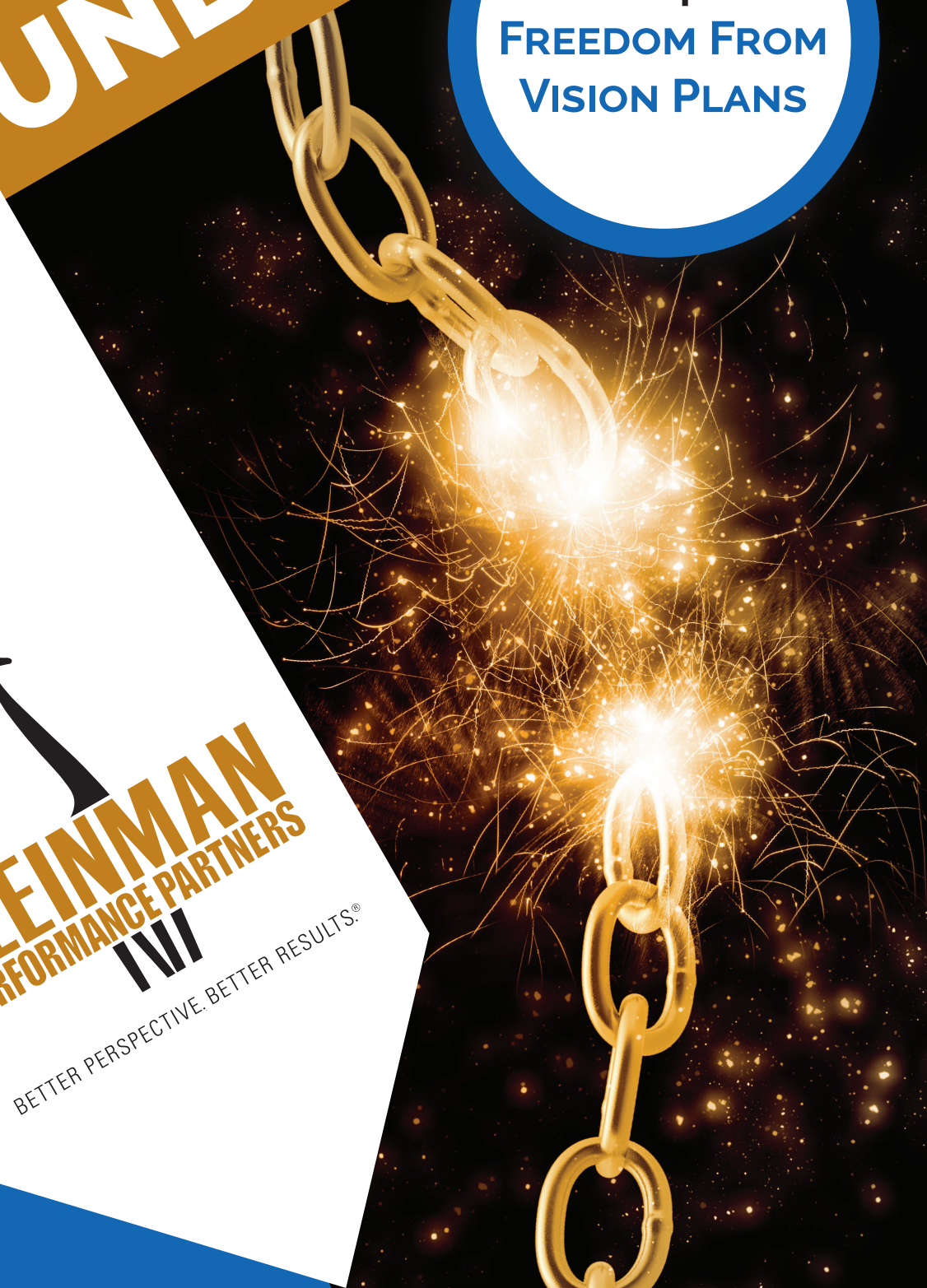
YOUR PRACTICE UNBOUND

Six Steps To Freedom From Vision Plans



CLEINMAN PERFORMANCE PARTNERS

BETTER PERSPECTIVE. BETTER RESULTS.®

There's no doubt that, for Private EyeCare Professionals (PECP), these are troubling times. Vision Plans now control over 100 million patients as well as frame manufacturers, lens processing laboratories, and internet technology. There is little to prevent them from moving their eyewear sales direct to the consumer. Some have already made that move and it becomes easier if consumers are not constantly educated about advancing technologies. Many PECPs are actually heading down the path of commoditization by jumping into the fray of discounting and participating in every vision plan regardless of reimbursement. As a result, the PECP is also commoditizing their brand. This business strategy is suicidal.

Do not make or take this decision lightly.

Consider obtaining professional assistance in making the decision.

At Cleinman Performance Partners, we believe that there are more effective ways to compete. Perhaps, the time is long overdue for you to adopt the mantra promulgated by the great management guru Tom Peters when he said, "Don't compete, change the game!"

Over the past fifteen years, the amount of vision plan write-offs has tripled as a percentage of gross charges for most practices. It's no wonder why most PECPs now resent the increasing intrusion of Vision Plans into their practices. And most definitely, PECPs resent the impact on their bottom line. Yet, you likely feel reluctant and even scared to banish Vision Plans. Admittedly, deciding to exit Vision Plans is a critical strategic decision with significant ramifications, potentially positive and negative.

Each practice owner should do his or her own list of "Pros and Cons" regarding Vision Plans. Below is an example of the impacts we have observed among Cleinman Performance Network partner practices.

How Vision Plans Impact PECPs

Pros	Cons
Bring more patients in the door	Require practices to accept discounts on services and eyewear
Provide wider visibility for the practice	Restrict or impact which eyewear products may be offered
Stimulates awareness of eyecare as a critical health function	Apply rules that confuse dispensers and patients
Improves public health by encouraging periodic eye exams	Use tedious eligibility verification
	Require the use of specific labs or vendors, or restricts labs and vendors
	Restrict adding desired features to products
	Limit on covered office visits
