

## LCA-Vision looks for light at end of economic tunnel

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### Document Text

First came eyeglasses. Then contact lenses. And then there was Lasik.

Eight centuries after inventors crafted the first set of reading glasses to improve blurry vision, groundbreaking laser technology has revolutionized the optical industry and given millions of Americans a better sense of sight.

Since 1995, 14 million patients have shelled out thousands of dollars to medical practices and corporations whose surgeons have performed the procedure.

More than 1 million of those have been administered by locally based LCA-Vision, the operator of 61 LasikPlus vision centers across the country. Housed in the Sycamore Township building affixed with the striking, giant blue eye, the firm was one of the nation's earliest pioneers of laser vision correction surgery.

Now the company sits at a crossroads.

Years of exponential growth and steep profits slowed in 2007 as the recession took hold. Two years of executive-level turmoil and plummeting profits, procedure volume and share prices followed.

With 14 fewer vision centers and a staff that's down 40 percent since 2008, today's management team hopes to get the firm on stable ground so it can grow again when the downturn subsides.

"When you are printing money, nobody cares. But when times get tough, your weaknesses are glaring," says David Thomas, the company's chief operating officer.

Thomas plans to combat the decline in Lasik (Laser-Assisted In Situ Keratomileusis) procedures by adding new services such as in-depth eye exams, cosmetic eyelash enhancement and, potentially, cataract surgery.

He'll launch the company's first true marketing plan and Web site redesign and a host of partnerships with corporations and insurance providers. Already, a deal with Delta Air Lines gives LasikPlus patients 25,000 SkyMiles following surgery - enough for one free flight.

"We need people to see the real opportunity, that this is a wonderful chance to change the way you function," Thomas says.

Growth getting harder

LCA founder Stephen Joffe became an advocate for the use of laser technology for medical purposes in the 1970s. A general surgeon and professor at the University of Cincinnati, he started his first laser device company in 1986. By 1995, when the FDA approved the procedure, Joffe was prepared to offer it. He opened the nation's first vision center in Cincinnati the following year.

Throughout the early 2000s, LCA became a Wall Street darling, reporting double-digit revenue and profit increases and paying out steady dividends. Procedures hit record volumes in 2007. Local surgeon and ophthalmologist Dr. Vince Marino has performed 77,000 operations at the company's LasikPlus center in its highly visible Montgomery Road building.

At its peak in 2008, 75 centers operated in the U.S. and three in Canada.

According to Market Scope LLC, a company that researches and reports on the industry, about 12 percent of people eligible for laser vision correction had the procedure through 2009.

Thomas calls those people the early adopters. They didn't have to be convinced to have the procedure. They were eager to rid themselves of glasses or contacts. Today's crop of Lasik-eligible customer is a harder sell.

"It's hard to convince someone comfortable, not knowing where the economy is going, that they should make a luxury purchase," he says.

Thomas believes the procedure, although 15 years old, is still largely misunderstood.

"In the early days, there were problems. Laser treatment zones weren't as large as we can make them now, so some weren't happy with night vision," says Dr. James Salz, a clinical professor of ophthalmology at the University of Southern California and spokesman for the American Academy of Ophthalmology.

But technology has greatly improved, allowing surgeons to customize the procedure to each eye of each patient. Surgeons use lasers rather than blades to cut the flap in the cornea, making the procedure safer and more predictable, Salz says.

Ninety percent of patients achieve 20/20 vision, and 100 percent reach 20/40. There are far fewer reports of dry eye and poor night vision, he says. "The new technology we have today goes far beyond what we had when we started," says Marino. "The risks are rare. We know how to take care of them and manage them."

#### Industry under stress

Still, the industry faces formidable challenges.

As unemployment grew, consumer confidence weakened and people stopped making luxury purchases. Market Scope reports 2009 national procedure volumes were half their 2007 peak. LCA-Vision did fewer than one-third the number of procedures it had conducted just two years before. Two of LCA's largest competitors - TLC Vision, with 88 centers, and Vision Care Holdings, with 30 centers - filed Chapter 11 bankruptcy in December and January, respectively.

LCA's challenges began early in 2006, when investors learned that Joffe owned a stake in a rival company. He and president Kevin Hassey resigned that year, and were soon followed by Joffe's son Craig, who was chief operating officer. Revenues and profits missed targets, and the number of procedures started to slide by late 2007, forcing LCA to cut staff and suspend dividends in mid-2008.

The Joffes made several attempts to buy shares and regain control of the company, but shareholders rejected their takeover bid last March. CEO Stephen Straus resigned in September.

