

Americans cutting back on many forms of health care, from having routine examinations to scheduling less-than-essential surgeries to participating in preventive tests.

And when **VM** surveyed key executives of managed-vision firms of varying sizes last month, virtually every one singled out “economic pressures” as one of the key challenges facing their industry for the rest of this year and into 2009.

Yet despite the economy’s undeniable constrictions and uncertainties, these managed vision execs see opportunities ahead for both their own companies and for the eyecare practitioners and optical retailers on their provider panels.

One significant opportunity is the growing emphasis by both the managed vision players and their providers on the link between vision care and consumers’ general wellness—specifically, how eye exams can provide early detection of serious (and costly) ailments such as diabetes.

As Ric Steere, chief development officer, global managed vision care, for VSP Vision Care—which this year is covering 54.7 million funded lives—put it, “Managed eyecare coverage delivers an affordable preventive-health benefit that helps keep Americans healthier and lowers downstream health costs. Working together with independent eye doctors, VSP has shown that comprehensive eye exams can detect early signs of chronic diseases such as diabetes and hypertension. This aligns eyecare with the goal of moving the U.S. healthcare system from expensive acute care to focusing on early detection and chronic care management.”



Ric Steere,
VSP

Steere noted, “During the past two years, VSP has observed growing client adoption of integrating eyecare data with their health plans to achieve early health interventions and reduce healthcare costs.”

Other companies report similar experiences. Liz DiGiandomenico, president of Luxottica Retail’s EyeMed Vision Care subsidiary, which covers 23 million funded lives, commented, “If anything, the need for vision benefit programs has increased in prevalence and has become part of the overall health discussion in the U.S. More and more companies offer vision plans, and these programs tie more directly to organizations’ wellness programs than in the past.

“The real impact here occurs when the vision benefits company promotes annual eye exams among members,” she continued. “After all, companies will only see the full rewards of offering a vision care program when the employees actually use the benefit. Just making the benefit available helps improve an individual’s likelihood of having an annual eye exam.”

In addition, “The increased reporting of ICD-9 diagnosis codes obtained in the comprehensive eye exam can lead to improved treatment outcomes and the possibility of lowered overall health care costs through early recognition of health conditions like diabetes, heart disease and high blood pressure,” DiGiandomenico noted.



Mike Schell,
MES Vision

Mike Schell, vice president of sales for Costa Mesa, Calif.-based MES Vision, with 3.6 million funded lives covered, told **VM**, “A vision plan is not only about the eyewear, it is about the health of the eye and potentially the overall well-being of the body. Generally speaking, consumers regard their vision plan as a means to obtain eyewear. If the individual does not require corrective eyewear, he or she does not see the value in having or utilizing the vision plan.”

However, Schell stressed, “The first step in moving toward a vision wellness program is by obtaining regular vision examinations; a comprehensive vision examination is the most critical part of proper vision care and the preservation of sight. Through vision routine examinations, disease states such as hypertension and diabetes can be diagnosed, and the patient could be advised to immediately seek treatment from his or her primary-care physician for these conditions. Intervention in the early stages of several disease states that can be suspected during regular vision examinations can result in very favorable outcomes for patients, [so] an insured vision plan, if utilized regularly, can be an integral part of an overall wellness program for the consumer.”

Erich Sternberg, president of Baton Rouge, La.-based AlwaysCare Benefits, which covers about 200,000 lives for vision care and works with several vision provider groups, stated, “The role of the local optometrist has changed in the past few years from a practitioner who dispenses glasses and contacts to a doctor who is an important part of a patient’s medical team. A routine vision exam can be the first step to diagnosing multiple health conditions ranging from total system issues such as diabetes, high blood pressure and tumors to allergies, dry-eye syndrome, cataracts, glaucoma, etc. Managed vision plans, as well as managed dental plans, provide millions of people with access to and low-cost funding for routine care and, therefore, often serve as the facilitators for early diagnosis and intervention. In this era of ever-increasing medical plan premiums and deductibles, this role only becomes more important.”

Who’s Got Coverage?

Vision coverage retains a high penetration level among U.S. consumers—though how high is subject to debate. According to the 2007 Hay Group Benefits Prevalence Report, a study of insurance patterns, 84 percent of the nation’s employers now offer vision coverage (excluding discount plans that offer a flat savings on eyewear or eyecare to members of a variety of groups). By comparison, an April 2007 study by the National Association of Dental Plans reported that 71 percent of employers offer dental coverage.

Another recent study, by the Society of Human Resource Management, which conducts a national survey on employee benefits, reported that 79 percent of employers offered vision benefits in 2007, compared to 94 percent for dental plans.