	Delay reimbursement
	Facility "wear and tear"
	Demand more work for less money

Further, PECPs need to expose their philosophies up front. As one example, in workshops we often ask the question "what's the largest expense in the practice?" The response is always "cost of goods" or "labor"… in reality, it's "marketing" to the extent that Vision Plan write-offs and discounts are a marketing expense.

Make the decision to make a change. Only you can do this. All reliable indicators tell us that now may be the best time to at least begin to make a change. During tougher economic times, Vision Plans may have benefited practices by keeping patients coming in the door, albeit at a higher marketing cost. Given the overall economy is now strong, your practice can be ready to present a revitalized image -- one that attracts private-pay ***and*** Vision Plan patients willing to invest in higher quality and a better patient experience.

Do you currently have "holes" in your schedule? If so, it means you have some extra time and so does your staff. Turn this time into money by developing a plan that will reduce your dependence on Vision Plans, or eliminate them altogether. PECPs who have done so have expressed no regrets, and all whom we interviewed said they are **making more money, doing less work** (i.e., seeing fewer patients) and delivering a better patient experience. They also said, "Make the decision and don't look back."

This monograph offers real-life experiences from Partners of Cleinman Performance Network that have banished Vision Plans from their practices.

In every case, these practices have experienced impact on gross revenue but little or no impact on net profits at all.

These Partners have options they did not have before, including:

- reducing doctor days in the office
- reducing operating costs
- redeploying staff to higher value tasks
- increasing marketing investment and efforts

Our experience, and that of some of our most successful Partners, proves that you can, indeed, free your practice from Vision Plans by following six simple steps.

Step 1

Create a Timeline

A timeline is critical for two reasons:

1. You need enough time to create a plan for your practice to exit Vision Plans and put it into action, without delaying the decision (most practices have already dragged their feet on this by many years).

2. You need to inform each Vision Plan that you will exit within the timeframe specified in the contract (i.e. avoid breach of contract) as well as inform patients about the change.