By year's end, LCA-Vision had closed 14 centers and cut staff by more than 25 percent.

"We continue to believe that results will remain depressed over the coming quarters, and absent a material economic recovery, are likely to remain below peak operating levels over the intermediate term," wrote John Ransom, an analyst with Raymond James & Associates in New York, in a January research report.

Compounding the economic problems, the U.S. Food and Drug Administration cracked down last year on Lasik reporting requirements. After visits to 14 LasikPlus centers, the agency requested that the company's policies for reporting side effects be expanded. An FDA study begun in October will examine the quality of life of Lasik patients months and years after treatment.

Anti-Lasik activists are as vocal as ever. They insist corporations like LCA are out for profits at the expense of their patients' most vital sense.

"These large Lasik mills have a lot at stake and great incentive to conceal side effects and problems," says Paula Cofer, a Florida woman who has spoken out against the surgery since hers went awry in 2000. "It's all about profit. It's not about treating a medical need. It's an unnecessary surgery."

#### Betting on the future

Recognizing these challenges, Thomas has focused on innovation and marketing since September, when he and CFO Michael Celebrezze were selected by the company's board to co-lead. When the economy turns around, he vows to make sure the company wins market share.

With his years in management and marketing at McDonald's, Boston Market and the Chicago ad agency Leo Burnett, Thomas' interest is in building a customer experience around the procedure and fueling brand loyalty.

Workers in the company's Blue Ash call center, which schedules patients, are now better educated about the procedure. A new, more functional and interactive Web site will soon launch.

Partnerships with companies such as Delta have been forged. LCA also offers discounts to employees of companies enrolled in seven of eight available eye insurance plans. Thomas is working to get more visibility on those companies' Intranets and more information available during their open enrollment programs.

He recently hired a new vice president of marketing, a direct mail firm and brand strategy agency in Chicago. They will help determine the right mix of media to maximize the firm's advertising dollars.

They also will promote the company's newest set of services. Advanced eye health analysis gives patients a thorough review of the health of their cornea, lens and retina. Ten LasikPlus centers now offer Latisse, a prescription cream applied to thin eyelashes to encourage growth. Thomas expects the centers could eventually offer a procedure to prevent presbyopia, a condition in which the lens loses its ability to focus, requiring nearly everyone in their 40s to need reading glasses.

Once it is approved by the FDA, LCA will consider offering an inpatient laser surgery to treat cataracts.

Thomas, a West Point graduate who spent five years in the military, also wants to improve the lives of soldiers who have been wounded on the battlefield. Through the Wounded Warrior Project, LCA-Vision will administer free Lasik to soldiers and their primary caregivers who qualify.

Inspired by McDonald's Ronald McDonald House, one of Thomas's initiatives is to make LCA-Vision a better corporate citizen. People look more fondly on companies that do things for others, Thomas says.

"This is happy medicine. We transform people's lives," he says.

#### TIMELINE: Eye surgery advances

How eye surgery to correct common vision defects has matured in the past 20 years:

1990: The Food and Drug Administration begins studies of photorefractive keratectomy (PRK), a procedure that reduces or removes the need for people with poor vision to wear glasses or contacts. In this procedure, a laser shapes and smoothes - but does not cut - the surface of the cornea so it can better focus light and create an image on the retina. It's less risky than procedures that will come later, but much more painful. Vision also recovered more slowly with PRK.

1995: FDA approves PRK. LasikVision (now LCA-Vision) opens in Cincinnati.

1996: FDA approves Lasik (Laser-Assisted In Situ Keratomileusis). It uses a mechanical blade to cut a thin flap in the cornea so a laser can smooth and shape the cornea's inner tissue. This procedure produces a much faster and less painful recovery.

1997: FDA approves the excimer laser to correct astigmatism.

2000: New lasers help reduce complaints of poor night vision. The old lasers resurfaced a section of the eye 6 millimeters in diameter, but some corneas were bigger than that. The newest lasers expanded that diameter to 6.5 mm and then blended out to 9 mm.

2005: Wavefront-based Lasik and IntraLase are introduced. Wavefront-based Lasik allows ophthalmologists to map out the unique refractive errors of the eye (like astigmatism and problems that glasses can't correct) rather than simply adjusting for near- or farsightedness. IntraLase allows flaps to be cut with a laser instead of a blade. Surgery time decreased from 1-1.5 minutes per eye to 2-30 seconds per eye.

Most recent FDA studies found that 90 percent of those who had undergone the surgery achieved 20/20 vision, and 100 percent achieved 20/40 vision.

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**Abstract (Document Summary)**

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