

Supplement to

May/June 2017

Modern Aesthetics®

MEDSPA CONFIDENTIAL

AN INSIDE LOOK AT THE BOOMING MEDSPA INDUSTRY

Exclusive data from the American Med Spa Association's 2017 State of the Medical Spa Industry Report

AmSpa AMERICAN MED SPA
ASSOCIATION

MORE POWER.

MORE EFFICACY.

MORE COMFORT.

MORE TREATABLE AREAS.

UltraShape® Power is a non-thermal, body-contouring system that delivers pulsed ultrasound waves to selectively destroy fat cells without surgery, discomfort, or downtime. After 3 sessions, patients experienced reduction in abdominal circumference and fat reduction in the flanks and thighs.

 **UltraShape®**
POWER



© 2017 Syneron Medical Ltd. All rights reserved. Syneron Medical and the Syneron Candela logo are trademarks or registered trademarks of Syneron Medical, Ltd. UltraShape and the UltraShape Power logo are trademarks or registered trademarks of UltraShape, Ltd., a wholly-owned subsidiary of Syneron Medical, Ltd. PB92963EN-NA

SYNERON  CANDELA™

"In God we trust. All others must bring data."

—W. Edwards Deming, *American Statistician*

The aesthetic industry—and particularly the non-surgical aesthetic industry—is exploding. What we have witnessed in terms of growth during the past five years is truly unlike anything this market, or any market, has experienced in some time. I've had many conversations throughout the past year with stakeholders, thought-leaders, investors, doctors, surgeons, hedge fund managers, CEOs, startups—you name it—from all corners of medical aesthetics and all of them marvel at the incredible opportunity that lies before us. You can feel it. There's an energy in the hallways of surgery conferences that didn't exist five years ago. Deals are being made; money is being made. It's a great time to be in this industry.

It's important to recognize that the medical spa industry has become an industry unto itself that needs its own definition, its own resources, and its own data. It can no longer be considered a subset of plastic surgery or cosmetic dermatology, especially because close to 70% of the doctors that own and work in medical spas are non-core. And although there is a growing overlap with the spa industry in terms of customer service and marketing, medical spas have vastly different price points, more advanced available technology, and unique legal and regulatory challenges. An industry that, by itself, generates \$4 billion in revenue a year; that has doubled in size during the past five years; and that projects to double again by 2020 is clearly worthy of its own categorization.

Although medical spas have been growing in number and sophistication, one thing that has been glaringly absent was business and industry data. There was no baseline by which the industry could measure itself, no measuring stick to gauge what was actually happening. Yes, it's well known that the market has been growing, but before any business segment can take the next step and truly begin to scale upward, it needs its own metrics to make cost-efficient decisions following through on what is working and discarding what is not. All established industries have data, but the medical spa industry did not—until now.

The purpose of AmSpa's 2017 *State of the Medical Spa Industry Report* is simple: Capture and publish baseline data about the medical spa industry so that practitioners, business owners, investors, and consumers have a frame of reference moving forward.

So, what did the data say? Read on, and you'll get a good idea. What I can say is this: The medical spa industry is stronger today than possibly imagined five years ago. It can be measured in billions. It is growing faster than the general economy. It is churning out millionaires left and right. And it doesn't appear to be slowing down. If this glimpse into the medical spa industry's relevant statistics intrigues you, visit AmSpa's website (AmericanMedSpa.org) or contact AmSpa for information on purchasing the full study (312-981-0993).

So with all that, it is my privilege and pleasure to present to you AmSpa's 2017 *State of the Medical Spa Industry Report*. But before I do, I would be remiss if I didn't give a sincere thanks to everyone who was a part of making this project a reality. The AmSpa team—Cathy, Eric and Aly—worked tirelessly to make this happen and none of this would have been possible without their dedication and commitment. John LaRosa of Marketdata Enterprises was instrumental in compiling and analyzing the data, and certainly he and his team deserve a huge amount of thanks. But most of all, none of this would have been possible without the many medical spa professionals who took time out of their busy schedules to provide us with data and insight into their businesses. Thank you, sincerely, from AmSpa.

Enjoy!



ALEX R. THIERSCH, JD
Founder/Director | The American
Med Spa Association (AmSpa)

Ahead, you will see SWOT—Strengths, Weaknesses, Threats, & Opportunities—analyses for the industry. Use the blank column to assess your medical spa.

Medical Spa Industry Overview

Brought to You by AmSpa

Visit
[americanmedspa.org/
page/2017study](http://americanmedspa.org/page/2017study)
for the full study.


TOTAL # MEDICAL SPAS

4,200


TOTAL INDUSTRY SIZE

\$3.97 B


GROWTH TRAJECTORY

8%

Revenues are forecasted to grow at an 8% average annual pace from 2017 to 2022.

AVERAGE MEDICAL SPA REVENUE

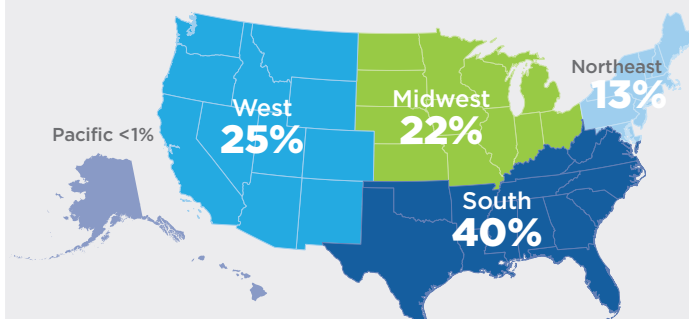
\$945,000

The average medical spa generated \$945,000 in total revenues in 2016, up 6.9% from 2015.

TOP 3 REVENUE-GENERATING TREATMENTS

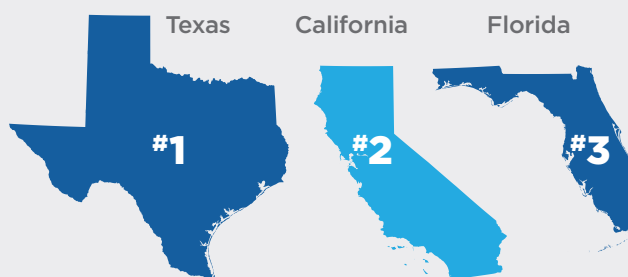
-  **Botulinum Toxin A Injections/ Facial Fillers**
-  **Aesthetician Services**
-  **Laser Hair Removal**

MEDICAL SPAS BY REGION*

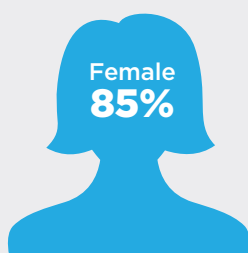


*Percentages from 4,192 medical spas reporting locations.

