Using Managed Care To Increase Profitability and Satisfy Patients

Fundamental Truth #1
Managed vision care plans are not in business for your benefit

- Whether for-profit or not-for-profit, their goal is to expend less in claims payments and administrative costs than they bring in during a given time period.
- Your goal is to take care of patients, pay the bills, retain some money for future practice growth, and generate a profit (pay the owners).
- It is not inconceivable that both goals can be achieved at the same time, but it will take effort on your part.

Fundamental Truth #2:
Laws are designed to protect you from illegal contracts, not from unfavorable ones

- It’s assumed that before signing a provider agreement (contract) you’ve taken the time to read and understand the terms -- perhaps with an attorney, consultant, or accountant’s help.

Fundamental Truth #3:
The provider is responsible for understanding the terms of the provider agreement

- You must know which contractual terms are fair, reasonable, and acceptable -- and which are not.
- Unfortunately, many vision plans will not negotiate the administrative terms of their contracts. A few will discuss compensation, and some do allow practices to submit fees for periodic updating of reimbursements.

Fundamental Truth #4:
No contract is better than a bad contract

- Bottom line reality: If the financial terms don’t make sense, and/or if there are too many onerous administrative hoops staff must jump through in order to collect payments, maybe that’s a contract you don’t need and can’t afford.
Beware The False Promise: “You’ll make it up on volume”

Certainly this is absolute nonsense. You can profit, but you cannot make it up on volume.

While additional patients will increase revenue, unless you’re making a solid profit on each patient the added volume may not grow your bottom line enough to be worth the resource commitments.

So Who Are The Biggest Players?

- Vision Service Plan
- Eye Med Vision Care
- Davis Vision
- Spectera (OptumHealth Vision)

Vision Service Plan

- More than 55 million members nationwide
- 31,000 clients including 100+ health plans
- Owns four optical fabrication labs
- Purchased Marchon (frames) and OfficeMate (practice management software) in 2008
- Offers only fully-funded benefit plans
- Private-practice physicians and optometrists only -- does not contract with retail (chain) opticals or independent opticians

Eye Med Vision Care

- A division of Luxottica
- Acquired Cole Vision and Pearle
- 140 million lives nationwide
- 5000+ clients
- Also contracts with independent opticians
- Offers both discount and fully-funded benefit plans

Davis Vision

- 55 million lives nationwide
- Owns Viva Optical (frames)
- Owns Eye Care Centers of America (retail chain)
- Owns lens fabrication labs
- Private practice and retail (chain) providers
- Offers discount and fully-funded programs

Spectera (OptumHealth Vision)

- 18 million lives nationwide
- 9000+ clients
- A subsidiary company of UnitedHealth Group (United HealthCare)
- Private practice and chain (retail) providers
- Also contracts with independent opticians
- Owns lens fabrication lab
- Owns United Optical (retain chain)
Those Are The Biggest Players

- And there are plenty of others in managed vision care -- some quite large and covering many states, and some other, smaller ones serving only regional clients.
- But no matter which you might participate in there are some fundamental business issues and principals that you must apply successfully if you’re to profit from any vision plan.
- That’s the focus of this presentation.

The Dollars Must Make Sense

Understandably this is everyone’s primary concern. And it’s a given that you won’t make your regular profit margins when participating in managed vision care.

But Don’t Concentrate Solely On Reimbursement

Of course reimbursement is important, and if a vision plan doesn’t compensate reasonably for your work, that’s a plan you probably don’t need. Obviously, “reasonably” will differ for each provider.

But, it’s unwise to focus so much attention on dollars that you fail to consider other, incredibly important influences on potential profitability.

"If supplies of healthcare services cannot show convincingly that they offer superior quality, buyers are forced to assume that standards are equal, and so they focus on price."

E.J. Freeman, III, Director Managed Care, University of Florida College of Medicine

Think About It From The Patient’s Perspective

Never forget that among the many factors impacting on quality of care and patient satisfaction, three stand out in particular under managed vision care: covered lenses, covered frames, and choice of optical fabrication labs.

If any of these is unreasonably restricted, that should be a yellow, perhaps red flag indicator of potential profitability concerns under that vision plan.

Before You Can Start Selling…

Staff must know each plan’s protocols, policies, and procedures vis-à-vis many issues. Here are just a few:

- Eligibility verification
- Benefit designs (covered and non-covered services, limitations, and restrictions)
- Copayments
- Lens fabrication (In-house? Plan-approved lab only)?
- Claims submission requirements and payment timeframes
How Does Staff Learn All This?

- Provider/operations manuals (everything staff needs to know, but who wants to read through all of that "mumbo-jumbo")
- On-line training (interactive, web-based)
- In-service sessions (on-site training by a vision plan representative)

Eligibility:
You won’t profit providing care to the ineligible

Eligibility under managed vision care is not like horseshoes or hand grenades: Close doesn’t count.

The patient is either eligible or not, and it is incumbent upon the practice to make sure that’s known before the patient ever presents for services.

Eligibility Verification

If you're to profit from managed vision care you must address these eligibility issues.

- Who is responsible for verifying eligibility, and when must that be done?