A period of six months is usually adequate, but make sure you verify the notice period stipulated in your Vision Plan contract. Have your business staff also research if any medical plans require you to be contracted with a specific Vision Plan. You'll want to factor this into your decision.

Anything longer than six months may heighten the anxiety leading to the last day you accept a Vision Plan.

This is likely to be one change that no one on your staff will resist. Generally, Vision Plans make more work for staff members, and the staff has to deal with those awkward moments when patients are unhappy with their Vision Plan coverage and/or service.

That's not to say that staff members won't worry about the impact of exiting Vision Plans or that they won't need guidance about how to appropriately communicate this change to patients. You must share enough information so they fully understand your decision, as well as provide the tools they need to properly communicate with patients.

Case #1

How We Gave Vision Plans the Boot

Don Furman, O.D.

Family Eye Care Center

Practicing Since 1995

3,229 Patients Yearly

Don Furman, O.D. was at an interesting juncture after 18 years in practice. His solo practice with two locations was grossing over $1 million, and he and his team were realizing a net of 25.3%. This was just after the Great Recession, yet they were achieving a growth rate of 3.2%, and patients were scheduled 3 weeks out.

Dr. Furman was seriously considering eliminating a Vision Plan that represented 20% of his patient base and about 16% of his gross revenue. He did not know how much it contributed to net income. He randomly selected 10 VP patient files to analyze and compare to similar private-pay patients.

Dr. Furman added up payments from the VP and patient and deducted his costs. He found that a typical VP patient added just $24 to net income. A comparable private-pay patient contributed $237 to net income. Overall, he found that even though VP patients represented 20% of his patient base, they contributed just 6% to profits (net income).

"We looked at the 'hassle factor' and decided it just wasn't worth it to keep accepting Vision Plans," Dr. Furman said.

One year after dropping the last Vision Plan, Dr. Furman found that the gross revenue had declined slightly, by 4.5%. His net was down a small amount, just 0.01%. By year two, however, gross income was up by nearly 12% and net income was up by 26%.

"By year three and four, it was a whole new ballgame," Dr. Furman said. "We were growing so much, we added another office location, an associate OD, and more staff."

He says he and his staff are happier and they are making more money. However, there are just a few "reality checks":

- Instead of being scheduled out for two weeks, they are scheduled out for three days
- Most Vision Plan patients have never returned

Step 2

Do Your Homework

This is crucial to making the best decision for your practice. If, for instance, 70% of your patients have VPs, you can't just quit VPs cold-turkey. It also doesn't mean you are bound to them forever, but cutting those ties requires an intelligent transition.

First look at your percentage of Vision Plan patients. What is the total percentage, and how does the percentage break down according to different Vision Plans?

You likely accept several Vision Plans. Look at the percentages for each plan and choose the one or two plans from which you receive the least number of patients.

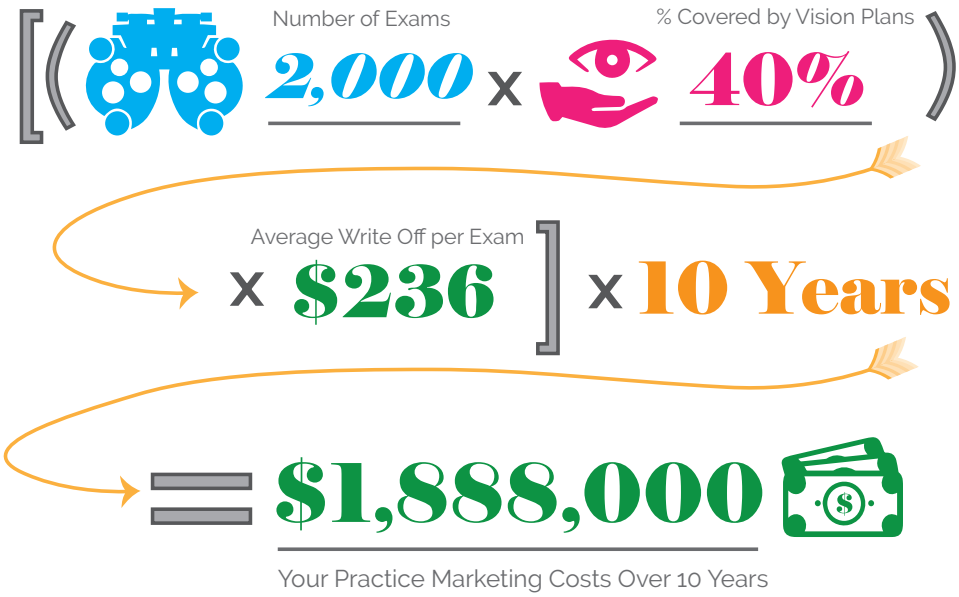
Now delve into the patient numbers related to the plans you have chosen. What percentage of total comprehensive exams does this patient group represent? Have you been able to provide any medical services (billable to a medical insurer) for these folks? How do you explain the difference between a medical exam versus a routine healthy eye exam to your patients?

