How to select a vision plan

Opticare Vision Services

History of Vision Plans

What do Pizza Hut, North American Van Lines, Cunard Ship Lines, Coca Cola, Warner Lambert, Hershey Foods, International House of Pancakes and the Government Employees Hospital Association have in common? They have all added vision care plans or enhanced existing vision plans for their employee benefits over the last two years, much to the delight of the brokers/agents servicing their accounts.

Lest anyone be misled by the recent flurry of interest in vision care benefits and programs, this highly affordable, much appreciated benefit is not new. For more than 30 years, vision care has been available to the labor force and general public in one fashion or another, (i.e., prepaid plans, safety-glass plans, traditional indemnity insurance plans, and as part of medical reimbursement plans). However, vision care has held the lowly status of stepchild within the family of employee benefits.

Due to the relatively low-risk exposure represented by individual or group vision care, employers paid little attention to providing a formal benefit plan to address this employee/family need. And due to the relatively low commissions associated with vision care plans, brokers and agents have not had the incentive to actively promote vision care plans. Only when all of the higher priority issues (medical, life, disability, dental, pharmaceutical, pension/profit sharing, vacation, etc…) were covered was vision care given a serious look by both employers and the brokerage community.

Vision care coverage grew through the 1960s and 70s, primarily through Taft-Hartley group trusts and other union-sponsored, collective bargaining arrangements. These programs tended to benefit employees working for the larger, Fortune 500 type companies. The Commission scales on vision care products are comparable to other health products. However, do not be misled into thinking that because the total sales volume on vision products is less than the sales volume generated by a major medical product, your commissions will not justify your efforts. Many brokers/agents are generating consistent six figure incomes on vision sales alone.

Enactment of Medicare and Medicaid in 1965 included some vision benefits for certain economically distressed categories and individuals over age 65. Even in the early 1980s, less than 18 percent of the work force had any vision care benefits.

However, in the mid 1980s, an interesting phenomenon driven by the convergence of three powerful forces began to occur. The convergence of these forces dramatically altered the way health care plans (and more specifically, vision care plans) would be sold in the future. Those three forces were:

1) The 1980-82 recession

2) The three year health insurance profit/loss cycle

3) The first wave of the Baby Boom generation reached age 40

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Taken individually, none of the three forces noted above is extraordinary. Generations of Americans have experienced economic cycles in the past, and future generations will have their turn on the same roller coaster. Health insurance rates have risen consistently ever since the introduction of the first hospital service association plan, the Baylor University Hospital Plan, in 1929.[1] And people turn 40 every day, that magic age when a condition known as presbyopia begins to develop. (As people grow older, they become farsighted due to the loss of elasticity in the lens of the eye, and therefore loss of ability of the eye to bulge to accommodate for near vision). To repeat, taken individually, none of these three factors are particularly noteworthy; however, mixed together, they created a revolutionary change in the way vision care plans were perceived within the employee benefits community.

As the cost of health care continued to rise in the 1978-1981 insurance underwriting cycle, many insurance companies opted to withdraw from the marketplace. Those that remained were challenged to retain their policyholders while passing on 30 to 200 percent annual rate increases. Many employers rode out the rate increases while passing these increased costs on to the ultimate consumer in the form of higher prices for goods and services. Some employers migrated to the newer, lower-cost HMO programs being developed. Others simply dropped their carriers and began "self-insuring" their employees. In any case, the cost of employee benefits was still calculated into the cost of goods/ services sold. In a strong economy, where supply and demand are in equilibrium, this cost transference mechanism is sustainable. However, during the recession of 1980-1982, this system failed. Costs could not be transferred or absorbed when products were sitting on the shelf because demand had dried up.

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Don't underestimate the commission potential

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Local service and a reputation for delivery

How does a broker/agent know which vision plan is the right one to work with? Each broker/agent must answer that question within the context of their own client base and needs, budget constraints, and administrative objectives. Some guidelines might be helpful:

Does the vision plan have adequate geographic representation?

