

DAVIS VISION, INC.

**Testimony on
Pennsylvania Senate Bill No. 204**

**Presented by
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Good afternoon, Senator White and members of the Committee. My name is Joseph Wende and I am a licensed optometrist and Senior Vice President of Professional Affairs and Quality Management for Davis Vision, a vision subsidiary company of Highmark. I am joined today by Michael Warfel, Highmark's Vice President of Government Affairs.

I am responsible for all phases of Davis Vision's network management, quality assurance & improvement, including oversight of professional field consultants, recruiting, credentialing, utilization management and accreditation activities.

Since joining Davis Vision 14 years ago, I have directed the development of the Davis Vision Professional Affairs Departments. Born and raised in Wilkes-Barre, Pennsylvania, I practiced optometry in Doylestown, Pennsylvania prior to joining Davis Vision.

Before offering our thoughts about Senate Bill 204, I'd like to provide a brief overview of Davis Vision and the vision insurance industry marketplace. I hope to help create an understanding of the steps we take to maintain affordable vision coverage for employers and their employees at a time when many are struggling to afford health benefits.

Davis Vision is a well-established national entity that has been providing comprehensive vision care services for over 40 years, and we consistently receive high recognition for quality in virtually all areas of our operations. Our headquarters are in Plainview, New York.

We serve thousands of client groups in all 50 states, the District of Columbia and Puerto Rico. 2.2 million lives within the Commonwealth of Pennsylvania alone. Plan services are provided through a network of over 30,000 providers which include optometrists, ophthalmologists, our own proprietary vision centers as well as national and regional optical retailers.

Davis Vision has world-class regional laboratories strategically located throughout the country to maximize production quality and efficiency for our clients, their employees and family members.

Davis Vision's roster of corporate clients is extensive and includes many large national corporations and thousands of small and mid-sized groups. In addition, Davis Vision also functions as the exclusive vision vendor on behalf of the entire Blue Cross and Blue Shield system for the Federal Employee Program (FEP) BlueVision® product for the Federal Government's Office of Personnel Management. Davis Vision administers vision benefits right here in

Pennsylvania, for Gateway Health Plans, Independence Blue Cross, and Keystone Mercy Health Plan, to name a few.

As you are aware, employers and other vision plan sponsors in Pennsylvania and across the United States are facing financial pressures to afford benefits, including employee health benefits. At the same time, employers also want to recruit the best employees so they can remain competitive in today's increasingly global economy. A vision benefit program, in addition to other employee benefits, represents an important addition to an employer benefit package designed to recruit and retain a top-notch workforce.

While employers provide comprehensive vision and eye care coverage to more than 150 million Americans today, many people access vision care services as part of their medical coverage or through government programs. Their vision coverage ensures that patients actually utilize their eye care benefits, which are a vital part of general preventive health care. The elimination of a consumer's right to choose a vision plan in connection with a medical insurance plan will cause significant disruptions in families' vision coverage, reduce competition in the market for vision care and increase the administrative costs of providing vision coverage to all Americans.

Davis Vision helps all its customers put together cost-effective benefit packages which are competitive, comprehensive and meet their needs. The availability of a reasonably priced vision benefit plan enables Davis Vision to offer basic eye care at an affordable cost to both the employer and the employee. A growing trend nationally is the introduction of voluntary benefits. In a voluntary program, the employee themselves is afforded the opportunity to choose their vision program based on cost, network availability, and benefits provided or elect no vision program at all. A 2009 survey conducted by Sun Life Research revealed that 80% of survey respondents rate vision benefits as having value to their household, ranking second only to dental coverage.

Davis Vision is able to offer affordable vision coverage by achieving the economies of scale that only a company of our scope, size and business model can achieve. At our fabrication facilities, ongoing investment in the latest technological advancements, robotics and systems reflects our commitment to quality. We carefully manage inventories at each laboratory, and employ innovative fabrication techniques to ensure rapid turnaround of more than 7,500 custom ophthalmic orders daily. By doing so, we keep the unit cost of eyewear most affordable.

Davis Vision currently contracts with thousands of eye care professionals in Pennsylvania and across the country. They effectively manage and grow their practices while accepting reasonably discounted professional fees for covered services rendered to eligible members of our vision plans. Vision plan members

typically seek professional eye care services more frequently than persons without vision benefits, promoting improved eye and general health and offering greater opportunity to participating providers to service those members. By participating in a vision plan, an eye care professional attracts new patients to their practice through the marketing efforts of the vision plan.