And what are those vision-insurance end users looking for? The most recent information from Jobson Optical Research’s Consumer Perceptions of Managed Vision Care Insight Survey indicates that in 2007, among consumers who do have vision plans, the most important feature of a plan was the savings it provides and/or its low out-of-pocket expense (picked as the most important vision-plan element by 43 percent of these consumers). The respondents’ second-highest-rated vision plan feature was access to all types of eyecare providers, selected as “most important” by 16 percent of those with vision plans.

As for what they would like to improve in their current plan, the savings/low out-of-pocket was highest-ranked by 44 percent of these consumers in 2007; the ability to go to many different locations for eyecare was selected as a feature of their plan they would like to improve by 17 percent.

Tracking the Economy

As the lagging economy pinches employers and employees alike, health care costs in general are getting greater scrutiny at home and in the business place. But vision care offers a significant perceived benefit at a lower cost ratio than general health care, managed vision players are quick to point out—while noting that despite the lower cost ratio, employers are still keeping a close eye on vision-benefit expenses.

Steve Holden, newly named president of Highmark's Davis Vision managed-vision operation, which covers more than 20 million funded lives, said that in the current economy, "It's been pretty hard for a lot of employers, although vision care still has a lot of opportunities." He added that while many large and small employers are cutting back on employee benefits to reduce overhead, "vision care can be a high-value addition to the benefit package at a very small cost compared to medical, dental or prescription coverage. It's still something a company can give its employees while it's taking away other things."



Steve Holden,
Davis Vision

Holden told **VM** today's economy may have accelerated an existing trend for employers to look for more "value" in the health programs they offer: "Employers are increasing employees' co-pays or deductibles to reduce costs. However, vision is a very cost-effective way to give value to a company's employees, and that hasn't changed because of the economy. It's important that people recognize that vision coverage does have value."

"Employers are searching for ways to maintain or expand the health services offered yet reduce the overall expenses associated with the benefits, resulting in an extremely competitive marketplace," noted EyeMed's DiGiandomenico. "Employer groups are continually challenging vision-benefits organizations to offer creative products and rates. For example, by working with employer groups during the sales and contracting process, EyeMed has been able to fashion highly specialized plan designs based on employees' past utilization trends and expressed preferences in eyecare and eyewear."

MES Vision's Schell said his company is currently "seeing more requests for new vision quotes, but at the same time we are seeing more options of funding requirements being requested in terms of employer-sponsored and voluntary plan offerings."

In addition, Schell said, "Premium rates are stable, and we are seeing requests for longer-term rate guarantees."

And Sternberg of AlwaysCare Benefits commented, "Vision, like all ancillary coverage, is a commodity that is very price-sensitive in all economies. We continue to see rapid vision-plan membership growth despite the economy."

Sternberg said sales of voluntary plans are the primary drivers of his company's growth, although employers offering vision coverage for the first time are particularly price-sensitive. He added, "Many employers currently offering coverage are shopping for lower rates, but do not typically want to reduce benefits."

'Voluntary' Vision Care

Other industry experts agree that the current economic pressures are likely to accelerate the shift toward "voluntary" vision plans, through which employers offer their employees the option of signing on for eyecare benefits in return for the employee's paying the premium.

Citing Hay Group benefits-prevalence research, VSP's Steere said, "The vision benefits market continues to shift toward voluntary coverage, and market data shows that 78 percent of plans are either fully voluntary or share the cost with the employee."

Added Steere, "This open enrollment season will reveal how consumers in voluntary plans balance the overall cost of all their benefits relative to their other expenses—the good news is that more than ever before, clients and consumers regard eyecare as a high-value benefit and an important preventive health measure."

DiGiandomenico of EyeMed told **VM**, "The trend in vision coverage continues to be toward voluntary benefits. In fact, because vision plan premiums are comparatively low, a voluntary, employee-paid vision plan can help employers take the sting out of reductions in other lines of coverage. In this scenario, vision plans must create member awareness through focused education and face-to-face representation at open enrollment events with an emphasis on the value of the vision benefit."



Liz DiGiandomenico,
EyeMed Vision Care

On the other hand, while more employers may be offering voluntary vision coverage, financial pressures may curtail some workers' ability to take advantage of the offer, according to Jason Harrold, president of OptiCare Managed Vision in Rocky Mount, N.C. He noted that although under current economic conditions his company has seen no change in employers' attitudes toward voluntary vision coverage, "perhaps slightly fewer employees [may be] willing to enroll in voluntary vision plans."

And Davis Vision's Holden commented, "A while ago we were seeing a scenario in which a company would get into vision with a voluntary plan, then maybe change to a funded plan later. Because of the economy, that may not happen as much now."