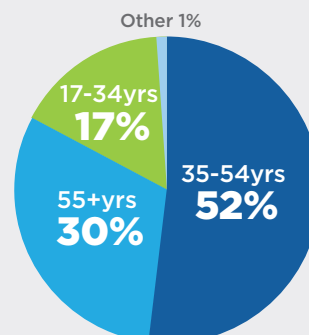
STATES WITH THE MOST MEDICAL SPAS



CLIENT PROFILE



More than 85% of a medical spa's clients are female. However, the share of male customers may well be on the increase, as medical spas are starting to specialize in marketing to men and making their facilities more male-friendly.



Most medical spa clients are middle-aged, 52% between 35 and 54 years old. Another nearly 30% are 55 years old or older, generally considered the Baby Boomer generation. A respectable 17% of clients fall into the 18- to 34-year-old class, the Millennials.

THE MEDICAL SPA BOOM

By Alex R. Thiersch, JD

In recent years, the medical spa industry has grown at an astonishing rate, and it looks as though that growth is going to continue. Today, it is a \$4 billion industry consisting of approximately 4,200 facilities that currently generate, on average, \$945,000 in total annual revenues, though of course some generate much less and some much more.

The industry's growth is expected to continue. Understanding how it evolved to get where it is now will help predict how it will grow in the future. With the help of research conducted by the American Med Spa Association (AmSpa) and Marketdata, the industry can learn about the past and, with AmSpa's new *2017 State of the Medical Spa Industry Report*, the present, and even the future.

HOW THE MEDICAL SPA INDUSTRY GOT HERE

AmSpa and Marketdata estimate that medical spa industry revenues have been growing at a double-digit pace since 2010, and by more than 20% annually since 2013, as the number of medical spas in operation and their average annual revenues both increase. By all indications, the number of medical spas is currently growing by 20% annually, and growth is coming from new entrants to the industry, as well as from venture capitalists. The industry is more sophisticated now than in 2012, when it was still recovering from the Great Recession.

Assuming that the typical medical spa employs five staff members—often including a physician/owner, practice manager, registered nurse (RN) or licensed practical nurse (LPN), aesthetician, and receptionist—and there are 4,200 medical spas in operation, it is estimated that this industry employs about 21,000 people nationwide.

The reasons for the industry's growth are not what you might expect, however. Even though more Americans are over the age of 65 than ever before, many younger Americans have now begun to consistently visit medical spas for treatments such as Botox, facials, and other types of anti-aging skin care. In fact, according to the American Society for Aesthetic Plastic Surgery (ASAPS), people ages 35-50 had the most procedures performed in 2016—more than 5.3 million, accounting for 39.3% of the total; people ages 51-64 came in second with 30%.

The increase in the administration of injectable treatments has played a major role in the growth of the industry in the past five years, as well. According to the ASAPS' annual survey, 4,597,886 botulinum toxin type A treatments were conducted in 2016—a 75.5% increase over 2011. This represents over a

“Even though more Americans are over the age of 65 than ever before, many younger Americans have now begun to consistently visit medical spas for treatments such as Botox, facials, and other types of anti-aging skin care.”

third of the total number of procedures conducted by plastic surgeons and aesthetics professionals in 2016. Additionally, the number of hyaluronic acid injections has increased by 106.9% over the same period, and at 2,494,814 treatments administered in 2016, it is now the second-most-commonly administered aesthetic treatment in the country. Other procedures that have increased significantly in the past five years include buttocks lifts (82%), chemical peels (60.4%), male breast reduction (77.8%), and non-surgical skin tightening (76.9%), according to ASAPS.

Prices for almost all procedures have risen, too—some by quite a lot, says ASAPS. For example, the average price of laser hair removal rose nearly 51%, and the cost of tattoo removal is nearly 42% higher. Botox injections cost about 15% more, as did laser skin resurfacing. The cost of microdermabrasion was up 22%, and liposuction went up 20%. However, some procedures did decline in cost. Dermabrasion was down 12% and chemical peels cost 9% less in 2016 than in 2011.

Because the industry is growing so large, each successful medical spa must continue to focus on new innovations within the industry to improve the overall experience for each consumer.

STEADY GROWTH IN THE SHORT TERM

The AmSpa Online State of the Industry Survey, conducted from January to March 2017, found that the majority of medical spa owners expect their revenues to increase this year—most by double-digits. Some of this hinges on the state of the US economy as a whole, although the medical spa industry has proven incredibly durable throughout this century irrespective of economic conditions. Economists are optimistic about growth prospects for the economy,

which will likely be boosted by large tax cuts under the Trump administration. Projected cuts of \$2.5 trillion over the next decade are expected to lift growth in the short term. Consensus Economics, a firm that surveys leading financial and economic prognosticators, has revised growth prospects in 2017. The economy grew by 1.6% in 2016, but it is expected to ramp up to more than 2% growth this year.

Regardless of the economy, the industry's strength is due to two groups most likely to use medical spas and to want cosmetic procedures in coming years—Baby Boomers and Millennials, the two largest generations in US history. Baby Boomers are trying, in many cases, to turn back the hands of time. However, the future growth is likely to be focused on younger Millennials, who are aging and are entering their prime income-earning years. As both groups age and technology evolves away from surgical procedures, the short-term growth of this market projects to be quite robust.

FIVE YEARS ON

In the next five years, AmSpa and Marketdata project, the US medical spa industry will nearly double, reaching approximately \$6 billion by 2022. This factors in one year of mild recession during that period, most likely 2019, when the rate of revenue growth slows. Many economists have expressed the belief that a recession is likely during the next several years, considering that the current economic expansion is nine years old. But again, given the relative infancy of this industry, the projected population growth, and the resiliency of the industry to date, it is projected that the industry will continue to grow regardless of any recessions in the near term.

Many of the medical spa owners surveyed in AmSpa's Online State of the Industry Survey expressed concerns about increased competition, given the growing threat of market saturation and the increasing number of new medical spas opening in their areas. Additionally, finding enough qualified RNs, LPNs, aestheticians and nurse practitioners may become more difficult and hinder growth to an extent. This concern was voiced by many medical spa owners.