Eligibility Verification

More issues...

- What happens if the patient's name is not on the eligibility list?
- What happens if eligibility is confirmed, but after providing services the patient is declared ineligible and your claim is rejected?

Benefit Plan Designs

Poorly designed benefits tend to put patients into conflicts with providers by unreasonably restricting coverage and penalizing the very patients who need correction the most.

You’ll want to avoid the headaches associated with such vision plans.

Patients will come to you with pre-conceived expectations as to the level and quality of services they're entitled to receive. If they seek vision care services at your office only to find that the "free glasses" are limited beyond reason, or that there are significant out-of-pocket amounts payable to satisfy basic and necessary visual requirements, then that will generate complaints and dissatisfaction.

You certainly don't need this.
**Fewer Problems, Happier Patients, And A Chance To Profit**

On the other hand, quality vision plans will allow the provider to use professional judgment and act in the patient's best interests. With limited exceptions this means providing the single vision or multifocal lenses necessary for a patient's visual needs, at any prescription strength, and often including polycarbonate.

**Copayments**

Copayments are amounts you collect from the patient to supplement the contracted payments received from the vision plan. It is your responsibility to collect all copayments, and vision plans typically will not help you collect after the fact if staff forgets.

Except in documented cases of financial hardship never waive a copayment. It is bad policy, often perceived as an inducement to attract patients. And vision plans typically forbid the practice.

**Lens Fabrication: In-house or mandated lab?**

From a potential profitability perspective the most attractive managed vision plans will allow you the options of doing your own fabrication or sending out to the lab of your choice. Rather less attractive are those vision plans that mandate jobs must be sent to a lab on an approved and restricted list or, worse, only to the vision plan’s owned lab.

If your usual lab is on that approved list then everything involved in delivering lenses to managed vision care patients should be transparent for patient and provider. Even if your preferred lab is not on the list, for the most part approved labs typically do a good job managing customer service issues.

The real problem, of course, is what happens when a mandated lab regularly does not perform to your expectations, thereby delaying delivery of patients' eyeglasses?

**Claims Submission**

Here are some questions to assess the impact of administrative costs on your potential profitability with any managed vision care plan.

- Can (must) you submit electronic claims? If yes, can you do that without significant investment in new technology(ies)?
- When coding and billing for services rendered can you use industry standard codes, or are you required to use codes unique to that vision plan?

**Claims Payment**

Some vision plans have used contractual tricks to delay claims payments. For example, “Plan will use its best efforts to process and pay all claims by the 25th of the month following submission.” What does “use its best efforts” mean, and in a dispute how can you prove that a vision plan is not using best efforts?

Answer: You cannot. You may be stuck if the plan decides to pay slowly. And slow payments directly and adversely impact profitability.
Now It's Time To Sell

OK, so now we're aware of some key issues the practice must address before turning to deal with the patients' visual needs. Next, let's look at a few of the most common issues faced by those working in the optical dispensary.

It's abundantly clear that many vision plans and employers have done a poor job educating their Members and employees. Not surprisingly, some patients have inaccurate understandings of what is and is not a covered benefit.

If not properly "plugged," that educational hole can lead to patient upset when financial perception and financial reality clash at the dispensing table or check out counter.

While some patients may have absurd expectations, most do realize that the door to the candy shop is not wide open – there are plan-defined limits on eyewear benefits.

They're really looking for your guidance on how to maximize the value of those benefits. If you can show them how, you can profit.

"I Only Want What My Insurance Covers"

"Managed vision care is a money-losing proposition. The fees are awful and the patients only want what's covered and won't spend a penny more. Why bother?"

an anonymous optometrist

Thus, for example, a patient may be disagreeably surprised when told anti-reflection coating is not covered and will cost an additional "$X." Or a patient might be upset or even angry when told that his plan covers basic progressive lens "Q" for a nominal co-pay, but premium progressive "Y," recommended by the optician, will cost more.

"What is a cynic? A man who knows the price of everything, and the value of nothing."  
Oscar Wilde  
Lady Windermere's Fan

Every Practice Has Some Patients Who Won't Spend A Dime

Some want nothing more than the basic 52-eye zyl frame and flat-top bifocals covered by the vision plan. Year after year they come into your practice, get the same thing, and spend not a penny out-of-pocket.

Certainly it's proper to discuss lifestyle needs and to show patients how they'd benefit from upgrades – for example progressive lenses, anti-reflection coating, high index, etc. But if you've presented and made appropriate attempts to educate yet, still, the patient says "No," then it's time to move on.
But Never, Never Prejudge A Managed Vision Care Patient!

Do not make assumptions about what a managed vision care patient can or cannot afford to spend on eyeglasses (or contact lenses). Your job is to make professional recommendations appropriate for a patient's visual and lifestyle needs, not to judge the size of a wallet or purse.

“Appearances often are deceiving.”
Aesop
The Wolf in Sheep's Clothing

The Fine Art of “Selling Up”

“Selling-up” is a straight-forward concept that can be mastered by remembering four words: Listen to the patient!

