HSA/ISA</td>
<td>45%</td>
<td>55%</td>
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*Survey conducted for CareCredit by Nielsen, Inc. 2016; some respondents indicated using more than one payment method.

An important tool to have in your toolbox is one that makes your products and services affordable for your patients. Consider payment plans and patient financing as tools that can make hearing treatments more accessible. It is helpful to offer patients payment options like the financing plan from CareCredit, that allows them to make smaller monthly payments to cover the cost of a high-quality hearing aid they might not otherwise be able to afford.

Capturing new patients and winning them over.
Studies have shown that the secret to profitability in healthcare is capturing and retaining loyal customers. A loyal customer is defined by 3 R's: a loyal patient will return to buy from you again, will need related products from you, and will bring you referrals. Gaining long-term, loyal patients is more important than gaining immediate revenue. To win their loyalty, it is important to offer them your best professional care, along with low-priced options, that can deliver good outcomes.

Content provided to the 4MyHearingBiz community courtesy of CareCredit, The Hearing Review, and Dan Quall based on his webinar presentation, How Low Can You Go? Practical Considerations When Offering a Low-

priced Hearing Aid. Data referenced in this article came from Phonak, CareCredit and the Harvard Business Review.
Kim on July 2, 2016 at 3:48 pm

This article is useless because hearing care professionals will only recommend the expensive or higher end priced hearing aid to the consumer as they stand to gain a profit from it. Why would they want to recommend low cost hearing aids?

REPLY

Christa Nuber on July 6, 2016 at 8:51 pm

Hi Kim,

Thanks for your feedback, and you’ve raised a good question. Our intent with this article, though we could probably do a better job of delivering the message, is the idea of longterm profit vs. immediate profit. Hearing care professionals may want to offer a few lower cost hearing aids to attract/capture a greater number of new patients who are only willing to buy an “entry level” option, especially those consumers who have seen lower prices on the Internet. If you build trust/relationships with them, these same patients will return to buy from you again in future, possibly at a higher price-point. They may also refer others to you. While this may appear to be a counter-intuitive approach, it is proposed as one possibility for grappling with the lower prices that more consumers are exposed to in the changing hearing care marketplace.

REPLY

Rob on July 8, 2016 at 12:03 am

We have been advertising a low cost option ($395) for the past 18 months. We do not charge extra for a service plan – the price is completely bundled. Obviously, there is a segment of the population that
cannot afford our more profitable products, and as an audiologist, I feel somewhat compelled to help people hear, no matter what their circumstances. What we have found is that by simply offering this option, it delivers a message of trust – that it is not all about the money. It is an extremely marketable position in the marketplace, one which most competitors will not touch. My experience with this offering is that it promotes trust, and gets the phone to ring – not necessarily because the person wants the $395 hearing aid. It is a way of simply letting the public know that we have “value” products and “premium” products. If the public wants a low cost option, why wouldn't you consider offering one????

3. Karl Strom on July 8, 2016 at 4:06 pm

My personal belief is that continuing to offer ONLY hearing aids that cost more than $1500 each will lead to a lot of future problems for some practices. In fact, our recent dispenser survey shows that MANY dispensing offices are now offering more economical options to serve a wider consumer base. Indeed, 93% of practices offered at least one hearing aid for less than $1500, 41% offered a device for less than $900, and 21% for less than $500. For a preview of the survey, see: http://www.hearingreview.com/2016/04/staff-standpoint-sneak-peek-2016-pricing

4. Jay Muhury on July 19, 2016 at 4:16 pm

It is now widely known that microchip technology within hearing aids does affect cognitive performance. The chip is the new trend. The sophisticated hearing aid will cost approximately $3,400 each with this chip.
Hearing aids without this chip should not even be on the market! A hearing aid that does not help in improved cognition should not be offered to anyone with hearing loss.

REPLY

LEAVE A REPLY

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