The ECP's Role

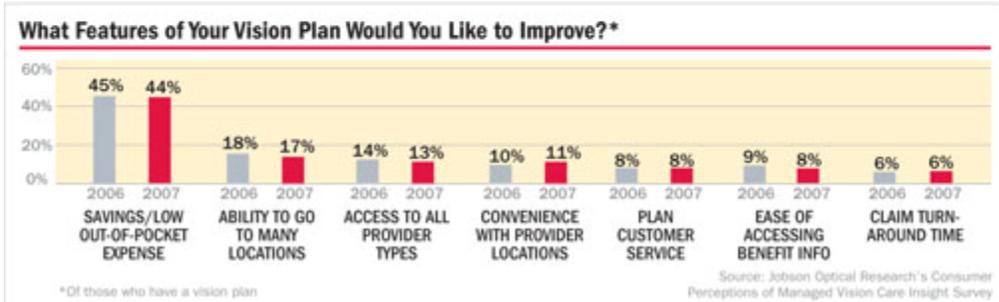
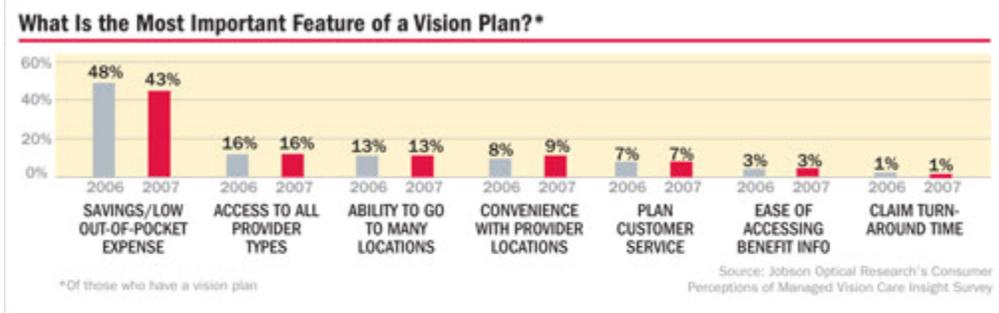
Vision-plan executives unanimously agree that the eyecare professional plays a critical role in the managed-vision equation...and that managed vision can in fact help the ECP's bottom line as well as help preserve his or her patients' eye health.

As Sternberg of AlwaysCare Benefits put it, "During an economic downturn it is especially important for independent ECPs to understand the need to diversify their patient portfolio as they would their financial portfolio. ECPs should be open to include funded plans as well as private fee-for-service patients to diversify their revenue streams and maximize their business capacity. The managed vision care industry needs to accelerate its efforts to educate ECPs about our plans and how they can help their business build repeat business with more customers and generate profitable growth in all economic climates."

Schell of MES Vision pointed out that the availability of a vision plan can be particularly beneficial to the ECP's youngest patients. "Less than 25 percent of children under the age of 12 have had an eye examination from a vision care specialist," he said, although "over 80 percent of learning is achieved visually to children before the age of 12. Managed vision care and providing early detection of vision problems can play an integral part of a child's development."

What's Ahead?

The country's ongoing economic problems are not making things easier for anyone in the managed vision arena, from the plan executive to the ECP to the consumer/patient. But managed vision executives singled out several specific areas they regard as challenges heading into 2009. Some cited the need for flexibility—leading in some cases to customized plans for large employer clients—as key.



Noted EyeMed's DiGiandomenico, "We will take what we've learned through close relationships with some of our new large group clients to update our product offerings so they align with

consumer preferences by incorporating member needs and the latest in optical technology. We also look forward to offering greater customization to meet specific group needs, particularly in the large-group market."

Sternberg of AlwaysCare predicted, "The economic climate will clearly impact the managed vision care industry. Plans will need to be more flexible than ever in their dealings with employers, members and providers to ensure the needs of these diverse populations are addressed."

Other challenges? Said VSP's Steere, "Economic pressures, rising healthcare costs and changing demographics are some of the driving forces shaping the new environment for managed vision care," while Harrold of OptiCare identified "maintaining market share and growth rates in a weak economy, meeting HIPAA claim and remittance standards, and contributing in the effort to standardize eligibility specifications" as key challenges for the rest of 2008 and into next year.

And Schell of MES Vision pegged the industry's primary focus in the near future as assisting in "first, the education of the consumer on the true value of a vision plan, and second, the employer groups' understanding of the true importance of offering or retaining their current vision plan at the same time the employer is experiencing double-digit increases in its insured health plan and a challenging economy."

What will 2009 bring? Amid the current economic turmoil the crystal ball is a little cloudy right now, but these managed-vision executives are determined to help make vision care and vision coverage a bright spot. ■

Erich Sternberg, President
 AlwaysCare Benefits, Inc. / Starmount Life Insurance Co.
 Box 98100, Baton Rouge, LA 70898-9100
 PH: 888-729-5433, x175 / FAX: 225-610-1375