Further, Medicare cuts and lower reimbursement are likely, shrinking healthcare professionals' incomes. More so than ever before, it can be assumed they will seek to replace this lost income with more private pay opportunities, such as those presented by medical spas.

It is a given that equipment manufacturers will introduce new technologies that will open up new or untapped markets, which should stimulate demand.

The market for non-surgical aesthetic procedures has significantly grown throughout the past several years, and this is likely to continue. There also should be an increase in the number of men having aesthetic medical procedures, including facial fillers and injectables.

Please see page 10 for a SWOT analysis

There is also little doubt that medical spas will be concerned with managing expenses more efficiently than they have in the past. This could mean finding new ways to capitalize on secondhand equipment and inventory, being more efficient in their marketing, negotiating rent and credit card fees, and focusing on customer retention. The sale of anti-aging products and the addition of weight loss-related procedures will likely also become more important.

THE FUTURE OF FRANCHISING

The practice of franchising is not yet popular in the medical spa industry; however, this may well change in the next five years. In the present and future medical spa space, franchises are once again becoming part of the landscape. Multiple franchises are in development stages. Of course, the inconsistencies in regulatory practices from state to state may present some roadblocks in efforts to get some interstate franchising off the ground, but this is not an insurmountable problem. In the coming years, franchises promise to play a significant role in the quickly evolving landscape of the medical spa market.

NOTHING IS GUARANTEED

The future looks bright for the medical aesthetics industry, but don't take forthcoming success for granted. With the rise in competition, medical spa owners and operators will need to work harder than ever to make their facilities stand out, and this will take great ingenuity and marketing savvy. However, understanding that this is the likely state of things to come will help conscientious medical spa operators prepare for it. Take the opportunity to brainstorm for ideas to set your medical spa apart. After all, if you don't, someone else certainly will. ■



BY ALEX R. THIERSCH, JD

Alex R. Thiersch, JD, is a Chicago healthcare attorney who represents medical spas, plastic surgeons, and aesthetic medical professionals. He is the founder and director of the American Med Spa Association (AmSpa), which was created for the express purpose of providing comprehensive, relevant, and timely legal and business resources for medical spas and medical aesthetic physicians throughout the United States. Mr. Thiersch is also a partner at ByrdAdatto Law Firm. For more information about becoming a member or to learn about upcoming events, visit americanmedspa.org. To contact Alex: alex@americanmedspa.org.

ULTRA FEMME 360™

COME FULL CIRCLE FOR
**CONFIDENCE.
RENEWED.**



Intimate
Procedure

BTL AESTHETICS

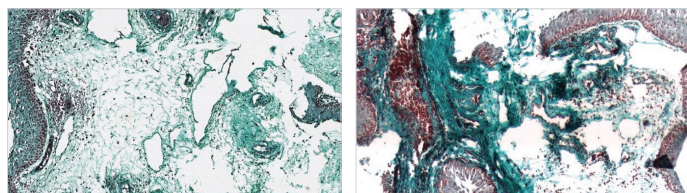
The **ULTRA FEMME 360™** procedure offers the **shortest radio frequency treatment available** for women's intimate health and wellness.



EFFICACY

Histology

BEFORE: **10%** elastin fibers AFTER **3 TX:** **41%** elastin fibers



Courtesy of: BTL Aesthetics

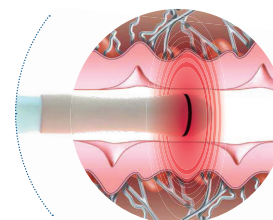
SAFETY

360° Volumetric Heating



COMFORT

Uniform Distribution of Energy



Ultra_Femme_360_AD_Confidence-old-lady_9x10,75-inch-OldApproved_ENUS100; 715-74UF3ADOC1AENUS100

LEGAL AND REGULATORY ISSUES IN THE MEDICAL SPA INDUSTRY

By Bradford E. Adatto and Michael S. Byrd

The medical spa industry exists at the unfortunate confluence of state statutes, regulations, and often, the rules of multiple professional boards. Although it is easy for a savvy veteran of the medical spa industry to unintentionally run afoul of this web of regulation, it is also shockingly common for some medical spas to be noncompliant with even the most basic of rules. Equally shocking is that the reason behind this noncompliance can be traced back to simple maxim: Many, if not most, of the services offered in medical spas constitute the practice of medicine.

All things considered, perhaps it's not that surprising that this basic tenet gets overlooked, because medical spas go out of their way to create welcoming, relaxed environments in which patients can receive aesthetic or cosmetic treatments and services. This cultivated "retail" feel is intentional and is antithetical to the feel one often experiences when visiting a doctor, which is perhaps why the fact that medical spa services are the practice of medicine can also easily be overlooked or ignored. However, it is important for both the medical spa and the spa's clients to bear in mind that most medical spa services do constitute the practice of medicine and should be treated accordingly.

KEY PROBLEM AREA NO. 1: THE INITIAL EXAM

One key area in which medical spas are often noncompliant is the initial examination of a patient seeking treatment at a medical spa. In the American Med Spa Association's (AmSpa's) recent *2017 State of the Medical Spa Industry Report*, 37% of respondents admitted that they either do not perform a good faith examination prior to a patient's first treatment at the medical spa or that the examination is not performed by a physician, physician assistant (PA), or nurse practitioner (NP). *Good faith examination* is a term used in California to mean the performance of an appropriate prior examination and medical indication before prescribing, dispensing, or furnishing a dangerous drug, which would include botulinum toxin type A or fillers prescribed for a patient. Although the good faith examination serves a

specific purpose, the responses to the AmSpa survey inform a broader area of noncompliance, because physicians, or the mid-level practitioners to whom they can properly delegate the task, often do not perform an initial patient examination or prescribe treatment plans for medical spa patients. And while the semantics might differ, all states have some requirement that a physician must prescribe a course of treatment before medical spa services may be rendered.

In most states, this initial assessment may be delegated to a PA or NP when proper delegation and supervision protocols are followed, but it would be beyond the scope of practice for a registered nurse (RN) or licensed practical nurse (LPN) to engage in this diagnosis phase of the treatment. This becomes a problem for medical spas, because it is common for a RN to see and treat patients in the facility without the patient ever coming into contact with a physician or a mid-level practitioner, such as a PA or NP. This means that even if the RN performs an initial assessment, that nurse would have acted outside the scope of his or her authority and that medical spa just joined the ranks of the 37% of spas that fail to perform a proper initial assessment of the spa's patients. This makes this medical spa noncompliant with state law or regulation.