Does it have local service representation?

Does the vision plan use quantifiable cost control formularies? Is the formulary discounted fee for service? Cost-plus? Retail discount?

Are there valid quality control and quality assurance mechanisms in place?

Is member satisfaction guaranteed? Is there an easily understood grievance/ audit procedure to follow?

Are customer service and administrative support mechanisms easily accessible nd user-friendly?

Are all marketing materials, brochures, ID cards, and provider directories concise, easy to understand and professionally prepared?

Are commissions paid accurately and promptly?

Are MIS systems compatible so as to support seamless data transmission and reporting requirements?

Has the vision plan consistently delivered what it is supposed to deliver? Is there a substantial referral base of satisfied clients?

These are just a few guidelines that may help in your analysis of vision care plans. Customer satisfaction surveys have uncovered others such as simplicity, integrity, quality and economy. That is what brokers/agents say they are looking for in their benefit plans. If these factors exist, we have found that contrary to popular belief, employers are not eliminating benefits such as vision care, but are in fact increasing the use of such plans. What is being eliminated is waste, duplication, inefficient and ineffective plan design and administration. Employees want/need vision benefits. Employers want/need value for the benefit dollars spent. Those brokers/agents that are properly prepared to address the needs and concerns of their clients will find abundant sales opportunities for vision care.

How to select a vision partner

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Footnotes

1. Gregg DW, Lucas UB. "Origins of Group Medical Expense Insurance." Life & Health Insurance Handbook, Richard D. Irwin. Inc., 1973.

2. Anthony CP, Kolthoff NJ, physiology of vision, Textbook of Anatomy and Physiology, C.V. Mosby Company 1971: 252.

3. U.S. Chamber of Commerce. Annual Report on Employee Benefits Costs-1991.

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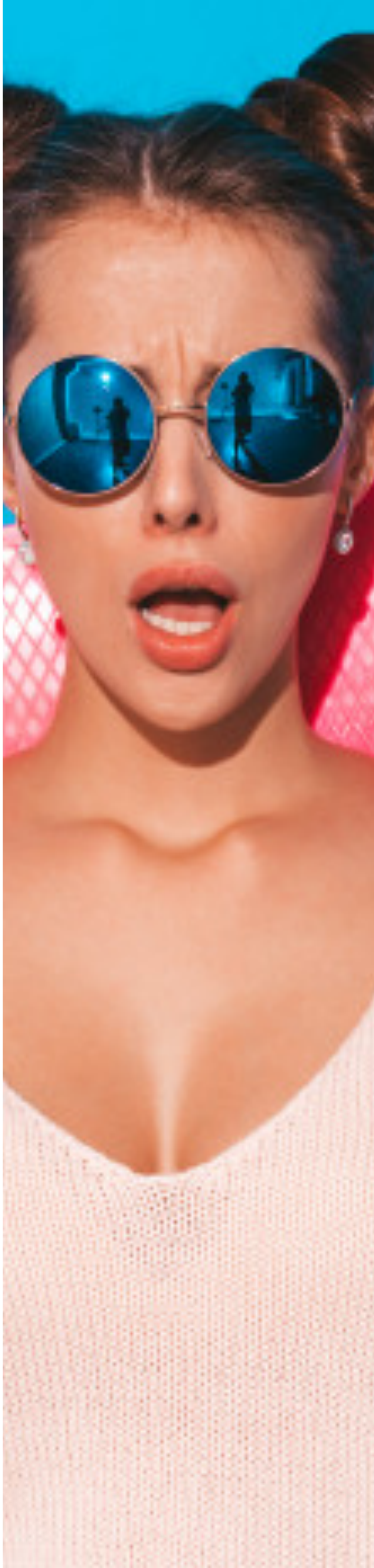
Additional Opinions added by Opticare Vision Services.

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