The essence of ”selling-up,” especially with managed vision care, is to provide relevant, personalized information to each patient so that he or she can make an informed decision. In doing that the dispensary staff facilitates a process by which each patient concludes that the recommended upgrade has significant, demonstrable value and, thereby, affirms in his or her own mind, “That's great. I want it!”

Selling Up

Properly done, managed vision care patients do not feel as if they’ve had their pockets picked. Rather, they come away from the experience feeling as if they’ve had the finest, personalized, professional attention paid to their needs. And when a few days later they try on those new glasses with the premium progressives or the latest in A/R technology and compare this to their old glasses… Well, that's patient satisfaction. And you've turned a profit.

Quality

“Quality: Meeting or exceeding customer expectations at a cost that represents value to them. It's a personal thing, and everyone defines it in his or her own way.”

H. James Harrington
The Improvement Process – How America’s Leading Companies Improve Quality

What About Second Pairs?

Forget that percentage of managed vision care patients who absolutely won’t spend a cent upgrading the basic eyeglasses provided by their plans. If for the others you follow the previous suggestions about not pre-judging patients’ financial means and, also, investing the time to learn about lifestyle and visual needs, then multiple pair sales under managed vision care is not illusory. And multiple pairs is where your profitability should jump. Of course vision plan protocols may be problematic.
What Do Plan Protocols Say?

- Most vision plans require some discounting on second pairs.
- The discount amounts vary greatly, and some truly are absurd. They’ll essentially wipe-out most profitability on second pairs. If so, then maybe that’s a vision plan you don’t need and can’t afford.
- But for the others there is significant opportunity for additional profitability.

A Very Rough Example Of Discounting

Assume 40% cost of goods (COG)  $ Collected = $100
COG = $40  $ Collected = $80

\[ \text{"Profit"} = \$60 \quad \text{"Profit"} = \$40 \]

A 20% discount at the front end means 33.3% less "profit."

*Caveat! This example is greatly oversimplified. Obviously in any analysis of net profitability one must be careful to account for and differentiate between fixed costs (e.g., rent and equipment leases) which don’t change with patient volume, and variable costs (e.g., broken lenses, edger supplies, etc.) which do. Ultimately you’ll need to determine the full, incremental effect of offering a discount.

Second Pair Sales Opportunities

- Rx sunglasses (obviously, for all patients)
- Computer and/or occupational glasses
- Sports glasses (e.g., specially-placed reading segments for golf, scuba diver masks, racquetball goggles, shooting glasses)
- And don’t forget a back-up pair of the new daily-wear glasses for everyone!

Some Administrative Issues

Let’s also consider two other administrative issues that can impact on profitability.

- Verifying that you’re collecting the right amount at the front end and receiving proper payment at the back end.
- What if you don’t accept the patient’s vision plan?

Collecting Properly At The Front And Back Ends

Pure and simply, managed vision care can become a financial boondoggle if you’re not collecting every dollar to which you’re entitled.

Collecting From The Patient

- Copayments
- Upgrades on frames
- Upgrades on lenses
- Non-covered services
- Second pairs
Verifying Payments From Vision Plans

- A quality practice management software package can display, by vision plan, the contracted reimbursement for each covered service. Electronic verification of insurance checks attached to Explanation of Benefits forms (E.O.B.) is then fast, simple, and accurate.
- Staff should “flag” any questionable payment for immediate investigation and, if necessary, resubmission of the claim.

You Don’t Take My Insurance??

If you don’t participate in a patient’s vision plan that doesn’t automatically mean you have no chance to get the business. But it’s going to be a challenge. That’s because while a patient’s in-network and out-of-network eyewear benefits likely are identical, any out-of-pocket costs are not.

What can you do to provide an incentive?

Going The Extra Mile

- If it costs the patient more to get services from you than from an in-network provider, then you’ll have to offer some incentive to attract the business.
- A financial incentive will certainly be the first thing on every patient’s mind.

Minimizing The “Hassle Factor”

- You may be asked to process the patient’s claims paperwork so that he/she can receive reimbursement.
- Alternatively, you must be willing to accept assignment of benefits and submit a claim on your own behalf.
- Collecting the money and saying “Thanks” is not enough.

Assessing Your Participation In Managed Vision Care Plans

- Do staff members have complete listings of eligibility requirements and all benefits, limitations, and exclusions for each vision plan you’re on?
- Do staff members have current contact names and phone numbers at each vision plan?

- Do both dispensing and reception staffs verify that they have collected all copayments before each patient departs?
- Does the dispensing staff track the average completion time for jobs sent to labs mandated or approved by the vision plan?
- Does the dispensing staff track the reasons and rejection rate for lenses fabricated at labs mandated or approved by the vision plan?
• Does staff track the percentage of multiple pair sales to vision plan patients?

• Does staff track the percentage of multi-focal wearers who upgrade to progressive lenses?

• Does staff track the percentage of high plus/minus prescriptions upgraded to high-index?

• Does staff track the percentage of patients who upgrade frames, and the average dollar amount above each vision plan's allowance?

Completing The Puzzle

Only when all the pieces are fit together can you profit to the maximum potential of managed vision care.

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