This issue is further complicated by the emergence of telemedicine as a viable alternative through which health care can be delivered, as it begs the question of whether an initial assessment that complies with state requirements can be completed via telemedicine. To make matters worse, telemedicine is a still developing and evolving legal concept, and laws vary widely from state to state. When it comes to performing the initial assessment via telemedicine, states generally fall into three schools of thought: (1) the initial assessment cannot be performed via telemedicine at all; (2) the initial assessment may be performed via telemedicine where the physician, PA, or NP is present through streaming audio and video, and a nurse is physically present with the patient to guide them; or (3) the initial assessment may be performed via telemedicine where the physician, PA, or NP is present through streaming audio and video. Because many states lack a comprehensive statutory or regulatory structure addressing telemedicine, a medical spa wishing to implement

PAYMENT OF COMMISSIONS

INDUSTRY

IN MY SPA

Strengths

Nearly 70% of med spas are protecting themselves by avoiding the payment of commissions as part of their compensation packages to employees.

Weaknesses

31% of med spas do pay commissions on medical treatments, opening themselves up to potential fee-splitting, kickbacks, self-referral, and corporate practice of medicine issues if improperly structured.

Opportunities

Spas that establish clear policies and procedures for compliance can see benefits, such as reduced risk of fines, criminal violations, and professional board censures; and increased patient satisfaction and safety.

Threats

When an industry fails to act from within to ensure compliance and establish best practices, it opens the door to additional oversight from regulators.

initial assessments via telemedicine would be safest by seeking legal counsel on compliance requirements of the state.

KEY PROBLEM AREA NO. 2: COMMISSIONS

Another area where medical spas commonly fail to comply with regulation is in the payment of commissions to people working in spas for the performance of specific services. In fact, according to AmSpa's 2017 *State of the Medical Spa Industry Report*, 31% of respondents pay commissions for the performance of certain medical treatments. Commissions do not, in and of themselves, violate state law. Rather, commissions fall within a veritable minefield of regulations that intersect to make what otherwise would be a benign form of compensation when properly structured into a payment that is at best unprofessional conduct and at worst illegal. Improper commissions are commonly referred to as fee-splitting, which can be true, but such commissions actually run the risk of violating multiple areas of the law, including fee-splitting, kickbacks, the corporate practice of medicine doctrine, or physician self-referral laws.

Fee-splitting is defined as the practice of sharing fees generated from the performance of professional services with other persons as compensation for referring a patient. Kickbacks are somewhat different from fee-splitting as the focus is not on the source of the income (professional services), but rather whether the compensation, regardless of source, was used to generate referrals.

Kickbacks are generally defined as any sort of compensation, money or otherwise, that is directly or indirectly given or received to induce or reward patient referrals. Physician self-referral prohibitions go hand-in-hand with kickbacks,

because they prohibit a physician from paying for referrals to or from another medical practice in which a physician has an ownership interest. Self-referral prohibitions often can be avoided by simply disclosing to a patient the physician's interest in the practices, and the fact that a fee is being paid for the referral in the form prescribed by a particular state.

Finally, the corporate practice of medicine doctrine prohibits certain business entities or unlicensed individuals from practicing medicine or employing a physician to provide medical services. This means that a commission that (1) is a portion of a professional fee or (2) is paid as compensation for giving or receiving referrals or (3) is paid between entities in which the same physician has an ownership interest or (4) is paid to persons ineligible to have ownership in a medical spa all potentially violate state law or regulation, depending on the particular prohibitions that a state has codified.

Naturally, this raises the question of when can commissions be paid for the performance of medical services. The simplest answer is to avoid commissions to navigate the regulatory minefield. The best practices of medical spas are to pay a bonus for specified performance metrics or pay a discretionary bonus.

NAVIGATE CAREFULLY

The payment of commissions and the performance of proper initial assessments of medical spa patients are just two examples of noncompliance. Because medical spas exist at the intersection of state law, regulations, and professional board rules, it is easy for a well-intentioned medical spa to be noncompliant. With that in mind, always remember that most treatments at medical spas are considered to be the practice of medicine and

everything from the assessment of the patient to the delivery of treatments should be navigated carefully. Also, if a medical spa is going to use incentives as part of a compensation package for its employees, do not pay commissions. Finally, if you ever have any questions or concerns regarding your spa's compliance with laws, regulations, and professional board rules,

please seek legal counsel. (Author's note: The American Med Spa Association (AmSpa) works with ByrdAdatto, a national law firm that focuses on medical aesthetic legalities and, as a member, along with a number of other great benefits, you receive a discount off of your initial consultation. To learn more, log on to www.americanmedspa.org.) ■



MICHAEL S. BYRD

As the son of a doctor and entrepreneur, Michael S. Byrd, Partner at ByrdAdatto Law Firm, has a personal connection to both business and medicine. He routinely lectures at continuing medical education seminars on the various business and legal issues that medical professionals face. Outside of healthcare, he has handled sensitive and complicated business matters for entrepreneurs, business owners, attorneys, CPAs, high net worth individuals, and public figures. He is also active on the Board of Directors of the LEAP Foundation, an organization that provides pro bono medical services to those in need.



BRADFORD E. ADATTO

Bradford E. Adatto, Partner at ByrdAdatto Law Firm, decided to become a lawyer during sixth-grade Career Day, when he promised to represent his best friend, a future doctor. Adatto's background is in regulatory, transactional, and securities law. Having worked in healthcare law his entire career, he has an in-depth knowledge of the "do's and don'ts" of this heavily regulated industry. Adatto is actively involved in various community and philanthropic associations, and serves as a Board Member of Carry the Load, a charitable organization founded to help veterans and their beneficiaries.

INITIAL ASSESSMENT OF MEDICAL SPA PATIENTS	INDUSTRY	IN MY SPA
Strengths	Medical spa industry revenues have been growing at a double-digit pace since 2010, and by more than 20% annually since 2013	
Weaknesses	Because the industry is growing so large, each successful medical spa must continue to focus on new innovations within the industry to improve the overall experience for each consumer.	
Opportunities	In the next five years, AmSpa and Marketdata project, the US medical spa industry will nearly double, reaching approximately \$6 billion by 2022.	
Threats	Close to 70% of the doctors that own and work in medical spas are non-core.	