Look at optical sales. What percentage of frame and lens sales can you attribute to these folks? Now look at gross vs. net. How much are these patients contributing to your net income?

This is the time to review your accounting systems. Are you tracking the right data so you have the information you need to make a truly informed decision? For instance, do you track write-offs? If you are not already operating on an accrual basis, this may be the time to consult with an accounting professional and convert to the accrual basis.

Look at Vision Plans as marketing tools. How much do you discount your usual and customary fees in order to accept Vision Plans and sell eyewear to their members? When you consider discounts for Vision Plan members as a marketing cost (as you should), marketing to Vision Plan members costs something like 30% of gross revenue. Now consider how much it costs to market to private-pay patients (how much you spend to bring each one in the door). A marketing rule of thumb for small businesses is to spend 3% to 5% of gross revenue on marketing.

Look at Chair Cost. What does it cost you to put each patient in the exam chair? There are two ways to look at chair cost. The first is chair cost to break even, which includes office overhead, staff costs and marketing costs (if your marketing cost for VP patients is ten times higher, your chair cost is higher too).



The second is incremental chair cost. If you have a full schedule with just the 10 am slot empty, filling that slot does not cost the "usual" chair cost. An example from the airline industry: once Southwest Airlines has reached their break-even number of seats sold, the incremental seat costs them about $7. Incremental cost is calculated by taking the total change in the costs of producing more goods and services and dividing that by the change in the quantity of patients.

Are you over-investing in marketing by Vision Plan participation? How could you better deploy your marketing investment?

Step 3

Be a Positive Leader

Your "secret weapon" during all this is your attitude. Now is the time to display positive leadership, which simply is a habit of observing and emphasizing the positive aspects of any situation. A positive leader focuses on what is working to further the plan or goals, even if it's a mistake that led to learning about what will work better next time.

This is not white-washing the situation. You can acknowledge a drop in patient volume after exiting a Vision Plan, but then focus on the benefits to the practice:

- The eyewear we are selling is more profitable
- Our optical staff has more time to spend with each patient
- The staff has less paperwork and more time to spend on other important tasks

When talking with staff, stay strong in your resolve to exit the Vision Plan and your confidence that this is the best course of action.

For your own peace of mind, establish some benchmarks that would inspire you to seek help or other resources. Your accountant, your banker, the Cleinman Performance Partners staff, and if you are a Partner in Cleinman Performance Network, your Network group, are all potentially helpful resources.

Case #2

Post-exit Recalibration: Numbers Are Up, Plus Room to Breathe

Jim Hutchins, O.D.
Lifetime Eyecare Center
Practicing Since 1980
1,873 Patients Yearly

Anyone who knows Jim Hutchins, O.D. knows that he talks quickly but thinks deeply. It's not a surprise that his continued dissatisfaction with VP reimbursement led to a decision in 2012 to "cut the cord."

"Only 13% of our caseload was VP patients, but we could see they took a good chunk of our time and did not add to practice revenue. The reimbursements were worse than for Medicaid in our state," said Dr. Hutchins, who operates Lifetime Eye Care in Sleepy Eye, MN.

