

SANDY'S SIDELIGHT

MedSpa Insurance Newsletter

Stay Enlightened ♦ Stay Heathy ♦ Stay Beautiful



Sandy Elliott, CISR
MedSpa Insurance Specialist

"... 'middle age' now sets in later. In fact, 60's is the new 40's, a trend that has spurned its own name: middlence or *troisieme age* (third age) in France."

www.ubercool.com



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WHAT YOU NEED TO KNOW!

THE GOOD NEWS

"Revenue was up 34% last year; this year, as sales of Botox...exceed forecasts, Allergan expects a 23% rise to \$3.7 billion. Net income in the second quarter increased more than 40%."¹

"Newly released US statistics show there were 2.7 million Botox procedures carried out in 2007..."²

"Spas are a \$40 billion global industry and the fourth-largest U. S. leisure industry, taking in more revenue than ski resorts, amusement parks and box office receipts combined..."³

Medical spas...are getting a much warmer reception from insurers than they did five or six years ago..."⁴

"Laser clinics reported double digit growth in 2007 compared to 2006."⁵

THE NOT SO GOOD NEWS

"As hurriedly trained practitioners take up cosmetic procedures...he gets more calls from people experiencing beauty gone awry."⁶

"There have been documented cases of severe systemic allergic reactions and cases of dysphagia from Botox injections..."⁷

"...she described a California case in which a woman developed an infection on her face when too much of her skin was removed during a microdermabrasion."⁸

"...a 47 year old woman developed pneumonia after an injection to remove wrinkles..."⁹

"...the number of botched procedure complaints grew 41 percent between 2005 and 2006..."¹⁰

¹Los Angeles Times Business Section, The Beautiful Business of Botox, November 26, 2007

²<http://www.femalefirst.com>, Posted March 13, 2008

³<http://www.ubercool.com/ubertrends/fountain-of-youth>

⁴National Underwriter Property & Casualty, March 17, 2008

⁵OC Post, January 30, 2008

⁶www.medicalspasociety.com, Posted September 3, 2006

⁷National Underwriter Property & Casualty, March 17, 2008

⁸National Underwriter Property & Casualty, March 17, 2008

⁹OC Post, January 30, 2008

¹⁰www.foxnews.com, Posted January 17, 2008

CALIFORNIA ASSEMBLY BILL 2398

A BRIEF REPRIEVE FROM THE COMMITTEE, BUT NOW BACK TO THE SENATE



On June 9th, 2008, the Senate Business Prof. and Economics Development Committee heard & then denied this Assembly Bill. Although it appeared that California medspas were going to experience a reprieve from the committee, the bill was then passed by the Senate Business and Professional Committee on June 23, 2008. The bill will next be heard by the Senate Appropriations Committee in early July and then move on to the full Senate on or about July 15, 2008.

The bill proposes that a business organization that offers to provide elective cosmetic medical procedures in violation of the Medical Practice Act and employs or contracts with a physician to facilitate the procedures, would be guilty of knowingly making a false or fraudulent claim, a felony violation punishable by imprisonment and fine. Since there is no definition of the standards applied to a business organization, the bill could be interpreted as prohibiting management of medspas by anyone other than a licensed physician. Changes to the status of this bill have been occurring on an almost daily basis & by the time you read this, this information will very likely be dated, so I urge you to monitor this bill & stay informed - you can follow the status of it by clicking on <http://www.leginfo.ca.gov>.

These issues will continue to appear before the various states' legislators. "Medspa legislation will continue to be a very hotly contested issue [in all states]... Massachusetts and Nevada have formed task forces to address medspa supervision, while similar legislation...in New York has been assigned to the Higher Education /Committees of the state's Senate and Assembly...while an Illinois proposal would bar medspa procedures performed without on-site physician supervision."¹

Preventative medicine is the best way to thwart the unnecessary regulation of medspas. Stay educated and informed not only as to safety procedures & practices, but also as to pending legislation and laws in your state.