THE WORLD'S MOST
EXPANDABLE PLATFORM



BUILD THE PERFECT SYSTEM FOR YOUR PRACTICE

The Sciton JOULE™ is the world's only expandable platform to offer an unprecedented array of laser and light wavelengths through any of its three distinct delivery modes: arm, fiber and BroadBand Light™. As a result, JOULE allows practitioners to provide the widest range of aesthetic, medical and surgical procedures from a single platform.

Resurfacing: Hybrid, Full Field, Fractional

Halo™, NanoLaserPeel™, MicroLaserPeel®,
Contour TRL™ and ProFractional™

Phototherapy™

BBL™, Forever Young BBL™ and Forever Clear™

Vascular

BBL™, ClearScan YAG™, ClearScan ALX™ and Pro-V™

Body

ProLipo PLUS™, CelluSmooth™ and SkinTyte II™

Hair & Specialties

Forever Bare BBL™, ClearScan YAG™,
ClearScan ALX™ and diVa™

***Celebrating 20 years of remarkable results
while revolutionizing the future of engineering.***



ENERGIZING THE MEDSPA INDUSTRY: HOW DEVICES ARE LEADING THE WAY IN GROWTH AND PROFITABILITY

There's no doubt that the energy-based device market is booming and primed for additional growth. It seems like each week brings a new system or system update, handpiece, or application to the market. From toenails to eyebrows and everywhere—really everywhere—in between, energy-based devices have body-wide applications that appeal to patients of all ages and both sexes.

According to the American Med Spa Association's *2017 State of the Medical Spa Industry Report*, laser hair removal—the most commonly offered device-based service in medical spas—is the third most profitable service offered. Other treatments, such as body contouring and laser skin resurfacing, are in the top 10 for profitability. The beauty of device-based treatments is that many require relatively limited time for the operator but are associated with a relatively high consumer price point. In other words, the financial benefit relative to the time investment of the staff makes the treatments especially attractive.

Additionally, because different devices target different cosmetic concerns, opportunities are available to bundle services to meet a diverse range of patient demands. For example, the same aesthetically minded patient may be just as interested in laser hair removal as in skin resurfacing and often can book both treatments on the same day—optimizing revenue opportunities for the spa. Similarly, patients may be interested in both energy-based services, such as fat reduction, and injectable fillers.

HAIR REMOVAL REIGNS...STILL

Long-popular in the medical spa space, laser hair removal is still a mainstay. According to the American Med Spa Association's *2017 State of the Medical Spa Industry Report*, 70% of medical spas in the US offer laser hair removal currently. In recent years, new developments in technology have produced devices that remove hair with less patient discomfort and expand the operator's ability to treat darker skin tones.

Nonetheless, laser hair removal is not without risks. These are generally well-defined, predictable, and avoidable with

“Because different devices target different cosmetic concerns, opportunities are available to bundle services to meet a diverse range of patient demands.”

proper patient selection and technique. An assessment of data from the Manufacturer and User Facility Device Experience (MAUDE) database of the FDA, which collects adverse events for all medical devices for the purpose of monitoring device performance, detecting potential safety issues, and contributing to benefit-risk assessments of these devices, bears this out.

The analysis found a relatively low number of reports over a more than 30-year period from 1991 to 2013. Specifically, it identified:

- 252 medical device reports (MDRs) associated with diode lasers. Burns and blisters were the most common adverse events, and a majority were thought to occur secondary to operator error.
- 158 and 22 MDRs associated with IPL and BBL, respectively. The most commonly reported adverse events included burns/blisters, dyschromia, and scarring.
- 246 MDRs for Alexandrite and Nd:YAG lasers. The most common adverse events included burns, blisters, and dyschromia.
- 48 MDRs for the pulsed dye laser. The most common adverse events observed were burns/blisters, device malfunction, and scarring.¹

Laser hair removal has been cited as one of the most common and rapidly growing aesthetic procedures sought by

LightSheer[®] INFINITY[™]

Discover the world of infinite possibilities

2 CUTTING EDGE
TECHNOLOGIES

2 DIODE
WAVELENGTHS

6 TREATMENT
OPTIONS

- ∞ Dual wavelength 805nm and 1060nm for laser hair reduction of all skin types all year round
- ∞ Fast, efficacious and comfortable treatment*
- ∞ Versatile treatment options



LightSheer INFINITY is intended solely for use by trained physicians and may pertain some risks such as redness, swelling and pigmentation. Refer to the operator manual for a complete list of indications, contraindications and risks.



AESTHETIC.LUMENIS.COM

*Tahiliani ST, Tahiliani HS. (2016). Prospective Evaluation of the Safety and Efficacy of a 1060-nm Large Spot Size, Vacuum-Assisted Hair Removal Diode Laser System in Asian/Pacific Fitzpatrick's Skin Types IV-V Patients. The Journal of Drug and Dermatology, 15(11), 1427-1434.

INTEGRATION OF ENERGY-BASED DEVICES	INDUSTRY	IN MY SPA
Strengths	A majority of MedSpas offer at least one device-based therapy, with LHR being most common. Device-based procedures can be high income, low time investment procedures	
Weaknesses	Some devices may not be operated by non-physicians or without direct physician supervision. For some treatments, an "ideal" device is not identified.	
Opportunities	Medical spas that effectively integrate the right devices with the proper operator can optimize revenues and capture new patients with high-demand treatments.	
Threats	When MedSpas select suboptimal technologies for a given application, fail to identify ideal treatment candidates, and allow improper operation of devices, they open the door to poor outcomes, patient dissatisfaction, and even legal action.	

men.² Research suggests that men regularly undergo back, buttock, and pubic hair removal.³ Millennial and younger men may be especially interested in body epilation. Data suggest that while it is acceptable for men not to remove body hair, male body epilation is becoming "normative."⁴

Body hair removal for women has been on an upsurge for several decades. Estimates suggest that since the 1980s, 80-90% of women remove some hair from their bodies. The face and legs remain common targets for hair removal.⁵ Like men, women are also increasingly removing pubic hair. One recent survey found that 95% of respondents to a survey of men and women had removed pubic hair on at least one occasion in the previous four weeks; half of women reported their typical status as pubic hair free.⁶