Dr. Hutchins describes the community in which he's practiced for 33 years as an "itty bitty town" of just 3,500. Yet with an unwavering commitment to the latest technology and in-depth patient education, Dr. Hutchins has built a state-of-the-art medical eye care practice.

"This is an extremely conservative community. The people are honest and hard-working, and when they believe in something, they continue to believe in it regardless of external circumstances. This can work in your favor or against you, but I think it is working for us," Dr. Hutchins noted.

When he informed the staff about his decision to drop VPs, they were concerned about the potential loss of patients. Dr. Hutchins found an ally in his business coordinator, who advocated that "bodies in the door" did not necessarily translate into revenue for the practice.

Lifetime Eye Care notified its VP that it would no longer accept the plan as of November 30 and sent a letter to all its VP patients.

"We wanted to let the VP patients know in enough time to come see us before we stopped accepting VPs. We heard a lot of 'I wish we could continue to come here, but…' Most patients were not mad at us when we explained we just could not continue to operate with the low reimbursements from VPs. Some patients were mad at their employer for choosing specific VP coverage," Dr. Hutchins remembered.

Dr. Hutchins and the staff made sure that diabetic patients understood that they could continue to come to the practice for medical eye care, and the care would be covered by the patient's medical insurance. Dr. Hutchins realizes now that the practice could have done a better job of explaining this to patients with other medical eye conditions.

Other than that, Dr. Hutchins said he would change little about how the practice handled the transition. And the numbers are very good for his first half-year without Vision Plans, compared to previous half-year.

"One reason our expenses were down is because we were being much more careful the first year. Changes strictly due to dropping VPs are probably more like ***net income up by 7.9%****—but I was happy with that,"* Dr. Hutchins said. "*The bottom line is we're doing just fine overall, thank you very much.*"

Step 4

Include Your Staff

Although the decision is yours to make, the implementation is mostly in the hands of your staff. Gather them for a long staff meeting, or even a half-day's retreat, dedicated to discussing your goal of reducing dependence on Vision Plans or eliminating them altogether.

It may be wise to begin by sharing the facts as you gathered them. Lay out for them how many patients are covered by Vision Plans and what impact this has on practice revenue. **As Vision Plans mean headaches for staff members, you most likely will get agreement from the staff.**

Capitalize on this by drawing them into the preparation for dropping specific Vision Plans. Perhaps form an "Exit Vision Plans Committee" made up of key staff members and managers. As much as possible, give them ownership of the implementation process.

Step 5

Prepare Communications

How will you communicate the elimination of the Vision Plan?

Some doctors have sent a letter to patients announcing they will no longer be accepting a specific Vision Plan as of a certain date. If you decide to send a letter, you will need to time this carefully with the date that you give written notice to the Vision Plan (don't send the patient letter until you have given notice to the VP, see "Give Notice" below). In your letter to patients, explain why you are no longer accepting the plan, and couch it in relation to patient needs: The plan requires the use of inferior eyewear products that do not meet our quality standards; the plan restricts the quality of care we can provide you via deep discounts on reimbursement, etc.

You will need to send several important letters. The first one is a simple written notice to the Vision Plan that you are exiting, along with the date you will no longer accept the Vision Plan. Read the fine print on the Vision Plan contract; most require 90 days advance notice for dropping the plan. Send the letter by certified mail, and follow the contract to the letter in terms of the length of notice.

It's also a good idea to send a letter to local employers who offer this Vision Plan to their employees. It's important for them to know why you are exiting the Vision Plan, as it may influence their choice of plan in the future. And you should maintain a cordial relationship with local companies, as their coverage may change to a plan that's acceptable to you. Should you choose to offer a Vision Plan of your own (as several Partners of Cleinman Performance Network have done), these employers will be important to you.