Practitioners who choose not to participate in a vision plan are not prohibited from providing eye care services to vision plan members. With the exception of some government sponsored medical assistance programs, virtually all vision plans offer out-of-network benefits to eligible members. In this way, vision plan members have the ultimate freedom of choice when selecting an eye care professional to obtain vision care services where the eye care professional would utilize their own inventory and laboratory sources.

Independent eye care industry studies show that the average cost for a single pair of prescription eyeglasses nationally is about \$285. Without the benefit of managed vision care coverage, the cost of eye care for a typical Pennsylvania family, where three or more members may require vision correction, can be prohibitive. By requiring significant changes in vision benefits available to Pennsylvanians, we believe the proposed legislation, Senate Bill 204, could cost a typical family hundreds of dollars in additional expenses each year. These studies also confirm that consumers consistently perceive the most important feature of a vision plan to be low out-of-pocket expense.

Virtually all covered prescription eyeglasses for eligible Davis Vision members receiving care from participating independent optometrists and ophthalmologists in Pennsylvania are fabricated in Davis Vision's ophthalmic laboratory located in Newtown Square, Pennsylvania, relocated from Philadelphia in October 2008. This lab employs over 100 Pennsylvanians. We have several other laboratories located throughout the country, and the quality of materials and services provided by each Davis Vision laboratory is second to none.

Davis Vision laboratories have received the Gold Seal Award from Colts Laboratories, the leading independent quality measurement organization in the ophthalmic industry, every year since 2001. All Davis Vision laboratories are certified to standards established by the International Organization for Standards (ISO). Additionally, Essilor, the largest supplier and distributor of ophthalmic spectacle lenses worldwide and the owner of the largest wholesale ophthalmic laboratory system nationally, named Davis Vision's laboratories as the Varilux Lab of the Year in 2007 and 2008.

Senate Bill 204 would eliminate cost controls that could result in higher costs for us, and which may result in elimination or a reduction of the vision benefit that we currently offer to our clients. This could be detrimental to our business activities, and may force clients to opt-out of vision coverage due to increased costs.

Several provisions in the Unfair Insurance Practices Act legislation would remove significant cost controls, ultimately resulting in higher out-of-pocket costs to the consumer and higher premium costs to employers and other plan sponsors.

Our review of Senate Bill 204 gives us serious concern about the potential impact of this proposed legislation on Pennsylvania consumers. We oppose the legislation, which by amending the Unfair Insurance Practices Act would remove significant cost controls and ultimately result in higher out-of-pocket costs to consumers, higher premium costs to employers and other plan sponsors, while increasing revenue to optometrists and ophthalmologists in direct proportion to the higher financial burden that will be borne by consumers and plan sponsors.

We believe this legislation would truly be a demonstration of unsound public policy. It not only would impact the business interests of Davis Vision and other third party vision plans, but its implications would be far reaching. It would impact the bottom line of businesses and individuals throughout this region and across Pennsylvania.

It appears that the primary benefactors from this proposed legislation would be independent optometrists, ophthalmologists, and wholesale ophthalmic laboratories who would realize increased revenue in direct proportion to the higher financial burden borne by consumers

As an optometrist myself, and one that practiced in Pennsylvania for more than ten years, I can certainly understand why some eye care professionals might prefer a totally local approach, and the use of their own local labs and services from a financial perspective. However, the economies of scale that Davis Vision realizes through our business model not only enables us to operate as a fiscally responsible vision company, but gives us the ability to provide significant benefits – high quality and cost controls, to name a few – to the end users, our clients and their employees. Notwithstanding, in return for accepting reasonably discounted reimbursements for covered services rendered to eligible members, participating providers in any vision plan attract new patients to their practice and are afforded the opportunity to provide all appropriate eye care services to those members and their families with the potential to also generate additional referrals.

We would welcome the opportunity to discuss in more detail the reasons we believe this legislation conflicts with the interests of consumers and employers, and with established public policy objectives. It prevents insurers from providing cost management solutions to consumers. I would be happy to answer any questions you may have at this time.