The pubic hair removal trend is so broad, that it has prompted one recent commentary in the *New York Post* online postulating that, "A whole generation of men will never see hair 'down there'."⁷

FEMALE VAGINAL REJUVENATION GAINING PROMINENCE

Perhaps associated with the upswing in female pubic hair removal, vaginal rejuvenation has received increasing attention in recent years. Approximately one in five medical spas offers vaginal rejuvenation, the American Med Spa Association's

2017 *State of the Medical Spa Industry Report* found. A consensus article published earlier this year concludes that there is sufficient evidence that, "a certain degree of thermal energy deposited on the vaginal wall stimulates proliferation of the glycogen-enriched epithelium, neovascularization, and collagen formation in the lamina propria, and improves natural lubrication and control of urination."⁸ In short, device-based vaginal rejuvenation provides clinical benefits for patients. The basket of symptoms that energy-based devices target are all encompassed within the term "genitourinary syndrome of menopause" or GSM (sometimes less favorably termed vulvovaginal atrophy).⁹ Though the condition can occur at any age, it is most common in the peri- and postmenopausal era, and affects up to 50% of postmenopausal women. Although treatment with currently approved devices has been associated with minimal risk for short- and long-term complications, the authors of the recent consensus note that a preferred device type has not yet been identified. Lara Devgan, MD, a plastic surgeon in New York City and an attending plastic surgeon at Lenox Hill Hospital, recently told *Modern Aesthetics*[®] magazine that, "Social mores have changed, and society, in general, and women, in particular, are more comfortable talking about their bodies and asking about things that were previously kept secret."

“The evolution of energy-based devices is opening new opportunities for aesthetic enhancement, and many device-based services fit within the medical spa model.”

This may explain the uptick in labiaplasty and penile enlargement surgery as well as minimally invasive vaginal rejuvenation procedures. The American Society of Plastic Surgeons and American Society for Aesthetic Plastic Surgery reported increases in labiaplasty in 2016, and there was a 16 percent increase in the number of penile enlargements performed from 2014 to 2015, according to the International Society of Aesthetic Plastic Surgery (ISAPS).

FIGHTING FAT

Body contouring is another device-based treatment that has witnessed substantial growth in recent years. According to results of the American Med Spa Association's *2017 State of the Medical Spa Industry Report*, it is poised to eclipse skin resurfacing in terms of the number of spas offering the treatment. Today 54.07% percent of spas offer body contouring, compared to 53.78% offering facial rejuvenation.

Experts identify the expansion of non-invasive fat technologies over the past five years, as “a paradigm shift in the treatment of fat,” overtaking traditional forms of fat removal, including liposuction.¹⁰

One recent review determined available devices provide “significant and satisfying results without any serious adverse effects.” However, there was variability in regimens, body locations treated, follow-up times, and outcomes operationalization, which makes comparison difficult. Importantly, however, the devices appear safe—no serious or permanent adverse events—and consistent, providing circumferential reduction in local fat tissue by 2cm or more across the abdomen, hips, and thighs.¹¹

The technologies currently used for body contouring include: cryolipolysis, radiofrequency (RF), low-level laser therapy (LLLT), and high-intensity focused ultrasound (HIFU), whole body vibration (WBV), and extracorporeal shockwave therapy (ESWT).¹² In many instances, treatment application does not require constant engagement by the provider, opening opportunities for educating the patient on additional spa offerings, allowing the patient to receive treatments, such as facial injectables while treating fat, or even freeing the operator to serve other patients.

WHO CAN DO IT?

Precisely who can administer laser and device-based therapies in a given jurisdiction is a matter decided by local medical boards. In some states, only a physician can operate a laser, while in other states, a non-physician can administer device-based therapies under direct physician supervision. In still other states, the physician may be off-site while non-physicians administer device-based care.

It's essential that any medical spa director be familiar with and comply with state regulations. AmSpa provides resources to help spas navigate the requirements for their state.

EXPAND CAUTIOUSLY

The evolution of energy-based devices is opening new opportunities for aesthetic enhancement, and many device-based services fit within the medical spa model. However, since injuries and adverse effects can occur, operator training, adherence to safety guidelines, and, of course, proper patient screening are all essential. Care must be taken to adhere to regulations on who can administer treatments (read on to the next article); regulations vary by state. ■

1. Tremaine AM, Avram MM. FDA MAUDE data on complications with lasers, light sources, and energy-based devices. *Lasers Surg Med*. 2015 Feb;47(2):133–40.
2. Cohen BE, Bashey S, Wysong A. Literature Review of Cosmetic Procedures in Men: Approaches and Techniques are Gender Specific. *Am J Clin Dermatol*. 2017 Feb;18(1):87–96.
3. Martins Y, Tiggemann M, Churchett L. Hair today, gone tomorrow: a comparison of body hair removal practices in gay and heterosexual men. *Body Image*. 2008 Sep;5(3):312–6.
4. Basow SA, O'Neil K. Men's body depilation: an exploratory study of United States college students' preferences, attitudes, and practices. *Body Image*. 2014 Sep;11(4):409–17.
5. Lee KC, Ladizinski B. Hair today, gone tomorrow: the abandonment of body hair by American women. *JAMA Dermatol*. 2013 Feb;149(2):208.
6. Butler, S. M., Smith, N. K., Collazo, E., Caltabiano, L. and Herbenick, D. (2015), Pubic Hair Preferences, Reasons for Removal, and Associated Genital Symptoms: Comparisons Between Men and Women. *J Sex Med*, 12: 48–58.
7. <http://mypost.com/2017/05/17/a-whole-generation-of-men-will-never-see-hair-down-there/>
8. Tadir Y, Gaspar A, Lev-Sagie A, Alexiades M, Alinsod R, Bader A, Galligaro A, Elias JA, Gambaciani M, Gavrila JE, Iglesias CB, Selih-Martinez K, Mwesiwa PL, Ogrinc UB, Salvatore S, Scollo P, Zerbinati N, Nelson JS. Light and energy based therapeutics for genitourinary syndrome of menopause: Consensus and controversies. *Lasers Surg Med*. 2017 Feb;49(2):137–159.
9. Portman DJ, Gass ML. Vulvovaginal Atrophy Terminology Consensus Conference Panel. Genitourinary syndrome of menopause: new terminology for vulvovaginal atrophy from the International Society for the Study of Women's Sexual Health and the North American Menopause Society. *Menopause*. 2014 Oct;21(10):1063–8.
10. Ortiz AE, Avram MM. Noninvasive body contouring: cryolipolysis and ultrasound. *Semin Cutan Med Surg*. 2015 Sep;34(3):129–33.
11. Kennedy J, Verme S, Griffith R, Falto-Aizpurua L, Nouri K. Non-invasive subcutaneous fat reduction: a review. *J Eur Acad Dermatol Venereol*. 2015 Sep;29(9):1679–88.
12. Alizadeh Z, Halabchi F, Mazaheri R, Abolhasani M, Tabesh M. Review of the Mechanisms and Effects of Noninvasive Body Contouring Devices on Cellulite and Subcutaneous Fat. *Int J Endocrinol Metab*. 2016 Jul 3;14(4):e36727.