PREPARE COMMUNICATIONS *continued*

You will need to communicate the change to patients covered by the Vision Plan. Here is what one doctor who exited their VP recommends you state in the letter:

> *After analyzing our participation in [Vision Plan (VP)], we have decided to become out-of-network providers. The low reimbursement together with the excessively time-consuming paperwork and claims submission make it nearly impossible for us to provide the level of eye care we feel you deserve and you've come to expect.*
>
> *Therefore, as of [insert date], we will become out-of-network providers for VP. Our team will support each patient through this transition and, after [insert date], we will provide you with the information that you need to submit to your insurance provider for out-of-network VP reimbursement that is available to you.*

The patient letter is best kept to snail-mail. A post to Facebook would be visible to all patients and may be misinterpreted, and even an email to patients is too easy to forward to others, and may possibly have negative repercussions.

Step 6

Execute and Review

Each month and quarter after you decided to eliminate a Vision Plan(s), it's time to review and plan your next step. Go back and look at the impact on caseload and revenue. If your caseload is down, identify which patients have departed. If revenue is down, compare gross and net; you are likely to find that net is unchanged or has even improved. Call your staff together and present the numbers to them. Lead them through an evaluation of the past year – the good, the bad and the ugly. Ask them what could have been done better. Brainstorm about marketing activities or events that will help attract quality-oriented patients. Then tell them which VP(s) you intend to eliminate in the coming year, and start the process all over again.

Case #3

Life without Vision Plans

Brad Schwartz, O.D.

Oneota Valley Family Eye Care

Practicing Since 1990

5,079 Patients Yearly

When Brad Schwartz, O.D. joined his independent practice in Decorah, Iowa more than 25 years ago, the practice accepted VPs.

"We didn't have a lot of patients with VPs, but it just didn't make sense when we considered chair cost. VPs weren't reimbursing us fairly even then," Dr. Schwartz remembered.

Because the percentage of VP patients was low, dropping VPs had no visible impact on their caseload. However, since that time, the use of Vision Plans has increased in the area but the practice has resisted accepting them.

However, from the time of the Great Recession, Dr. Schwartz observed a persistent pressure from patients who seem more focused than ever on price.

"Something has changed the consumer. There is an awareness of the cost of health care, plus a pressure regarding eyewear costs. It's hard to steer people away from Vision Plans and 'what my Plan covers.' I could do it before, but now it's more of a challenge," Dr. Schwartz said.

He considers the practice environment favorable -- a small town with a draw from a large rural area. Decorah is the biggest town for 60 miles. Employment is mostly agricultural with some businesses employing 50 to 400 employees. Two major employers offer Vision Plan coverage to employees. There is direct vision care competition from a Wal-Mart with an optometrist and one other O.D. in the satellite office of a larger clinic headquartered elsewhere.

Dr. Schwartz said communication to patients has been key to their success without Vision Plans:

- Most patients don't understand they have out-of-network benefits, so the practice explains this upfront to new patients and helps patients file for reimbursement.
- Many patients don't realize they have well-care benefits under their health insurance plan. Practice staff is well versed in which plans offer well-care benefits and take the initiative to check on the patient's behalf.
- Patients assume eyewear products are interchangeable. Staff are trained to explain the differences in quality of frames and lenses and to point out that "covered products" are not nearly as well made, durable and technically advanced as those recommended by the practice.

"One thing we've realized is that we are good at promoting ourselves as providers of medical eye care, but we are poor at doing this on optical," Dr. Schwartz said. *"It's becoming more and more evident that many optical services are inferior [to ours], especially when it comes to technical eyewear. Patients get much more for their money when they purchase eyewear from us. Now it's our job to help patients understand that."*

With persistence and care, you will be able to **eliminate most, if not all, Vision Plans** from your practice, regain control over patient care and quality, reduce office hassles and headaches, and **make more money with less work. We call this:**

Life without Vision Plans

Who is Cleinman Performance Partners?

A unique business development consultancy that works exclusively with private practice optometrists, Cleinman Performance Partners provides solutions for virtually any business issue faced by practice owners. Our peer-to-peer wisdom-sharing groups and proprietary benchmarking system position our Practice Partners for success.

The results speak for themselves. On average, our Practice Partners outperform the industry 4:1, based on Jobson's Vision Watch vision care market growth data. The best names in optometry rely on us for guidance and support.

For more information visit www.cleinman.com or call 800-331-5536