FAST FACTS

2002

200 medi-spas in U.S.

2004

400 medi-spas in U.S.

2007

2,000 medi-spas in U.S.

2008

Nearly 2,500 medi-spas in U.S.¹

A special thank you to:

Mr. Chris Finn of SkinMedix Skin Clinic & Laser Center, Hermosa Beach, CA,
Mr. Eric Bockstahler of Perceptions Image Inc., Fair Oaks, CA,
Ms. Mary Saadat of Apple Valley Skin & Body Institute, Apple Valley, CA
Ms. Julia Pettis of Medical Aesthetic Training of California (MATC), Newport Beach, CA
and

Ms. Michelle Bazhaw, PhD, MBA, Medspa Advisor,
National Regulatory Compliance Specialist

who were so helpful
in sharing information about this Assembly Bill.

¹<http://cosmeticsurgerytimes.modernmedicine.com> - Posted May 1, 2008

"If women look old, we criticize, and if they try to fix it, we criticize more snidely."

LA Times Calendar Section, April 13, 2008, Face Up to Life p. E20



STAYING ILLUMINATED



OFFSITE BOTOX PARTIES

Only a handful of insurance carriers will agree to extend coverage for these, so be sure to advise your agent during the quoting process if you intend to hold such events.

LASER TRAINING CERTIFICATES

Due to recent laser claim activity, all medspa Mapractice insurance carriers require these from staff members (particularly from independent contractors) & they must be from an accredited school/course.

ADDING DIRECT PATIENT CARE COVERAGE FOR PHYSICIANS

Be sure to let your agent know during the quoting process if you intend to add direct patient care coverage for a physician at your spa during the policy's term; some carriers charge a great deal more than others for this added coverage, so you'll want to know the estimated annual cost during the quoting process, before your policy is bound or renewed. —

THE ECONOMY'S EFFECT ON THE SPA INDUSTRY

There is no doubt that the slumping economy is taking its toll on the spa industry:

"But while the spa industry is growing in size, it's not growing in income".¹

But it's not all bleak news:

"Spending on...self-improvement services tend to be fairly recession-proof."²

"...looking good becomes even more important in a weak job environment."³

"Last year saw a slight drop in more complicated procedures such as face-lifts, while cheaper procedures such as Botox increased."⁴

"Despite the economic downturn, revenues have grown at an incredible annual rate of 46%.⁵

In a slumping economy, some spas are finding opportunities & altering their marketing efforts accordingly:

"...the real market for these services is NOT the aging baby boomer, but rather GenX and Gen Y. They have an entirely different attitude toward these procedures – partaking with abandon, reasoning that it is worth the money they spend..."⁶

"While the economic downturn is forcing bloated retail chains to shut some mall-based locations, it's also created an opportunity for a new breed of business eager to move into those vacant storefronts...Malls are the perfect place because people are already shopping there and they just linger afterwards, said Hannelore Leavy, Executive Director of IMSA."⁷



"I would rather have Botox than go out to dinner."⁸

¹<http://www.eastvalleytribune.com/story/113408>

²<http://money.cnn.com> - 3/21/08

³<http://money.cnn.com> - 3/21/08

⁴L. A. Times, Cosmetic Surgery Sags as Purse Strings Tighten, 4/5/08

⁵www.medspas.com

⁶<http://blog.spafinder.com> - Posted 2/25/08

⁷<http://money.cnn.com> - 3/21/08

⁸L. A. Times, Cosmetic Surgery Sags as Purse Strings Tighten, 4/5/08



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MedSpas have given rise
to a whole new meaning of old expressions:
Spot removers - Fat lip - Wrinkle Removal Experts
Express yourself
Does she or doesn't she? Only her medspa knows for sure!

If you have questions or information which you'd like to share with fellow medspa professionals, please email me at: sandye@professional-ins.com.

Until my next newsletter remember to...

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Sandy's SideLight

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