PEOPLE POWER: IS AN ESTHETICIAN RIGHT FOR YOUR MEDICAL SPA?

When it comes to staffing a medical spas, options abound. Due to state regulations regarding delegation of laser procedures and other aesthetic treatments, sometimes hiring an advanced practice provider or a registered nurse appeals to the spa director. These individuals can, in many locales, administer laser treatments, inject neurotoxins or fillers, and more. While these procedures are associated with substantial revenue potential, the salaries for these providers can also be substantial, thus affecting profitability.

Esthetician services, while perhaps not as lucrative as more advanced cosmetic services, can certainly augment a medical spa's bottom line. And with the average esthetician earning \$40,603, according to the American Med Spa Association's 2017 *State of the Medical Spa Industry Report*, the addition of an esthetician could prove profitable for the organization.

ESTHETICIAN SERVICES DRIVE REVENUES

Estheticians are licensed skin care professionals who generally apply skin care products and make-up, perform facials, and, in many cases, administer light chemical peels and light dermabrasion-type procedures. They are adept at making skin care recommendations to patients and are therefore intimately involved in product-dispensing in many spas. In some jurisdictions, estheticians can also administer certain device-based procedures—IPL and microneedling are popular treatments provided by estheticians, where allowed.

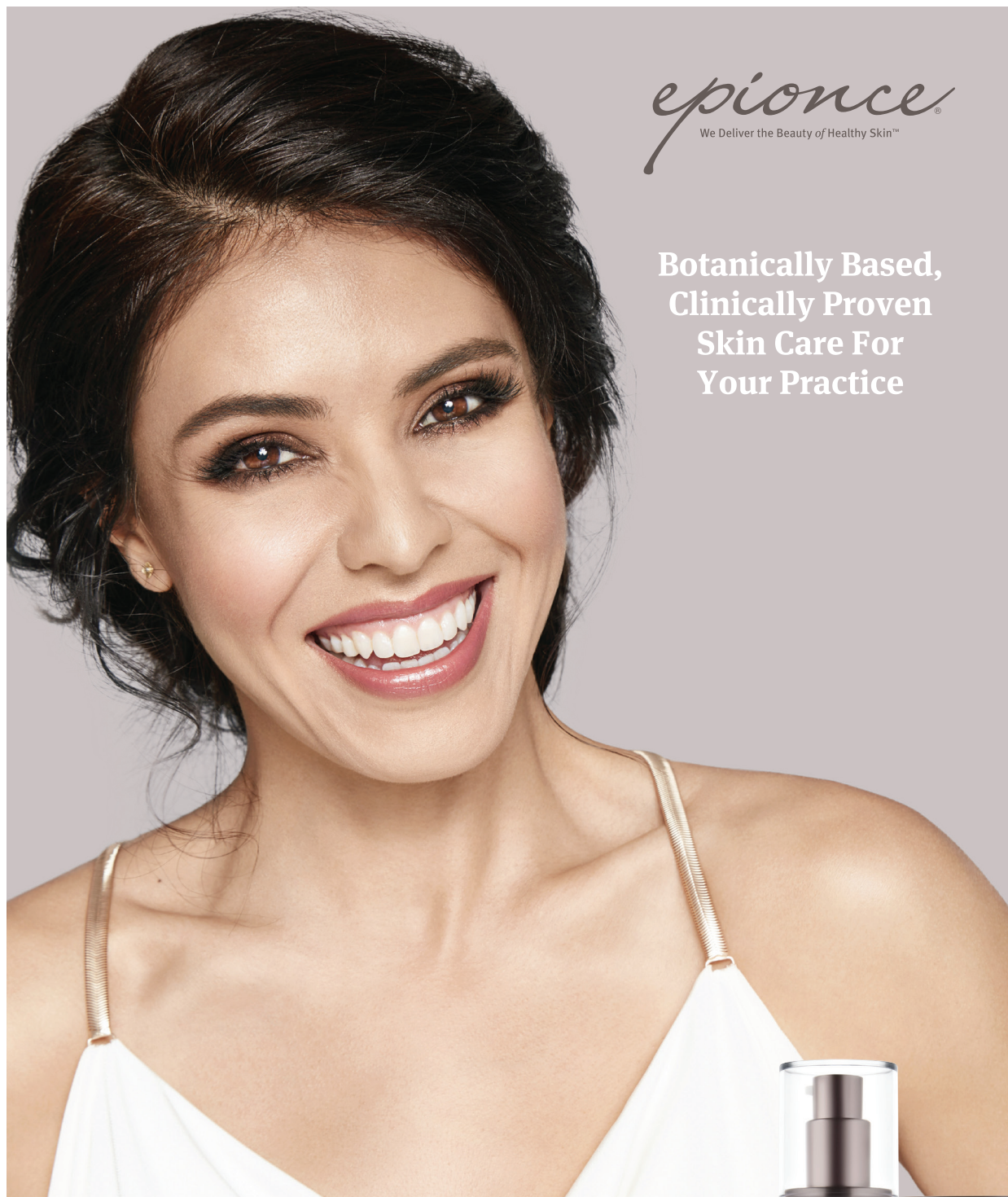
According to the American Med Spa Association's 2017 *State of the Medical Spa Industry Report*, 83% of medical spas say that they offer esthetician services. And that makes good sense. These esthetician services are the second highest revenue drivers at medical spas nationwide, the AmSpa survey found, outpaced only by botulinum toxin type A/

INITIAL ASSESSMENT OF MEDICAL SPA PATIENTS	INDUSTRY	IN MY SPA
Strengths	83% of medical spas offer esthetician services—which are the second highest driver of spa revenues.	
Weaknesses	22% of medical spas do not have an esthetician on staff.	
Opportunities	Medical spas that hire an esthetician to provide services can increase revenues with a high rate of profitability.	
Threats	Estheticians who perform outside their scope of practice run afoul of the law. Compensation schemes must be structured to benefit the spa, the esthetician, and patients.	



Botanically Based,
Clinically Proven
Skin Care For
Your Practice

EPIONCE SKIN CARE
simple. effective. proven.



Discover how Epionce clinical skin care improves
the lives of your patients, and your practice.

**Fights Signs
of Aging**

Clinically Proven Equal
to 0.05% Tretinoin
for Anti-Aging

**Helps Clear
Problem Skin**

Clinically Proven Equal
to 10% Benzoyl Peroxide
for Blemish-Prone Skin

**Reduces
Dark Spots**

Clinically Proven Equal
to 4% Hydroquinone
for Hyperpigmentation

For more information, contact us:

info@epionce.com | epionce.com | (866) 374 6623

Clinical study data on file. ©2017 Episciences, Inc.



“ Estheticians don’t just administer skincare services in the Med Spa, they can also arm their clients with products for at-home use. And the revenue potential for cosmeceuticals sales is worth consideration. ”

filler injections. Just behind esthetician services, laser hair removal is the third highest revenue driver for medical spas.

Despite this high revenue potential associated with esthetician services, only 78% of medical spas have an esthetician on staff, results of the survey show.

SKIN CARE SALES: OPPORTUNITY ALERT

Estheticians don’t just administer skin care services in the medical spa, they can also arm their clients with products for at-home use. And the revenue potential for cosmeceuticals sales is worth consideration.

The global cosmeceuticals market was valued at \$42.24 billion in 2016 and is expected to reach \$68.72 billion by 2022.¹ Analysis shows that the North American market is the second largest for the cosmeceuticals industry, accounting for

31% of global market share in 2016. American skincare consumers represent the major market for organic and natural products, accounting for 85% of that market.¹

Research shows that demand for cosmeceuticals is driven not only by skin care products, but also products for hair, sun care, and fragrances. Male grooming is also a growing segment.² Consumers reportedly show preference for medically recommended skin care over standard OTC options.²

Estheticians involved in skin care recommendations provide an additional touch-point with patients. The physician, NP, PA, or nurse who is administering injectables or lasers (as permitted by local regulation) can turn over skin care education and product recommendation to the esthetician, freeing their time to move on the next high-ticket service for another patient, while the esthetician optimizes care for the individual just treated.

COMMUNICATION IS KEY

Proceed cautiously: Estheticians are not simply sales people, and many will bristle at the notion that they are expected to drive product sales. However, they are trained to educate consumers on skin care product selection and most enjoy making product recommendations. With a suitable incentive program in place, many will be happy to direct product sales from the medical spa and, in many cases, will spearhead product research, outreach to distributors, and even the management of inventory. ■

1. Global Cosmeceuticals Market - By Geography, Trends, Forecast - (2017 - 2022). Mordor Intelligence. <https://www.mordorintelligence.com/industry-reports/global-cosmeceuticals-market-industry>; Accessed May 2017.
2. Global Cosmeceuticals Market 2017-2021. Research and Markets. <http://www.researchandmarkets.com/research/3ddnx6/global>. Accessed May 2017.

THE SURVEY AND ITS OUTCOMES

The American Med Spa Association (AmSpa) conducted an online survey of medical spa professionals during January through March of 2017. In order to conduct this survey, AmSpa relied on a variety of information-gathering tactics, including:

- Sending e-mails with the survey link to its database;
- Working with industry media contacts to share the survey link;
- Utilizing telephone marketing service Shoreline Communications based in Philadelphia, PA;
- Providing paper surveys to medical spa professionals who attended its events during this timeframe; and
- Sharing the link via industry social media, industry news items, industry e-mail blasts and industry E-Newsletters.

The survey was housed in Survey Monkey, an industry leader in web-based survey solutions. It received 463 total responses, which were tabulated by AmSpa's partner, Marketdata Enterprises, Inc. All data was supplied anonymously, and used to derive industry averages and ratios. This is a valid and significant sample, and is, to AmSpa's knowledge, the most comprehensive operational survey ever conducted by any organization for the medical spa industry.

ABOUT THE AMSPA 2017 STATE OF THE MEDICAL SPA INDUSTRY REPORT

This business information report has been independently prepared by utilizing a comprehensive variety of "primary" and "secondary" information sources and tech-

niques including: in-depth telephone interviews; analyses of other market surveys; trade journals and trade association research; competitor literature; government and other data; and custom searches of business databases combined with original Marketdata compilations, analysis, interviews, rankings and forecasts.

Information in this report was carefully selected to represent only the most pertinent and up-to-date material for informed decision-making, forecasting, and planning as well as the historical, current, and projected size and growth of the total market and sub-segments comprising the market, the nature of end-user demand, major market trends and issues, market structure, and competitor profiles.

This "off-the-shelf" report is equally applicable to, but not limited to: owners; managers; medical spa franchisors; laser equipment and cosmeceuticals manufacturers; hospitals; insurers; physician practices and their suppliers; securities analysts; banks; venture capitalists; industry trade associations; and merger and acquisitions candidates. The study covers marketing, economic, and financial aspects, and the reader will be able to utilize this report as a comprehensive planning and analytical tool. ■

The American Med Spa Association
180 N. LaSalle, Suite 3700
Chicago, IL 60601
312-981-0993
info@americanmedspa.org
www.americanmedspa.org

OBAGI® SUNSCREENS

obagi for life®



Tame the sun^{*}

Obagi sunscreens provide daily protection from the sun to help prevent signs of skin aging.



For more information about Obagi® products, visit www.obagi.com.

^{*}Following a comprehensive sun protection program including applying a broad-spectrum sunscreen, wearing sun-protective clothing including hats and sunglasses and avoiding the sun between 10:00 AM and 2:00 PM decreases the risk of certain types of skin cancer and premature aging of the skin.

®/TM are trademarks of Valeant Pharmaceuticals International, Inc. or its affiliates. Distributed by Obagi Medical Products, a division of Valeant Pharmaceuticals North America LLC.

©2017 OMP, Inc. SSH.0016.USA.17 3/17

OBAGI
MEDICAL